PHOENIX PETROLEUM PHILIPPINES, INC.
2013 ANNUAL REPORT

RESILIENT

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 36th in the country's Top 10,000 Corporations as of 2012.

ABOUT THE COVER

Phoenix Petroleum Phils., Inc. honors the Filipino's resiliency amidst all the challenges the country faces. The fist represents the continuous fight of the people and the company to surpass and move forward for a better future.

CONTENTS

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 2009-2013

(All Amounts Expressed in millions , unless otherwise stated)

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

(All Amounts Expressed in millions , unless otherwise stated)

	2009	2010*	2011*	2012*	2013
Balance Sheet Data:					
Current Asset	2,919	4,883	6,902	8,967	13,069
Non-current Asset`	2,085	4,394	6,057	7,540	9,283
Total Assets	5,003	9,276	12,959	16,507	22,352
Current Liabilities	2,661	4,938	7,152	5,752	9,842
Total Liabilities	3,475	6,197	9,244	12,011	15,840
Stockholders' Equity	1,529	3,079	3,714	4,497	6,512
Bank Debts	**2,318**	**4,034**	**5,877**	**9,915**	**13,752**

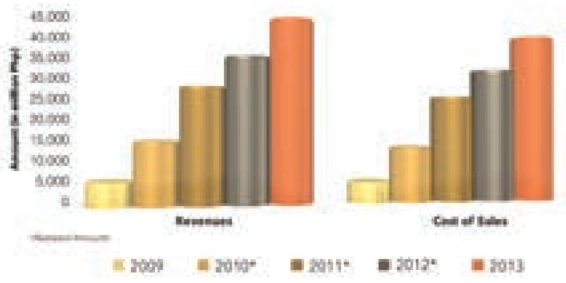
Financial Ratios	2009	2010*	2011*	2012*	2013
Current Ratio[1]	1.1 : 1	0.99 : 1	0.97 : 1	1.56 : 1	1.33 : 1
Debt to Equity[2]	2.27 : 1	2.01 : 1	2.49 : 1	2.67 : 1	2.43 : 1
Return on Equity[3]	67.71%	17.92%	16.42%	15.86%	12.08%
Return on Assets[4]	20.39%	5.78%	7.88%	6.90%	4.86%
Return on Sales	12.80%	2.77%	2.03%	1.88%	1.53%
Net Book Value Per Share[5]	5.76	5.61	5.61	4.96	4.55
Earnings Per Share-(Adjusted)[6]	0.88	0.32	0.40	0.48	0.45
Earnings Per Share-Core (Adjusted)[7]	0.21	0.32	0.40	0.48	0.45
Return on Equity-Common	68%	17%	15%	14%	11%

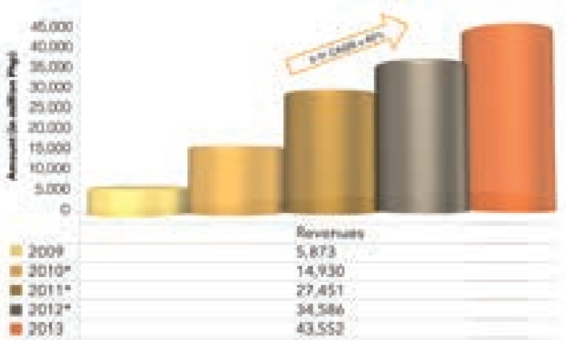
Debt Service Cover Ratio:

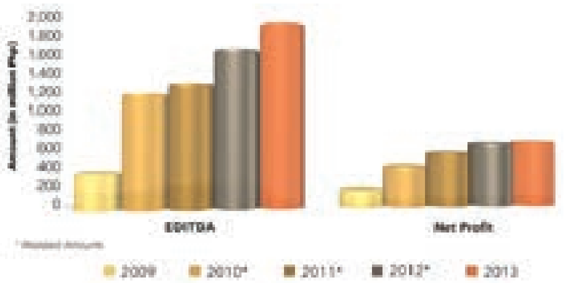
Stock Information: (Figures in millions except per share)	2009	2010*	2011*	2012*	2013
Weighted Average No. of Shares-Adjusted of Stock Dividends	852.74	1,234.29	1,235.78	1,235.78	1,357.01
Number of Shares Issued	269.16	548.02	661.12	906.06	1,428.78
Total Number of Shares Outstanding-Year End	265.31	548.02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

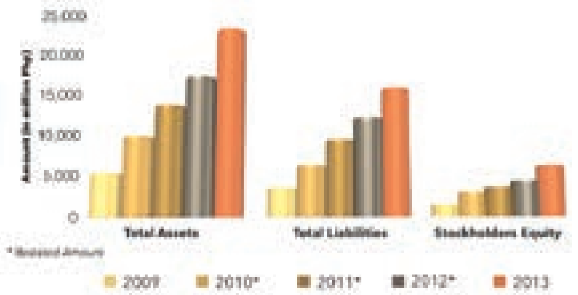
Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Net income divided by average total stockholders' equity
4 –Net income divided by average total assets
5 –Total stockholders equity-(Common) divided by the total number of shares issued 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

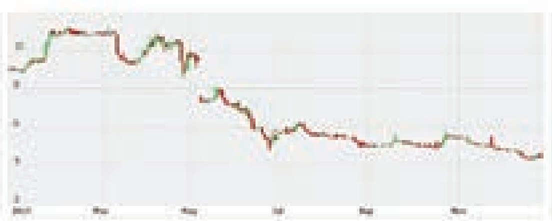








PNX Stock Chart in 2013



Opening Price: 9.03
Closing Price: 4.50
Stock Dividend: 30%
Cash Dividend: P0.10/share

The year 2013 was marked by these accomplishments of the Company:

INCREASED MARKET SHARE

We added 68 new retail stations this year, for a total of 368 stations nationwide. Of these, 209 are in Mindanao, 47 in Visayas, and 112 in Luzon.

Fuel sales volume grew 31% as a result of the continued expansion of our retail network and increase in sales from retail and commercial/industrial accounts.

We thus increased our market share from 4.4% in 2012 to 7.2% as of first half 2013, based on the Department of Energy's industry report. This cements Phoenix Petroleum's position as the leading independent oil company in the country.

The BPM project was implemented in October, with the goal of improving internal business processes

Phoenix Petroleum is the official petroleum partner of NBA in its Philippine events

IMPROVED INTERNAL PROCESSES

The implementation of the Business Process Mapping project in October aimed to achieve greater efficiency, accountability, and service fulfillment in our internal processes. We have begun to see improvements in materials management, sales and distribution, and finance using one simplified and structured process.

As part of the BPM, new units were also established, namely Customer Service, Road Transport, and Sales Technical Support.

STRONGER BRAND

Awareness and support of the Phoenix brand continues to grow, especially in the large Luzon and Metro Manila market. Successful initiatives include the tie-up with NBA as their official petroleum partner in the Philippines, and the roll-out of our flagship product, the high-performing Phoenix Premium 98.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT/CEO

DENNIS A. UY | PRESIDENT AND CHIEF EXECUTIVE OFFICER

DOMINGO T. UY | CHAIRMAN

2013 was a year that tested the Filipino's spirit.

A 7.2-magnitude earthquake struck Bohol and Cebu in October, leaving hundreds dead and damaging centuries-old buildings that have formed part of Philippine history. Typhoons continuously hit the country, with the strongest, Yolanda, striking in November. Yolanda destroyed cities, killed thousands, and displaced millions of people. It will take time to recover and rebuild from the deadliest storm the country and the world has experienced.

Yet despite these, the Philippines managed to rise. Our GDP of 7.2% was higher than expected and continued two years of the country's strongest growth since the 1950s. The increase was fueled by the services and manufacturing sectors, sustained consumer and government spending, investments in fixed capital formation, and growth in international trade. The strong peso pushed inflation down to 3%, the lowest in six years. The country was also promoted to investment grade status, making us an attractive option for local and foreign investors.

Demand for petroleum continued to increase, rising by 5.7% to 58,200 MB in the first half of 2013 compared to 55,084 MB in the first half 2012. This means an average daily requirement of 321.5 MB. Tight supply and rising oil prices led to a net increase in domestic prices of Php 4.68/liter for diesel and Php 3.59/liter for gasoline.

Overall, the robust economic growth, political stability, and strong domestic demand make the Philippines the fastest-growing economy in Asia next to China.

These positive macro-economic prospects translate to favorable prospects for our Company.

Revenue increased 26% to Php 43.552 billion from Php 34.585 billion the previous year. This was driven by the 31% increase in fuel sales volume due to the expansion in our retail and commercial segments.

Net income of Php 665 million remained almost flat, at 2% higher compared to Php 651 million in 2012, due to price volatility and investments in facilities and people to support the growing business.

Fueled by strong consumer spending, we increased our retail stations by 68. Our 368 stations nationwide serve at least three million motorists daily. With over 100 locators of various retail concepts such as convenience stores, restaurants, car repair, and other services, Phoenix stations attract more vehicle traffic and serve as a landmark in its area. The added convenience of clean and air-conditioned restrooms in 32 stations is a treat to motorists.

As our retail network has grown, so has our commercial and industrial segment, serving a wider range of industries from mining, transport, shipping, construction, and power.

Our market share thus increased to 7.2% as of first half of 2013 from 4.4% in 2012 – just over a percent away from the third biggest oil company.

The growing business and continuous investment in our retail network, depot facilities, logistics infrastructure, systems and information technology brought up the Company's total resources to Php 21.76 billion in 2013, up by 32% from 2012.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT/CEO

Our company is well poised for growth. We raised additional equity by tapping local and international capital markets. Our balance sheet ratios have improved to its best performing in our short corporate history: current ratio of 1.33:1, debt to equity ratio of 2.43:1, and earnings per share at 0.45.

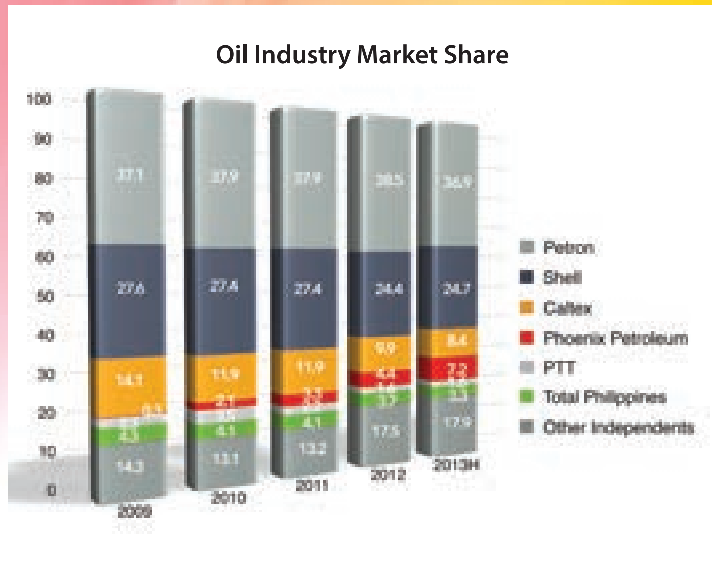
Total shareholder's equity grew to Php 6.51 billion at the end of 2013 compared to Php 4.50 billion in 2012, as a result of fresh capital infusion and the current year's net income net of the cash dividends.

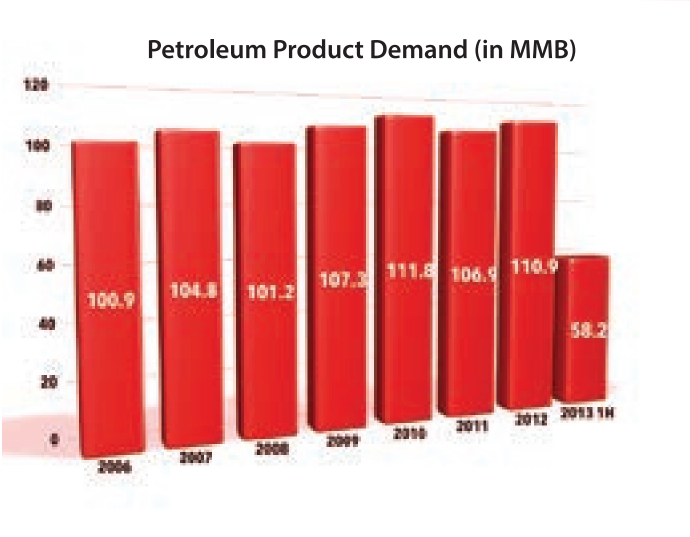
Over the five years from 2009 to 2013, we have posted cumulative annual growth rate of revenue at 65% and net income at 39%.

We are now ranked the top 36th Corporation in the Philippines, cementing our position as the number one independent oil company.

Internally, we continue to improve our business processes with the roll-out of our biggest project to date, the Business Process Mapping (BPM) using SAP A1, in October. This is envisioned to bring greater efficiency, accountability, and service, while maintaining the flexibility that has enabled our growth. Our new Customer Service Unit is dedicated to fulfilling customers' requirements. As with any change initiative, continuous learning and support from various stakeholders are keys to success.

Team Phoenix, now over 500 strong, is committed to be an indispensable partner. This was our battlecry in 2013, and remains our vision. Vital to this is having both passion and compassion: passion to be indispensable, compassion or *malasakit* to care for the company as one's own.





Source: Department of Energy

Compassion is what also drives us to help our fellowmen especially in times of need. To victims of the earthquake and typhoon in the Visayas, we helped in relief operations by donating food, water, clothes, and fuel. We are also committed to the rebuilding of the affected communities.

While 2013 was marked by tragedy, it showed what the Filipino is capable of. Perhaps resilience should be the word of the year for the Philippines. From one adversity after another, Filipinos have shown again and again that we will bounce back more determined and smiling widely as ever.

It is the same for us at Phoenix. As a company we have had our own share of challenges that have put us to the test – from our early days as a young company based in Davao up to our growth years as an aggressive independent oil player. But time and time again, we have come out of it flying higher.

Despite the many challenges the past year, your company is resilient. Growth targets are being met and strong foundations laid out for a brighter future. It is our goal to be an indispensable partner to you, as you are to us.

We thank all our stakeholders for the faith, confidence, and support in us. To our dealers and investors, for trusting us and for believing that yes, we can be what we dream to be.

To Team Phoenix, for the hard work and commitment to make each year more successful than the last.

"As a company we have had our own share of challenges that have put us to the test. But time and time again, we have come out of it flying higher."

To our business partners, for believing in our brand, for believing in our promise, and for believing in the Filipino spirit of rising up to the challenge like the Phoenix.

Together, we will soar higher.

DOMINGO T. UY | CHAIRMAN

DENNIS A. UY | PRESIDENT AND CHIEF EXECUTIVE OFFICER

ROMEO B. DE GUZMAN | CHIEF OPERATING OFFICER

"Our people continue to be the focus of our growth initiatives."

How would you evaluate the Company's performance in 2013?

Our company's 2013 KPIs included higher targets for sales and net income compared to what we attained. We failed to achieve these primarily due to external factors. Despite these challenges, the team's extra efforts minimized the shortfalls against the targets.

What operational efficiencies and improvements were achieved over the past year?

In the desire to achieve higher efficiencies in operations, we were successful in the acquisition of both experience and competence in organizational development. This will be the key in further executing the initiatives and programs and whose results are expected to be realized in 2014. These human assets will benefit the areas of sales, operations, engineering, supply and safety. Aside from this, the implementation of our Enterprise Resource Planning Program – SAP in October 2013 will definitely drive efficiencies of each business unit to its optimum.

Phoenix Petroleum has recorded impressive growth each year. How is the Company responding to the challenge of sustaining this growth?

As the Company propels itself to its lofty goals, the organization's most valuable asset – our human resources – continues to be the main focus of growth initiatives. The continuous Training and Development of our manpower and key personnel will help prepare us to face the future. Various management training modules will be pursued and extended to our people to prepare them for greater responsibility.

Another significant response to this challenge is ensuring that all Phoenix staff are aware of both the Company goals and their individual goals. Targets are cascaded vertically, from top to bottom. This consciousness keeps people on their toes and what their contributions are in achieving the collective success of the Company. We have also embarked on Organizational Development as well as Succession Planning activities.

We are beefing up our lower and middle management levels with competent professionals via our stringent hiring process. In our sourcing and hiring process, our HR has instituted actions to get the 'cream of the crop' of fresh graduates from top schools to become future leaders in Phoenix.

In order to track our growth, we closely monitor our position vis-à-vis competition in the industry arena. This is done through the Trade Survey, where we present our own data on sales volumes per site, per company and the number of retail sites vs. each competitor. The Trade Survey provides us a view of how we fare in terms of both market share and outlet share, and consequently, our Retail Effectiveness against competition.

The oil industry is very competitive and ever changing. How do you see Phoenix and the industry five years from now?

We see ourselves as the third oil industry player in terms of market share and the third preferred brand in the industry. I also see our presence not only within the Philippine territory but hopefully be relevant in the region by that time.

DEVELOPING OUR NETWORK

We opened 68 new retail stations in 2013, growing our network to 368 nationwide. Of these, 209 are in Mindanao, 47 in Visayas, and 112 in Luzon.

We continued to expand our commercial and industrial business, serving more accounts in power, marine, mining, construction, manufacturing, and other vital sectors.

Consequently, our fuel sales volume grew by 31% over the previous year. Our market share thus rose from 4.4% in 2012 to 7.2% as of first half of 2013, cementing our position as the leading independent oil company in the Philippines.

Sales of our lubricants increased 5%, with retail improving by 18%. Commercial sales of lubricants was down 9% due to industries affected by typhoons and seasonal operations.

In line with our goal to make Phoenix stations a destination, we continue to partner with big brand locators in our mega-stations. These restaurants, convenience stores, parlors, ATMs, money remittance shops, and clean and cool restrooms provide convenience to motorists, making Phoenix a one-stop shop for their needs.

Especially in the older stations in Mindanao, we have started a major retrofitting project to align the Phoenix look nationwide.

In the second half of the year, we successfully launched our flagship product, the Phoenix Premium 98. It is a premium fuel with high octane rating plus performance additives that enhances acceleration, reduces engine friction, and removes fuel deposit – restoring overall lost engine performance. It contains 10% bioethanol renewable fuel that helps reduce oil pollution and extend engine life. Premium 98 has been very well-received by the market, as it combines the performance of a higher octane rating with the same price of Premium 97 gasoline.

Phoenix Singkang, Bacolod

Phoenix Numancia, Aklan

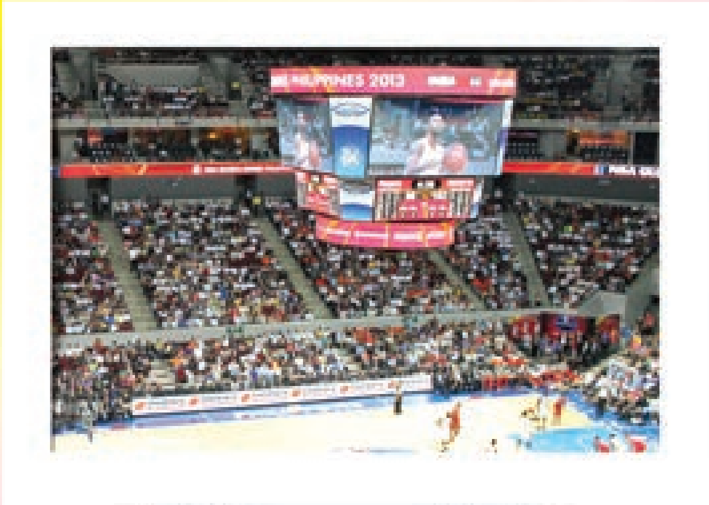
Locators in Phoenix mega-station in Lanang, Davao City

DEVELOPING OUR BRAND

To support the growth of our network, we are continuously developing the Phoenix brand to stand for performance, reliability, and passion. The exciting and innovative promos, activities, and partnerships have helped build awareness for Phoenix.

NBA PARTNERSHIP AND PROMOS

In 2013, we signed a multi-year partnership with the National Basketball Association (NBA) as their Official Petroleum Partner in the Philippines. The tie-up involves us with all NBA events in the country such as Jr. NBA presented by Alaska, NBA 3X presented by Sprite, and the NBA Global Games.



Phoenix Petroleum supported the NBA Global Games in the Philippines

NBA stars visit the Phoenix Petroleum office at Taguig on July 26, 2013. From left: Carlo Singson (NBA Country Manager, Philippines), James Harden of Houston Rockets, Dennis Uy (Phoenix Petroleum President and CEO), Scott Levy (Senior Vice President & Managing Director, NBA Asia), Eric Gordon of New Orleans Pelicans, and Francesco Suarez (VP of Global Marketing Partnerships, NBA Asia)

RISING AGAIN

A strong earthquake, a super typhoon, a city besieged – these were only some of the tragedies the Filipino had to overcome in 2013.

For members of the bigger Phoenix family, these disasters tested their faith and abilities. And true to the Filipino's spirit of resiliency, they are facing the challenge to rebuild their businesses and communities with hope, enthusiasm, and courage.

These are their stories.

INNER STRENGTH

Mr & Mrs Janito Ompad

Phoenix dealer Mr. Janito Ompad of Nabunturan, Compostela Valley was preparing for the first anniversary of their station when Typhoon Pablo struck the province and neighboring Davao Oriental on December 2012. The typhoon destroyed towns and killed thousands of people.

"We had already bought the things we needed for the celebration. But after the typhoon hit us, our Phoenix station was almost destroyed," he said. "The canopy and price board were damaged. We were very scared because we were in a state of calamity."

But through prayers, teamwork with his staff, and the help of Phoenix, Mr. Ompad was inspired to rebuild. A year after Pablo, his station is going strong, increasing its average monthly volume and consistently hitting targets.

"I learned a lot from what happened during typhoon Pablo," said Mr. Ompad. "Foremost is to be always ready and to push for your dreams despite all odds."

Their station, after being hit by Typhoon Pablo

After renovation, their Phoenix station looks good as new

We ran two NBA-themed promotions, both successful in growing sales and brand awareness. The "Phoenix-NBA On the Road to Play-offs Promo" offered Phoenix customers limited edition aluminum NBA sports bottles at Phoenix stations nationwide. Eight NBA teams were featured: Chicago Bulls, Boston Celtics, Los Angeles Lakers, Houston Rockets, New York Knicks, Oklahoma Thunder, Los Angeles Clippers, and season champion Miami Heat.

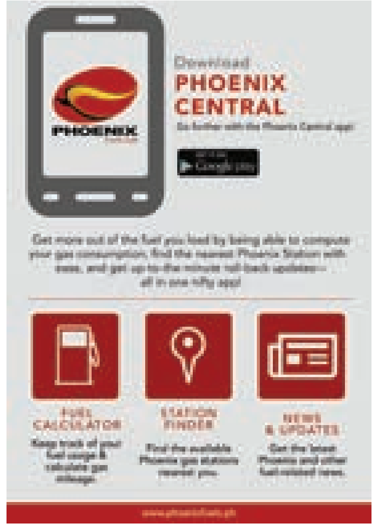
The "Phoenix Gas-up, Match-up Promo" raffled off 50 game tickets with overnight hotel accommodation and travel allowance to lucky Phoenix patrons to watch live the NBA Global Games. Fifty winners from Luzon, Visayas, and Mindanao came together to watch the Houston Rockets and Indiana Pacers play at the Mall of Asia Arena on October 10 – a dream come true for NBA fans.

Earlier in the year, we ran a nationwide promo, the "Phoenix Gas Na, Good As Cash Promo" where we gave away Phoenix-UnionBank Visa Cash Cards as prizes. Cards were pre-loaded with cash worth P25,000 to P100,000 which winners can use to buy anything they want.

The promo complemented our Phoenix UnionBank Credit Card, which offers 3% rebate for Phoenix fuels, 10% rebate for Phoenix lubricants, and free road assistance.

SERVICE TO MOTORISTS

During the Holy Week and All Saints Day holidays, we launched the Phoenix Kalsada Brigada, our motorist assistance program offering free vehicle check-up to all Phoenix customers nationwide. Customer participation significantly increased this year as compared to previous years. We also partnered with upcoming brands such as Astig Energy Drink, Lemon Squares, and Big Munch Chips which were given for free to motorists.



In the third quarter, we launched the first phase of our mobile app, Phoenix Central, designed to be an indispensable partner of motorists. Phoenix Central has three main utilities: Fuel Calculator, Station Finder and News & Tips. These help users compute for car mileage and fuel consumption, find the nearest Phoenix station that will also show the station's amenities, and get the latest news on fuel prices, Phoenix promos, and safety tips. The app is free and available for Android devices.

EVENTS

To promote our lubricant products, we renewed our partnership with our brand ambassadors and appointed new ones to ensure continued visibility in races around the country.

We sponsored three major regional events to showcase the capability of our lube products: the MotoCyclo in Peñafrancia, Biketoberfest in Cebu, and MotoCyclo in CDO. A total of 90 clubs participated, composed of 4,100 members.

We also supported motocross, circuit, and autocross events, such as the Raider Breed Wars with Suzuki Philippines, motocross events across Mindanao, and motocross series in Luzon, joined by local and international riders.

We continued our tie-up with Philippine Autocross Championship Series and SM Supermalls, giving us exposure in 14 legs in mall sites across the country.

The company continues to be a major sponsor of Araw ng Dabaw through the Phoenix Run and Phoenix Golf tournament. These events are much anticipated in Davao City, attracting participants nationwide and supporting the Phoenix brand as a proudly homegrown company.

Phoenix Cyclomax Motocross in Davao City

GOOD COURAGE

On September 2013, armed men attacked Zamboanga City, forcing people to evacuate to safety and businesses to close.

Mr & Mrs Edwin Ledesma

"The city was at standstill with limited movements. Businesses were moving at a slow pace, sometimes none at all," said Phoenix dealer Mr. Edwin Ledesma. "Banks, groceries, and pharmacies were open for a limited time on the first week but then were advised to close for fear that rebels will take hostages. The seaport was closely monitored and the airport was closed. Zamboanga became a ghost town."

But his Phoenix retail station in Suterville – which was in the danger zone and one of two Phoenix stations he operates – remained open amidst those frightening times. Said Mr. Ledesma, "My wife and I firmly believe that business, in whatever form, context, or situation is Public Service."

It was a learning experience and a test of faith. "Sometimes during the day because of fear and panic due to the situation, we came out short of cash, but then we gained not only the experience but the trust of our customers."

The siege taught him and his family the real meaning of service. "Business is service. My family and friends, together with the classmates of my wife in high school and college, helped our fellowmen by serving them in the gas station. During the crisis, we were able to share our material blessings like rice, clothing, and bread to evacuees in the centers, to the PNP, AFP, and to the different outposts and checkpoints."

He expressed gratitude to Phoenix, "from the RTM, staff, technician and the people from the depot who gave us their all-out support in terms of advice, logistics, and prompt delivery of products to the station."

Through his example, Mr. Ledesma proves that businesses can indeed help the community.

To serve our increasing network of retail partners and commercial and industrial customers, we set up new units, expanded operations, and enhanced our facilities.

In May, the Customer Service Unit (CSU) began operations as the central point of contact by Phoenix dealers, commercial accounts, distributors, and interested clients and franchisees. This enables us to give better service to our customers by making it more convenient and efficient for them to contact us for orders, inquiries, and issues.

The Road Transport group was also formed to centralize scheduling in all our depots and terminals, with the goal of delivering products on time, as scheduled. These new units are an off-shoot of the Business Process Mapping (BPM) project, which aims to deliver better service to customers by enhancing the efficiency and effectiveness of processes.

In Operations, we continue to increase our storage and distribution capabilities to serve more customers. Our tank capacity nationwide expanded from 214 million liters to 271 million liters, with the addition of capacities in our depots in Calaca, Davao, Zamboanga, and Dumaguit.

Facilities were improved, such as the construction of six additional loading position gantries in Calaca, installation of automatic blending system in Davao, upgrading of pipeline facilities in all depots and terminals, and installation of Vertical Turbine type fire pumps in Calaca and Davao.

With the Department of Energy mandate to have 2% blend of Coco Methyl Esther (CME) or coco-biodiesel in our product to improve the quality of diesel fuel, we built a CME plant in CDO and increased CME and Ethanol tank capacities in Zamboanga and Aklan.

We operationalized Jet A1 facilities and rehabilitated the leased tanks for Jet A1 in Cebu and Subic to serve Cebu Pacific. In Kalibo, we started into-plane operations for Tiger Airways. Construction is ongoing at the Iloilo airport facility to serve Cebu Pacific.

We continue to build a culture of safety in the team, with 300 people attending safety trainings in 2013. We marked a milestone of one year without lost time due to injury, or more than two million man-hours for all terminals, depots, and offices.

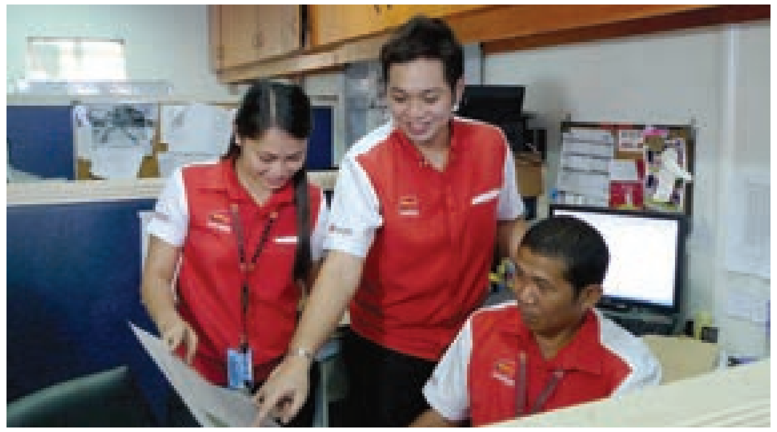
The newly-formed Customer Service Unit is the central point of contact by our retail partners and commercial customers for orders, inquiries, and issues

The Phoenix Petroleum terminal in Villanueva, Cagayan de Oro

Phoenix now also serves Tiger Airways in Kalibo

DEVELOPING OUR HUMAN RESOURCES

Our Human Resources team continues to work towards the aspiration of Phoenix as an Employer of choice. From the first to fourth quarters, the team participated in job fairs in key universities, and hired a number of applicants for our offices in Luzon, Visayas, and Mindanao.



Our aspiration is to be an employer of choice, keeping and developing future leaders.

Salaries were also aligned with industry standards, and incentive programs beefed up based on local condition.

The development of the entire team Phoenix continues to be a priority through trainings, coaching, and engagement. We want to attract the right people for the right job, and keep and develop future leaders. With majority of the workforce under 40, the company is poised to face with dynamism the challenges of the times.

CAPITAL RAISING AND EFFECTIVE INVESTOR RELATIONS

On March 11, 2013, the Company raised approximately USD30MM (about Php1.22B) through a private placement of 130MM common shares of stock at Php9.40 per offer share. The offer, which was 1.7x oversubscribed, was successfully placed with 34 institutional investors, 22 of which were foreign-based. This was the company's first formal foray into the international capital market and only the second time it has raised equity through the sale of common shares since its successful IPO in 2007. CLSA Limited acted as exclusive Placement Agent.

The team actively manages investor relations by participating in roadshows such as the CLSA Asean Corporate Access Forum in Bangkok.

INSPIRED HEART

On October 2013, a 7.2 magnitude earthquake hit Bohol and Cebu, destroying old churches, homes, and buildings.

"Metro Cebu was less affected by the earthquake, unlike in Bohol, Leyte, Samar and Northern Cebu," Phoenix Cebu dealer Mr. Oswald Layese said. "In our Phoenix station, there were only minor damages, such as fallen portion of the station ceiling and cracks on the walls. But the station remained safe to operate. Phoenix promptly assessed the damages and scheduled repairs."

Mr. Oswald Layese

After the earthquake, Mr. Layese called for a meeting with his staff to discuss their plan for the future. He motivated them to work even harder for their families. "The fact that we were less affected, we were in a better position to help," he said. "This inspired us not only to survive and rebuild but to help in the rehabilitation efforts."

Phoenix station in Talisay SRP, Cebu

On September 16, 2013, First Metro Securities Brokerage Corp. officially initiated research coverage of PNX, with a Buy recommendation. First Metro Securities is the third major stockbroker, after Maybank ATRKE Securities and CLSA Securities, to cover and promote PNX in the local and international equity markets. First Metro Securities is a member of the Metrobank Group and the local equity research partner of DBS Vickers Securities in Singapore, a subsidiary of DBS Bank, one of Asia's largest banks.

On December 20, 2013, the company successfully issued Php500MM in perpetual preferred shares with an effective dividend rate of 8.25% p.a. Proceeds were used to redeem the equivalent amount of perpetual preferred shares issued in 2010 with a dividend rate of 11.5% p.a. This will result in annual savings of Php16.25MM. PentaCapital Investment Corporation acted as Issue Manager and Sole Underwriter.

Throughout year, the team actively managed investor relations by participating in broker-sponsored investor forums locally and in Southeast Asia, as well as meeting local and foreign-based fund managers and analysts on a one-on-one basis.

ICT ENHANCEMENTS FOR FASTER AND MORE EFFECTIVE INTERNAL PROCESSES AND CUSTOMER SUPPORT

On May 27, 2013, the IT team successfully launched the company's first CRM (Customer Relationship Management) system. This outwardly-focused MS Dynamics CRM System ensures that the Company can track, record, and facilitate all product requirements of its customers. Customers can order, make requests, clarify product matters through the Company's newly formed CSU (Customer Service Unit), via landline, fax and/or email. While initially supporting the Company's CSU, the CRM will eventually be expanded in 2014 to support Sales.

From left, PentaCapital EVP Jose Ma. A. De Leon and President Jovencio F. Cinco, and Phoenix Petroleum President and CEO Dennis Uy and CFO Joseph John Ong sign the P500-million issuance of perpetual preferred shares on December 20, 2013

The BPM project team celebrates the first day of implementation of the new SAP A1 ERP, the company's biggest project to improve business processes

On October 1, 2013, the company's SAP A1 ERP (Enterprise Resource Program) went live. The biggest project of the Company (inclusive of Business Process Mapping), it is a substantial improvement over the old SAP Business One system. The more robust ERP effectively handles all financial transactions (budget, purchasing, invoicing, banking and real estate contracts) across the organization. The system allows users to enter transactions directly into the system at point of creation rather than being created manually – backended by Finance. Besides streamlining and simplifying many processes in the Company, the system has more robust security.

Moreover, management can process many previously manual transactions such as Purchase Requisition online – thereby speeding up processes with real time monitoring. This system, although clearly an inwardly-focused one, ensures that the Company processes all stakeholder needs as expediently as necessary with the required controls and approvals of Management.

INVESTMENTS IN SUPPLY CHAIN & LOGISTICS AND PURCHASING BUSINESS UNITS

More senior and experienced Managers were hired in 2013 to head Supply Chain & Logistics and Purchasing. The hiring of more technical staff, mostly engineers, and acquisition of monitoring tools and analytics such as Bloomberg and Platts in 2013 has resulted in a stronger Supply Chain & Logistics team. The team develops a strategic and systematic approach to manage risks associated with fuel price volatility and mitigates supply disruptions. It also oversees the efficiency of the Company's fleet of floating and rolling tankers.

The investment in more senior management and staff technical competency in Purchasing combined with the higher capabilities of the SAP A1 ERP is expected to increase overall efficiency and cost effectiveness of locally purchased materials, supplies, equipment and services particularly the Company's numerous building contractors (for the construction, repair and maintenance of the Company's nationwide network of retail stations and depots). Full manning complement of the Purchasing unit will be achieved in 2014 with the hiring of additional engineers.

Both teams are expected to protect and enhance the net margin and bottom line of the business through cost effectiveness, particularly in 2014 onwards.

UNWAVERING FAITH

When supertyphoon Yolanda hit the Visayas on November 2013, nobody could have imagined the destruction it wrought: tens of thousands of lifeless bodies, millions worth of damages, towns flattened.

Dr. and Mrs. Earl Autajay

In Panay, Phoenix dealer Dr. Earl Autajay saw how "Yolanda" destroyed the station: "The winds tore off the ceiling, roof, and then everything went. The typhoon blew our pumps down, our cashier's booth, and the electrical posts in the area."

But more than his business, the good doctor worried more for his employees. "We were worried about so many things that we didn't know where to begin, but the thought and sight of my employees with no work and without homes really broke my heart more than worrying for business."

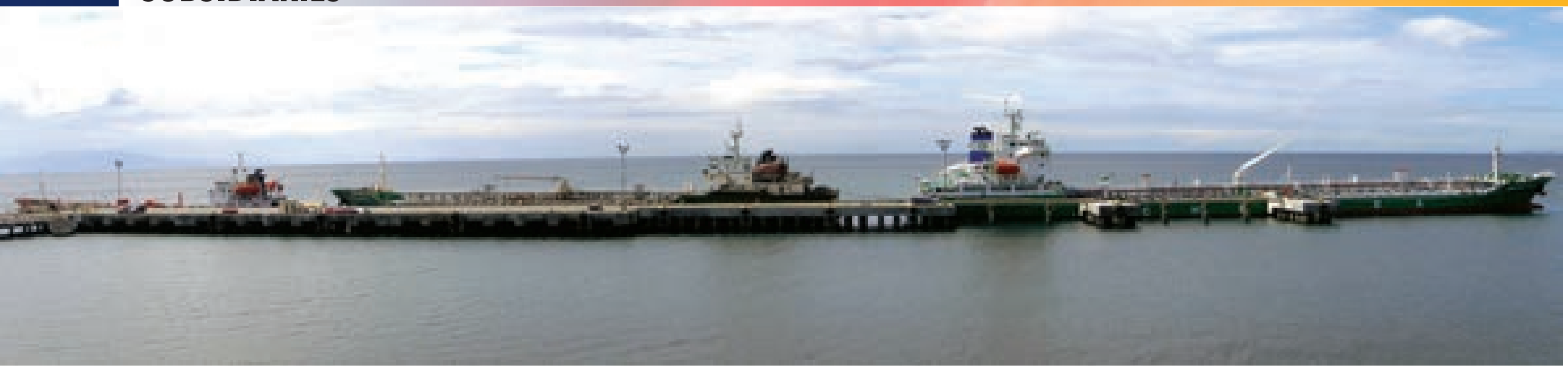
The damage to the station was so big that it will take months of renovation to be fully operational again. Dr. Autajay initiated to print tarpaulins that said "Phoenix will rise again" and "Under Renovation." He also made sure to check the welfare of his staff and their families.

In the meantime, Phoenix Petroleum provided him and other dealers in Visayas affected by Typhoon Yolanda a temporary station to continue their business and at the same time maintain the relationship with their customers.

"The concern and assurance from the Phoenix management and the hope I want my employees to have inspired me more to get up," Dr. Autajay said.

Surviving typhoon Yolanda taught him to be prepared for anything, and "to do my best in all things, always. Patience – this is the virtue I also appreciated during this time. I learned to wait upon the Lord and He did lift me up."

Dr. Autajay strongly believes that they will make it through. "I had been praying fervently for guidance from God. I asked Him that if everything goes smoothly, that will be the sign to go ahead, and God gave us Phoenix. Despite the realization that we are back to step one after the typhoon, my heart strongly believes that He will bring us out of this, and like the Phoenix we will soar again!"



The fully expanded Port facility in Phase 1 of the Phoenix Petroterminals and Industrial Park

PHOENIX PETROTERMINALS AND INDUSTRIAL PARK CORP. (PPIPC)

PPIPC is the owner and developer of Phoenix Petroterminals & Industrial Park (PPIP) located in Calaca, Batangas. The industrial park covers 94 hectares of land, spanning the three barangays of Salong, Puting Bato West and Lumbang Calzada in Calaca. Forty five hectares are still available for sale.

PPIP is home to the steel manufacturing plant of Steel Asia Manufacturing Inc., bulk solid warehouse of Arvin International Marketing, Inc., chemical storage facility of Asian Chemicals Corporation, and the biggest petroleum depot of Phoenix Petroleum Philippines, Inc. nationwide. More new prospective locators have also chosen PPIP as their strategic location to put up their new businesses.

In September, PPIPC completed seven storage tanks with total capacity of 6.9 million liters. It is a build-lease arrangement for Philippine Prosperity Chemicals, Inc., an industrial chemicals distributor.

The PPIP fire station and fire truck were also formally inaugurated to enhance the fire-fighting capabilities of the industrial park.

PPIPC operates an ISPS-compliant, multi-purpose port facility capable of accommodating up to 60,000 DWT vessels with draft of 14 meters. The port caters to both domestic and international cargoes composed mainly of petroleum products, industrial chemicals, steel billets, salt in bulk, fly ash and molasses.

Port volume of Phoenix Petroterminals & Industrial Park Corp. breached 1,000,000 MT in 2013 for the first time, thanks to the expanded port facility completed in 2011. The actual volume of 1,007,742 MT is 13% higher than the previous year's 895,264 MT. Port revenue subsequently rose 12% to Php 63.4 million.

Port facility at Phase II started construction in January, and as of end 2013 is 94% complete and ahead of schedule. It will cater to the needs of new locators starting with South Luzon Thermal Energy Corp. (SLTEC), a joint venture company of Ayala and PHINMA Group that is putting up a coal-fired power plant. The new port facility consists of a 209-meter trestle and a 120-meter pier deck. It will include auxiliary facilities such as a conveyor line that will handle the coal requirements of the power plant. The power plant is expected to be operational by last quarter of 2014.

M/T Chelsea Donatela

CHELSEA SHIPPING CORPORATION (CSC)

Acquired by Phoenix Petroleum in 2012, Chelsea Shipping Corp. recorded revenues of Php 759 million and net income of Php 161 million in 2013. It is one of the top 5 major petroleum tanker owners in the country, serving Phoenix Petroleum, Cebu Pacific Air, and National Power Corporation, among other companies, and sailing on local and regional seas.

In 2013, two subsidiaries of Chelsea Shipping were incorporated: Norse/Phil Marine Services Corp., which handles ship management for Chelsea Shipping and other parties, and Fortis Tugs Corporation. Fortis acquired two vessels in the second quarter to tow and salvage other vessels and cargoes to and from various ports in the country. Starting operations in October 2013, Fortis Tugs is gearing for expansion in 2014.

In September, PNX-Chelsea Shipping Corp., another subsidiary of Chelsea Shipping, launched 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. The vessel is scheduled for delivery and commissioning in 2014.

PPIP's new storage tanks for leasing

M/T Chelsea Denise

M/Tug Fortis I

It takes the united efforts of a community to enable opportunities for many, to sustain common resources, and to bounce back from tragedies. The Filipino's resilience is drawn from the strength and compassion of others, and it is this that inspires us to help build a brighter future for our countrymen.

Through Phoenix Philippines Foundation's programs in education, environment, health, and outreach, we hope to make a difference in the communities we serve.

EDUCATION

ADOPT-A-SCHOOL PROGRAM

Donation of books to SPED Davao

We now have seven adopted schools: in Davao City, Zamboanga, and a new one in Salong, Batangas. 1,374 kindergarten students graduated from our adopted schools in Davao and Zamboanga in March 2013.

For their pre-school library, we donated to adopted school Talisayan Elementary School in Zamboanga eight tables and 32 plastic chairs. We also distributed educational books in four public schools in Batangas, Olongapo, and Davao.

In December, the Department of Education recognized Phoenix Petroleum for our support and meaningful contribution to public schools in the country through the Adopt-A-School program.

PHOENIX LIVELIHOOD TRAINING PROGRAM

Free haircut by Livelihood students

278 students graduated in June 2013 from Electrical, Computer Tech, Beauty and Hairstyling, and Welding courses. We also turned over three welding machines and three computer units to the training center in Davao City. Beauty and Hairstyling students conducted a Libreng Gupit activity for teachers, students and guests.

BRIGADA ESKWELA

Team Phoenix joins Brigada Eskwela

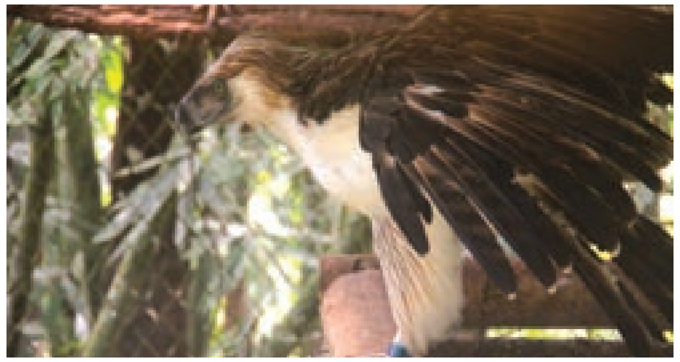
For the third year, Phoenix volunteers joined the annual cleanup project of DepEd in our five adopted schools in Davao City.

ENVIRONMENT

PAWIKAN CONSERVATION PROJECT

Our Pawikan Conservation Project at the Phoenix Petroterminals and Industrial Park (PPIP) in Calaca, Batangas continues to help protect the endangered marine turtles. In 2013, we tagged and released 21 adult marine turtles (pawikan) and incubated 80 turtle eggs. We also planted 350 trees along Casuyan creek and distributed 1,800 Neem trees to different barangays.

ADOPTION OF PHILIPPINE EAGLE



Phoenix, our adopted Philippine eagle

Since 2012, we have adopted a Philippine Eagle named "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 associated conservation research and campaign of PEF.

TREE PLANTING

In 2012, we planted close to 10,000 seedlings in our adopted watershed in Davao, in Bacolod, and in Batangas. We teamed up with institutions like the NBA, Philippine Coast Guard, Bacolod City Water District, and Earth Guards in planting the trees.

Tree growing in Davao with NBA Cares team

Tree planting in Calaca, Batangas

In Cebu City, we adopted a 5-hectare watershed area in partnership with the Metro Cebu Water District. Phoenix will assist in the conservation and maintenance of the area through reforestation and promotion of biodiversity. This project is an expansion of the foundation's tree growing program in Visayas, with more areas to be adopted in Iloilo, Bacolod, and Batangas.

COASTAL CLEANUPS

Volunteers from Phoenix , our adopted schools, the barangay, and our other partners helped clean the coastal areas in Davao and of our installation in Batangas, in this annual cleanup activity.

SUPPORT TO ENVIRONMENTAL PROJECTS

Team Phoenix planting trees in our adopted watershed in Davao City

We joined the world in celebrating Earth Hour 2013, which was participated in by 152 countries to raise awareness for climate change. We also supported other projects, such as Fish Sanctuary and Life BOTE (floating devices made from plastic bottles), by other institutions in Davao City.

A NEW LEASE ON LIFE

On March 21, 2013, Phoenix Petroleum facilitated and sponsored the successful open heart surgery of our third heart patient, two-year-old Julio Azriel Cavan, at the Southern Philippine Medical Center (SPMC).

Julio's mother, Princess Kiezel Sultan, shares her story.

From left, Julio's grandmother Linda, Phoenix Corporate Affairs Manager Ben Sur, Julio, his mother Princess Kiezel, and the nurse, four days after the successful operation

I had been working at Phoenix Petroleum as a Customer Service Assistant for seven months when the heart operation for my son was confirmed. That was December 2012, and the operation was scheduled on March 2013.

I had learned about the Foundation's help to heart patients on the day I was interviewed for a job here. I was scanning the SOAR magazine when I saw the article about Melody, the second heart beneficiary of Phoenix. From there, I already thought that there has to be some good reason why God made me work in this company, although at the back of my mind, I was still praying that the hole in Julio's heart would eventually close without him having to go through an operation.

Julio was born in exact shape and weight and delivered normally, but during his first month, we noticed a murmur in his chest. He also snored very loudly. When we brought him to his pediatrician for his regular check-up, the doctor confirmed that the murmur we heard from his chest was indeed not normal. Later we learned that he had a congenital heart disease, ventricular septal defect type, where a 0.6-.7cm hole was found between the upper and lower chambers of his heart.

After his operation, the murmur in his chest was gone. Julio now breathes normally.

Thanking the Foundation would not be enough to satisfy the gratitude I have for the company. In all honesty, I could still not absorb everything that has happened. They never hesitated to grant my plea.

Not every company offers an opportunity like this. To the company, it costs money. To me, I earned the life of our baby. In the hospital, we encountered worse cases of babies and children who were also called out to undergo heart surgery. And they would have to go through months of difficulty pleading for help from charities and from the government. Others even refuse a surgery.

I am very lucky to have Phoenix behind me. From the pre-operation preparations up to the post-operation procedures, Phoenix was beside us. I would not be so optimistic about the outcome of the surgery without that support.

What I primarily learned from this experience is to never doubt God's intentions. I will go home everyday seeing my child as a living witness of how Phoenix continues to be a living blessing to many. Julio will live with that gift his whole life. And in that journey, Phoenix is his indispensable partner.

HEALTH

MINDANAO HEART FUND

In March 2013, we facilitated and sponsored the successful open heart surgery of our third heart patient, two-year-old Julio Azriel Cavan, at the Southern Philippine Medical Center (SPMC). Julio was born with a congenital heart disease, and thanks to the operation, he can now breathe normally and look forward to a healthier future.

MEDICAL AND DENTAL MISSIONS

Conducting a medical mission in Davao

Team Phoenix helps out in the medical mission in Calaca

We conducted seven medical and dental missions in Davao, Batangas, Cebu, Cabadbaran, and Matanao, serving a total of 3,237 beneficiaries.

In partnership with the Philippine Red Cross and other institutions, we conducted four bloodletting activities in Mindanao, collecting a total of 1,703 cc of fresh blood.

OUTREACH

An early Christmas gift for these boys

In times of disasters, Phoenix Foundation quickly organizes relief operations. We distributed relief goods to earthquake victims in Cebu and Bohol, to people displaced by the siege in Zamboanga, and to victims of typhoon Maring in Luzon, typhoon Pablo in Mindanao, and typhoon Yolanda in Visayas. We gave relief goods, medicines, and fuel together with our partner organizations. Team Phoenix also cancelled our Christmas parties and allocated the budget for Yolanda victims.

We supported the rebuilding efforts of the Compostela Valley local government by donating roofing materials for the repairs of school buildings damaged by typhoon Pablo.

Spreading the spirit of Christmas

Christmas is seeing the joy in the faces when you give gifts

As in previous years, we organized four Christmas gift-giving activities for kids, three in Davao and one in Cebu. A total of 765 kids were given bags, toys, slippers and other gifts from Phoenix to share the joy of Christmas.

In 2013, Phoenix Petroleum received the following recognitions from various institutions:

BUSINESS

- Best Independent Oil Company in Asia given by World Finance Magazine in its 2013 Oil & Gas Awards. This is the second consecutive year for Phoenix to be awarded so. The annual Awards is given "to celebrate those firms offering the very best products and services in a well-diversified and competitive market."

- Top 5 Outstanding Franchise Company given by Entrepreneur Magazine in its Franchise Awards 2013. Phoenix Petroleum was awarded as one of five Outstanding Franchise Companies after winning in this year's two major categories: Top 15 Best in Franchise Support and Top 15 Fastest-Growing Franchises.

- Top 10 Importer in the Port of Batangas, awarded by the Bureau of Customs, as one of the Top Ten importers in terms of duties and taxes paid for the period of January-June 2013.

LEADERSHIP AND MANAGEMENT

- Agora Award for Outstanding Achievement in Entrepreneurship – Large Scale given to President and CEO Dennis Uy by the Philippine Marketing Association for "growing a provincial-based business into a nationally successful brand, for embodying the Filipino's enterprising spirit, for persevering despite the odds, and for being an indispensable partner of the Filipino."

- President and CEO Dennis Uy a Nominee/ Finalist to the CNBC Asia Business Leaders Award (ABLA) 2013. This is the third year for him to be included in the list of Asia's outstanding leaders.

BRAND

- Best Booth (Non-Food 54-sq-m category) in Franchise Asia Philippines 2013, Asia's biggest franchise event. This is the second year in a row for Phoenix to win the award.

- Best Pavilion Display in Trans Sport Show 2013

- Best Booth in the 15th National Tuna Congress Trade Exhibit given by the National Tuna Congress

- Winner, 1st Mindanao Youth Choice Awards 2013 as "trusted brand on petroleum product distribution and outstanding brand name for Mindanao."

CORPORATE SOCIAL RESPONSIBILITY

- Citation given by the Department of Education Adopt-A-School Program "in grateful recognition of the company's strong support to the Adopt-A-School Program, through the delivery of substantial and meaningful programs of intervention to the public schools."

SPORTS

- Recognition for Sports Development given during the 19th So Kim Cheng Sports Awards for the company's untiring support to sports development in Davao City and Region XI

CIVIC AWARDS

- Datu Bago Award 2013 for President and CEO Dennis Uy "for bringing the name of Davao with pride to the national and Asia levels" for his contributions to business and the community. The Datu Bago Award is the highest award the City Government of Davao bestows to a citizen.


ROMEO B. DE GUZMAN
CHIEF OPERATING OFFICER
JOSEPH JOHN L. ONG
DIRECTOR
JOSE MANUEL R. QUIMSON
DIRECTOR
PAUL G. DOMINGUEZ
DIRECTOR
MONICO V. JACOB
INDEPENDENT DIRECTOR
DOMINGO T. UY
CHAIRMAN
CHERYLYN C. UY
DIRECTOR
CONSUELO YNARES-SANTIAGO
INDEPENDENT DIRECTOR
DENNIS A. UY
VICE CHAIRMAN, PRESIDENT,
AND CHIEF EXECUTIVE OFFICER
J.V. EMMANUEL A.DE DIOS
DIRECTOR
Not in photo:
SOCORRO ERMAC-CABREROS
CORPORATE SECRETARY

BOARD OF DIRECTORS

DOMINGO T. UY
CHAIRMAN

Mr. Domingo T. Uy, Filipino, 67 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also the Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

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

Mr. Dennis A. Uy, Filipino, 40 years old, is the founder of the Company and has served as President and Chief Executive Officer since inception. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of the Company, and Udenna Corporation, the ultimate parent company. The subsidiaries of the Company are Chelsea Shipping Corp., Phoenix Petroterminals & Industrial Park Corp., Subic Petroleum Trading & Transport Philippines, Inc., PFL Petroleum Management, and Phoenix Global Mercantile, Inc. Among the subsidiaries of Udenna Corporation are Udenna Management & Resources Corp, One Subic Power, Global Synergy Trade and Distribution Corp., Udenna Development Corporation, Value Leases, Inc., Udenna Environmental Solutions, and Udenna Energy Corporation. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization - Philippine chapter and the Philippine Business for Social Progress. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He is a graduate of De La Salle University with a degree in Business Management.

ROMEO B. DE GUZMAN
DIRECTOR

Mr. Romeo B. De Guzman, Filipino, 64 years old, was elected Director of the Company in 2009. He is Chief Operating Officer of the Company, bringing with him more than 35 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. He carries with him a Marketing Management and an MBA degree from San Sebastian College – Manila.

SOCORRO T. ERMAC-CABREROS
CORPORATE SECRETARY

Atty. Socorro T. Ermac-Cabreros, Filipino, 48 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is the immediate past President for the Davao City Chapter of the Integrated Bar of the Philippines.

JOSE MANUEL R. QUIMSON
DIRECTOR

Mr. Jose Manuel R. Quimson, Filipino, 65 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

Atty. J.V. Emmanuel A. De Dios, Filipino, 49 years old, was elected Independent Director of the Company on February 15, 2007 and regular director on March 7, 2008. He is the CEO of GE Philippines, and prior to that was President and CEO of Nido Petroleum Pty Ltd., an Australian Stock Exchange-listed oil and gas company. He was Managing Director of Merritt Advisory Partners, Inc. and was a member of the Board of Directors of Davies Energy Systems, Inc. He also served as Chairman of the Board of the Philippine National Oil Company Exploration Corporation and was former Undersecretary of the Philippine Department of Energy. Atty. De Dios obtained his Master of Laws degree from Harvard Law School and completed his Bachelor of Laws at the Ateneo School of Law.

JOSEPH JOHN L. ONG
DIRECTOR

Mr. Joseph John L. Ong, Filipino, 54 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 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.

PAUL G. DOMINGUEZ
DIRECTOR

Mr. Paul Dominguez 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

Ms. Cherylyn Chiong-Uy, 34 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. She is the Corporate Treasurer of Udenna Management and Resources Corporation and Chelsea Shipping Corp.

CONSUELO YNARES-SANTIAGO
INDEPENDENT DIRECTOR

Ms. 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.

MONICO V. JACOB
INDEPENDENT DIRECTOR

Monico V. Jacob, 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

MANAGEMENT TEAM

TOP EXECUTIVES (L-R)

JOSEPH JOHN L. ONG
Chief Finance Officer

DENNIS A. UY
President and Chief Executive Officer

ROMEO B. DE GUZMAN
Chief Operating Officer

RAMON EDISON C. BATACAN
Chief Corporate Counsel and Chief Compliance Officer

FINANCE (L-R)

CHRYSS ALFONSUS V. DAMUY
Vice President – Finance and Comptroller

REBECCA PILAR C. CATERIO
Asst. Vice President – Credit and Collection

MARIA RITA A. ROS
Asst. Vice President – Supply

REYNALDO A. PHALA
Asst. Vice President – Treasury

SALES (L-R)

JOSELITO G. DE JESUS
Asst. Vice President for Commercial – Luzon

EDWIN M. JOSE
Asst. Vice President for Retail Sales – North Luzon

EDGARDO A. ALERTA
Vice President – Sales Mindanao

JOSE ROEL C. CRUZ
Asst. Vice President for Retail Sales – Mindanao

JOSE VICTOR L. CRUZ
Asst. Vice President for Retail Sales – Metro Manila and South Luzon

SUPPORT GROUP (L-R)

ALAN RAYMOND T. ZORRILLA
Vice President – External Affairs, Business Development and Security

SOCORRO T. ERMAC-CABREROS
Asst. Vice President – Corporate Legal

WILLIAM M. AZARCON
Asst. Vice President – Depot Operations and Engineering

Not in photo:
JOSE MANUEL R. QUIMSON
General Manager of Phoenix Petroterminals and Industrial Park

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 polices 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: DOMINGO T. 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.

Names of Directors	Mar 08, 2013	Jun 26, 2013	Sept 04, 2013	Nov 27, 2013	Dec 19, 2013
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	P	P	P	A	P
J.V. Emmanuel A. De Dios	P	A	P	P	P
Paul G. Dominguez	P	P	P	P	P
Consuelo Ynares Santiago	P	P	P	P	P
Monico V. Jacob	P	A	P	P	P
Cherylyn C. Uy	P	A	P	P	P
Joseph John L. Ong	P	P	P	P	P

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 Committee
Domingo T. Uy	C		M	M
Dennis A. Uy	M			C
Romeo B. de Guzman	M	M		
Jose Manuel R. Quimson		M		
J.V. Emmanuel A. de Dios		C		
Socorro Ermac Cabreros				
Paul G. Dominguez			M	
Consuelo Ynares Santiago				M
Monico V. Jacob			C	
Cherylyn C. Uy		M		
Joseph John L. Ong	M			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)
2013	5,912.02
2012	2,740.06

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.

PHOENIX
Fuels Life

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, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards, including the following additional components attached therein:

a) Supplementary schedule required under Annex 68-E of the SRC
b) Reconciliation of retained earnings available for dividend declaration
c) Map showing the relationship between and among related entities
d) List of standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2013

This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, 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.

DOMINGO T. UY
Chairman of the Board

DENNIS A. UY
President and Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Finance Officer

Punongbayan & Araullo

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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, 2013, 2012, and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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, 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, 2013, 2012 and 2011, and of their consolidated financial performance and their cash flows for the years then ended 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. 4225011, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 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 8, 2014

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, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**P 357,220,520**	P 438,510,937	P 924,008,515
Trade and other receivables - net	**7,343,793,926**	3,557,002,879	2,865,485,431
Inventories	**3,812,532,673**	3,688,759,676	2,132,622,405
Land held for sale and land development costs	**503,672,474**	502,030,559	451,587,118
Due from related parties	**2,747,994**	8,300,000	26,311,686
Restricted deposits	**95,419,646**	82,694,029	69,036,837
Input value-added tax - net	**448,838,093**	392,968,622	226,507,521
Prepayments and other current assets	**504,288,177**	296,735,522	206,209,945
Total Current Assets	**13,068,513,503**	8,967,002,224	6,901,769,458
NON-CURRENT ASSETS			
Installment contract receivable	**-**	-	9,002,788
Land held for future development	**297,942,281**	289,078,227	271,981,834
Property and equipment - net	**8,628,490,469**	6,998,785,818	5,572,270,773
Investment in an associate	**2,250,000**	-	-
Goodwill	**84,516,663**	84,516,663	85,783,624
Other non-current assets	**270,215,050**	167,807,348	117,847,917
Total Non-current Assets	**9,283,414,463**	7,540,188,056	6,056,886,936
TOTAL ASSETS	**P 22,351,927,966**	P 16,507,190,280	P 12,958,656,394
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	**P 8,207,229,484**	P 4,119,347,152	P 4,031,200,956
Trade and other payables	**1,570,427,327**	1,547,105,184	3,083,587,717
Due to related parties	**64,161,243**	85,551,745	37,077,904
Total Current Liabilities	**9,841,818,054**	5,752,004,081	7,151,866,577
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	**5,544,509,333**	5,795,974,645	1,846,117,207
Due to related parties	**-**	-	24,102,695
Deferred tax liabilities - net	**76,530,691**	105,807,524	5,934,044
Other non-current liabilities	**376,789,584**	356,858,036	216,238,196
Total Non-current Liabilities	**5,997,829,608**	6,258,640,205	2,092,392,142
Total Liabilities	**15,839,647,662**	12,010,644,286	9,244,258,719
EQUITY			
Common stock	**1,428,777,232**	906,059,416	661,123,014
Preferred stock	**5,000,000**	5,000,000	5,000,000
Additional paid-in capital	**3,367,916,774**	2,051,723,794	2,051,723,794
Revaluation reserves	**272,621,771**	282,423,030	71,543,651
Other reserves	**(622,952,239)**	(622,952,239)	(622,952,239)
Retained earnings	**2,060,916,766**	1,874,291,993	1,547,959,455
Total Equity	**6,512,280,304**	4,496,545,994	3,714,397,675
TOTAL LIABILITIES AND EQUITY	**P 22,351,927,966**	P 16,507,190,280	P 12,958,656,394

For further notes and discussions, see SEC 17-A Report at www.phoenixfuels.ph/investor-relations/disclosures/disclosures-for-2014/

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	2013	2012 (As Restated - see Note 2	2011 As Restated - see Note 2)
REVENUES			
Sale of goods	**P 43,139,691,819**	P 34,080,171,520	P 27,073,793,112
Charter fees	**205,235,733**	201,813,941	133,482,323
Rent and storage income	**79,208,786**	113,295,479	76,051,056
Port revenues	**65,206,403**	54,385,910	57,579,514
Fuel service and other revenues	**62,643,613**	135,885,455	110,071,589
	43,551,986,354	34,585,552,305	27,450,977,594
COST AND EXPENSES			
Cost of sales and services	**40,248,166,084**	31,961,749,413	25,327,617,229
Selling and administrative expenses	**1,991,460,138**	1,473,661,606	1,252,202,614
	42,239,626,222	33,435,411,019	26,579,819,843
OTHER INCOME (CHARGES)			
Finance costs	**(669,030,064)**	(519,720,493)	(347,968,406)
Finance income	**8,481,577**	24,629,351	21,928,387
Gain (loss) on sale of property - net	**-**	-	41,885,044
Others	**14,625,113**	16,133,556	15,033,237
	(645,923,37)	(478,957,586)	(269,121,738)
PROFIT BEFORE TAX AND PRE-ACQUISITION INCOME	**666,436,758**	671,183,700	602,036,013
PRE-ACQUISITION INCOME	**-**	-	(3,163,822)
PROFIT BEFORE TAX	**666,436,758**	671,183,700	598,872,191
TAX EXPENSE	**1,379,153**	19,873,548	41,160,013
NET PROFIT	**665,057,605**	651,310,152	557,712,178
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified through profit or loss			
Revaluation (reversal of revaluation) of tankers	**6,847,358**	331,807,097	(55,931,472)
Tax income (expense) on revaluation of tankers	**(2 ,054,207)**	(99,542,130)	16,779,443
Remeasurements on retirement benefit obligation	**(3 ,147,836)**	(13,306,797)	(166,617)
Tax income on remeasurements	**944,352**	3,992,039	49,985
	2,589,667	222,950,209	(39,268,66)
TOTAL COMPREHENSIVE INCOME	**P 667,647,272**	P 874,260,361	P 518,443,517
Basic and Diluted Earnings per share	**P 0.45**	P 0.48	P 0.40

For further notes and discussions, see SEC 17-A Report at www.phoenixfuels.ph/investor-relations/disclosures/disclosures-for-2014/

P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated - see Note 2)	2011 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 666,436,758**	P 671,183,700	P 598,872,191
Adjustments for:				
Interest expense	21	**617,451,997**	467,358,205	305,402,087
Depreciation and amortization	12, 14	**528,400,077**	405,815,569	299,109,747
Impairment lossess	21	**16,959,002**	37,851,057	27,252,323
Interest Income	21	**(8,481,577)**	(9,406,440)	(7,834,039)
Operating profit before working capital changes		**1,820,766,257**	1,572,802,091	1,222,802,309
Decrease (increase) in:				
Trade and other receivables		**(3,803,750,049)**	(729,368,304)	(336,349,201)
Inventories		**(123,772,997)**	(1,556,137,271)	(1,080,963,476)
Land held for sale and land development costs		**(1,641,915)**	(50,443,441)	-
Restricted deposits		**(12,725,617)**	(13,657,192)	4,385,879
Input value-added tax		**(55,869,471)**	(166,461,101)	(198,968,411)
Other current assets		**(207,552,655)**	(90,525,578)	(120,170,018)
Installment contract receivable		**-**	9,002,788	9,002,852
Increase (decreaase) in trade and other payables		**23,322,143**	(1,536,482,533)	1,157,484,239
Cash generated from (used in) operations		**(2,361,224,304)**	(2,561,270,541)	657,224,173
Cash paid for income taxes		**(1,635,260)**	(564,033)	(512,582)
Net Cash From (Used in) Operating Activities		**(2,362,859,564)**	(2,561,834,574)	656,711,591
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions of property and equipment	12	**(2,167,905,987)**	(1,612,136,476)	(2,032,366,144)
Increase in other non-current assets		**(104,657,702)**	(48,692,300)	(30,120,106)
Collections from related parties	25	**22,914,084**	27,479,102	39,440,905
Advances to related parties	25	**(17,362,078)**	(9,467,416)	(45,743,477)
Decrease (increase) in land held for future development		**(8,864,054)**	(17,096,393)	43,892,916
Interest received		**8,481,577**	9,406,440	7,834,039
Net Cash Used in Investing Activities		**(2,267,394,160)**	(1,650,507,043)	(2,017,061,867)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in interest-bearing loans and borrowings		**3,836,417,020**	4,038,003,634	1,843,094,039
Proceeds from issuance of shares of stock		**1,509,192,980**	-	-
Interest paid		**(617,451,997)**	(467,358,205)	(305,402,087)
Payments of cash dividends	26	**(161,105,942)**	(92,112,242)	(108,349,994)
Repayments to related parties		**(21,390,502)**	(153,064,209)	(141,049,161)
Increase in other non-current liabilities		**3,301,748**	223,939,876	91,791,319
Borrowings from related parties		**-**	177,435,185	57,164,052
Decrease (increase) in other reserves		**-**	-	231,250,000
Net Cash From Financing Activities		**4,548,963,307**	3,726,844,039	1,668,498,168
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(81,290,417)**	(485,497,578)	308,147,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**438,510,937**	924,008,515	615,860,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**P 357,220,520**	P 438,510,937	P 924,008,515

Supplemental Information on Non-cash Investing and Financing Activities

Stock dividends declared and distributed by the Group amounted to P329.7 million in 2013, P244.9 million in 2012 and P113.0 million in 2011 (see Note 26.7).

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 (see Note 30). The acquisition of CSC is accounted for as business combination using pooling-of-interest method.

Certain hauling and heavy equipment with carrying amount of P23.7 million, P25.5 million and nil as of December 31, 2013, 2012 and 2011, respectively, are carried under finance leases (see Notes 16.6 and 29.5).

For further notes and discussions, see SEC 17-A Report at www.phoenixfuels.ph/investor-relations/disclosures/disclosures-for-2014/

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Amounts in Philippine Pesos)

						Other Comprehensive Income			
	Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Other Reserves	Revaluation Reserves	Retained Earnings	Total	Total Equity
Balance at January 1, 2013									
As previously reported		P 906,059,416	P 5,000,000	P 2,051,723,794	(P 622,952,239)	P 294,152,102	P 1,866,468,238	P 2,160,620,340	P 4,500,451,311
Prior period adjustments	2	-	-	-	-	(11,729,072)	7,823,755	(3 ,905,317)	(3 ,905,317)
As restated		906,059,416	5,000,000	2,051,723,794	(622,952,239)	282,423,030	1,874,291,993	2,156,715,023	4,496,545,994
Issuance during the year		193,000,000	-	1,316,192,980	-	-	-	-	1,509,192,980
Stock dividends		329,717,816	-	-	-	-	(329,717,816)	(329,717,816)	-
Cash dividends		-	-	-	-	-	(161,105,942)	(161,105,942)	(161,105,942)
Total comprehensive income for the year		-	-	-	-	2,589,667	665,057,605	667,647,272	667,647,272
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(1 2,390,926)	12,390,926	-	-
Balance at December 31, 2013	26	P 1,428,777,232	P 5,000,000	P 3,367,916,774	(P 622,952,239)	P 272,621,771	P 2,060,916,766	P 2,333,538,537	P6,512,280,304
Balance at January 1, 2012									
As previously reported		P 661,123,014	P 5,000,000	P 2,051,723,794	(P 622,952,239)	P 73,957,965	P 1,542,110,417	P 1,616,068,382	P 3,710,962,951
Prior period adjustments	2	-	-	-	-	(2,414,314)	5,849,038	3,434,724	3,434,724
As restated		661,123,014	5,000,000	2,051,723,794	(622,952,239)	71,543,651	1,547,959,455	1,619,503,106	3,714,397,675
Stock dividends		244,936,202	-	-	-	-	(244,936,202)	(244,936,202)	-
Cash dividends		-	-	-	-	-	(92,112,242)	(92,112,242)	(92,112,242)
Adjustments		200	-	-	-	-	-	-	200
Total comprehensive income for the year		-	-	-	-	222,950,209	651,310,152	874,260,361	874,260,361
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(12,070,830)	12,070,830	-	-
Balance at December 31, 2012	26	P 906,059,416	P 5,000,000	P 2,051,723,794	(P 622,952,239)	P 282,423,030	P 1,874,291,993	P 2,156,715,023	P 4,496,545,994
Balance at January 1, 2011									
As previously reported	2	P 548,075,739	P 5,000,000	P 2,051,727,435	(P 854,202,239)	P 121,056,606	P 1,206,957,748	P 1,328,014,354	P 3,078,615,289
Prior period adjustments		-	-	-	-	(2,297,682)	4,683,157	2,385,475	2,385,475
As restated		548,075,739	5,000,000	2,051,727,435	(854,202,239)	118,758,924	1,211,640,905	1,330,399,829	3,081,000,764
Reclassification		3,641	-	(3 ,641)	-	-	-	-	-
Change due to the increase in capital stock of merged subsidiary prior to merger		-	-	-	231,250,000	-	-	-	231,250,000
Stock dividends		113,043,634	-	-	-	-	(113,043,634)	(113,043,634)	-
Cash dividends		-	-	-	-	-	(108,349,994)	(108,349,994)	(108,349,994)
Total comprehensive income (loss) for the year		-	-	-	-	(39,268,661)	557,712,178	518,443,517	518,443,517
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	(6,845,545)	-	(6,845,545)	(6,845,545)
Reversal of revaluation reserve of assets sold during the year		-	-	-	-	(1,101,067)	-	(1,101,067)	(1,101,067)
Balance at December 31, 2011	26	P 661,123,014	P 5,000,000	P 2,051,723,794	(P 622,952,239)	P 71,543,651	P 1,547,959,455	P 1,619,503,106	P 3,714,397,675

For further notes and discussions, see SEC 17-A Report at www.phoenixfuels.ph/investor-relations/disclosures/disclosures-for-2014/

For further notes and discussions, see SEC 17-A Report at www.phoenixfuels.ph/investor-relations/disclosures/disclosures-for-2014/

The following is a discussion and analysis of PPPI and its Subsidiaries' financial performance for the years ended December 31, 2013, 2012 and 2011. 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" or to the "Group" means 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, 2013, 2012 and 2011.

The Company's financial statements were audited by Punongbayan & Araullo for 2013, 2012 and 2011, in accordance with Philippine Financial Reporting Standards.

	As of and for the years ended December 31		
In P thousands, except for Per Share amounts	**2011**	**2012**	**2013**
Income Statement Data:			
Revenues…………………………………………	27,450,978	34,585,552	43,551,986
Cost of sales……………………………………..	25,327,617	31,961,749	40,248,166
Net profit……………………………………….	557,712	651,310	665,058
Balance Sheet Data:			
Current Assets…………………………………..	6,901,769	8,967,002	13,068,514
Non-current Assets……………………………..	6,056,887	7,540,188	9,283,414
Total Assets …………………………………….	12,958,656	16,507,190	22,351,928
Total Liabilities…………………………………..	9,244,259	12,010,644	15,839,648
Stockholders' Equity…………………………….	3,714,398	4,496,546	6,512,280
Earnings per Share-Adjusted………………..	0.40	0.48	0.45
Book Value per Share…………………………..	5.61	4.96	4.55

ANALYSIS OF RESULTS OF OPERATIONS FOR 2013 AND 2012

Revenues

The Group generated total revenues of Php 43.552 billion in 2013 which is 26% higher than its 2012 level of Php 34.586 billion, primarily due to the 31% increase in sales volume of refined petroleum products. However, this was minimized due to the lower revenues from fuels service, rent, storage and other revenue. Substantial volume for these aforementioned services were converted to an All-in product sale to customer starting third quarter of 2012 which full year impact is 2013.

Sales revenues from trading and distribution of petroleum products increased by 27% from Php 34.080 billion in 2012 to Php 43.132 billion in 2013 resulting principally from a wider distribution network and expanded institutional customer base and also as a result of improved price competitiveness. In spite of the 31% increase in volume, revenue is only up by 27%, as a result of a lower average selling price for the current as a MOPS for 2013 for Gasoil (benchmark for Diesel) and Mogas92 (benchmark for Gasoline) is lower by 2.26% and 3.50% respectively compared to year 2012. The Company had three hundred sixty-eight (368) Phoenix Fuels Life retail service stations as of December 31, 2013 compared to three hundred (300) retail stations end December 2012. The Company has a number of retail stations undergoing construction which are projected to be opened in 2014.

The Group generated Php 207.059 million from its fuels service, storage, port and other income in 2013 versus Php 303.567 million in 2012, a 32% decline compared to 2012. This was caused by the conversion of service revenue for Mindanao, except Davao City, to an all-in-sales of Jet A1 arrangement instead of mere service which in turn contributed to the volume and revenue growth of the Company.

Cost and expenses

The Group recorded cost of sales and services of Php 40.246 billion, an increase of 26% from its 2012 level of Php 31.962 billion primary due to a 31% increase in the sales volume of petroleum products. However, the average unit cost this year was lower compared to prior year as a result of lower petroleum product prices, more specifically during the second quarter of 2013.

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

Net Income and Comprehensive Income

The Group's net income for 2013 is Php 665.058 million versus 2012 same period net income of Php 651.310 million or a 2.11% increase. The Company managed its profitability in spite of the price volatility due to improved inventory, trading, and supply management.

Total Comprehensive Income is lower in 2013 by 24% from Php 874 million in 2012 to Php 661 million in 2013 as accounted by the effect of the recorded revaluation of vessel tankers in year 2012.

ANALYSIS OF FINANCIAL CONDITION AND BALANCE SHEET ACCOUNTS
(As of December 31, 2013 versus December 31, 2012)

Total resources of the Group as of December 31, 2013 stood at Php 22.352 billion, a growth of 35% over the Php 16.507 billion as of December 31, 2012.

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

The Group's liquidity position continued to be strong with Current Assets amounting to Php 13.069 billion as of December 31, 2013, up from PhP 8.967 billion as of December 31, 2012.

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

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

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

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

Other current assets are at Php 504.3 million and Php 296.7 million as of December 31, 2013 and December 31, 2012 respectively. The increase represents creditable withholding taxes, supplies inventory, prepaid rentals on leased retail service stations properties and depot sites, prepaid insurance and other current assets.

As of December 31, 2013, the Group's property and equipment, net of accumulated depreciation, increased to Php 8.629 billion compared to Php 6.999 billion as of December 31, 2012 due to investments in additional depot capacity in existing areas and new sites. For the year, the Company completed its Depot facility expansion in Davao City and additional storage tanks in Calaca, Batangas and Zamboanga City. New depot sites are also being developed in various sites. In addition, more retail stations were also constructed and/or under construction in Luzon, Mindanao and Visayas as of end 2013.

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

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

Trade and other payables decreased by 2%, from Php 1.547 billion as of December 31, 2012 to Php 1.570 billion as of December 31, 2013. This slight increase in spite of increasing sales volume is the result of trade payables to cover inventory where more were booked to short term financing with banks (LC/TR).

Total Stockholders' Equity increased to Php 6.512 billion as of December 31, 2013 from Php 4.497 billion as of December 31, 2012 as a result of the Php 1.188 billion equity placements plus the income earned during the period less the cash dividend to preferred shares of Php 43.125 million and to common shares of Php 103.606 million declared during the first semester.

ANALYSIS OF RESULTS OF OPERATIONS FOR 2012 AND 2011

Revenues

The Group generated total revenues of Php 34.586 billion in 2012 which is 26% higher than its comparative 2011 level of Php 27.451 billion. This was brought about by the 26% and 8.3% increase in sales volume of petroleum products and lubricants, respectively. Service revenue also posted an increase of 34% compared to immediately preceding year. There is no real estate sales recorded this year by the Group compared to a realized Php 354 million real estate sales in its PPIPC industrial park in Calaca, Batangas in 2011.

Sales revenues from trading and distribution of petroleum products and lubricants increased by 22% from Php 26.720 billion in 2011 to Php 34.080 billion in 2012 resulting principally from a wider distribution network and expanded institutional customer base. The 26% increase in sales volume accounts for the increase in revenue. Average Means of Platts Singapore (MOPS), the benchmark for pricing of petroleum in the Philippines, increased by 1.23% for Gasoil (benchmark for Diesel) and 2.41% for MOGAS92 (benchmark for Gasoline).

PPPI had three hundred (300) Phoenix Fuels Life retail service stations as of December 31, 2012 compared to two hundred twenty (220) as of December 31, 2011. A number of these service stations are yet to fully realize their potential peak sales volume considering that they have been in operation for only less than a year.

The Group generated Php 505 million from its fuels service (i.e. shipping, hauling and into-plane), lease of its storage facilities, Port Revenue and other service revenue in 2012 versus Php 377 million in 2011, or a 34% increase compared to last year. Ship Charter revenue accounts for the biggest increase at Php 68 million or 51% percent increase compared to prior year. Storage and Service Revenue also increased by 49% and 23% respectively.

Cost and expenses

The Group recorded this year's cost of sales at Php 31.962 billion, an increase of 26% compared to the 2011 figure of Php 25.328 billion. The increase was triggered by the 26% increase in volume. Weighted average cost per liter this year is at the same level as that of last year. The slight increase in product costs in 2012 was balanced by the sales mix.

The 18% increase in selling and administrative expenses is a result of the increasing volume and the ongoing expansion and growth of the Group's organizational build-out and business operations. The major items that increased as a result of this retail network expansion and increasing volume include rental, depreciation, travel and transportation, repairs, taxes and licenses and other expenses. PPPI is also continuously doing branding and promotional campaign to improve on brand awareness in the market, which resulted to higher advertising expenses.

Net Profit and Comprehensive Income

The Group's total net profit increased by 17% to Php 651 million during 2012 compared to Php 558 million for 2011. This is a result of the Group's growth on volume on all its business segments and the integration of the net income of the newly acquired subsidiary, Chelsea Shipping.

Total Comprehensive Income increased 69% from Php 518 million in 2011 to Php 874 million in 2012 as accounted by the increase in net income and the effect of the revaluation of vessel tankers.

ANALYSIS OF FINANCIAL CONDITION AND BALANCE SHEET ACCOUNTS

(As of December 31, 2012 versus December 31, 2011)

Total resources of the Group as of December 31, 2012 stood at Php 16.507 billion, an increase of 27% over the Php 12.959 billion as of December 31, 2011.

Cash and cash equivalents decreased by 53% from Php 924 million to Php 439 million as part of the Group cash management to retain cash level for current operational requirements and bank accounts average daily balance.

The Group's liquidity position continued to hold strong with Current Assets reaching Php 8.967 billion as of December 31, 2012, up from Php 6.902 billion as of December 31, 2011.

Trade and other receivables increased by 24%, from Php 2.865 billion as of December 31, 2011 compared to Php 3.557 billion as of December 31, 2012 as a result of the increase in sales revenue in 2012 compared to the preceding 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 73%, from Php 3.689 billion as of December 31, 2011 to Php 2.133 million as of December 31, 2012 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 this period of rising fuel prices, it is necessary to build commensurate levels of inventory to improve potential margins.

Lands Held for Sale are parcels of subdivided lots owned by PPIPC, a wholly owned subsidiary of the PPPI. These lots are intended for sale to prospective buyers. The increase in 2012 from the 2011 value is for the development of the Park that was introduced this year. There are ongoing active negotiations with prospective buyers on some parcels of these lots.

Due from related parties net balance payable is Php 77.3 million as of December 31, 2012 compared to a payable balance of Php 10.8 million in 2011. The Company's parent holding company and related party extended advances to support its cash requirement for its capital expenditures on a temporary basis to bridge immediate cash flow requirements.

Restricted deposits increased by 20% from Php 69 million in December 31, 2011 to Php 82.7 million in December 31, 2011 due to sinking set-up for dividend plus interest income to these deposits.

Input-VAT-net increased by 73% from Php 226.5 million in December 31, 2011 to Php 393 million in December 31, 2012. These are accumulation of input VAT, current and deferred as a result of the continuous capital expenditures of the Group and the increase in inventory equivalent input taxes.

Other current assets increased by 44% from Php 206.2 million in December 31, 2011 to Php 296 million in December 31, 2012. These are prepayments on taxes, rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments.

As of December 31, 2012, the Group's property and equipment, net of accumulated depreciation, increased to Php 6.999 billion compared to Php 5.572 billion as of December 31, 2011 as a result of the Company's continuous expansion of retail service stations, storage facilities, additional ship, capitalized dry-docking costs and other minor capital expenditures.

Lands held for future developments are parcel of subdivided lot owned by the wholly owned subsidiary PPIPC. The balance is increased by 6% as a due to minor development introduced in the property. These lots may be sold at its current state or be developed for better selling prices which will yield better returns to the Group.

Total Loans and Borrowings increased by 69% from total Php 5.877 billion as of December 31, 2011 to Php 9.915 billion as of December 31, 2012. This is due to the financing for vessel double hulling, purchase of brand new vessel. The total loan amount is Php 214 million and US$ 14.5 million for the double hulling and purchase of brand new vessel respectively. In addition, the Parent Company availed of long term debts to refinance short term debts. Short term loans and borrowings are related to the financing of the inventory build-up and accounts receivable trade gapping.

Trade and other payables decreased by 50%, from Php 3.084 billion as of December 31, 2011 to Php 1.547 billion as of December 31, 2012 as trade payables at the end of the year are mostly booked under trust receipts. The increase in Other Payable was mostly payables to contractors and suppliers for construction of depots and retail stations.

Other non-current liabilities increased by 65% in December 31, 2012. Most of this is accumulation of Cash Bond placed by dealers and customer to secure their credit purchases.

Total Stockholders' Equity increased to Php 4.496 billion as of December 31, 2012 from Php 3.714 billion as of December 31, 2011 due to the issuance net income posted during the year. Increased Revaluation Reserve to Php 294 million contributed to the increase. This however was reduced by the effect of the Php 92 million cash dividend declared and distributed during the year to both common and preferred shareholders.

ANALYSIS OF RESULTS OF OPERATIONS FOR 2011 AND 2010

Revenues

The Group generated total revenues of Php 27.451 billion in 2011 which is 84% higher than its comparative 2010 level of Php 14.930 billion. This was brought about by the 52% and 8.5% increase in sales volume of petroleum products and lubricants, respectively. Service revenue posted a slight decline by 2% as a result of lower chartering revenue decline volume from third party with the increasing need of shipping within the Group. The group also realized Php 354 million real estate sales in its PPIPC industrial park in Calaca, Batangas.

Sales revenues from trading and distribution of petroleum products increased by 85% from Php 14.341 billion in 2010 to Php 26.508 billion in 2011 resulting principally from a wider distribution network and expanded institutional customer base. The 52% increase in sales volume is complemented by the increase in weighted average selling price by 22%, from Php 31.26 per liter in 2010 to Php 38.01 per liter in 2011.

PPPI had two hundred twenty (220) Phoenix Fuels Life retail service stations as of December 31, 2011 compared to one hundred sixty one (161) retail stations as of December 31, 2010. The recently opened retail service stations have yet to fully realize their potential peak sales volume considering that they have been in operation only for less than a year.

The Group generated Php 377 million from its fuels service (i.e. shipping, hauling and into-plane), lease of its storage facilities, port revenue and other service revenue in 2011 versus Php 385 million in 2010, or a 2% decrease compared to last year. It includes revenue from port operation of Php 58 million and Php 45 million for 2011 and 2010 respectively on PPIPC, the 2009-acquired wholly-owned subsidiary.

Cost and expenses

The Group recorded this year cost of sales of Php 25.328 billion, an increase of 91% compared to the 2010 figure of Php 13.245 billion. The increase was triggered by the 52% increase in volume plus the higher average cost by 24.5%. Year 2011 average fuel cost is Php 35.94 per liter compared to Php 28.87 in 2010 driven by higher average crude prices and product sales mix factor.

Selling and administrative expenses increased by 41% 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 Profit and Total Income

The Group's total net profit increased by 35% to Php 555 million during year 2011 compared to Php 413 million for 2010. This is a result of the Group's growth on volume on all of its business segments.

ANALYSIS OF FINANCIAL CONDITION AND BALANCE SHEET ACCOUNTS

(As of December 31, 2011 versus December 31, 2010)

Total resources of the Group as of December 31, 2011 stood at Php 12.959 billion, an increase of 40% over the Php 9.276 billion as of December 31, 2010.

Cash and cash equivalents increased by 50% from Php 615 million to Php 924 million due to higher revenue level during the current year and the need to retain cash on that level due to operational requirements.

The Group's liquidity position continued to hold strong with Current Assets reaching Php 6.902 billion as of December 31, 2011, up from Php 4.882 billion as of December 31, 2010.

Trade and other receivables increased by 12%, from Php 2.556 billion as of December 31, 2010 to Php 2.865 billion as of December 31, 2011 as a result of the increase in sales revenue in 2011 compared to the preceding 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 103%, from Php 1.052 billion as of December 31, 2010 to Php 2.133 million as of December 31, 2011 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. Both the comparative year are in the level of around twenty two (22) days inventory as of December 31 cut-off. Prices are also a factor of the inventory costs increase this year. 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 Sale are parcels of subdivided lots owned by PPIPC, a wholly owned subsidiary of the PPPI. These lots are intended for sale to prospective buyers. The level is the same as that of 2010 as the sold lots are coming from the undeveloped portion which was part of the Land Held for Future development under non-current assts. There are ongoing active negotiations with prospective buyers of these parcels of lots.

Due from related parties net balance is payable Php 10.766 million as of December 31, 2011 compared to a payable balance of Php 33.890 million in 2010. The Company's parent holding company extended advances to support its cash requirement for its capital expenditures on a temporary basis to bridge immediate cash flow requirements.

Restricted deposits decreased by 6% from Php 73.4 million in December 31, 2010 to Php 69 million in December 31, 2011. Some of the banks released restricted deposits which were previously required.

Input-VAT-net increased by 722% from Php 28 million in December 31, 2010 to Php 226 million in December 31, 2011. These are accumulation of input VAT, current and deferred as a result of the continuous capital expenditures of the Group.

Other current assets increased by 140% from Php 86 million in December 31, 2010 to Php 206 million in December 31, 2011. These are prepayments on taxes, rentals on retail service stations and depot sites, creditable withholding tax and other various prepayments.

As of December 31, 2011, the Group's property and equipment, net of accumulated depreciation, increased to Php 5.572 billion compared to Php 3.886 billion as of December 31, 2010 as a result of the Company's continuous expansion of retail service stations, storage facilities, acquisition of land, purchase of vessel and other minor capital expenditures.

Land held for future developments are parcel of subdivided lot owned by the wholly owned subsidiary PPIPC. The balance is reduced by 14% as a result of the land sale realized by the Group this 2011. The remaining 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 46% from total Php 4.304 billion as of December 31, 2010 to Php 5.877 billion as of December 31, 2011. This is due to the Php 750 million corporate notes issue by the Group, and the increase in short term loans and borrowings that are related to the financing of the inventory build-up and accounts receivable trade gapping.

Trade and other payables increased by 60%, from Php 1.926 billion as of December 31, 2010 to Php 3.084 billion as of December 31, 2011 as a result of the inventory build-up of the Company using suppliers' credit as well as higher unit prices. The increase in Other Payable was mostly payables to contractors and suppliers for construction of depots and retail stations.

Other non-current liabilities increased by 213% in December 31, 2011. Most of this is accumulation of Cash Bond placed by dealers and customer to secure their credit purchases.

Total Stockholders' Equity increased to Php 3.714 billion as of December 31, 2011 from Php 3.079 billion as of December 31, 2010 due to the Php 557 million net income posted during the year. This however was minimized by the effect of the Php 108.3 million cash dividend declared and distributed during the year to both common and preferred shareholders. Revaluation of Vessels and CSC assets also affected the amounts for the Revaluation Reserves and other reserves amount.

Key Performance Indicators and Relevant Ratios

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

	2013	**2012**	**2011**
Current Ratio[1]	1.33 : 1	1.56 : 1	0.97 : 1
Debt to Equity[2]	2.43 : 1	2.67 : 1	2.49 : 1
Return on Equity[3]	12.08%	15.86%	16.42%
Net Book Value Per Share[4]	4.55	4.96	5.61
Earnings Per Share-Adjusted [5]	0.45	0.48	0.40

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 net of preferred divided by the total number of shares issued and outstanding at year-end
5 – Net income after tax (net of Preferred dividend) divided by weighted average number of outstanding common shares adjusted to Stock dividends

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 debt to equity (DE) ratio for 2013 is 2.43:1 due to payables to cover level of inventory to support the sales requirement in the first month of 2014. The immediately preceding two years been steady at 2.67:1 and 2.49:1 for 2012 and 2011 respectively. However, the DE for interest bearing liabilities is 2.11:1 and 2.21:1 for 2013 and 2012 respectively. The DE is expected improve in succeeding years out of the Groups' projected income and various initiatives.

PRODUCT LIST

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 20L
ZOELO Diesel Oil API CC/SC SAE 40 Drum 200L
ZOELO Diesel Oil API CC/SC SAE 30 Pail 20L
ZOELO Diesel Oil API CC/SC SAE 30 Drum 200L
ZOELO Diesel Oil API CC/SC SAE 10W PAIL 20L
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
Industial 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
Water-Soluble Cutting Oil Pail 18L
Water-Soluble 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 20L
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
Phoenix Air Freshener Lemon 12x70g
Phoenix Air Freshener Lemon Scent 60x70g
Phoenix Air Freshener Apple 12x70g
Phoenix Air Freshener Apple Scent 60x70g

CORPORATE OFFICES

CORPORATE OFFICES

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STOCK TRADING INFORMATION

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