PHOENIX

SULONG PHOENIX

2016 ANNUAL REPORT

PHOENIX PETROLEUM PHILIPPINES, INC.

INSIDE THIS REPORT

ABOUT THE COVER

"Sulong" is a Filipino term that serves as a rallying cry: "Charge! Move! Onward!" That is also the team's call to action as we unite and work together towards our goal to become a bigger player in the industry. In the midst of changes in the political and economic landscape, to be able to quickly act on opportunities is essential. Sulong Phoenix! We're ready to soar.

ABOUT US

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.

STEWARDSHIP

We nurture our resources responsibly.

TEAMWORK

We value relationships. We achieve goals through collaborative efforts.

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.

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 Davao, it has expanded to build a wide network of retail stations and commercial and industrial clients nationwide.

The Company's business covers the trading of refined petroleum products and lubricants to retail and commercial channels, operation of oil depots, storage, and transport services. Its integrated logistic services include hauling and into-plane services of Jet-A1 fuels to airports and airlines and refueling of aircraft in key cities.

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

The Company has been recognized by various award-giving bodies for its leadership, marketing, and CSR programs.

With its vision to be an indispensable partner in the journey of everyone whose life we touch, Phoenix Petroleum is committed to deliver world-class services, empower people, and inspire every Filipino's entrepreneurial spirit.

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 2012-2016

(All amounts expressed in millions, unless otherwise stated)

Income Statement Data:	2012*	2013	2014	2015	2016
Revenues	34,586	43,552	34,734	30,054	30,577
Cost of Sales and Services	31,962	40,248	31,144	25,269	29,484
Net Profit-TOTAL	651	665	616	906	1,092
Net Income-Excluding Non-Recurring Income	651	665	616	906	1,092
Provision for Preferred Dividends	58	57	41	46	195
EBITDA	1,597	1,864	2,084	2,882	3,128

(All amounts expressed in Millions, unless otherwise stated)

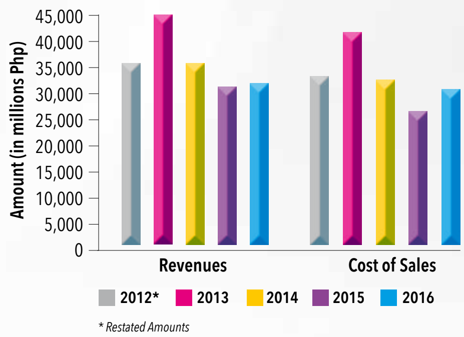
Balance Sheet Data:	2012*	2013	2014	2015	2016
Current Asset	8,967	13,054	13,484	17,040	17,012
Non-current Asset	7,540	9,283	11,516	13,887	9,526
Total Assets	16,507	22,338	25,000	30,927	30,927
Current Liabilities	5,752	9,842	11,895	15,001	14,596
Total Liabilities	12,011	15,840	17,950	20,903	16,776
Stockholders' Equity	4,497	6,498	7,050	10,023	9,762
Bank Debts	9,915	13,752	13,843	16,984	13,184

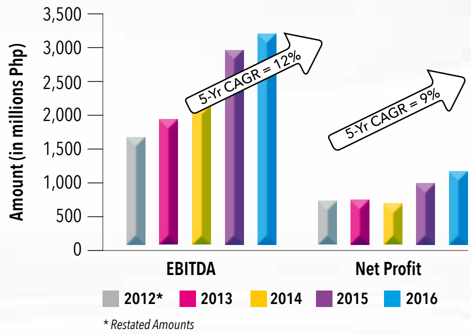
Financial Ratios	2012*	2013	2014	2015	2016
Current Ratio[1]	1.56 : 1	1.33 : 1	1.13 : 1	1.14 : 1	1.17 : 1
Debt to Equity [2]	2.67 : 1	2.44 : 1	2.55 : 1	2.09 : 1	1.72 : 1
Return on Equity [3]	15.86%	12.10%	9.10%	10.61%	11.04%
Return on Assets [4]	6.90%	4.86%	3.60%	4.13%	4.61%
Return on Sales	1.88%	1.53%	1.77%	3.01%	3.57%
Net Book Value Per Share [5]	4.41	4.20	4.58	5.27	5.08
Earnings Per Share-(Adjusted) [6]	0.48	0.45	0.40	0.60	0.64
Return on Equity-Common [7]	14.5%	11.1%	9.5%	12.7%	12.7%

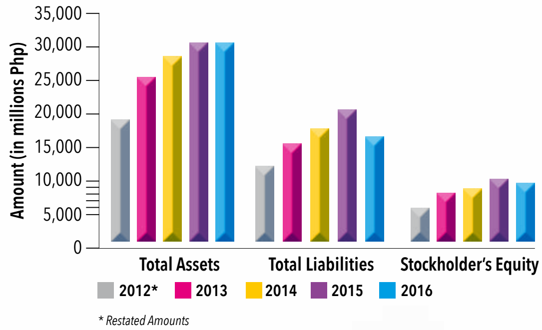
Stock Information: (Figures in millions except per share)	2012*	2013	2014	2015	2016
Weighted Average No. of Shares-Adjusted of Stock Dividends	1,235.78	1,357.01	1,428.78	1,428.78	1,410.96
Number of Shares Issued	906.06	1,428.78	1,428.78	1,428.78	1,428.78
Total Number of Shares Outstanding-Year End	906.06	1,428.78	1,428.78	1,428.78	1,428.78
Market Capitalization-Year End	8,181.72	6,429.50	4,414.92	5,215.04	8,058.30
Stock Price-Closing (Year End)	9.03	4.50	3.09	3.65	5.64
Treasury Stock-Shares	-	-	-		54

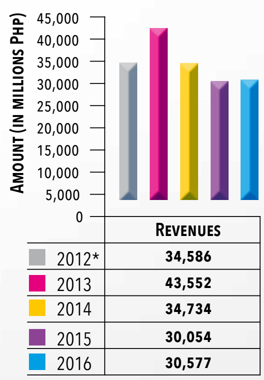
Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Net income divided by average total stockholders' equity
4 - Net income divided by average total assets
5 - Total stockholders equity - (Common) divided by the total number of shares issued and outstanding
6 - Net income after tax (net of Preferred Stock Dividend Allocation) divided by weighted average number of outstanding common shares
7 - Net income after tax (net of Preferred Stock allocation) divided by stockholders' equity-common

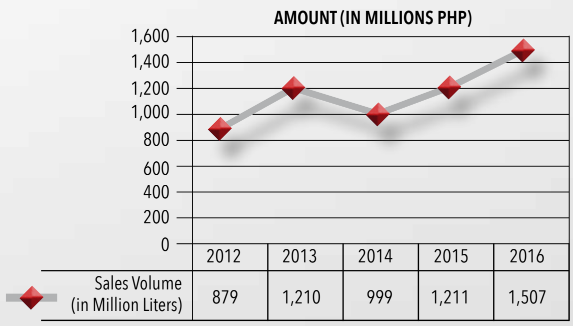
* Re-stated figures











INDUSTRY HIGHLIGHTS

CAR SALES GROWTH

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

OIL PRICE ADJUSTMENTS

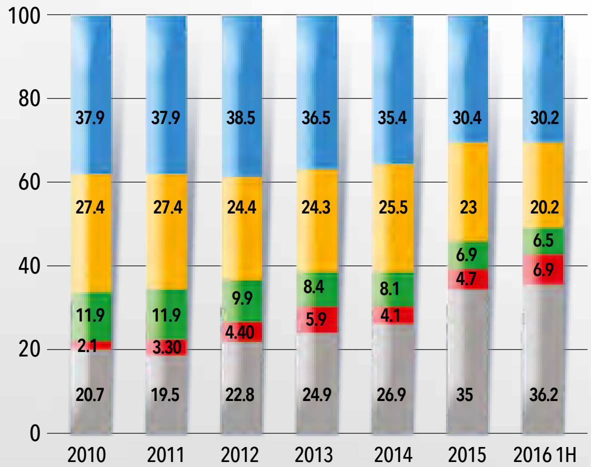
Total net price adjustments of:	2013	2014	2015	2016
Gasoline per liter	3.59	-13.29	-0.80	7.94
Diesel per liter	4.68	-15.03	-7.14	9.53

Source: Department of Energy

Retail Prices in Metro Manila (P/Liter)	As of 2013, Dec. 31		As of 2014, Dec. 16		As of 2015, Dec. 29		As of 2016, Dec. 27	
PRODUCTS	Price Range	Common Price	Price Range	Common Price	Price Range	Common Price	Price Range	Common Price
Diesel	42.20 - 47.05	45.25	29.20 - 32.55	31.40	20.55 - 23.95	21.85	28.25-30.10	30.10
Gasoline (RON 95)	50.00 - 56.35	55.50	37.85 - 43.95	42.00	33.20 - 40.65	39.90	36.90-47.90	46.30
LPG, P/11-kg cylinders	850.00 - 967.00		570.00 - 711.00		470.00 - 680.00		425.00-650.00	

Source: Department of Energy

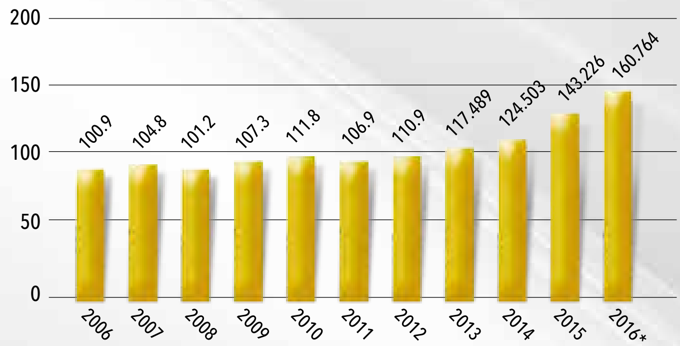
OIL INDUSTRY MARKET SHARE



Source: Department of Energy

PETRON SHELL CALTEX PHOENIX PETROLEUM OTHER INDEPENDENTS

PH PETROLEUM PRODUCT DEMAND (in MMB)



**Annualized estimate based on 2016 First Half's 80.382 MMB*

Source: Department of Energy

PHILIPPINE HIGHLIGHTS

SULONG PILIPINAS

6.8%
GDP GROWTH IN 2016

2.3%
TOTAL FACTOR PRODUCTIVITY OF THE PHILIPPINES

$6.2 B
- JANUARY TO OCTOBER 2016 FOREIGN DIRECT INVESTMENT (FDI) INFLOWS

$9.3 B
- APPROVED PROJECTS IN 2016, UP BY 21%, BY THE BOARD OF INVESTMENTS

23.1 Years Old
MEDIAN AGE OF THE PHILIPPINES

The new administration ushers in bright prospects for the Philippines.

President Rodrigo Duterte's 10-Point Socioeconomic Agenda aims to make the country more globally competitive, improve the ease of doing business, attract more investors, reduce generational poverty, and ensure inclusive growth.

With its stable economic fundamentals and strong leadership, the Philippines is poised to be a rising star in Asia.

6.8% GDP GROWTH IN 2016

The Philippine economy continues to be one of the fastest-growing and best-performing in Asia.

Growth drivers are Manufacturing, Trade, Real Estate, Renting and Other Business Activities

2.3% - Total factor productivity of the Philippines, the fastest-growing in ASEAN

103.9 MILLION – projected population of the Philippines in the fourth quarter of 2016

US $6.2 BILLION – January to October 2016 Foreign Direct Investment (FDI) inflows, up by 22%. In the first 10 months of 2016, net FDI already surpassed the FY 2015 net FDI of US $5.8 billion

US $9.3 BILLION – approved projects in 2016, up by 21%, by the Board of Investments

2016 TOP SECTORS:

1. Electricity, Gas, Steam and Air Conditioning Supply
2. Real Estate Activities
3. Construction
4. Manufacturing
5. Transportation and Storage

23.1 YEARS OLD – median age of the Philippines
The Philippines is in a demographic sweet spot. With Filipinos younger compared to the rest of the world, the country has a young, employed, and more prosperous consumer base for many more years.

The literacy rate in the country is a high **94.6%**, and the Philippines is the **world's third largest English-speaking country**.

TOP PRIORITY AREAS

As identified by the Comprehensive National Industrial Strategy

- **MANUFACTURING**
  - Electronic manufacturing services
  - Automotive and auto parts
  - Aerospace parts
  - Chemicals
  - Shipbuilding
  - Tool and die
  - Furniture and garments
- **INFRASTRUCTURE AND LOGISTICS**
  - Power
  - Transport and logistics
- **SERVICES**
  - IT-BPM (non-voice services BPO and KPO segments in medical, financial and legal services; game development; engineering design in manufacturing; software development, and shared services)
  - Construction
- **AGRIBUSINESS**
  - Cacao, coffee, mangoes, bananas, coconuts, rubber, bamboo, fruits and nuts, palm oil
  - Other high value crops
- **TOURISM**

10-POINT SOCIO-ECONOMIC AGENDA

1. Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.
2. Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.
3. Increase competitiveness and the ease of doing business. This effort will draw upon successful models used to attract business to local cities (e.g., Davao) and pursue the relaxation of the Constitutional restrictions on foreign ownership, except as regards land ownership, in order to attract foreign direct investment.
4. Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.
5. Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.
6. Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
7. Invest in human capital development, including health and education systems, and match skills and training to meet the demand of businesses and the private sector.
8. Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development.
9. Improve social protection programs, including the government's Conditional Cash Transfer program, to protect the poor against instability and economic shocks.
10. Strengthen implementation of the Responsible Parenthood and Reproductive Health Law to enable especially poor couples to make informed choices on financial and family planning.

Sources: Department of Trade and Industry, Invest Philippines

MESSAGE TO SHAREHOLDERS FROM THE CHAIRMAN & THE PRESIDENT

CHARGING AHEAD

DOMINGO T. UY
Chairman

CHANGE WAS THE WORD THAT DEFINED THE YEAR 2016. IN THE GLOBAL AND NATIONAL SCENE, THE YEAR SAW SIGNIFICANT CHANGES THAT UPENDED TRADITIONAL POWER, ALLIANCES, AND METHODS – SUCH AS THE VOTE OF GREAT BRITAIN TO LEAVE THE EUROPEAN UNION AND THE ELECTION OF DONALD TRUMP AS US PRESIDENT.

At home, the election of Rodrigo Duterte to the Philippine presidency was seen as a bringing back of power to the common people. A long-time mayor of Davao City, Duterte won the most number of votes than any president with his campaign to suppress crime, drugs and corruption, to spread economic growth throughout the country, and to improve the lives of Filipinos. Duterte's ascendancy to the highest office has shifted governance and focus from the capital to the provincial and local cities.

This confidence and optimism in the Philippines is translating to continued growth, with the economy growing 6.8% in 2016. In the last seven years, Philippine GDP has averaged 6.3%, the highest since 1978. Driving this are higher investment and consumption, and the growing industry and service sectors. These make the Philippines one of the fastest-growing Asian economies, and it is seen to continue as our economy remains strong and healthy.

DENNIS A. UY
President &
Chief Executive Officer

Then Davao City mayor Rodrigo Duterte led the ribbon-cutting of the Phoenix Lanang station opening in 2012.
His ascendancy to the presidency has shifted governance and focus from the capital to the provincial and local cities.

The growth is translating to higher demand for petroleum products. In the first half of 2016, demand increased by 13% to 80,382 MB, or an average daily requirement of 441.7 MB. For the seventh consecutive year, sales of vehicles continued to grow, with a record 404,051 new units sold in 2016, or 25% higher than 2015. New car models and attractive financing offers helped boost car sales.

Oil prices steadily increased this year, although the average price was still 19% lower than 2015 prices. Brent crude oil closed at $54.94 per barrel as against the previous year's $37.74. This resulted in a ₱7.94 per liter net price adjustment for gasoline and ₱9.53 per liter for diesel for the year.

As OPEC and non-OPEC members planned to reduce output, oil prices in 2016 were on an uptrend, leading to better margins for oil companies.

In this environment of change, we too embarked on important changes to ensure that the momentum of our growth is sustained. From the physical change of improving the look of our stations and lubricant products, to implementing organizational changes and enhancing processes for better service and performance, we are charging ahead in our aim to become a major oil company.

IN THIS ENVIRONMENT OF CHANGE, WE TOO EMBARKED ON IMPORTANT CHANGES TO ENSURE THAT THE MOMENTUM OF OUR GROWTH IS SUSTAINED

BANNER YEAR

2016 was a banner year for our company. We sold an all-time high of 1.5 billion liters, completed 51 stations to increase the total number of built outlets to 505, and posted record profits of ₱1.09 billion. This is 21% higher than the 2015 net income of ₱906 million, and was driven primarily by higher sales volume, service revenues, and efficiencies in trading and supply management.

Sales volume grew 25% year-on-year, with higher retail sales from new stations built and increased same-store sales, and higher sales to corporate direct accounts. Volume sales have been growing at a CAGR of 17% since 2011, outpacing industry growth of 9%.

From our first five stations in 2005, we have grown our retail network to 505 stations in just 11 years. Retail volume in 2016 grew 12%, as same-store sales increased by 18% on higher consumption and strong brand marketing.

Sales from commercial and industrial accounts grew 33%, while aviation volume increased 14%. We continued to acquire new accounts, win big contracts, and serve more companies such as in the power, construction, transportation, shipping, mining, agriculture, fishing, and manufacturing industries. Lubricant sales volume also grew 18% year-on-year on bigger market share.

Revenues increased by 2% to ₱30.57 billion as lower oil prices year-on-year were offset by higher sales volume. Return on sales continued to grow, from 3.01% in 2015 to 3.57% in 2016.

As of the first half of 2016, our market share has grown to 6.9%. This puts us on track to be the Philippines' third largest oil company in market share by the end of 2017.

AIMING HIGH

We have implemented vital programs to support our goal of being a major player.

We continued our refurbishing program in key stations nationwide. As the stations represent the company and brand to motorists, our stations must look clean and attractive, and our new sleek and modern design achieves this. Our bigger stations serve as one-stop destinations for fuel, food, auto servicing, and other conveniences. We continue to grow our non-fuel related business as we partner with established and new brands to provide more products and services to our customers.

We also re-launched our revitalized lubricants products, with better formulation and packaging. The award-winning Phoenix Cyclomax Racing team in Luzon and the Phoenix Cyclomax V-Man Racing Team in Mindanao are proof of the quality, power, and speed of our products.

In our stations, our promotions were supported by motorists. These promos include the "Diyes Is It" fuel rebate, "Gas Pa More, Peel to Win, " and " Get a Hot Wheels Car."

A major branding push was our entry to the Philippine Basketball Association in early 2016 with the Phoenix Fuel Masters. In the PBA D-League, the Phoenix Accelerators

WE ARE ON TRACK TO BE THE PHILIPPINES' THIRD LARGEST OIL COMPANY IN TERMS OF MARKET SHARE BY THE END OF 2017.

were back-to-back champions in the 2016 seasons. With basketball as the favorite sport of the Philippines, our entry to these professional leagues will boost recognition and exposure of Phoenix as a brand.

In our operations, we continue to strive for excellence and strengthen safety, timeliness, and efficiency.

We marked a safety milestone of a record 2.917 million safe man-hours since January 2015 to December 2016.

Across our nine depots and terminals, we reinforced standards, expanded capacity, improved facilities, and commissioned tanks for new products. Our new depots in Cebu and General Santos are expected to be completed in 2017, as well as further expansion in our Calaca terminal.

We continue to add to our fleet of lorries to support deliveries to our growing number of customers, produce better efficiencies and controls, and lower overall operating expenses for deliveries.

As a fast-growing company, we seek to build a high-performing team of people who have the entrepreneurial mindset, diligence, discipline, and determination to get things done. We launched two important programs to improve capabilities and effectiveness: the Competency Framework to identify the knowledge, skills, and attributes valued in each role, and the Job Evaluation and Grading program to establish consistency and equity across the organization.

We've always told the team that the company is theirs to take care of, and this they can proudly say with the roll-out of our Employee Stock Options Plan. We launched the ESOP in July to reward employees' loyalty, dedication, and performance, and to help them grow their careers with the company.

Another source of pride for the team is our new Davao Corporate Headquarters, inaugurated in February. The new office has several meeting rooms, a food hall, a kitchen, and a gym, in support of our health and wellness programs.

On its third year, the Phoenix Heroes of the Month program recognized 17 employees who exemplified *malasakit*, innovation, and going the extra mile to do what is good and right for the company.

As we move towards becoming a major oil company, we will continue to strengthen and improve our operations, brand, and people.

SUBSIDIARIES' SALE

In November 2016, we sold our non-core shipping and industrial park businesses – Chelsea Shipping Corporation (CSC) and Phoenix Petroterminals and Industrial Park Corp. (PPIPC) – to the Udenna Group, the effective parent and majority stockholder of Phoenix Petroleum. The net proceeds of ₱3 billion was used to pay down debt, improving the company's leverage. More significantly, it will allow us to focus our resources on expanding the core petroleum business and to fund possible acquisitions. The Group's debt to equity ratio dropped to 1.72:1 as of end December 2016 from 2.09:1 the previous year.

Under the Udenna Corporation, the shipping business segment will now be consolidated under Chelsea Logistics Corp (formerly Chelsea Shipping Group Corp.). Its two main subsidiaries are Chelsea Shipping Corp. and Trans-Asia Shipping Lines, which was acquired in November 2016.

FUELING CHANGE

In our corporate social responsibility programs, we continue to advance our advocacies in education, environment, health and safety, and outreach. Our programs have helped thousands of beneficiaries, whether through free schooling, medical and dental assistance, or amongst healthy watersheds.

The second season of Pinoy Tsuper Hero, our advocacy program to recognize and empower inspiring Filipino drivers, was met with bigger success with over 20,000 nominations. Jeepney driver Edwin Escamos of Iloilo City was declared the second Pinoy Tsuper Hero, for exemplifying leadership and public service.

FUELING LIVES

The year 2016 saw change coming in several fronts. We are confident of the country's leadership and the bright prospects of the Philippines, and we are ready to do our part in building a strong and growing nation.

This 2017 will mark a decade since our listing at the Philippine Stock Exchange on July 11, 2007. Ten years of aggressive growth, expansion, and passion as we grew from a small Davao-based enterprise into the leading independent and soon, the third major oil company in the Philippines.

We look forward to the opportunities ahead and potential expansion to different fields related to energy. The prospects for growth are aplenty, and our company is ready to seize these opportunities.

As we chart our journey towards the next decades, we will keep the passion and ambition to be a company that, beyond size and profits, will create a positive impact to people, communities, and the country.

With the trust, confidence, and support of our shareholders, our business partners, investors, and the team, we are confidently charging ahead – fueling change, fueling progress, fueling lives.

DOMINGO T. UY
Chairman

DENNIS A. UY
President & Chief Executive Officer

Q&A WITH THE CHIEF OPERATING OFFICER

ROMEO B. DE GUZMAN
CHIEF OPERATING OFFICER

WHAT WERE THE KEYS TO THE COMPANY'S BETTER OPERATIONAL PERFORMANCE IN 2016?

The major factor that contributed largely to our improved operational performance is the reorganization of our sales organization effective January 2016.

From the previous eight business units where Retail and Commercial Sales were under different business unit heads, we have streamlined our sales organization to what is now six business units composed of Mega Manila, Upcountry Luzon, Visayas, North Mindanao, South Mindanao, and Lubricants.

This regionalized concept thus integrated all retail and sales functions under one BU head depending on the area. In addition, we have given them operation supervision of the appropriate installations and depots located within their respective areas of concern. Sales and Operational decisions became faster, resulting to enhanced addressing of customer concerns and optimized delivery of services.

The new set-up has greatly changed our operational efficiency by simplifying the communication process and reportorial procedure, thus translating to improved operational performance.

WE HAVE ONLY BEEN IN THIS INDUSTRY FOR A LITTLE OVER A DECADE... OUR CONTINUED EFFORTS TOWARDS OPERATIONAL EXCELLENCE AND BRAND PROMOTION HAVE YIELDED GOOD RESULTS AS WE AIM TO BE A MAJOR OIL COMPANY.

Q: PHOENIX HAS BEEN GROWING AS A BRAND. WHAT WERE THE SIGNIFICANT CHANGES THE COMPANY UNDERTOOK IN ITS PUSH TO BECOME A MAJOR BRAND?

We have only been in this industry for a little over a decade, while others have been in existence for the longest time. Brand is something achieved over long periods of time. I am happy to note that we are taking positive steps towards being a major brand with all the activities that we have been doing the past years. Obviously, aside from operational excellence, our continued efforts to strengthen the brand have yielded good results.

We have to continue improving our image through continuous studies and implementation of enhanced visual manifestation of our stations. Our venture to the professional basketball league PBA has contributed significant results in these efforts, knowing fully well that the league is considered as one of the more notable marketing tools in the country today.

I can fairly say that our new sales organization, various marketing activities, expanding network, and new visual manifestation of our retail outlets have, in one way or the other, contributed to us being a major brand today.

Q: YOUR GOAL HAS ALWAYS BEEN OPERATIONAL EXCELLENCE. HOW IS THE COMPANY MOVING TOWARDS THIS AND WHAT MORE NEEDS TO BE DONE?

Operational excellence is a continuing exercise. We are constantly in the process of implementing proven principles and modern systems that will lead to greatly improving our performance. All employees, from management down the line, should learn to accept that we are not yet there and that there are a lot of things to be done. Acceptance is the key and it would take all our concerted efforts to achieve the operational excellence that we seek to attain.

We are in constant review of our people which, as we all know, is our greatest asset. We have implemented the job grading system and career paths for identified individuals who we believe have the capacity to go up the ranks and be a big factor in the future of the company. We have a system of job evaluation under the rewards and benefits program of the company where qualified employees are given additional compensation and bonus for exceptional performances.

Part of our efforts also is the sales reorganization as earlier described. It seeks to promote operational excellence as we want to address customer satisfaction soonest.

We are on the right direction and we make this commitment that we shall endeavor to implement measures that will always be focusing on our business partners' needs, keeping the employees positive and empowered, and continually improving current activities in the workplace that will ultimately result to improved operational processes.

OPERATIONAL HIGHLIGHTS

GIVING THE BEST CUSTOMER EXPERIENCE

With 505 stations nationwide and a growing number of commercial and industrial accounts, we are ever more determined to give our customers and consumers the best service experience with us.

We introduced a sleek and modern design for our stations, and started upgrading many of these across the country. We opened 51 new sites, increasing our total station count to 505.

We continued to expand and build bigger stations to serve as one-stop shop for motorists. For 2016, 19 new food, service, and convenience shops were opened in our stations, increasing to 66 the number of active locators nationwide. We expanded our partnership with quick-serve restaurant leaders such as Jollibee, Chowking, McDonald's, and Shakey's. We partnered with Herbal Life and piloted three Phoenix sites as pick-up centers for their product distribution. The successful pilot will be expanded to more sites in 2017. Motech Autoservice Center will also add more sites to their current three and open three more in Phoenix stations within the first half of 2017.

We also implemented promo tie-ups with our locators such as 7-Eleven, Lido Cocino, Shawrapped, and local restaurants in our Lanang, Davao City station.

In the commercial and industrial segment, we acquired new key accounts in power, construction, manufacturing, agriculture, mining, fishing, and transport. We also won several supply contracts such as to the Power Sector Assets and Liabilities Management Corporation for their Malaya Thermal power plant and Ilijan Natural Gas power plant, and to the National Power Corporation for their 2017 requirements.

As value-added service, we conducted industry technical workshops to 66 companies and technical seminars to 69 companies in the marine, shipping, mining, agriculture, manufacturing, transportation, and construction industries. These technical meetings and lubricant surveys helped convert accounts to use Phoenix fuels and lubricant products.

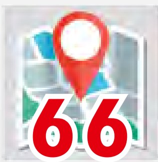
All these programs and initiatives helped grow our fuel sales volume by 25%, hitting a record 1.5 billion liters in 2016. Commercial sales volume grew 33%, while volume from retail sales increased by 12% as same-store sales grew 18%.

The opening of more retail stations and acquisition of new commercial accounts and high-street accounts in auto and bike supply shops nationwide also boosted our lubricant sales. The first phase of our lubes products revitalization was implemented with new brand names, new formulation, and new packaging. We conducted lubes marketing activities and supported racing teams, trade shows, racing events, and trade promotions to promote the Phoenix lubes products in the market.

As a result, our lubricants sales volume increased by 18% from last year.

We also transferred our Lubes Oil Blending Plant and warehouse to a new location in Taguig, designed to attract potential clients with increased capabilities in blending, toll filling, storage, and deliveries.

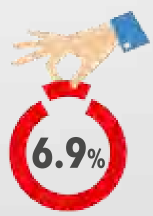
STATIONS NATIONWIDE



ACTIVE LOCATORS PROVIDING NON-FUEL RELATED PRODUCTS AND SERVICES

1.5 BILLION LITERS FUEL SALES VOLUME

GROWTH IN FUEL SALES VOLUME



MARKET SHARE IN INDUSTRY

DOING IT RIGHT, SAFELY, AND ON-TIME ALL THE TIME

With our goal towards operational excellence, we ensure to do things right, safely, and promptly.

New and improved management systems were introduced to support Health, Safety, and Environment (HSE) as a priority. Our HSE Management System Manual formalizes the standards for the organization in implementing HSE programs and principles.

To reinforce to the team the principles and importance of safety, several trainings were conducted such as on defensive driving, root cause analysis, incident investigation and report writing, and safety orientation for new employees.

A Live Fire Fighting and Response Strategies Training was also conducted to improve emergency response capabilities of the Operations staff.

These HSE initiatives helped result to zero loss time injury and a record 2.917 million safe man-hours since January 2015 to December 2016.

The promotion of safety also extended to our business partners. For retail stations, we created additional safety and operations procedures, including an Emergency Response Plan. To commercial accounts, we conducted Oil Spill Training at Land for three mining sites of Nickel Asia, and Oil Spill Training at Sea for Western Mindanao Power Corp.

In our depots, we continued to expand capacity and improve and standardize operations.

SFO blending and storage tanks were commissioned in our Calaca, Davao, and Cagayan de Oro terminals to support increased volumes for special fuel oil. We also upgraded equipment and facilities to improve efficiency and safety. Our Bacolod depot was equipped with receiving, storage, and loading facility for IFO, and also received an ISO certification for quality management system.

In support of our growing number of clients, we increased our own number of lorries and capacities to produce greater efficiencies and controls, and reduce operating expenses from hauling. These new lorries were deployed to Luzon and Mindanao distribution operations. These and other improvements in scheduling, delivery execution, and monitoring resulted to an average of 99.85% on-time delivery performance from our nine depots.

We also ensured stable supply of cost-competitive products in the midst of market fluctuations. In the face of worldwide uncertainty about volatile crude prices and availability of refined product and prices, fast and well-informed supply decisions were made based on a more holistic and inclusive view of the supply chain to maximize opportunities for efficiencies that resulted in cost reduction, revenue enhancement, and competitive position.

Initiatives to build a more robust and closely-linked processes in the supply chain coupled with the right infrastructure resulted in stable supply of products and significant decline in demurrage cost. The shift to a process-focused organization allowed for better communication and created the proper environment to sustain an integrated and adaptive value chain that is required for the company to remain competitive in the market, and exceed its sales target.

GROWTH IN RETAIL SALES VOLUME

INCREASE IN RETAIL SAME-STORE SALES

INCREASE IN COMMERCIAL SALES VOLUME

INCREASE IN LUBRICANT SALES VOLUME

2.917 MILLION
SAFE MAN-HOURS AS OF END-2016

BUILDING A HIGH-PERFORMING TEAM

Building a high-performing team means fostering a work environment that allows all employees to take on the values of the company and contribute to the highest level possible to support our mission.

We aim to consistently develop, empower, and recognize our employees. The Phoenix Heroes for 2016 (center) were from our South Mindanao Sales Team and Security group, who displayed loyalty and commitment in safeguarding the company's interests first.

This year we launched the Competency Framework and Job Grading schemes. These are linked to growing the capability of the workforce and influencing their effectiveness positively across the regions. By having a defined set of competencies for each role in the business, our employees will know the kind of knowledge, skills and attributes the company values and help achieve PPPI objectives. The Competency Framework outlines specifically what everyone needs to do to be valuable in their roles. It has also become an important tool for recruiting and selecting new staff, identifying skills and competency gaps, and providing more customized training and professional development.

Some of the trainings the team received were on topics such as Effective Customer Service, Service Standards, 7 Habits for Highly Effective Managers, safety trainings, and technical product knowledge workshops.

We also set up the Job Evaluation and Grading program to address the organizational changes leading to new job designs in our company. Determining the relative importance of all the different jobs within the company is important to build consistency and equity in our HR systems.

To boost productivity in a fast-paced environment, we shifted to Google Apps for Work to enable easier communication and collaboration among various departments and different locations. Employees are able to work better by using powerful tools for email, calendar, text and video chat, document creation, and online storage and sync.

In February, the Davao team moved to the new Corporate Headquarters, a three-storey building that houses different departments, most of our back-office functions, several meeting rooms, and a function hall. To support the company's health and wellness programs, the new headquarters also has a spacious food hall and kitchen, where lunch and afternoon snacks are provided for free to employees; a clinic; and a gym and dance studio.

We also launched the Employee Stock Options Plan in July as a way to reward and recognize the loyalty, dedication, and exemplary performance of employees and help them establish and grow their careers with the company.

We continued the Phoenix Hero program, and recognized 17 employees for going the extra mile and demonstrating *malasakit* and innovation in their work.

All these are considered to continuously build a motivated, engaged, and high-performing team.

Our new Corporate Headquarters in Davao City includes a function hall, food hall, and gym

BECOMING A MAJOR BRAND

Though a young brand, Phoenix Petroleum has been making great strides in terms of recognition and exposure.

Our PBA team, the Phoenix Fuel Masters, is bringing the brand to a bigger audience

The Phoenix Accelerators of the PBA D-League celebrate their back-to-back victory

Our product brands have strong visibility in major racing events

We pushed this further as we finally joined the Philippine Basketball Association, the country's major professional basketball league. The Phoenix Fuel Masters made its debut in the 2016 Commissioner's Cup. Through several seasons and key changes, the team is being developed to be a stronger and winning team.

In the PBA Developmental League (D-League), the Phoenix Accelerators were proud back-to-back champions in the 2016 seasons.

We also supported racing teams and major racing events. Phoenix Premium 98 was the Presenter while Phoenix Cyclomax Racing 4T was category sponsor during the 10th year of the IRGP Grand Prix held in Carmona in November. All racers used Phoenix Premium 98, promoting the product and giving our brands strong visibility in the prestigious race event.

We were also the Presenter of the National Slalom Series, with a total of 15 legs. We joined the IR Bikefest, the biggest motorcycling event in the country to officially launch our Cyclomax products.

Our racing teams won many awards in various races. The Phoenix Cyclomax Racing Team in Luzon and the Phoenix Cyclomax V-Man Racing Team in Mindanao gathered many awards, demonstrating the power and speed of our lubricant products.

The award-winning Phoenix Cyclomax Racing Team in Luzon (top) and Phoenix Cyclomax V-Man Racing Team in Mindanao prove the power and speed of our lubricant products

Our "Goku" TV commercial builds on the cooling factor of our Phoenix Cyclomax lubricant product

To further boost our Phoenix Cyclomax product, we launched our "Goku" TV commercial which promotes the product's cooling factor. It has active Cycloboosters to protect one's engine and keep it from overheating – *"para kasing cool mo ang motor mo."*

In our stations, we launched successful promotions to attract and reward motorists. These promos were "Diyes Is It" fuel rebate, "Gas Pa More, Peel to Win" which gave as much as P10,000 worth of fuel to lucky winners, and "Get a Hot Wheels" which sold collectible Hot Wheels car for a minimum amount. There were also local promotions that capitalized on our tie-ups with PBA, UFC, and GoHotels.

Also strengthening our brand is the Pinoy Tsuper Hero 2, an advocacy and engagement program with professional drivers. In this second season, the PTH caravan went to 13 provinces and cities and was complemented by marketing activities at terminals. It generated a total of 20,116 nominations, more than five times the previous year's.

During the Pinoy Tsuper Hero 2 caravan, we also partnered with government services such as Pag-ibig, SSS, and PhilHealth, allowing them to set up booths in our stations as a public service.

Taxi driver Jose Ely Balili, 51, of Davao City won ₱10,000 worth of Phoenix fuel and lubes. "I am very happy. I can now save for my family. The money which I was supposed to use to buy fuel, I can now use to have our house repaired."

Businesswoman Elyn Abanil, 51, of Negros Occidental and winner of ₱10,000 worth of Phoenix fuel and lubes: "I have a transloading business. Since Phoenix is near us, I always purchase our truck's fuel from them. The service of the crew is good too. I am very happy and thankful that I won. This will help us in our business."

AWARDS AND RECOGNITIONS

We received several awards and recognitions in 2016 for leadership, brand and marketing, and health.

- **MVP BOSSING AWARD**

President and CEO Mr. Dennis Uy was recognized as one of the seven MVP Bossing awardees in 2016. The MVP Bossing Awards recognizes outstanding Filipino business owners for their exemplary leadership and contribution not only to the economy but to nation building. This year's selection process highlighted entrepreneurs who were able to inspire and enable others to achieve their business dreams and advocate inclusive growth in their businesses.

President and CEO Dennis Uy is recognized for his exemplary leadership by the MVP Bossing Awards during the awards night on November 23, 2016 at Shangri-La at the Fort, Manila.

- **ANVIL SILVER FOR FUEL THE DREAM CAMPAIGNS**

Our "Fuel the Dream" campaign won the Silver Anvil Award for Public Relations Tools: Multimedia/Digital Online Video category. The "Fuel the Dream" campaign consisted of online video asset (OVA) series which featured the journey of mixed martial arts hopefuls Jimboy Panlita and Geli Bulaong, and how their dream was fueled by Phoenix Petroleum. The campaign was recognized for its impact in turning a passive audience into engaged participants – proof that beyond traditional engagement, creating meaningful experiences is the best way to fuel MMA fans. The Anvil Awards is organized by the Public Relations Society of the Philippines.

Phoenix Petroleum AVP for Brand and Marketing Celina Matias and Assistant Brand and Marketing Manager for Luzon and Visayas Rosaminda Barrion-Dimarucut receive the Silver Anvil Award for the company's Fuel the Dream campaign. Phoenix partner media and creative agency, Havas Media Ortega, also joined to receive the shared award, given during the the 51st Anvil Awards on February 26, 2016 at Shangri-la Hotel, Makati City.

- **FRANCHISE ASIA PHILIPPINES' BEST BOOTH**

The Phoenix Petroleum booth won Best Booth Design for Non-Food Franchisor category during the Franchise Asia Philippines 2016 on July 22 to 24, 2016 at the SMX Convention Center, Pasay City. It featured the company's new station design and displayed the revitalized lubricants in their new packaging.

Phoenix Petroleum was previously awarded by the Philippine Franchise Association as Outstanding Filipino Franchise, Retail - Large Store category during the 2015 Franchise Excellence Awards.

The new station design won for Phoenix Petroleum the award for Best Booth - Non-Food Category in the Franchise Asia Expo on July 22-24 at SMX, Pasay City.

- **DUGONG BAYANI AWARDS**

We received two recognitions – the Lapu-Lapu and Apolinario Mabini Awards – from the Department of Health - Philippine Blood Center for our Blood Letting Project. The Dugong Bayani Awards was formed by the Philippine Blood Center as citation to partners who participate in the Mobile Blood Donation Activities. Volunteers from the Phoenix Petroleum Corporate Office in Luzon, Chelsea Shipping, and other invited institutions donated a total of 299 blood units for 2016.

Phoenix Petroleum Health, Safety, and Environment Assistant Manager Arlene Atienza receives the award for the company from the DOH-Philippine Blood Corporation at the Dugong Bayani Awards Ceremony at the H2O Hotel, Manila on December 2, 2016.

PHOENIX PETROTERMINALS & INDUSTRIAL PARK CORP. (PPIPC)

PPIPC is the developer of Phoenix Petroterminals & Industrial Park (PPIP) in Calaca, Batangas. The industrial park covers 107 hectares of land, spanning the three barangays of Salong, Puting Bato West, and Lumbang Calzada in Calaca. It hosts the biggest depot nationwide of Phoenix Petroleum Philippines, Inc. It is also home to the steel manufacturing plant of Steel Asia Manufacturing, the coal-fired power plant of South Luzon Thermal Energy Corp., the bulk solid warehouse of Arvin International Marketing, the LPG plant of South Pacific, Inc. and the chemical storage facilities of Asian Chemicals Corporation, Philippine Prosperity Chemicals, Inc. and McMAI (Cebu) Trading Corporation.

PPIP 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, coal, salt in bulk, LPG, steel billets, steel bars, industrial chemicals and molasses.

Port expansions are currently on-going. At Phase I, the pier deck will be extended by another 70 meters, together with the construction of new and additional breasting dolphins and mooring dolphins. With approximately 80% completion at the end of 2016, this expansion will be completed by June 2017. Once completed, Phase I Port Facility will be able to accommodate two handy-max vessels with length over all (LOA) of 200 meters simultaneously at its outer berth.

At Phase II Port Facility, new breasting dolphins will be constructed to accommodate another berth space for liquid cargoes intended for petroleum products, LPG, and industrial chemicals. This expansion at Phase II will be completed also in 2017 during the first quarter.

These expansions were done to accommodate the increasing shipping and logistics requirements of the existing locators and at the same time cater to new prospective locators.

Despite the on-going port expansion which limited the berth space allocated for vessels to load or discharge cargoes, port volume still grew to 2,240,338 MT in 2016 from 1,885,242MT in 2015, or an increase of 19% from previous year. As a result, port revenues also grew to ₱168 million in 2016 from ₱134 million in 2015, or an increase of 26% from the previous year.

In 2016, PPIPC welcomed Knauf Gypsum Philippines, Inc. as one of its locators. Knauf, with headquarters in Germany, will lease approximately six hectares of land for its gypsum board manufacturing plant.

PPIPC also turned over additional storage tanks of industrial chemicals to Philippine Prosperity Chemicals, Inc. which almost doubled its capacity from 7 million liters in 2013 to 12 million liters in 2016.

PPIPC went into build-lease arrangement of warehouse-type buildings, as it turned over 300 sq. m. of office-laboratory building to Phoenix Petroleum Philippines, Inc. which will be used for various testing and laboratory requirements of its petroleum business. Adjacent to this is a 1,178 sq.m. office-warehouse building turned over to Chelsea Ship Management Marine Services Corporation for storage of its equipment, machineries, and spare parts, with area provisions for seminars, trainings, and workshops for the skills improvement and retraining of its vessels' crew.

Aligned with these developments of new locators, PPIPC implemented various park developments projects such as entrance gate with guard house, perimeter fence, concrete road network with sidewalk and storm drainage, overhead water tank with distribution line and power distribution line.

As PPIPC shifted to lease of land and lease of facilities in 2016, net income before taxes with combined port and park operations reached ₱134 million compared to ₱281 million in 2015, which was enhanced by land sale recorded on that year. As of end-2016, about 43 hectares are still available for sale or for lease from interested locators.

Site visits and inquiries are welcome for companies that are looking for an ideal site for their warehouse, storage tanks, and manufacturing plants. PPIP is ideal to host light to heavy industries, especially those that are heavily reliant on water transport.

The Phoenix Petroterminals and Industrial Park continues to expand and develop to accommodate the increasing shipping and logistics requirements of existing and prospective locators

CHELSEA SHIPPING CORP.

The shipping business segment of Udenna Corporation has been consolidated under Chelsea Logistics Corp., (formerly Chelsea Shipping Group Corp.) which was registered with the Securities and Exchange Commission on August 26, 2016. The two main subsidiaries of Chelsea Logistics Corp. are Chelsea Shipping Corp. and Trans-Asia Shipping Lines, Inc.

Chelsea Shipping Corp. has six subsidiaries, namely Bunkers Manila Inc., Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs Corporation, PNX-Chelsea Shipping Corp. and Chelsea Marine Manpower & Resources, Inc.

Trans-Asia Shipping Lines, Inc. has four subsidiaries, namely Ocean Star Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc., and Quality Metals & Shipworks, Inc.

In 2016, the Group posted a net income of ₱1.538 billion, up 8.1% from ₱1.514 billion of the previous year.

I. Chelsea Shipping Corp.

Chelsea Shipping Corp. (CSC) is one of the top five major petroleum tanker owners in the country, serving Phoenix Petroleum Philippines, Inc., Cebu Pacific Air, Petron Corporation, Seaoil, Marine Fuels, and Batangas Bay Carriers, among other companies, and sailing on local and regional seas.

The Chelsea Shipping Group's 2016 achievements include the following:

- Incorporation / registration of Chelsea Marine Manpower Resources, Inc., a wholly-owned subsidiary of CSC, which will carry out the business of providing crews for domestic and foreign vessels
- Purchase by PNX-Chelsea Shipping Corp. (PNX-CSC) in April 2016 of 2 tankers: the 1,589 GRT tanker M/T Jaime Faith from Animo Haulers and Ship Management Corp., which was renamed "M/T Chelsea Charlize," and the 2,564 GRT tanker M/T Ipsilantis from Avlaka Tanker Corp. which was renamed "M/T Chelsea Endurance"
- Purchase by PNX-CSC in June 2016 of the 2,993 GRT tanker MK Saturn from China Shipbuilding and Exports Corporation, which was renamed "M/T Chelsea Dominance"
- Attainment of 5,000,000 man-hours No Lost Time Incident (LTI) on October 28, 2016
- Bareboat Charter of M/T Chelsea Thelma by Seagull Marine Petroleum Corp., a Vietnamese-based company
- Completion of the construction of the Warehouse/ Electrical/Mechanical Workshop at Calaca, Batangas
- Drydocking of M/T Chelsea Donatela and M/T Chelsea Intrepid
- Lengthening and drydock of M/T Chelsea Enterprise
- Registration of logos / trademarks of Chelsea Shipping Corp. and PNX-Chelsea Shipping Corp. with the Intellectual Property Office

The Chelsea Shipping Fleet currently has 15 vessels with a total GRT of 39,280.64 MT. These vessels are M/T Chelsea Thelma, M/T Chelsea Cherylyn, M/T Chelsea Denise, M/T Chelsea Resolute, M/T Chelsea Intrepid, M/T Chelsea Enterprise and M/T Vela owned by Chelsea Shipping Corp. (CSC), M/T Ernesto Uno and M/T Jasaan owned by Michael,Inc., M/T Patricia owned by Bunkers Manila, Inc., and M/T Chelsea Donatela, M/T Chelsea Denise II, M/T Charlize Faith, M/T Chelsea Dominance, and M/T Chelsea Endurance owned by PNX-Chelsea Shipping Corp.

The entire Chelsea Fleet is classed by reputable Classification Associations:

* IACS Class Bureau Veritas - M/T Chelsea Cherylyn, M/T Chelsea Donatela, M/T Chelsea Thelma and M/T Chelsea Denise II
* Ocean Register of Shipping - M/T Chelsea Resolute, M/T Chelsea Denise,M/T Chelsea Intrepid, M/T Ernesto Uno and M/T Jasaan

* Filipino Vessels Classification System Inc. - M/T Chelsea Enterprise
* Philippine Register of Shipping – M/T Chelsea Excellence, M/T BMI Patricia
* American Bureau of Shipping - M/T Chelsea Dominance
* Nippon KaijiKyokai - M/T Chelsea Endurance
* Korean Register of Shipping - M/T Chelsea Charlize

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

Five vessels of the Chelsea Fleet – M/T Chelsea Cherylyn, M/T Chelsea Thelma, M/T Chelsea Donatela, M/T Chelsea Denise II and M/T Chelsea Charlize – are registered with the Board of Investments and enjoy BOI incentives including the Income Tax Holiday incentive.

The Chelsea Shipping Fleet is being managed by Chelsea Ship Management & Marine Services Corp., a wholly-owned subsidiary of CSC, which was incorporated on March 30, 2012.

II. Trans-Asia Shipping Lines, Inc.
In November 2016, Chelsea Logistics Corp. purchased the entire outstanding shares of stocks of Trans-Asia Shipping Lines, Inc. and its four subsidiaries.

Trans-Asia Shipping Lines, Inc. (TASLI) was incorporated on March 25, 1974 as Solar Shipping Lines, Inc. TASLI is one of the leaders in the field of cargo handling, passage, and route development and played a key role in the development of trade between Cebu and Cagayan and Cebu and Butuan. TASLI holds 100% ownership interests in Ocean Star Shipping Inc., Quality Metal & Shipworks, Inc., Dynamic Cuisine, and Starsy Shoppe, Inc.

- Quality Metals & Shipworks, Inc. (QMSI) – engaged in machining and mechanical works on ship machineries and industrial plants.

- Oceanstar Shipping, Inc. (Oceanstar) – engaged in the business of domestic shipping for the transportation of passengers and cargoes within territorial waters and/or on the high seas.

- Dynamic Cuisine, Inc. (DCI) – engaged in operating restaurants, coffee shops, refreshment parlors, cocktail lounges, bars, and in cooking and catering foods, drinks, refreshments and other foods or commodities.

- Starsy Shoppe, Inc. (SSI) – engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

TASLI operates 10 passenger and cargo vessels. Its latest vessel is West Ocean 10 (renamed "Trans Asia 12") which was acquired in June 2016 and currently serves the Cebu-Manila-Cebu route. In December 2016, West Ocean 11 arrived in the Philippines. TASLI has entered into an agreement to acquire this vessel due for delivery after drydocking by end of first quarter of 2017.

In 2016, the TASLI Group posted an income of ₱99.5 million.

CORPORATE SOCIAL RESPONSIBILITY

CHANGING LIVES FOR THE BETTER

To empower, to nurture, and to care. These are the principles that guide Phoenix Philippines Foundation in our support to education, environment, health, and outreach programs. In partnership with communities and organizations, we help our beneficiaries to change their lives for the better.

EDUCATION

Adopt-A-School

We have increased our adopted schools to 21, from 18 the previous year. These adopted pre-school and elementary schools – 4 in Luzon, 7 in Visayas, and 10 in Mindanao – have produced 6,568 young graduates since 2008 when we first supported it. We support the monthly salaries of 12 teachers, which enables the pre-schools to provide education for free.

Phoenix Library

Six Phoenix Libraries in adopted schools in Davao and Zamboanga cities serve as learning hubs for young minds. Since 2010, the Foundation has also donated books and learning materials to 50 pre-schools, elementary and high schools in Luzon, Visayas, and Mindanao.

Alternative Learning System

Since 2011, the Phoenix Livelihood Program at the F. Bangoy Central Elementary School in Davao City has produced 1,609 scholars. They are graduates of free courses on Plumbing, Electrical Installation Maintenance, Welding, Computer Servicing, and Beauty Culture and Hair Styling.

The Alternative Learning System serves as a gateway for out-of-school youths to go back to school. Phoenix provides training facilities and equipment for the students and honorarium for the teachers.

ALS coordinator and teacher Ricardo Bohol finds fulfillment in giving second chances to out-of-school youth

Brigada Eskwela

The Phoenix Team regularly participates in the Brigada Eskwela, the Department of Education's annual school clean-up and refurbishment program.

Team Phoenix regularly participates in the Brigada Eskwela school clean-up program

"A teacher's greatest achievement – for us who attend to pre-school kids – is when kids learn how to read. That means, somehow, they are equipped with the most basic knowledge. And I was able to send my kids to college because Phoenix Foundation sponsored my salary."

- Adelfa Bachanicha, Phoenix Adopt-A-School Teacher

"I want to learn new things so when my children ask someday when they are much older, somehow I have an answer to give. Also, I want to give them a better future."

- Maria Lorena Fabro, ALS graduate of Welding. She plans to take the assessment exams from the Technical Education and Skills Development Authority (TESDA) in January 2017 for an NC II level of certification on welding.

"I used to work for a private insurance company. When I decided to teach, I knew it wasn't going to be easy. But when you love what you do, there is not a thing that is too difficult. These children were given a second chance. Their journey started when they decided to join school. Our – my and Phoenix's – goal is to guide these children to a better future."

- Ricardo Bohol, ALS Coordinator and Teacher

"I had lost faith in teachers. When I got to school, I had tremors because of fear. But with my teacher, I saw his compassion for his students. I have to pass the senior high school program; it will not be easy. But I know, this will change my life, thanks to my teacher and the Phoenix Foundation."

- Cyril Alvarez, Phoenix Alternative Learning System Student

"Phoenix gave me confidence to deal with people and now I am able to apply it in getting clients."

- Loreto Manongdo Jr, Phoenix Alternative Learning System graduate and now owner of an automotive and electrical shop. He is the one opening new accounts and dealing directly with their big clients.

ENVIRONMENT

Adopt-A-Watershed and Plant-A-Tree

We adopted more watersheds, from six the previous year to nine in 2016. These watersheds include San Nicolas in Batangas, Malagos in Davao City, Mahuganao in Cagayan de Oro, Taguibo in Butuan, and Mt. Matutum Protected Area in General Santos City.

Since 2009, a total of 32,000 seedlings of mangrove, lauan, and fruit-bearing trees have been planted in the watersheds by Phoenix and subsidiaries' employees and volunteers. Our area partners, residents, and accredited cooperatives oversee the growth of the seedlings, and have successfully brought down the mortality rate of the seedlings.

Team Phoenix plants trees in watersheds in Luzon, Visayas, and Mindanao

Coastal Clean-Ups

Team Phoenix and our partners continue to actively participate in the Coastal Clean-Up in Batangas, Calapan, Aklan, Cebu, Bacolod, Davao, and General Santos cities.

Adoption of Philippine Eagle

Our support since 2012 to the Philippine Eagle Foundation (PEF) goes to the caring of "Phoenix," our adopted Philippine Eagle. Phoenix and his pair Marikit have been together for 6 years now, and are one of five natural pairs at the Philippine Eagle Center. This pair has a crucial role in PEF's captive breeding efforts to help augment the dwindling population of the Philippine Eagle.

The Philippine Eagle named Phoenix and his pair Marikit are one of the five natural pairs at the Philippine Eagle Center.

Pawikan Conservation Project

The Phoenix Petroterminals and Industrial Park in Calaca, Batangas hosts the marine turtle hatchery of the Pawikan Conservation Project. Since 2005, we have incubated 2,093 eggs and released 692 hatchlings and 128 adult turtles to sea. The presence of these marine turtles means the marine ecosystem is healthy.

"The Philippine Eagles need to be in the forest, but also the forests need them. They maintain the balance of the whole forest ecosystem because they are the top predators. If the eagles disappear, it can also lead to the disappearance of the other animals in the whole ecosystem. The impact to the ecosystem is big when the top predator disappears. That's why they are called keystone species, because their disappearance affects the whole ecosystem.

With Phoenix Petroleum, the adopted eagle is their main support. It helps a lot because the upkeep of a Philippine Eagle is expensive. Adopters are really important because they help in the feeding and veterinary care of the eagles.

Phoenix, the Philippine Eagle, is a captive eagle. They produce the egg. Their role is important – to ensure that we have eagles here that can augment the wild population once we have enough safe forests for the eagle."

- Rai Gomez, Education Administrator, Philippine Eagle Foundation

HEALTH

Medical and Dental Missions

Our medical and dental missions around the country served 2,610 patients in 2016. Since 2011 when we started these medical missions, we have helped 10,374 patients in Batangas, Taguig, Cebu, Bacolod, Aklan, Cagayan de Oro, Misamis Oriental, Davao City, and General Santos City.

Bloodletting

In coordination with the Philippine Red Cross, we collected 1,200 blood bags in 2016, and a total of 4,070 since 2007. We regularly conduct bloodletting activities in various areas in Luzon, Visayas, and Mindanao.

Mindanao Heart Fund

Phoenix supports the Dr. Gerry Cunanan Mindanao Heart Fund of the Southern Philippines Medical Center in Davao City, and the three young patients who have undergone heart operation in the previous years are all doing well.

OUTREACH

Christmas Gift-Giving for Kids

The Christmas Gift-Giving for Kids is an annual activity where Team Phoenix treats children in poor neighborhoods to gifts of school supplies and snacks. In 2016, we reached out to 2,610 kids. Since 2007 when the program started, we have made the Christmas of 11,512 children happier.

The annual Christmas Gift-Giving makes students happy with their gifts of bags and school supplies

We regularly conduct bloodletting activities and medical missions in our partner communities

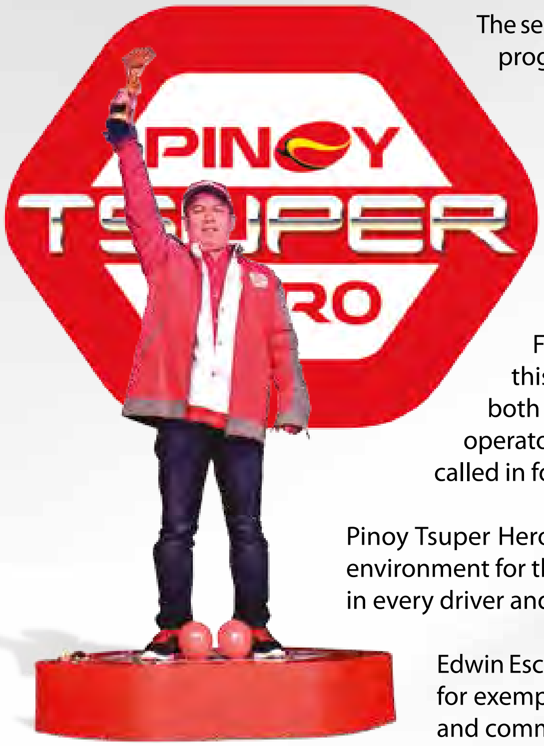
"I found out about Phoenix's support to the Mindanao Heart Fund during my job interview. It was a blessing in disguise. There were many SOAR magazines on the table, and the one I picked up had an article about their first heart beneficiary.

When the management learned that my son had to be operated on, everything was automatic. It was approved, with no hesitation at all. I got my strength from Phoenix. Everyone around me did not want the operation. But I had to decide. His father did not want it, my parents did not want it, but we pushed through with the operation. Phoenix became my source of strength. Their support made a lot of difference.

Since the operation, Julio has never had any major respiratory complications unlike before. More importantly, his weight has increased significantly. Before the operation, he was very skinny. It was very difficult for him to gain weight. Now, Julio is very much healthier."

- Princess Sultan, Phoenix Lubes Trade Marketing staff and mother of Julio, heart beneficiary of Phoenix in 2013

PINOY TSUPER HERO



The second season of "Pinoy Tsuper Hero" continued the advocacy program in search of the most outstanding driver.

Phoenix Petroleum, ABS-CBN Lingkod Kapamilya Foundation, Inc. and Bayan Academy for Social Entrepreneurship and Human Resource Development collaborated to survey the whole country and look for inspiring Filipino drivers who go beyond their call of duty and serve as outstanding role models.

From almost 4,000 applications received for the 2015 search, this year's turnout resulted in over 20,000 applications from both public utility vehicles (PUVs) and private vehicle drivers or operators. Applicants were screened and the top 10 finalists were called in for training and mentoring process from industry experts.

Pinoy Tsuper Hero advocates safe driving, safe roads, and a better travel environment for the public. The program aims to bring out the "superhero" in every driver and promote driving as a noble profession.

Edwin Escamos of Iloilo City was named the 2016 Pinoy Tsuper Hero, for exemplifying leadership, not only to his family but to his peers and community.

PINOY TSUPER HERO EDWIN ESCAMOS IS A TSUPER LEADER

"Basta Driver, Good Leader" is the catchphrase of Edwin Escamos, a jeepney driver from Iloilo City.

As the eldest son of six to a fisherman father and a housewife mother, Edwin took the role of the guiding big brother to his younger siblings. At age 26, Edwin took the role of head of the family when his father passed away.

After graduating with a degree in Accounting, Edwin worked for three private companies, even becoming the head of the collection department in one of them. He eventually decided to settle on becoming a jeepney driver due to the higher earnings that could better support his widowed mother, his siblings, and his own family of wife and three children.

In his 14 years of driving, Edwin learned the values of humility and respect toward both his passengers and his fellow jeepney drivers. He earned their trust and eventually became secretary of his jeepney drivers' association in Iloilo City.

Edwin involved himself further with his community. In 2011, he was elected president of the Commuters Relation Unity of Driver Operators (CRUDO) and a member of the City Loop Integrated Alliance of Jeepney Operators and Drivers (CLIAJOD). He became part of the District Advisory Council of Arevalo Police, where he collaborated with police authorities on defending his community against drug and crime. When he became barangay kagawad in 2013, he chaired committees and tackled on peace and order, education, and environment.

"It is my destiny to become a driver. If it were not for driving, I would not have had the chance to be in public service," Edwin said.

As the new Pinoy Tsuper Hero, Edwin plans to continue championing his project to protect his fellow drivers and build their awareness on government programs aimed to help them.

With his strong dedication to performing beyond his duty as a driver, Edwin will guide the path to change for the betterment of his fellow drivers and his community.

BOARD OF DIRECTORS

CONSUELO YNARES-SANTIAGO *Independent Director*	**J.V. EMMANUEL A. DE DIOS** *Director*	**DOMINGO T. UY** *Chairman*	**MONICO V. JACOB** *Independent Director*	**CAROLINA INEZ ANGELA S. REYES** *Director*	**ROMEO B. DE GUZMAN** *Director*

DENNIS A. UY
Vice Chairman, President, and CEO

CHERYLYN C. UY
Director

JOSEPH JOHN L. ONG
Director

PAUL G. DOMINGUEZ
Director

SOCORRO T. ERMAC-CABREROS
Corporate Secretary

DOMINGO T. UY
Chairman

Mr. Domingo T. Uy, Filipino, 70 years old, is a co-founder and has been a member of the Board of Directors of the Company since 2002. Mr. Uy was elected Chairman of the Board of Directors of the Company on February 15, 2007. He is also a Director of Granland Resources Corporation, a corporation involved in real estate development. Mr. Uy is actively involved in socio-civic programs and is a Director of the Philippine National Red Cross, Davao Chapter. He is also a Past President of the Davao City Sta. Ana Lions Club and the Kang Ha Uy Association - Davao Chapter.

DENNIS A. UY
Vice Chairman, President, and Chief Executive Officer

Mr. Dennis A. Uy, Filipino, 43 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 Udenna Corporation, the parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. (PPHI), Udenna Management & Resources Corp. (UMRC), Chelsea Logistics Corp., Udenna Investments BV, and Udenna Trade Corporation. The subsidiaries of Phoenix Petroleum Philippines are Phoenix Global Mercantile, Inc., Subic Petroleum Trading & Transport Philippines, Inc., and PFL Petroleum Management. The subsidiaries of Udenna Management & Resources Corp. (UMRC) are Udenna Development Corporation (UDEVCO), Global Synergy Trade and Distribution Corp., Value Leases, Inc., Udenna Capital, PNX-Udenna Insurance Brokers, Udenna Environmental Services, Udenna Energy Corporation, and F2 Logistics. Under UDEVCO are Phoenix Petroterminals & Industrial Park Corp. (PPIPC), Udenna Tower Corporation, and GoHotels Davao. The Chelsea Logistics Corp. has the shipping businesses Chelsea Shipping Corp. and Trans-Asia Shipping Lines. Mr. Uy is also Chairman of Phoenix Philippines Foundation and Udenna Foundation. He is director of shipping and logistics provider 2Go Group, Inc. through his Udenna Investments BV subsidiary KGLI-NM Holdings Inc. He also serves as independent director of Apex Mining Corp. Mr. Uy is a member of the Young Presidents Organization's Philippine chapter and the Philippine Business for Social Progress. Since November 2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. 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, 67 years old, was elected Director of the Company in 2009. He is Chief Operating Officer of the Company, bringing with him 40 years of outstanding experience in the oil industry. Before joining the Company, he was with Pilipinas Shell Petroleum Corporation, where he was Vice President for External Affairs for Asia Pacific and a member of the Board of Directors up to Dec. 2006. He was with the said company holding various management and executive positions. He also worked with Getty Oil Philippines Inc. for 10 years, prior to joining Pilipinas Shell. Mr. De Guzman is also the Chairman of the Board of Directors of Mirait Philippines, Inc. He holds a Marketing Management and MBA degrees from San Sebastian College – Manila.

SOCORRO T. ERMAC-CABREROS
Corporate Secretary

Atty. Socorro T. Ermac-Cabreros, Filipino, 52 years old, was elected Director and appointed Corporate Secretary on February 15, 2007. She is concurrently Asst. Vice President for Corporate Legal of the Company. She is also the Corporate Secretary and member of the Board of Directors of Udenna Corporation and its subsidiaries. Prior to joining the Company, she was a Legal Counsel of Philippine National Bank in Davao City. She has worked for the government such as Office of the Ombudsman for Mindanao and later as Prosecutor for the Province of Davao del Norte after engaging in the private practice of law. She finished her law degree at the Ateneo de Davao University College of Law. She is a former president of the Davao City Chapter of the Integrated Bar of the Philippines.

J.V. EMMANUEL A. DE DIOS
Director

Atty. J.V. Emmanuel A. De Dios, Filipino, 52 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, 58 years old, is the Chief Finance Officer of the Company. He is also a member of the Board of Directors of South Pacific, Inc., an affiliate of the Company. Prior to his employment in the Company, he spent almost 10 years at Primeworld Digital Systems, Inc. (Pacific Internet Phils.) initially as Vice President and CFO and eventually as Executive Vice President – Operations and Chief Finance Officer from 2008 - 2009. He also worked for 12 years with Ginebra San Miguel, Inc., then known as La Tondeña Distillers, Inc., the country's second largest beverage company at the time and a listed subsidiary of San Miguel Corporation. He was its Vice President for Treasury from 1995 – 1999, at which time he headed the team that took the company public in 1994 and was primarily responsible for institutional-investor relations. Prior to the San Miguel Group, he held various positions at the Bank of the Philippine Islands and Ayala Investment & Development Corp. (before it merged with BPI) from 1980-1986. He received his Bachelor of Science in Commerce from De La Salle University in 1980.

PAUL G. DOMINGUEZ
Director

Mr. Paul G. Dominguez, Filipino, 67 years old, was Presidential Assistant for Mindanao and Chairman of the Mindanao Economic Development Council (MEDCo) during the term of President Fidel V. Ramos, tasked to oversee efforts towards accelerating development in Southern Philippines. After serving in the Ramos administration, Mr. Dominguez became the Mindanao representative to the World Trade Organization - General Tariffs and ASEAN Free Trade Area (WTO-AFTA) Philippine Advisory Commission, Honorary Chairman of the Mindanao Business Council, and Country Director for the Philippines in the Board of Directors of the BIMP-East ASEAN Business Council. Mr. Dominguez was appointed by President Gloria Macapagal-Arroyo as Presidential Adviser for Regional Development in January 2001, and in April 2002 as Senior Consultant for Mindanao. He also served as the Special Envoy to Brunei Darussalam, Indonesia and Malaysia. Mr. Dominguez started his corporate career in 1971 with the Davao Light and Power Company. In 1974, he joined the Lapanday Agricultural Development Corp., a major agribusiness firm in Mindanao, as Assistant General Manager. He continued his involvement in agribusiness with the Sarangani Agricultural Company where he served as Executive Vice President from 1979 to 1985. From 1985 to 1992, he was President of C. Alcantara and Sons, Inc. a leading wood manufacturing company in Mindanao. Mr. Dominguez currently serves as director of several Philippine corporations. He previously served on the Advisory Board for Southeast Asia of Colonial Insurance Co. and Commonwealth Bank of Australia.

CHERYLYN C. UY
Director

Ms. Cherylyn Chiong-Uy, Filipino, 37 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, the ultimate parent company of Phoenix Petroleum, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. 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.

CAROLINA INEZ ANGELA S. REYES
Director

Carolina Inez Angela S. Reyes, 55 years old, is the owner and Co-Chief Executive Officer of Reyes Barbecue, a popular chain of more than 50 barbecue-focused restaurants founded by her husband, Francisco Reyes. Before taking charge at Reyes Barbecue in 2008, Ms. Reyes spent 20 years as a corporate marketing executive, where she distinguished herself by revitalizing and energizing brands. From 1994 to 1999, she held the following positions in La Tondeña Distillers, Inc.: Vice-President Marketing Services; Vice-President Marketing and Sales Non-Liquor (Bottled Water & Juices), Assistant Vice-President and Area Sales Director. From 1999 to 2002, Ms. Reyes also worked in The Coca-Cola Export Corporation as its Division Marketing Director of Non-Carbonated Beverages Business Unit and Director for Alternative Beverages. From July 2002 to October 2007, Ms. Reyes served as the Vice-President for Marketing of Jollibee Foods Corporation. She took her Masters in Business Administration from De La Salle University Graduate School of Business, graduated from the University of the Philippines (Diliman) with a degree in A.B. Economics, and took a short course at the Culinary Institute of America in New York.

CONSUELO YNARES-SANTIAGO
Independent Director

Ms. Consuelo Ynares-Santiago, Filipino, 76 years old, is a Retired Justice of the Philippine Supreme Court. Justice Santiago (Ret) is currently an independent director of Anchor Insurance Brokerage Corp., a leading insurance brokerage company based in New York, USA, SMC Global Power Holdings, Inc., one of the country's leading power companies which is the power generation unit of San Miguel Corporation, South Luzon Tollway Corp., and Top Frontier Investment Holdings, Inc. She is 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 became the chairperson of the Supreme Court's 3rd Division and she also joined various committees, among them the Justice on Wheels Program as Chairperson, the Foreign Travel Committee as Chairperson, the House of Representative Electoral Tribunal (HRET) as Chairperson, and member of the Presidential Electoral Tribunal. She was also a consultant of the Judicial and Bar Council (JBC) and a Bar Examiner of Labor Law and Social Legislation during the 1996 Bar Examination and Taxation Law in the 1998 Bar Examination.

MONICO V. JACOB
Independent Director

Monico V. Jacob, Filipino, 72 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.

M

MANAGEMENT TEAM

EXECUTIVE COMMITTEE

L-R

CHRYSS ALFONSUS V. DAMUY
Vice President for Finance and Chelsea Shipping Corp. Chief Operating Officer

DENNIS A. UY
President and Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Finance Officer

ROMEO B. DE GUZMAN
Chief Operating Officer

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

ANAGEMENT TEA

SALES AND SUPPORT GROUPS

L-R

JOVEN JESUS G. MUJAR
Asst. Vice President for Lubricants Sales and Distribution

DEBBIE U. RODOLFO
Asst. Vice President for Customer Service and Corporate Communications

CELESTE MARIE G. ONG
Asst. Vice President for Human Resources

IGNACIO B. ROMERO
Asst. Vice President for Technical Services, Quality Assurance and Product Development

RICHARD C. TIANSAY
Asst. Vice President for Sales – Visayas

MARIA CELINA I. MATIAS
Asst. Vice President for Brand and Marketing

WILLIAM M. AZARCON
Vice President for Operations, Transport, Aviation, and Engineering

JOSELITO G. DE JESUS
Deputy Chief Operating Officer and Asst. Vice President for Sales – Luzon Upcountry

ROY O. JIMENEZ
Asst. Vice President for Sales – North Mindanao

MARIA RITA A. ROS
Asst. Vice President for Supply

ERICSON S. INOCENCIO
Asst. Vice President for Sales – Mega Manila

NORMAN T. NAVARRO
Asst. Vice President for Sales – South Mindanao

AM

SUPPORT GROUPS AND SUBSIDIARIES

L-R

CARMELO R. BASCUGUIN
PPIPC Operations & Maintenance Manager

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

ALFRED E. REYES
Asst. Vice President for Information Technology

ATHELLE BEVERLY DIAMOND G. FELICIANO
Chelsea Shipping Corp. Asst. Vice President for Chartering and Synergy Group

RAMSON E. LLANTO
PPIPC Marketing Manager

MA. HENEDINA V. SAN JUAN
Chelsea Shipping Corp. Asst. Vice President for Business Development & Corporate Affairs

REYNALDO A. PHALA
Asst. Vice President for Treasury

RICKY P. VICTORIA
Chelsea Ship Management & Marine Services Corp. Vice President for Ship Management

IGNACIA S. BRAGA IV
Chelsea Shipping Corp. Vice President for Finance

CORPORATE GOVERNANCE

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

On March 7, 2008, during the regular meeting of the Board, the Manual of Corporate Governance which incorporated the best practices was approved and adopted to establish the principles of good corporate governance for the entire Corporation. The adoption of the new Manual of Corporate Governance replaces the old manual of corporate governance prescribed by the SEC which was then observed and followed by the Company. Moreover, the adoption of the new Manual now complies with the SEC requirement that before assuming office, a director must attend a seminar on corporate governance conducted by a duly recognized government or private institution.

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.

Pursuant to July 31, 2014, pursuant to SEC Memorandum Circular No. 9, series of 2014, the Company submitted its Revised Corporate Governance Manual expounding on definition of terms including defining the role of the Board of Directors in corporate governance and emphasis on policies pertaining to independent checking on management.

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 18, 2016, 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, JOSEPH JOHN L. ONG, CHERYLYN C. UY, CAROLINA INEZ ANGELA S. REYES, PAUL G. 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 2016, the Board conducted four meetings.

Board of Directors

Board	Name	# of Meetings Held During the Year	# of Meetings Attended	%
Chairman	Domingo T. Uy	4	4	100%
Member/President	Dennis A. Uy	4	4	100%
Member/COO	Romeo B. de Guzman	4	4	100%
Member/CFO	Joseph John L. Ong	4	4	100%
Member	Cherylyn C. Uy	4	4	100%
Member/Corp. Sec	Socorro T. Ermac Cabreros	4	4	100%
Member	Carolina Inez Angela S. Reyes	4	2	50%
Member	Paul G. Dominguez	4	4	100%
Member	J.V. Emmanuel A. de Dios	4	4	100%
Independent Dir.	Consuelo Ynares Santiago	4	4	100%
Independent Dir.	Monico V. Jacob	4	3	75%

Committee Members

The following were appointed as members of PPPI's Board Committees:

Executive Committee:

Dennis A. Uy	Chairman
Romeo B. De Guzman	Member
Joseph John L. Ong	Member
Chryss Alfonsus V. Damuy	Member
Raymond T. Zorrilla	Member

Audit Committee:

Monico Jacob (Independent Director)	Chairman
Paul G. Dominguez	Member
Domingo T. Uy	Member

Nominations Committee:

Justice Consuelo Ynares Santiago	Chairman
J.V. Emmanuel A. de Dios	Member
Cherylyn C. Uy	Member

Compensation Committee:

Justice Consuelo Ynares Santiago	Chairman
Dennis A. Uy	Member
Romeo B. De Guzman	Member
Carolina Inez Angela S. Reyes	Member

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).

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
2016	4,247.02
2015	5,171.63

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.

Compliance includes 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

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, including the schedules attached therein and as enumerated below, for the years ended December 31, 2016, 2015, and 2014 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

a) Supplementary schedules required under Annex 68-E of the Securities Regulation Code
b) Map showing the relationship between and among related entities
c) Schedule of Philippine Financial Reporting Standards and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Councils as of 31 December 2016
d) Schedule showing financial soundness indicators

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

Signed this 20th day of February 2017, Davao City, Philippines.

DOMINGO T. UY
Chairman of the Board

DENNIS A. UY
President and Chief Executive Officer

JOSEPH JOHN L. ONG
Chief Finance Officer

P&A
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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

Opinion

We have audited the consolidated financial statements of P-H-O-E-N-I-X Petroleum Philippines, Inc. (Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Impairment of Trade and Other Receivables

Description of the Matter

Under the PFRS, the Group is required to assess its trade and other receivables for impairment. The allowance for impairment of trade and other receivables is considered to be a matter of significance as it requires the application of judgment and estimation. The Group recognized allowance for impairment on trade and other receivables based on the management's assessment.

As of December 31, 2016, the Group had trade and other receivables amounting to ₱8,789.0 million, which contributed to 33% of the Group's total assets.

The disclosures of the Group on the allowance for impairment of trade and the related credit risk are included in Notes 7 and 4.2 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of trade and other receivables, included, but not restricted to:

- Obtaining an understanding of the process used by the Group's management to estimate the allowance for impairment of trade and other receivables;
- Performing independent assessment on the aging of the trade and other receivables;
- Checking the basis used in determining the main factors in computing the impairment loss on selected trade and other receivable accounts;
- Testing the subsequent collections and/or movements of the long-outstanding receivables on selected trade and other receivable accounts; and,
- Assessing the reasonableness of the Group's estimates on recoveries

(b) Revenue Recognition

Description of the Matter

Revenue is recognized to the extent that the revenue can be reliably measured and that it is probable that the future economic benefits will flow to the Group. The Group focuses on revenue as a key performance measure, which could create an incentive for revenues particularly from sale of goods to be recognized before the risks and rewards have been transferred. The accounting policies for revenues are included in Note 2 to the consolidated financial statements. We identified the valuation, occurrence, completeness and cut-off of revenue recognition as key audit matters.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- Evaluating the appropriateness of the Group's revenue recognition policies;
- Performing cut-off procedures to ensure that revenue was recognized in the correct period;
- Performing substantive analytical procedures and tests of details on revenues; and,
- Substantiating transactions with the underlying documentation, including sales invoices, contracts and third party correspondence.

(c) Disposal of Investments in Subsidiaries

Description of the Matter

On November 24, 2016, the Parent Company sold its 100% equity ownership interest in its subsidiaries, Chelsea Shipping Corp. (CSC) and Phoenix Petroterminals and Industrial Park Corp. (PPIPC) for cash consideration amounting to ₱3,000.0 million to related parties under common control. The transaction resulted in the derecognition of the net assets of CSC and PPIPC in the consolidated financial statements of the Group in 2016. In addition, since the disposal of the subsidiaries is under common control, the difference between the amount of consideration and the net assets of the subsidiaries disposed of is recognized as Other Reserves under equity. We, therefore, considered the accounting treatment of the disposal of the subsidiaries in the consolidated financial statements as a key audit matter due to its size and complexity.

The Group's disclosures of the deconsolidation of the subsidiaries and policies on business combination are included in Notes 1 and 2 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures included among others, the following:
- Reading the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- Examining the cash consideration received and verifying the net assets disposed as of the disposal date; and,
- Determining the appropriate treatment of the difference between the net assets and considerations received.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, of the override of internal control.
- Obtain an understanding of the internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we indentify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the 2016 audit resulting in this independent auditors' report in Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 5908629, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 9, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 16, 2017

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

(Amounts in Philippine Pesos)

	Notes	2016	2015
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 2,338,780,526**	P 1,631,788,201
Trade and other receivables - net	7	**8,789,006,059**	10,810,058,968
Inventories	8	**2,998,780,146**	2,638,614,688
Land held for sale and land development costs	9	**-**	462,489,197
Due from related parties	27	**1,506,997,926**	12,260,843
Restricted deposits	10	**50,925,404**	70,972,207
Input value-added tax - net		**731,735,790**	774,235,845
Prepayments and other current assets	11	**595,963,599**	639,111,710
Total Current Assets		**17,012,189,450**	17,039,531,659
NON-CURRENT ASSETS			
Property, plant and equipment - net	12	**9,002,313,141**	12,843,003,318
Intangible assets - net	13	**275,037,490**	72,384,461
Land held for future development	14	**-**	390,209,655
Investment in a joint venture	15	**-**	158,689,632
Goodwill - net	16	**10,221,849**	84,516,663
Deferred tax assets - net	26	**46,191,775**	-
Other non-current assets	17	**192,084,216**	338,272,674
Total Non-current Assets		**9,525,848,471**	13,887,076,403
TOTAL ASSETS		**P 26,538,037,921**	P 30,926,608,062
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**P 11,262,858,843**	P 11,740,698,156
Trade and other payables	19	**3,332,936,059**	3,260,472,746
Total Current Liabilities		**14,595,794,902**	15,001,170,902
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**1,921,565,000**	5,243,300,684
Trade and other payables	19	**-**	317,810,700
Deferred tax liabilities - net	26	**-**	93,712,913
Other non-current liabilities	20	**258,584,286**	247,250,680
Total Non-current Liabilities		**2,180,149,286**	5,902,074,977
Total Liabilities		**16,775,944,188**	20,903,245,879
EQUITY	28		
Capital stock		**1,123,097,449**	1,453,777,232
Additional paid-in capital		**5,320,816,182**	5,320,816,182
Revaluation reserves		**(12,148,102)**	559,295,266
Other reserves		**(730,361,725)**	(622,952,239)
Retained earnings		**4,060,689,929**	3,312,425,742
Total Equity		**9,762,093,733**	10,023,362,183
TOTAL LIABILITIES AND EQUITY		**P 26,538,037,921**	P 30,926,608,062

For further Notes and discussions, see our Audited FS Report at www.phoenixfuels.ph/for-investors/disclosures/content/115-2017/

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES				
Sale of goods	27	**P 29,471,907,077**	P 28,620,971,473	P 34,025,744,606
Charter fees and other charges	2	**624,704,375**	562,523,731	392,681,626
Fuel service and other revenues	2	**205,587,559**	186,661,739	56,184,644
Rent and storage income	31	**148,340,733**	122,425,059	100,583,267
Port revenues	2	**126,128,262**	105,565,142	84,647,031
Sale of real estate	2	**-**	455,692,000	74,543,322
		30,576,668,006	30,053,839,144	34,734,384,496
COST AND EXPENSES				
Cost of sales and services	21	**25,123,949,229**	25,268,851,163	31,143,992,369
Selling and administrative expenses	22	**3,339,789,045**	2,724,906,711	2,177,337,743
		28,463,738,274	27,993,757,874	33,321,330,112
OTHER CHARGES (INCOME)				
Finance costs	23	**1,019,277,024**	968,682,307	804,137,896
Finance income	23	**(207,687,618)**	(7,553,833)	(3,394,843)
Equity share in net loss of a joint venture	15	**50,068,966**	16,310,368	-
Others		**(11,006,428)**	(9,069,835)	(6,842,368)
		850,651,944	968,369,007	793,900,685
PROFIT BEFORE TAX		**1,262,277,788**	1,091,712,263	619,153,699
TAX EXPENSE	26	**169,802,891**	185,843,550	2,790,727
NET PROFIT		**1,092,474,897**	905,868,713	616,362,972
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit obligation	24	**15,360,800**	18,116,705	(31,217,753)
Revaluation of tankers	28	**-**	202,245,220	180,637,550
Tax expense	26	**(4,608,240)**	(13,304,602)	(29,334,251)
Other Comprehensive Income - net of tax		**10,752,560**	207,057,323	120,085,546
TOTAL COMPREHENSIVE INCOME		**P 1,103,227,457**	P 1,112,926,036	P 736,448,518
Basic and Diluted Earnings per share	29	**P 0.64**	P 0.60	P 0.40

For further Notes and discussions, see our Audited FS Report at www.phoenixfuels.ph/for-investors/disclosures/content/115-2017/

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

		Capital Stock				
	Notes	Preferred Stock	Preferred Treasury Stock - At Cost	Common Stock	Common Treasury Stock - At Cost	Total
Balance at January 1, 2016		**P 30,000,000**	**(P 5,000,000)**	**P 1,428,777,232**	**P -**	**P 1,453,777,232**
Deconsolidation of subsidiaries	1	-	-	-	-	-
Acquisition of shares during the year	28	-	-	-	(330,679,783)	(330,679,783)
Cash dividends	28	-	-	-	-	-
Share-based compensation	24	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-
Balance at December 31, 2016		**P 30,000,000**	**(P 5,000,000)**	**P 1,428,777,232**	**(P 330,679,783)**	**P 1,123,097,449**
Balance at January 1, 2015		P 10,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,433,777,232
Issuance of shares for the year	28	20,000,000	-	-	-	20,000,000
Cash dividends	28	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-
Balance at December 31, 2015		P 30,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,453,777,232
Balance at January 1, 2014		P 10,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,433,777,232
Cash dividends	28	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Transfer of revaluation reserves absorbed through depreciation, net of tax		-	-	-	-	-
Balance at December 31, 2014		P 10,000,000	(P 5,000,000)	P 1,428,777,232	P -	P 1,433,777,232

For further Notes and discussions, see our Audited FS Report at www.phoenixfuels.ph/for-investors/disclosures/content/115-2017/

Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity
P 5,320,816,182	**P 559,295,266**	**(622,952,239)**	**P 3,312,425,742**	**P 10,023,362,183**
-	(557,352,943)	(107,409,486)	(65,599,296)	(730,361,725)
-	-	-	-	(330,679,783)
-	-	-	(309,212,179)	(309,212,179)
-	-	-	5,757,780	5,757,780
-	10,752,560	-	1,092,474,897	1,103,227,457
-	(24,842,985)	-	24,842,985	-
P 5,320,816,182	**(P 12,148,102)**	**(P 730,361,725)**	**P 4,060,689,929**	**P 9,762,093,733**
P 3,367,916,774	P 372,138,419	(P 622,952,239)	P 2,499,345,913	P 7,050,226,099
1,952,899,408	-	-	-	1,972,899,408
-	-	-	(112,689,360)	(112,689,360)
-	207,057,323	-	905,868,713	1,112,926,036
-	(19,900,476)	-	19,900,476	-
P 5,320,816,182	P 559,295,266	(P 622,952,239)	P 3,312,425,742	P 10,023,362,183
P 3,367,916,774	P 272,621,771	(P 622,952,239)	P 2,046,541,766	P 6,497,905,304
-	-	-	(184,127,723)	(184,127,723)
-	120,085,546	-	616,362,972	736,448,518
-	(20,568,898)	-	20,568,898	-
P 3,367,916,774	P 372,138,419	(P 622,952,239)	P 2,499,345,913	P 7,050,226,099

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,262,277,788**	P 1,091,712,263	P 619,153,699
Adjustments for:				
Depreciation and amortization	22	**1,002,088,441**	821,733,247	660,281,915
Interest expense on bank loans and other borrowings	23	**863,399,371**	786,929,274	728,178,099
Unrealized foreign exchange currency loss (gain) - net		**(171,372,659)**	(3,370,552)	22,600,496
Impairment losses on trade and other receivables	23	**112,986,854**	79,208,744	40,077,464
Share in net loss of an indirectly-owned joint venture	15	**50,068,966**	16,310,368	-
Interest income	23	**(7,110,105)**	(5,540,995)	(3,394,843)
Employee share options	24	**5,757,780**	-	-
Loss on sale of investment in an associate		**-**	2,250,000	-
Loss on settlement of insurance claims	23	**-**	-	3,898,441
Operating profit before working capital changes		**3,118,096,436**	2,789,232,349	2,070,795,271
Decrease (increase) in trade and other receivables		**528,697,133**	(3,030,720,014)	(552,746,672)
Decrease (increase) in inventories		**(370,318,364)**	232,214,381	941,703,604
Increase in land held for sale and land development costs		**22,667,290**	23,496,614	17,686,663
Decrease (increase) in restricted deposits		**20,046,803**	(565,464)	25,012,903
Increase in input value-added tax		**(36,265,532)**	(170,627,061)	(154,770,691)
Decrease (increase) in prepayments and other current assets		**(637,592,575)**	393,229,544	(566,185,587)
Increase (decrease) in trade and other payables		**(288,096,189)**	(334,848,958)	2,161,394,674
Cash generated from (used in) operations		**2,357,235,002**	(98,588,609)	3,942,890,165
Cash paid for income taxes		**(4,508,301)**	(712,198)	(610,696)
Net Cash From (Used in) Operating Activities		**2,352,726,701**	(99,300,807)	3,942,279,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of subsidiaries	27	**2,450,000,000**	-	-
Acquisitions of property, plant and equipment	12	**(2,155,960,542)**	(2,704,508,788)	(2,481,654,558)
Advances to related parties	27	**(944,762,083)**	(5,448,932)	(7,625,362)
Acquisitions of intangible assets	13	**(203,908,603)**	(27,672,355)	(82,433,776)
Increase in land held for future development		**(151,281,172)**	(77,592,159)	(14,675,215)
Increase in other non-current assets		**(15,994,274)**	(27,854,741)	(122,883,739)
Interest received		**3,777,233**	3,402,894	2,750,097
Proceeds from disposal of property, plant and equipment		**2,434,359**	4,946,617	949,543
Collections from related parties	27	**25,000**	3,561,445	-
Additional investment in an indirectly-owned joint venture	15	**-**	(107,250,000)	-
Net Cash Used in Investing Activities		**(1,015,670,082)**	(2,938,416,019)	(2,705,573,010)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		**20,684,209,975**	(36,164,656,734)	(35,776,065,093)
Proceeds from additional interest-bearing loans and borrowings		**(19,886,544,848)**	39,306,012,177	35,866,969,673
Interest paid		**(801,737,593)**	(848,790,538)	(798,899,617)
Acquisition of treasury shares		**(330,679,783)**	-	-
Payments of cash dividends	28	**(309,212,179)**	(112,689,360)	(184,127,723)
Increase (decrease) in other non-current liabilities		**13,900,134**	(21,573,921)	(99,338,981)
Proceeds from issuance of shares of stock	28	**-**	1,972,899,408	-
Repayments to related parties	27	**-**	(17,204,725)	(46,956,518)
Net Cash From (Used in) Financing Activities		**(630,064,294)**	4,113,996,307	(1,038,418,259)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**706,992,325**	1,076,279,481	198,288,200
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,631,788,201**	555,508,720	357,220,520
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 2,338,780,526**	P 1,631,788,201	P 555,508,720

Supplemental Information on Non-cash Investing and Financing Activities:

1) Certain hauling and heavy equipment with carrying amount of P3.1 million and P12.4 million as of December 31, 2016 and 2015, respectively, are accounted for under finance leases (see Notes 12.4 and 18.5).

2) The Group's tankers were revalued by an independent appraiser in each year from 2009. Revaluation reserves amounted to nil and P582.4 million as of December 31, 2016 and 2015, respectively (see Notes 12.1 and 28.5). The Group did not take up any revaluation in 2016 due to the deconsolidation.

3) Interest payments amounting to P61.7 million, P61.9 million and P70.7 million in 2016, 2015 and 2014, respectively, were capitalized as part of the cost of property, plant and equipment (see Notes 12.2 and 18.8).

4) In 2015, the Group reclassified certain amount from construction-in-progress under Property, Plant and Equipment to Drydocking cost under Other Non-Current Assets in the consolidated statements of financial position (see Notes 12 and 17).

5) In 2015 and 2014, the Group has formalized a joint venture agreement with certain entity. Total investment in a joint venture in 2015 amounted to P175.0 million, P67.8 million of which was advanced in 2014 and is previously recorded as part of Other Non-Current Assets in the 2014 consolidated statement of financial position (see Notes 15 and 17).

6) On November 24, 2016, the Parent Company sold its entire investments in Chelsea Shipping Corp. and Phoenix Petroterminals and Industrial Park, Inc. to related parties under common ownership for a total consideration of P3,000.0 million (see Note 1.4). The outstanding receivable from the sale of subsidiaries amounted to P550.0 million, and is presented as part of the Due from Related Parties in 2016 consolidated statement of financial position (see Note 27.4). The disposal of the subsidiaries resulted to a recognition of Other Reserves, accounted as the difference between the net asset values of the subsidiaries and consideration received (see Notes 1.4 and 2.14).

For further Notes and discussions, see our Audited FS Report at www.phoenixfuels.ph/for-investors/disclosures/content/115-2017/

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2016 vs. December 31, 2015.

Revenues

The Group generated total revenues of ₱30.577 billion in 2016, 2% higher than 2015's ₱30.054 billion, on the back of a 25% increase in sales volume and improved product mix in favor of higher margin products. This however, was tempered by the 19% decline in average fuel prices.

Sales revenues from trading and distribution of petroleum products increased by 4% from ₱28.621 billion in 2015 to ₱29.666 billion in 2016. Retail volume (station sales) increased by 12% due to growth in both station network and same store sales. The Commercial and industrial segment also increased by 33%, while aviation volume grew by 14%. Lubricants volume also grew by 18% from the prior year.

The Parent has built five hundred five (505) Phoenix retail service stations as of December 31, 2016 compared to four hundred forty-seven (454) retail stations as of the same period last year. The Parent has a number of retail stations undergoing various stages of construction which are projected to be opened within the 1st half of 2017.

The Group generated revenues of ₱1.104 billion from fuel service, shipping, storage, port, real estate, and others in 2016, down from ₱1.433 billion in 2015. The 23% year-on-year decline was mainly due to the ₱456 million in sale of real estate in 2015 versus none in 2016. Moreover, results of Chelsea Shipping Corporation (CSC) and Phoenix Petroterminals and Industrial Park Corp. (PPIPC) were consolidated only from January to November.

Cost and expenses

The Group recorded cost of sales and services of ₱25.124 billion as of December 2016, a decrease of 0.1% from ₱25.269 billion in 2015. This was due to lower product costs compared to last year, reflecting lower global oil prices. Prices continued its generally downward movement from the second quarter of 2015 until first quarter of 2016, which only then, started to recover.

Selling and administrative expenses increased by 23%, driven by higher depreciation for completed expansions, as well as increases in rent expense, salaries and wages, taxes and licenses, and professional fees in relation to the expansion program of the Group.

Net Income

The Group's net income for 2016 grew to ₱1.092 billion from ₱905.868 million in 2015. Growth was driven primarily by higher sales volume, higher efficiencies in trading and supply management, and higher service revenues.

The Parent was registered with the Board of Investments on November 16, 2005 as a new industry participant with new investments in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Regulation Act) and, as such, enjoyed an income tax holiday for five (5) years from November 16, 2005 to November 16, 2010.

The Parent Company obtained additional registration approval from the Board of Investments (BOI) under R.A. 8479 or Oil Industry Deregulation Law for its Calaca, Batangas Terminal. This entitled the Parent Company to an Income Tax Holiday (ITH) on the revenue activities from this additional storage capacity for five (5) years starting February 2010. Another BOI registration was granted to the Davao Terminal Expansion facility effective February 2010, which entitled the Parent Company another set of incentives, including the five (5) year ITH on its Davao Terminal Marketing and Storage activities.

The Parent Company was also registered with the BOI on November 25, 2010 as new industry participant with new investment in storage, marketing and distribution of petroleum products under RA 8479 (Downstream Oil Industry Deregulation Act) for its storage tanks in Talisayan, Zamboanga City. Under its registration, the Company is required to observe certain general and specific terms and conditions stated in the provisions of the Omnibus Investments Code of 1987. This expired on November 25, 2015.

The Parent Company also obtained new approvals with the BOI for its two (2) new facilities. Both the Cagayan de Oro City and the Bacolod City facilities were registered and issued certification by the BOI on May 12, 2012, entitling the Parent Company ITH for five years from registration plus other fiscal and non-fiscal incentives accorded to BOI-registered entities. These additional ITH incentives will allow the Company to enjoy an effective income tax rate well below 30% as it continuously expands its storage and obtains further incentives from the BOI.

Financial Condition
(As of December 31, 2016 versus December 31, 2015)

Total resources of the Group as of December 31, 2016 stood at ₱26.538 billion, lower by 14% compared to the ₱30.926 billion as of December 31, 2015. This is mainly due to the sale of the subsidiaries, resulting in the deconsolidation of the carrying values of CSC and PPIPC.

Cash and cash equivalents this year increased by 43% from ₱1.632 billion in December 31, 2015 to ₱2.339 billion due to the net proceeds from sale of the subsidiaries and increased collections towards year-end net of payment of outstanding interest-bearing debt.

Trade and other receivables decreased by 19% from ₱10.810 billion as of December 31, 2015 to ₱8.789 billion as of December 31, 2016, due to the intensified collection of credit sales and other receivables and the deconsolidation of related receivables from the sale of the subsidiaries.

Inventories increased by 14% to ₱2.999 billion as of December 30, 2016 from ₱2.638 billion as of December 31, 2015, driven by the timing of arrival of importations. The Group targets to maintain an average of one month worth of inventory to ensure stable supply in retail stations and commercial/industrial clients. However, the actual level varies depending on the actual arrival dates of the fuel tankers.

Due from related parties increased to ₱1.507 billion as of December 2016 from ₱12.260 million as of December 2015, arising from the receivable balance from UDEVCO amounting to ₱50 million for the sale of PPIPC and from Chelsea Shipping Group Corp. amounting to ₱500 million for the sale of CSC. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

As of December 31, 2016, the Group's property and equipment, net of accumulated depreciation, decreased to ₱9.002 billion compared to ₱12.823 billion as of December 31, 2015 due to the sale of the subsidiaries that resulted in the deconsolidation of the related assets of CSC and PPIPC.

Loans and Borrowings, both current and non-current, decreased by 22% from ₱16.983 billion as of December 31, 2015 to ₱13.184 billion as of December 31, 2016. The decrease of ₱3.799 billion was from the settlement of loans, which include the payments of interest-bearing debt from the proceeds of the sale of subsidiaries. Also contributing to the decline was the decrease in trade payables and the deconsolidation of the related loans and borrowings of CSC and PPIPC following the sale.

Trade and other payables decreased by 2% from ₱3.578 billion as of December 31, 2015 to ₱3.333 billion as of December 31, 2016 due to longer supplier credit term.

Total Stockholders' Equity decreased to ₱9.762 billion as of December 31, 2016 from ₱10.023 billion as of December 31, 2015, resulting from the earnings generated in 2016 net of cash dividend declared and paid during the period for both common shares and preferred shares. The deconsolidation of CSC and PPIPC also contributed to the decrease.

Key Performance Indicators and Relevant Ratios

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

	December 31, 2016	December 31, 2015
Current Ratio[1]	1.17:1	1.14:1
Debt to Equity-Total[2]	1.72:1	2.09:1
Return on Equity-Common[3]	11%	11%
Net Book Value Per Share[4]	6.81:1	6.89:1
Debt to Equity-Interest Bearing[5]	1.35:1	1.69:1
Earnings Per Share-Adjusted [6]	0.64	0.60

Notes:
1 - Total current assets divided by current liabilities
2 - Total liabilities divided by tangible net worth
3 - Period or Year Net income divided by average total stockholders' equity
4 - Total stockholder's equity (net of Preferred) divided by the total number of shares issued and outstanding
5 - Interest Bearing Debts divided by Total stockholder's equity (net of Preferred)
6 - Period or Year Net income after tax divided by weighted average number of outstanding common shares

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

The Group's debt to equity (DE) ratio for 2016 is lower at 1.72 : 1 due to the sale of the subsidiaries resulting in the deconsolidation of the related accounts of CSC and PPIPC.

Material Changes to the Group's Balance Sheet as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)

43% increase in Cash and Cash Equivalents
A result of the net proceeds from the sale of the subsidiaries, as well as the timing of collections and disbursements during the period offset by proceeds used to pay out interest-bearing debt. Minimum levels of cash are also maintained to support maturing obligations.

14% increase in inventory
Due to the timing of arrival of importations, additional product lines, and the prices of petroleum.

19% decrease in trade and other receivables
Due to improved collection efforts and higher customer management efficiency. Also contributing to the decline was the sale of the subsidiaries, which resulted in the deconsolidation of the trade and other receivables of CSC and PPIPC.

12,191% increase in due from a related party
Attributable to the receivable balance from the sale of CSC to Chelsea Group Corp amounting to ₱500 million and from UDEVCO for the sale of PPIPC amounting to ₱50 million. The change also included reclassification of accounts following the sale of the subsidiaries, CSC and PPIPC.

28% increase in restricted deposit
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

6% decrease in net input vat
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

30% decrease in property, plant and equipment
Due to the sale of subsidiaries resulting in the deconsolidation of CSC and PPIPC.

280% increase in Intangible Assets
Due to the acquisition of a basketball franchise as part of the Group's brand enhancement initiatives.

100% decrease in Land Held for Future Development
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

100% decrease in Investment in a joint venture
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC.

88% decrease in Goodwill
Due to sale of subsidiaries resulting in the deconsolidation of PPIPC and CSC.

100% increase in Deferred Tax Assets
Due to sale of subsidiaries resulting in the deconsolidation of related accounts of PPIPC and CSC.

43% decrease in Other Non-Current Assets
Due to sale of subsidiaries resulting in the deconsolidation of related accounts of PPIPC and CSC.

63% decrease in Non-current Interest-bearing loans
Due to the early settlement of Long-Term Debt using the proceeds from the sale of CSC and PPIPC.

100% decrease in Non-current Trade and Other Payables
Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

100% decrease in Deferred Tax Liability
Due to sale of subsidiaries resulting in the deconsolidation of the related accounts of PPIPC and CSC.

5% Increase in Other Non-Current Liabilities
Increase in security deposit from new customers

23% decrease in Capital Stock
Due to treasury shares acquisition amounting to ₱330.6 million

17% increase in Other Reserves
Due to the sale of the sale and subsequent deconsolidation of PPIPC and CSC.

23% increase in Retained Earnings
Due to earnings generated in 2016 net of the dividends paid both to common and preferred shares, as well as the sale and deconsolidation of PPIPC and CSC.

Material changes to the Group's Income Statement as of December 31, 2016 compared to December 31, 2015 (Increase/decrease of 5% or more)

23% decrease in fuel service, shipping, storage income, and other revenue
Due to the ₱456 million revenues from sale of real estate in 2015 versus none in 2016.

23% increase in selling and administrative expenses
Driven by the Group's expansion program that resulted in higher depreciation, rent expense, salaries and wages, taxes and licenses, and professional fees.

5% increase in Finance Costs
Increase in the number of financing transactions.

2,649% increase in Finance Income
Due to forex gains arising from US$-denominated revenues

21% Increase in other income
Due to growth in non-fuel related business.

207% Increase on equity share in Net Loss of a joint venture.
Attributable to the equity share of PPIPC in SPI for the eleven months ending November 30, 2016.

9% decrease in income tax
Due to increase in deferred tax assets arising from unrealized and non-taxable income.

15% decrease in re-measurement of post-employment benefit obligation
Due to the sale of CSC and PPIPC.

100% decrease on the revaluation of tankers under OCI
Due to the sale of CSC and PPIPC and their deconsolidation in December 2016.

65% decrease on the tax expense on other comprehensive income
Due to the absence of revaluation of tankers under OCI following the sale of CSC.

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

PART II – OTHER INFORMATION

1. The Parent Company held its annual stockholders' meeting last March 18, 2016 at the Phoenix Petroleum Corporate Headquarters, Lanang, Davao City, Philippines.

2. The Board of Directors approved the declaration of cash dividend of ₱0.08 per share as disclosed last March 18, 2016, with record date of April 05, 2016 and payment date of April 29, 2016.

   The company also declared the following cash dividends to preferred stockholders:

   - 8.25% to preferred stockholders (2nd tranche) with record date of February 23, 2016 and payment date of March 21, 2016.
   - 7.4278% dividend to preferred stockholders (3rd tranche PNX3A) with record date February 22, 2016 and payment date of March 18, 2016.
   - 8.1078% dividend for preferred stockholders (3rd tranche PNX3B) with record date February 22, 2016 and payment date of March 18, 2016.

3. In January 14, 2016, the Securities and Exchange Commission (SEC) approved the Company's additional P– 3.5 billion short term commercial paper (STCP).

4. As of March 31, 2016, there are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result, in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity issues. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

6. There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Parent Company.

7. There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Parent Company.

OUR PRODUCTS

FUELS

RETAIL
Biodiesel
Super Regular 91 Gasoline
Premium 95 Gasoline
Premium 98 Gasoline

COMMERCIAL AND INDUSTRIAL
Biodiesel
Super Regular 91 Gasoline
Premium 95 Gasoline
Premium Plus 97 Gasoline
Jet A1
IFO (Bunker Oil)
SFO 60-100

LUBRICANTS & SPECIALTIES

MOTORCYCLE OILS
2T API TA 60X200ml
2T API TA 24x1L
2T API TA Pail 18L
Cyclomax Force 4T MA/SG 20W40 12X0.8L
Cyclomax Force 4T MA/SG 20W40 12X1L
Cyclomax Titan 4T MA2/SJ 20W50 12X0.8L
Cyclomax Titan 4T MA2/SJ 20W50 12X1L
Cyclomax Titan 4T SAE 20W50 Pail 18L
Cyclomax Racing 4T MA2/SL 10W40 12X1L
Cyclomax Racing 4T MA2/SL 10W40 12X0.8L
Racal 4T Motor Oil 24X1L
Cycle Fork Oil 60x200ml

PASSENGER CAR MOTOR OILS
Accelerate Fully Synthetic SM 5W40 12x1L
Accelerate Fully Synthetic SM 5W40 4x4L
Accelerate Multigrade SJ 20W50 12X1L
Accelerate Multigrade SJ 20W50 4X4L
Accelerate Multigrade SJ 20W50 1X18L
Accelerate Multigrade SJ 20W50 1X200L
Accelerate Monograde SF 40 12X1L
Accelerate Monograde SF 40 4X4L
Accelerate Monograde SF 40 1X18L
Accelerate Monograde SF 40 1X200L

HEAVY DUTY DIESEL ENGINE OILS
Zoelo Extreme CI-4/SL 15W40 12X1L
Zoelo Extreme CI-4/SL 15W40 4X4L
Zoelo Extreme CI-4/SL 15W40 1X18L
Zoelo Extreme CI-4/SL 15W40 1X200L
Zoelo Max Deo CD/SF 15W40 12X1L
Zoelo Max Deo CD/SF 15W40 4X4L
Zoelo Max Deo CD/SF 15W40 1X18L
Zoelo Max Deo CD/SF 15W40 1X200L
Zoelo Extra Deo CF/SF 40 12X1L
Zoelo Extra Deo CF/SF 40 4X4L
Zoelo Extra Deo CF/SF 40 1X18L
Zoelo Extra Deo CF/SF 40 1X200L
Zoelo Extra Deo CF/SF 30 1X18L
Zoelo Extra Deo CF/SF 30 1X200L
Zoelo Extra Deo CF/SF 10W 1X18L
Zoelo Extra Deo CF/SF 10W 1X200L
Zoelo 15W-40 Drum 200L
Zoelo 15W-40 Pail 18L
Phoenix Oil 30 24x1L
Phoenix Oil 30 Drum 200L
Phoenix Oil 40 24x1L
Phoenix Oil 40 Drum 200L
Foton Genuine Oil CI-4 15W40 24X1L
Foton Genuine Oil CI-4 15W40 6X4L

GEAR OILS
Phoenix Gear Oil GL-4 90 12X1L
Phoenix Gear Oil GL-4 90 1X18L
Phoenix Gear Oil GL-4 90 1X200L
Phoenix Gear Oil GL-4 140 12X1L
Phoenix Gear Oil GL-4 140 1X18L
Phoenix Gear Oil GL-4 140 1X200L
Phoenix Gear Oil GL-5 80W90 1X200L
Phoenix Automatic Transmission & Power Steering Fluid DIII 12X1L
Phoenix Automatic Transmission & Power Steering Fluid DIII 1X18L
Phoenix Automatic Transmission & Power Steering Fluid DIII 1X200L

GREASES
Phoenix MP3 Grease NLGI3 24X500G
Phoenix MP3 Grease NLGI3 1X180KG
Phoenix MP3 Grease NLGI3 1X16KG
Phoenix EP2 Grease NLGI2 24X500G
Phoenix EP2 Grease NLGI2 1X16KG
Phoenix EP2 Grease NLGI2 1X180KG
EP 2 Lithium Complex Pail 16KG
EP 2 Lithium Complex Drum 180KG

AUTOMOTIVE SPECIALTIES
Phoenix Radiator Coolant 12X1L
Radiator Coolant Pail 18L
Brake & Clutch Fluid DOT 3 12 X 900ML
Brake & Clutch Fluid DOT 3 36 X 170ML
Brake & Clutch Fluid DOT 3 36 X 300ML

INDUSTRIAL OILS
Industrial Gear Oil SP 150 Pail 18L
Industrial Gear Oil SP 150 Drum 200L
Industrial Gear Oil ISO VG 220 Pail 18L
Industrial Gear Oil ISO VG 220 Drum 200L
Industrial Gear Oil ISO VG 320 Pail 18L
Industrial Gear Oil ISO VG 320 Drum 200L
Industrial Gear Oil ISO VG 460 Pail 18L
Industrial Gear Oil ISO VG 460 Drum 200L
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 220 Pail 18L
Hydraulic Oil AW 220 200L Drum
Hydraulic Oil AW ISO VG 460 200L Drum
Hydraulic Oil AW ISO VG 68 200L Drum Low VI
Compressor Oil 100 Pail 18L
Compressor Oil 100 Drum 200L
Compressor Oil 68 Pail 18L
Compressor Oil 68 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
Turbine Oil ISO VG 68 PAIL 18L
Transformer Oil Drum 200L

MARINE OILS
Manta Marine Engine Oil TBN10 SAE40 200L
Manta Marine Engine Oil TBN10 SAE30 200L
Manta Marine Engine Oil TBN12 SAE40 200L
Manta Marine Engine Oil TBN15 SAE30 200L
Manta Marine Engine Oil TBN15 SAE40 200L
Manta Marine Engine Oil TBN20 SAE30 200L
Manta Marine Engine Oil TBN20 SAE40 200L
Manta Marine Engine Oil TBN30 SAE40 200L
Manta Marine Engine Oil TBN30 SAE30 200L
Manta Marine Engine Oil TBN40 SAE40 200L
Manta Marine Engine Oil TBN50 SAE40 200L
Nautilus Cylinder Oil TBN70 SAE50 200L

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STOCK TRADING INFORMATION

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