

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



14 August 2020

Securities & Exchange Commission

Secretariat Building, PICC Complex
Roxas Blvd, Metro Manila

Philippine Stock Exchange

Disclosure Department
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Makati City, Metro Manila

Philippine Dealing & Exchange Corp.

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Attention: Hon. Vicente Graciano P. Felizmenio, Jr.
Director, Market and Securities Regulation Department
Securities & Exchange Commission

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange

Atty. Marie Rose M. Magallen-Lirio
Head, Issuer Compliance and Disclosure Department (ICDD)
Philippine Dealing & Exchange Corp.

Sir and Mesdames:

We would like to submit the attached Press Release for your reference in relation to the Company's Quarter Report for period ended 30 June 2020.

Thank you and warm regards.

Very truly yours,

Socorro Ermac Cabreros
VP for Corporate Legal & Corporate Secretary

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August 14, 2020

Phoenix Petroleum delivers better 2Q

- **Sustained strength in LPG volume despite weaker-than-expected domestic fuel volume as tighter liquidity curtailed inventory replenishment**
- **Substantial OPEX reduction due to lean, flexible operations**
- **Sequential EBITDA improvement to P865 million in 2Q20, P1.22 billion in 1H20**

Phoenix Petroleum EBITDA reached P1.22 billion in the first half of 2020 driven by a 43% quarter-on-quarter growth in volume led by the overseas business, particularly by LPG, improved overall margins, and significant cost actions in the second quarter. With the sharp year-on-year decline in oil prices, which was recognized across the industry, revenues in the first half were lower by 30%. However, limited inventory replenishment due to credit tightening curtailed recovery and resulted in weaker-than-expected volume in domestic fuel. Overall, the Company reduced its net loss to P5 million in 2Q, which is significantly lower than the P386 million in 1Q.

LPG outperformed the rest of business and emerged as an essential product for households as individuals and families stayed and prepared meals at home during the lockdown. The surge in demand was ably supported by the Company's partnership with Hengyi Industries that ensured security and reliability of supply. Growth was across the board for the Luzon, VisMin, and Vietnam markets with total volume up 88% year-on-year in the first half. Phoenix Gas Vietnam, in particular, showed remarkable growth and delivered 409% volume increase with only selective movement restrictions and no widespread lockdowns in place in the country.

"We continue to deliver quality and safe products, and essential services to our customers whose patronage helped minimize disruptions to our business. To the extent that we can, we will continue to assist customers during these challenging times by granting credit extensions. However, regional and local developments within the industry and credit markets have tightened access to working capital. We saw this hamper our recovery in the 2Q as we had to divert resources to debt service and pull back on inventory replenishment," Phoenix Petroleum President Henry Albert R. Fadullon said.

Prior to the ECQ, the Company reduced inventory levels by delaying imports, which allowed it to minimize inventory losses resulting from falling prices and the slowdown in demand.

In addition, the Company benefited from the structural cost reductions following the streamlining of the lubricants and FamilyMart supply chains in 2019 and the rationalization of its road transport unit this year. With leaner operations, the Company is able to reduce OPEX and sustainably improve long term productivity. OPEX per liter was down 30% in the first half. With implemented OPEX cuts close to P400 million, the Company expects P800 million worth of savings by year-end. Meanwhile, the Company is actively seeking more efficiencies after achieving P1.3 billion of its P1.5 billion goal of CAPEX savings.

On the operational front, with the well-being of its employees, workplace, and customers as utmost priority, the Company rolled out safety platforms across its businesses. These include contactless payment options at its stations as well as online order and delivery systems for LPG. Further, the

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Company launched in June its first digital mobile application, Limitless, a lifestyle rewards program with Phoenix and FamilyMart as the initial participating merchants. The app downloads have so far reached over 80,000. These enhanced online capabilities are expected to drive volume and efficiency under the new normal.

Meanwhile, 90% of the Company's station network remained operational, with no supply chain disruption at the peak of the lockdown. As a result, the decline in retail volume was minimized to 13%. As of end June 2020, total station count stood at 660.

Transportation-related industries such as commercial road, domestic marine, and domestic aviation see longer recoveries. Overall, commercial and aviation sales were lower by 36% but should recover as demand from sectors like power and manufacturing pick up. Convenience store retailing operations were likewise limited, with two-thirds of the store network operational for the duration of the quarantine. Singapore's trading operations meanwhile recovered from the 1Q and significantly contributed to growth in the 2Q.

"We are pleased with the progress we've made in stabilizing the business as we are on track to bringing the business back into profitability by Q3. We are confident and hopeful that the worst is behind us," Fadullon added.

#End

About Phoenix Petroleum

Phoenix Petroleum is engaged in the nationwide trading and marketing of refined petroleum products, including LPG and lubricants, operation of oil depots and storage facilities, hauling and into-plane services; convenience store retailing; and trading and supply.

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

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