

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF**

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

Phoenix Petroleum Corporate Headquarters

Stella Hizon Reyes Rd., Bo. Pampanga

Lanang, Davao City

March 18, 2016

**Number of Shares Represented: 1,036,354,267**

**Number of Shares Outstanding:**  
**Common Shares 1,428,777,232**  
**Preferred Shares 5,000,000**

**Directors Present:**

1. Domingo T. Uy, Chairman
2. Dennis A. Uy, President & Chief Executive Officer
3. Romeo B. De Guzman, Chief Operating Officer
4. Socorro T. Ermac-Cabreros, Corporate Secretary
5. Joseph John L. Ong, Chief Finance Officer
6. Atty. J.V. Emmanuel A. de Dios
7. Cherylyn C. Uy
8. Paul Dominguez
9. Justice Consuelo Ynares-Santiago, Independent Director
10. Atty. Monico Jacob, Independent Director

**PROCEEDINGS OF THE MEETING**

**I. Call to Order**

The Chairman, Mr. Domingo T. Uy, called the meeting to order and presided over the proceedings. The Corporate Secretary, Atty. Socorro T. Ermac-Cabreros, recorded the minutes of the meeting.

**II. Proof of Notice and Determination of Existence of Quorum**

The Corporate Secretary certified that: (i) notice of the meeting, stating the time, date, venue and purpose thereof, together with the agenda and the Definitive Information Statements of the Company were duly sent beginning February 26, 2016 to all stockholders of record as of February 26, 2016 by courier with postage pre-paid, (ii) based on the record of attendance, present in the meeting in person or by proxy were stockholders holding **1,036,354,267** common shares out of **1,428,777,232** outstanding capital stock of the Company, which constitutes about 72.5% of the total outstanding capital stock of the Company at 1,428,777,232 shares as of February 26, 2016, and (iii) there was, therefore, a quorum to transact business.

The Chairman therefore declared the existence of a quorum and the meeting duly constituted for the transaction of business. The Chairman also acknowledged the presence in the meeting of the other incumbent directors: (1) Mr. Dennis A. Uy, the President & CEO; (2) Mr. Romeo B. De Guzman, Chief Operating Officer; (3) Mr. Joseph John L. Ong, Chief Finance Officer; (4) Ms. Cherylyn C. Uy; (5) Mr. Paul Dominguez; (6) Justice Consuelo Ynares-Santiago, the

Independent Director; (7) Atty. Monico Jacob, another Independent Director; (8) Atty. J.V. Emmanuel De Dios; (9) Atty. Socorro Ermac- Cabreros, the Corporate Secretary.

### **III. Approval of the Minutes of the Previous Annual Stockholders' Meeting Held on March 11, 2015**

The next order of business was the approval of the minutes of the previous annual stockholders' meeting held on March 11, 2015, copies of which were sent and enclosed in with the Definitive Information Statement as of February 26, 2016 to all the stockholders of record as of February 26, 2016. Copies of the said minutes and Definitive Information Statement were likewise given to the stockholders together upon registration.

Upon the motion of Antoinette Principe Castrodes, and duly seconded by Mizzy Martinez, without any objections, the stockholders approved the minutes of the previous Annual Stockholders' Meeting held on March 11, 2015, as recorded.

### **IV. Update on the Operational and Financial Highlights**

The Chairman then called on the President of the Company, Mr. Dennis A. Uy, to present his annual report and the Chief Finance Officer to give an update on the financial highlights for 2015.

Mr. Dennis Uy reported the following:

- 2015 was described as a critical year for the Company with the many challenges it encountered as well as opportunities it faced. The continues drop in oil prices made the industry very competitive. Profitability was squeezed as the inventory was sold at lower prices. Despite the global downturn, the Philippine economy showed resilience by growing 5.8%.
- Motorists enjoyed low oil prices as diesel dropped to a total of P7.14/liter and gasoline decreased .80/liter for the year.
- Amidst this challenged environment, Phoenix implemented programs to protect the revenue and margins, mitigate risks and insures stability of supply, build the brand of the company that is resilient and ready for the future.
- Phoenix increased their networks to 454 stations nationwide, for market share of less than 1% when started 10 years ago, Phoenix has 5% of the fuels market as of the first half of 2015. This strengthens the Company's position as the number one independent and 4th major player in the industry.
- Commercial, industrial and aviation sales move to 26% as Phoenix continued to acquire more direct accounts such as in the power, transportation, mining, agricultural, fishing and construction sectors.
- Phoenix' net income grew 47% to P905.9M. This was driven by the 27% increase in fuel sales volume, and the P319M combines net income of Phoenix' subsidiaries – Phoenix Petroterminals and Industrial Park Corporation (PPIPC) and Chelsea Shipping Corporation (CSC).
- Phoenix continues to strengthen the infrastructure, people and brand. Phoenix' nine (9) terminals and depots across the country, with the newest in Calapan, Oriental Mindoro, are able to serve the growing retail and industrial clients.

- Phoenix marked two (2) safety milestones last 2015: (1) 1.69M man hours without lost time injury for Phoenix, and (2) 3M man hours without lost time incident for the Chelsea Shipping Group.
- As a corporate citizen, Phoenix offers many programs in education, environment, health and outreach. The success of first season of Pinoy Tsuperhero is the start of a unique advocacy to recognize and empower inspiring Filipino drivers.
- In 2015, Phoenix likewise marked 10 years of PHOENIX as a brand. The Company is now described as entering the “teen stage” as against the start up stage which is now more equipped in terms of resources, people and finances --- more capable and experienced team, strong balance sheet, energetic brand and more efficient operations.
- The Company now looks forward to the next decade by sustaining double digit growth in all business units, strengthen teamwork and efficiency and maintain strong relationships with its business partners.
- Phoenix also launched the new brand campaign, *Trip Natin 'to*, which expresses our aspiration to be one with Filipinos in all their journeys.
- The Company now sets its sight to be the Number Three Oil Company and the brand of choice of motorists.

On the other hand, the Chairman asked the Chief Finance Officer of the Company, Mr. John Joseph L. Ong, to summarize the financial performance of the Company for last year and audited financial statements of the Company ended on December 31, 2015.

Mr. John Joseph Ong summarized the following:

- The main headline for 2015 was that the Company grew in terms of fuel sales volume. It was reported that the volume sales shift by 21% to 999M liters in 2014, from 1.2B liters in 2013 as the Company shifted in sales strategy to focus more on sales to retail stations and direct corporate customers. In 2015, Phoenix sold 1.2B liters fuel, 27% growth over the previous year. The sales volume has grown at present companion annual growth rate of 43% over the last 9 years.
- In terms of market share, according to the DOE report, Phoenix recounts for a loss of 5% of the total petroleum market as of the first half of 2015. This translates to a derived 7.1% just for total fuel sales, not counting product in markets that Phoenix does not competing such as LPG, other petroleum derivatives and exports. It also grown its gas stations network from 418 in 2014 to 454 stations as of the end of 2015.
- **Fueling the business.** Breaking down sales performance by business unit: Retail Sales or fuel sold to our network gas stations grew by 30% from 346M liters to 452M liters. Sales to Commercial, Industrial and Aviation (CIA) segment grew by 26% from 711B liters to 752B liters. Lubricants, whilst still a small segment, grew by 16% from 2.4M liters to 2.8M liters. A number of initiatives that Phoenix had started in 2015 should contribute to a more aggressive growth on Lubricants. This brings the total sales volume growth 27% from 945M liters to 1.2B liters at the end of the year.
- In terms of Sales, the share of Retail Sales grew from 37% with total fuel sales in 2014 to 38% in 2015. As a reference point in 2013, retail represented less than 30% of total sales. This is consistent with the strategy of the Company particularly in 2014 to put more focus on retail sales and direct corporate accounts, in lieu of the less profitable

sales to distributor and wholesale accounts. You may recall that in the earlier years, it was necessary to be more aggressive in sales to distributors and wholesalers, in order to rapidly grow market share and gain economy scaled for more efficient supply chain management. However, this early strategy came at a cost in terms of dropping margins. Dropping margins were effectively reversed in 2014 when margins improved despite lower sales volumes due to improving sales mix and increase efficiencies from logistics and supply chain management.

- In 2015, Phoenix grew its network of gas stations from 418 to 454. Phoenix originally targeted to open a total of 500 stations last year. Unfortunately, the Company encountered problems in securing local government permits and some problems with our contractors. It takes about a year to open a station from negotiation to opening. This caused the number of stations to slide in 2016.
- In order to support aggressive growth in fuel sales volumes, Phoenix continues to invest in depot and terminal capacity. For almost 280M liters in 2014, storage capacity has risen to almost 344M liters at the end of 2015. Phoenix has a total of 10 depots, 4 of which are installations. Depots are mere storage facilities whilst installations are the import terminals that are able to receive importations directly from our original suppliers. Phoenix is not dependent on a central import terminal facility. This allows more flexibility by importing fuels close to the market. A decentralized system also mitigates the risks of port congestion and other disturbances. Having storage facilities provide effective market coverage at 25%.
- Phoenix had also identified areas where the Company could have storage facilities in the future. Cebu is undergoing a construction which is expected to be completed within the year. The Company would also like to add storage facility in Northern Luzon, somewhere in the La Union area to augment our facilities in Calaca, Batangas. And for the South in Mindanao, in General Santos area, to augment our facilities in Davao and Cagayan De Oro. Once completed, this target network should provide an effective market coverage of 95%.
- The Company also continues to invest in brand and marketing. Phoenix had been the official fuel provider of the NBA in the last 3 years. Recently, Phoenix entered PBA with acquisition of former Barako PBA Team, now known as the Phoenix Fuels Masters. Phoenix participated in PBA with the entry of Phoenix Accelerators whose score is composed of the UAAP defending champion, FEU Team which will also be sponsored in their quest for the UAAP Basketball Crown last year. Phoenix sponsored the country's first UFC fight night and Manny Pacquiao's fight with Mayweather.
- Aside from sports, Phoenix partnered ABS-CBN Foundation for the successful Pinoy Tsuperhero campaign that rewarded country's top professional drivers that exemplified high moral and ethical standards. Phoenix has also sorts of awards, winning a silver in a prestigious for Fuel Dream Digital Campaign. Phoenix have also won the Most Outstanding Franchise in the Large Retail Category.
- Creating the Lubricant line was one of the major re-organization made in 2015 to provide more focus and resources. The product underwent an improved reformulation to provide better performance and attributes. Other changes were also made in the operational level to improve efficiency and quality control.
- Chelsea Shipping with a gross of 4000MT brings a total of 12 tankers, 2 of which are capable of international voyages and 2 tug boats. This brings a total carrying capacity of 48,467MT. Moving to PPIP which is a 94-hectare industrial park in Calaca, Batangas, and hosts the biggest terminal depot, the major highlight is the ongoing port expansion

which addressed the severely congested peer. Expected completion is 18 months. Once completed, the facility can accommodate 2 handy-max vessels simultaneously. Other major projects, our ongoing construction of the Philippine Prosperity Chemicals, Inc., Phoenix Lab, Chelsea Warehouse and LPG Terminal of SPI.

- For the financial highlights for 2015, revenue declined by 13% from P34.7B to P30B despite the 27% increase in volume sales due to the continued drop in global fuel prices. Average prices dropped by almost 50% from 2014 to 2015.
- There's a change with retail accounting for 35% to 34%, with a bigger contributions from subsidiaries from 3% to 7%.
- For the Income Statement, selling administrative expenses increased as a function of higher volume sales, financing charges increased due to increase debt in CAPEX due to the expansion of depot capacities and stations plus higher account receivable. Despite the continuous drop in global fuel prices, net income increased by 47% from P616M in 2014 to P906M in 2015. The Company's subsidiaries, Chelsea Shipping and PPIPC, contributed a combined P319M or 35% consolidated income versus a P133M or 21% in 2014. However, contribution of the subsidiaries, Phoenix still manage to grow net income by 21% from P484M in 2014 to P587M in 2015 due to a combination of better sales mix and higher efficiencies in supply chain and logistics. Consolidated net income margin rate has also improved consistently for a low of 1.5% in 2013 to 3% in 2015.
- For the balance sheet, current assets increased by 26% from P13B to P17B due to increase in account receivable due to higher current sales to direct corporate customers in lieu of cash-based sales to distributors and wholesalers.
- Non-current assets increased by almost 21% due to the continued investment of the Company in gas stations, storage capacities and logistics assets.
- Total liabilities increased by 16% essentially due to higher loans to finance increase in working capital as well as Capex.
- Total equity increased by 42% from P7B to P10B, a combination of net income for the period and the successful and oversubscribed sale of the P2B worth of perpetual preferred shares. The increase in equity effectively lower the Company's gearing from the drop in DE or Debt to Equity from 2.55 times to 2.09 times. Net DE which is the function of bank debt also dropped from 1.96 times to 1.69 times.

The Chairman opened the floor for questions and queries based on the report given by the President and CEO and CFO on the annual report of the Company.

Ms. Gigi Talion asked Mr. John Joseph Ong what is the financial effect of the fuel price drop in Phoenix' margin and what is the company doing to mitigate or the effect boost in those areas. Mr. John Joseph Ong, the CFO, pointed out that the drop in the fuel prices may bring down the margins since Phoenix is selling more expensive inventory and that the drop is continuous and that is the effect on margins as a whole. Since the drop of fuel prices is a market-driven and the operations are generally trading in nature which the Company does not do refining, the Company try to match the reckoning of buying price and the selling price at the same time, it takes 30days to offload an inventory to the extent that the Company will try to negotiate with the suppliers to price the products. As soon as price is stabilized, normally the margins can back.

Ms. Ma. Merceditas Barrios Talaver asked if the Company's aim to becoming the number 3 is still achievable or what's the plan of the Company to intend to do this to achieve it. Mr. Chairman referred the question to the Company's Chief Operating Officer, Mr. Romeo B. De Guzman which the latter answered the Company can achieve being at number 3 in the position in 2017. The core business of the Company which is the retail business, the structural strength of the business, and adding more direct accounts. The pressure of the excellence that the Company would like to impose in this particular business and by putting our acts together, we would be able to achieve our objective to becoming number 3 in 2017.

Mr. Peter Paul Tombo asked if there are other fund raising activities for this year 2016. Mr. Chairman referred the question to Mr. John Joseph Ong and the latter answered that the Company have not yet decided if there will be any capital raising exercises for 2016. The Company's capital line continues to grow and that the former still welcoming banks to open lines with them which is not an issue. The Company is still studying whether it is still necessary to do long term capital raising. Mr. Ong thought there are no plans to increase equity but this is always an option. The Company may consider getting a long term debt but the Company prefers to merely refinance short term debt and permanent working capital.

Ms. Maripet Antepuesto Pantojan asked for an update for the fire incident in Calaca, Batangas. Mr. Chairman referred the question to the General Manager of Industrial Park, Mr. Chryst Alfontus V. Damuy which the latter clarified that the fire is in one of the locators of Phoenix Petroterminals & Industrial Park, the SPI or South Pacific Inc., which operates LPG terminal in our facility or industrial park owned by the wholly owned subsidiary of Phoenix Petroleum which is PPIPC. The fire broke Saturday, February 4, at around 4pm. The type of fire is LPG fire. According to experts, the way of managing LPG fire is to let it continue burning until all the fuel is exhausted or consumed. Finally, the fire was put out or fire out last March 1 around 10pm. The fire was managed very well, no casualties or even some explosions. The support of the local government and the Bureau of Fire Protection, locally and even the national BFP, was provided to the park. Now, we can say that it is okay and the Bureau of Fire Protection was doing investigation and we expect the report by April 15 or the latest, April 30 of this year.

The Chairman now asks the floor for any more questions when Ms. Andrea Lauren moved to approve the President's Report and the Audited Financial Statements for the year ended December 31, 2015, duly seconded by Ms. Gigi Talion. There being no objections, the motion was approved:

***"RESOLVED, the President's Report and the Audited Financial Statement for year ended December 31, 2015 as presented and appended in the Definitive Information Statement is hereby approved."***

**V. Approval, Confirmation and Ratification of All Acts and Resolutions of the Board of Directors, Management and Executive Committees during their term of office**

The stockholders then proceeded to the next item in the agenda which was the ratification, confirmation and approval of all acts and resolutions of the Board of Directors, Management and Executive Committees. The Chairman requested the Corporate Secretary to explain this item.

The Corporate Secretary, Atty. Socorro Ermac Cabrerros, explained that the acts and resolutions of the Board of Directors, Management and Executive Committee sought to be approved, confirmed and ratified at the meeting cover the period commencing from February

01, 2015 to January 31, 2016. The acts and resolutions consist of authorization of the Company's representative to enter into contracts, or biddings or other corporate transactions, such as but not limited to lease, dealership agreement, sale and purchase of service vehicles and other real and personal properties, opening of bank accounts as well as bank credit facilities, acquisitions, investments and such other acts incidental and necessary to the purpose of the Corporation as well as advancement and protection of its interests. The Corporate Secretary added that these acts and resolutions are duly identified, enumerated and attached as Annex A of the Definitive Information Statement sent from February 26, 2016 to February 29, 2016 to all stockholders of record as of February 26, 2016.

On motion made by Mizzy Martinez, which was duly seconded by Petite Principe Castrodes, without any objections, all the acts and resolutions of the Board of Directors, Management and Executive Committee from the period commencing from February 01, 2015 to January 31, 2016 were confirmed, approved and ratified.

***“RESOLVED, as it is hereby resolved, that all acts and resolution passed and approved by the Board of Directors, Management and Executive Committee covering the period from February 01, 2015 to January 31, 2016, is hereby approved, confirmed and ratified.”***

#### **VI. Election of Directors for the year 2016 to 2017**

The Chairman moved to the next item of the agenda which was the election of directors for 2016-2017 and called Atty. Raymond Zorrilla, a member of the Nominations Committee, to state the list of nominees.

Mr. Zorrilla announced the following nominees for directorship for the ensuing term, 2016-2017:

1. Domingo T. Uy
2. Dennis A. Uy
3. Romeo B. De Guzman
4. Cherylyn C Uy
5. Paul Dominguez
6. Joseph John L. Ong
7. Atty. J.V. Emmanuel A. De Dios
8. Atty. Monico V. Jacob
9. Atty. Socorro Ermac-Cabrerros
10. Consuelo Ynares-Santiago (Independent Director)
11. Carolina Inez Angela Reyes

A motion was made by Peter Paul Tombo and duly seconded by Kenneth Dabi moving that all votes be cast in favor of the eleven (11) directors and that they be declared elected to the Board.

#### **VII. Appointment of External Auditor**

The Chairman stated that the appointment of the external auditors is the next item in the Agenda. Mr. Joseph John L. Ong mentioned that the financial statements of the Company were audited by Punongbayan & Araullo (P&A) the previous year and the latter has been re-appointed as the external auditor of the Company for 2016.

Upon motion of Ma. Mercedita Talaver and duly seconded by Kenneth Dabi, the shareholders adopted the following resolution:

***“RESOLVED, that the stockholders approve, as they hereby approve, the appointment of Punongbayan & Araullo as the external auditor of P-H-O-E-N-I-X Petroleum Philippines, Inc. for the year 2016 under such terms and conditions as may be approved by the Board of Directors.”***

**VIII. Other Matters**

The Chairman then asked whether there are any other matters which may be properly taken up by the stockholders.

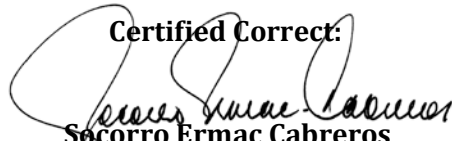
The Corporate Secretary, Atty. Cabreros through the permission of the Chairman announced that on March 18, 2016, the Board of Directors declared a Php0.08 per share cash dividend which shall be paid on April 29, 2016.

Thereafter, the Chairman asked the floor if there are any other matters to be taken up.


**IX. Adjournment**

Upon motion of Maripet Pantojan and duly seconded by Peter Paul Tombo, the Chairman declared the meeting adjourned.

**Certified Correct:**

  
**Socorro Ermac Cabreros**  
Corporate Secretary

**Attested:**

  
Domingo T. Uy  
Chairman