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ANNUAL REPORT
2013

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VISION

Our vision is to be the best retailer of convenience for emerging markets.

MISSION

To make daily life easier by providing modern convenience.

CORE VALUES

Teamwork
Reliability
Customer Focus
Data Driven
Integrity



THIS YEAR'S THEME

GROWTH AND DIVERSIFICATION.

With presence in Luzon and Visayas, Philippine Seven Corporation continues to grow and expand in its efforts to offer better products and services for its customers. The Company deepens its roots by continuously adapting to the changing needs of the market to support 7-Eleven's sustainable expansion.

FINANCIAL HIGHLIGHTS

2013 ANNUAL REPORT

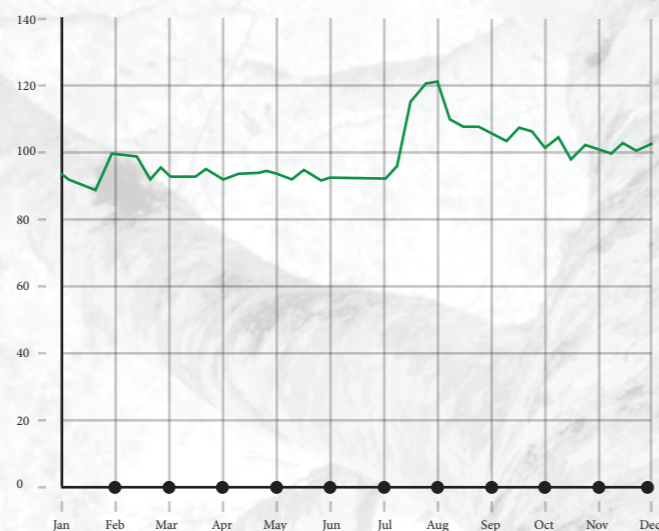
COMPARATIVE FINANCIAL HIGHLIGHTS

FOR THE YEAR	2013	2012	2011
Systemwide Sales	17,240,457	13,363,925	10,696,614
Revenue from Merchandise Sales	14,133,649	11,713,760	9,435,604
EBITDA	1,710,513	1,221,308	916,072
Net Income	682,628	465,176	356,763
AT YEAR-END	2013	2012	2011
Stores in Operation	1,009	829	689
Total Assets	5,961,773	4,571,816	3,741,818
Total Liabilities	3,420,540	2,662,650	2,262,733
PER SHARE DATA	2013	2012	2011
Earnings Per Share (Php)	1.49	1.01	0.78
Book Value Per Share (Php)	5.54	4.16	3.23

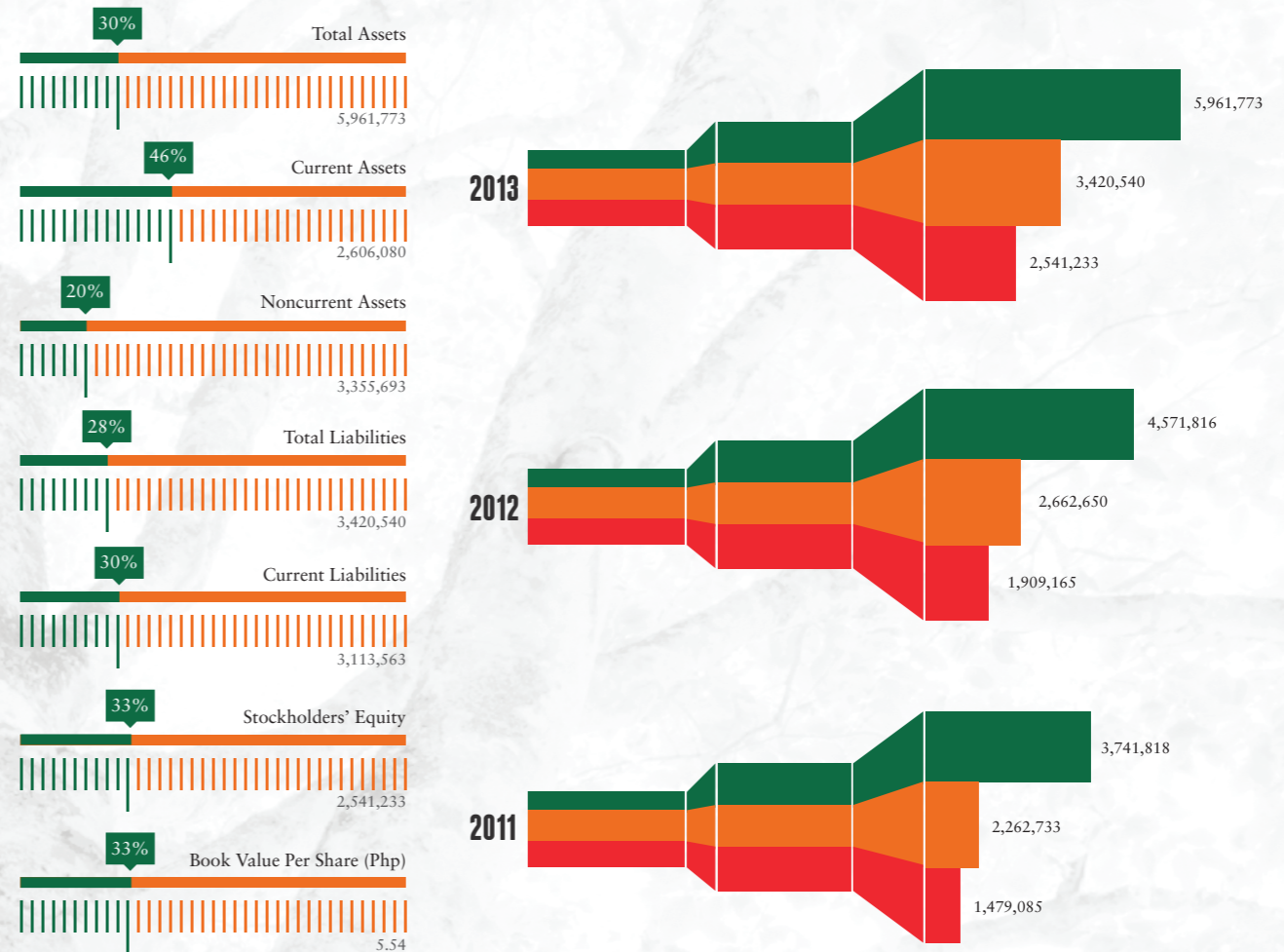
FINANCIAL RATIOS

LIQUIDITY	2013	2012	2011
Current Ratio (x)	0.84	0.75	0.67
Quick Ratio (x)	0.46	0.34	0.32
Debt to Equity Ratio (x)	1.35	1.39	1.53
EBITDA Margin (x)	12.10%	10.43%	9.71%
Net Margin (x)	4.83%	3.97%	3.78%
Return on Ave. Equity	30.68%	27.46%	26.93%

STOCK PRICE



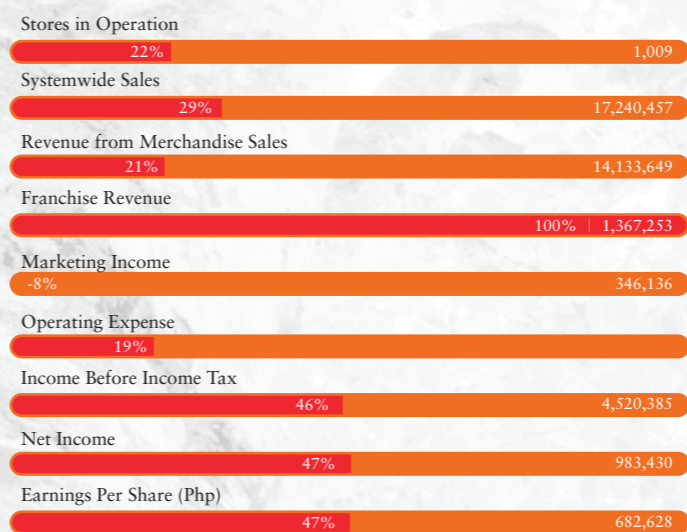
BALANCE SHEET HIGHLIGHTS



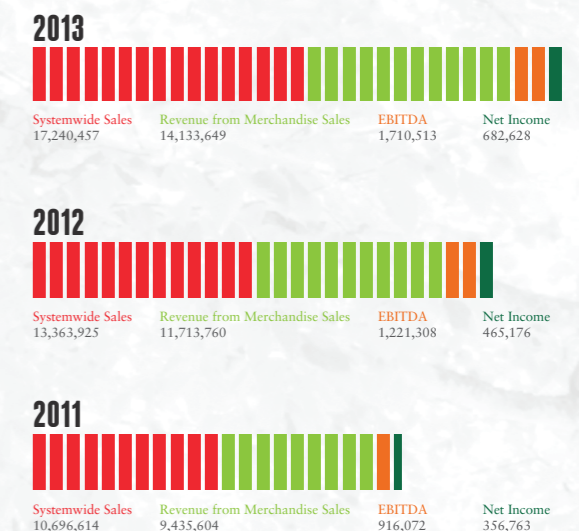
*(in Php Thousands except data on store, ratio and per share information)
■ % Change from LY

■ Total Assets ■ Total Liabilities ■ Stockholder's Equity

INCOME STATEMENT HIGHLIGHTS



*(in Php Thousands except data on store, ratio and per share information)
■ % Change from LY



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Last year the country suffered serious national calamities. In the month of October, strong earthquakes in Cebu and Bohol caused serious damage to buildings including centuries-old stone churches. In the following month Typhoon Yolanda, the strongest yet experienced in this country, destroyed whole towns in East Visayas and wrought widespread damage in its westward path through the Visayan islands. Destruction caused by this typhoon will take months, in some areas years, to rebuild. Despite the extensive destruction wrought in Central Philippines by these natural calamities and an armed conflict in Zamboanga, the national economy was able to register growth for the year 2013 of 7.2% in Gross Domestic Product (GDP).

In contrast, your company experienced an unusually profitable year in 2013. Systemwide sales rose 29% over the previous year, to PhP17.2 billion. Net income of PhP683 million was an unusually large gain of PhP217 million over 2012; per share earnings rose from PhP1.01 to PhP1.49. Our President will trace such large increase in net income in his report.

During the inauguration of your 500th store in June 2010, Chairman Gao of our parent company, Taiwan's President Chain Store Corp., challenged your management to double the size of the company, i.e. to open and operate a thousand stores by the end of 2013, just 3-1/2 years hence. Your company met that challenge. Opening of 187 new stores exceeded previous years openings bringing operating stores at end 2013 to over 1,000. Daily customer visits remains at about a thousand, so it means over a

million customers visit 7-Eleven stores every day. Continuing growth of our major market in Luzon requires continuing increase in warehouse facilities. The multistory National Distribution Center (NDC) in Pasig is being expanded from a roofed area of 23,000 square meters to 30,000 by November this year, with concomitant facilities for receiving, storage, handling, stock picking, cold rooms and dispatch of merchandise according to stores' orders, mainly in four ton lorries. Lorry deliveries to stores are made as often as daily in Metro Manila and environs. Supplier trucks deliver their merchandise on pallets which are handled by forklift until they find their way to the stock picking area.

Suppliers deliver to Pasig National Distribution Center (Pasig NDC) all merchandise (except frozen and some bulk items identified later) for sale in every 7-Eleven store in Luzon and Visayas. Each store electronically orders the merchandise it needs, by 6:00 a.m. All items for the day's delivery are picked and consolidated on pallets to be trucked to stores by lorries in the Mega Manila and Calabarzon areas.

Last year's message quoted a European fund manager that PSC's innovation-driven culture equips us "to better navigate the unique island culture of the Philippines". That drive for innovation is demonstrated in the planning and execution of the move to Visayas, preceded by opening of Luzon's Sison, then of Naga Distribution Centers. Opening of 7-Eleven Visayas stores started in Cebu island with 19 stores in 2012, and a first store in Bacolod City in 2013.

In 2012 a Regional DC was established in Mandaue, Cebu occupying 6,200 square meters. At year end 2013 Mandaue DC was servicing 56 stores in Cebu and 14 in Bacolod City. It is accessible to East Visayas - Cebu, Bohol, Negros Oriental and to Leyte through ferry to Ormoc. A separate Regional DC of 3,765 square meters now under construction in Iloilo City will be operational by end of 2014. It will service the entire West Visayas - all of Panay island's four provinces of Iloilo, Antique, Capiz, and Aklan with Negros Occidental. I joined the stores inauguration in Iloilo City at end of June. Western Visayas is likely to open more stores than Cebu and Eastern Visayas.

The directive for establishment in Visayas comes from the PSC President, my son Victor, a graduate mechanical engineer, magna cum laude, from Lehigh University. After three years in US as plant engineer, he joined PSC in Operations, and built up our IT and logistics. In 2005, he was chosen President and CEO directly responsible to the Board of Directors. His special interest lies in adapting business models to different (and recently, fast changing) environments.

MARKETING

7-Eleven customers in Visayas now follow buying patterns similar to the customers in our early Manila stores. Foods and drinks still make up almost half of our Visayan customers' present market basket. We expect gradual change in their buying habits to take advantage of 7-Eleven convenience for their every day needs. Visayas office is studying how those needs differ from Luzon and how best to serve them.

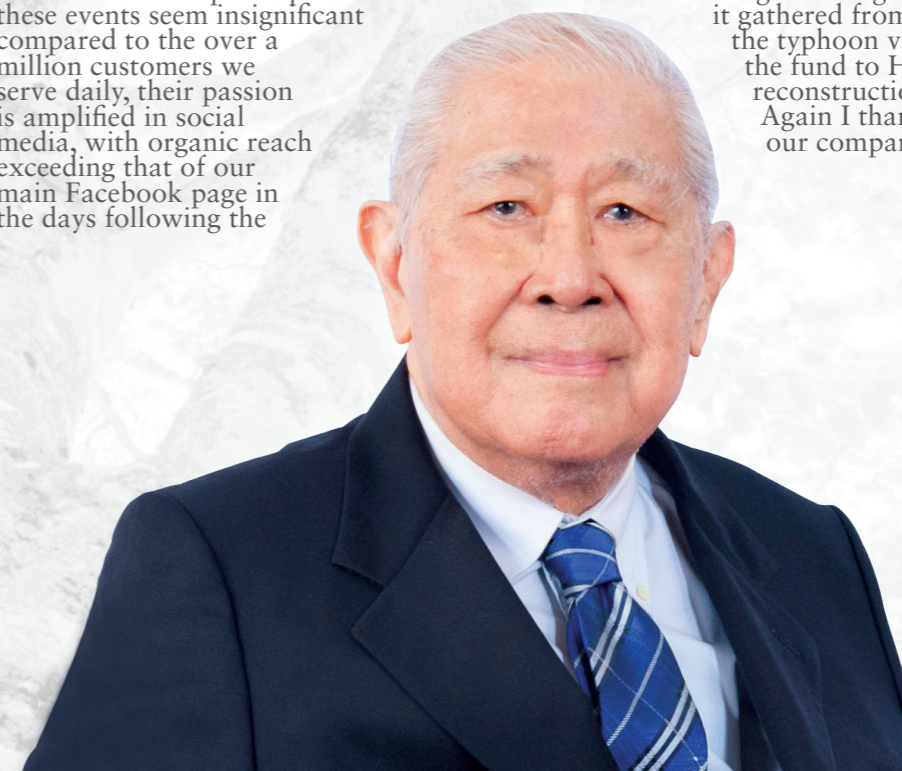
Every Day! Rewards, a loyalty card costing PhP10, provides ability to track the nature, amount and location of cardholder purchases. Compiling buying habits of customers will guide marketing. In Luzon's early years such data had to be gathered through tedious actual surveys.

Early in 2014, the company staged Run 1000 to benefit victims of Typhoon Yolanda. That Run turnout was a record 17,652 registrants, showing both strong support for typhoon's victims, and confidence that following the event Run 1000 is convenient and well-organized. Participation in company sponsored events, be they marathon runs or biking in such large numbers, is higher than like efforts by other companies due to confidence in PSC events and organization. Participants register online, pay in their usual store via our 7-Connect system, and claim their race kits in the same store. Such ease of use of stores and their system for all events heightens the company reputation for reliability and efficiency while keeping the organization trim for commercial uses.

Combining ease of access to customers with a deserved reputation for reliability of our service are important to promote other uses of 7-Eleven stores in our country. While the number of active participants at these events seem insignificant compared to the over a million customers we serve daily, their passion is amplified in social media, with organic reach exceeding that of our main Facebook page in the days following the

events. Facebook is one of several other uses to which the company employs social media. The marketing staff created Facebook in 2009. In 2010 the company had 152,116 Facebook friends growing to 352,801 in 2011, to 667,695 in 2012 and 1,103,467 in 2013. Facebook has enabled online promos to be launched since 2010, providing valuable interaction with our customers, and as well a measure of what customers think of the company, our products and our services. Computer assisted activities within and outside the stores organization have taken many years for the company to build and continually improve. We benefited much from assistance of our licensor, SEI, and even more from our parent company PCSC; they provided us basic convenience store systems. It is time to recognize and thank our in-house systems group and outside Filipino computer expertise who brought our systems and logistics to their present level of excellence and reliability.

May I again offer our thanks to all who helped the company this year - franchisees, company employees, suppliers, bankers, local governments, licensors. Our special thanks on donations for Typhoon Yolanda victims from our parent company PCSC and Seven Eleven International. And profound thanks to 7 & I of Japan for a most generous gift of One million US dollars it gathered from people of Japan to assist the typhoon victims; we transmitted the fund to Habitat for Humanity for reconstruction of destroyed housing. Again I thank God for His blessings to our company and to my own person.



Vicente Tirona Paterno

Vicente Tirona Paterno
Chairman of the Board

Combining ease of access to customers with a deserved reputation for reliability of our service.

REVIEW OF OPERATIONS

DEAR FELLOW SHAREHOLDERS,

2013 was notable on three fronts: Same store sales grew at their highest rate in company history due to unusual events in the first half of the year. The first piece of our digital strategy, the Every Day! Rewards loyalty card, was launched in November. Finally, we opened our 1,000th store in December, and since then have served over a million customers daily.

GROWTH IN SAME STORE SALES

The record growth in same store sales that contributed to the sharp rise of 47% in income was due to a confluence of several factors, including dry, warm weather, mid-term elections, and the breakfast bundling promotion. Much of the growth, however, came from a dramatic increase in tobacco sales in the first half of 2013, driven by one-time events unlikely to recur.

The Philippine government increased excise taxes on liquor and tobacco on January 1, 2013, with the steepest increases on the latter - some cigarette brands would eventually nearly double in price. As brands held back price increases in bids to increase market share, supply became scarce. Inventory was hoarded throughout the fragmented supply chain - over 80% of cigarettes are sold through over 1 million independent micro-retailers and the network of small wholesalers and distributors that serve them. Cigarettes became even scarcer when manufacturers responded by restricting supply.

Realizing that such an environment favored retailers with tightly integrated supply chains, we set about exposing sales and inventory data across stores and distribution centers to assure manufacturers that we would neither hoard nor profiteer if they would keep us supplied. Having always leaned towards sharing data for mutual benefit rather than restricting it to gain advantage, enabling end to end supply chain visibility was easier for us than most. Cigarette sales leapt as vendors pumped supply through our system and our stores became known for reliable supply of fairly priced product. By March we restricted purchase to two packs per customer to discourage other retailers from turning to our stores for wholesale supply.

By June sales normalized as the last of the brands passed on price increases and traditional supply chains stabilized. Although the category remains favorable for us as new brands enter the market, drawn by a tax regime that treats incumbents and newcomers equally, such sales jumps (and the income they produce) are unlikely to recur, given the more gradual increase in excise taxes scheduled through to 2017.

Our confidence stems from our strategic preparedness, but more so from our faith in every member of Team 7-Eleven rising to the challenge and rallying around our shared mission of making daily life more convenient for the Filipino.

LOYALTY CARD AND DIGITAL STRATEGY

In November we launched Every Day! Rewards, a loyalty card. Customers purchase the card for PhP10, register via SMS, web, or Facebook, and earn points for every transaction. Points are redeemable for a rotating selection of food and drink, usually in take home sizes, and recently for wifi minutes in our stores.

Within 3 months of launch, the card was used for over 10% of transactions (it took the loyalty card market leader 10 years to achieve the same penetration). To date we have 1 million registered cardholders, and have begun mining the rich trove of data with an eye towards increasing visit frequency, which lags that in more developed countries. We have also used loyalty data to successfully revise pricing within one category, after finding that we were the preferred channel for some brands more than others.

This year we are working with vendors to acquire new customers and reward loyal buyers of their brands by sending electronic coupons to cardholders' phones based on purchase data. This has received much interest, as we are told we are the only retailer with this capability. We will also be releasing a loyalty app as smartphone penetration has outpaced expectations, and is currently over 50%.

Getting to know our customers better is the first leg of our digital strategy; other legs will emerge this year and next, driven by our view that convenience stores will play an important role in facilitating access to technology-enabled efficiencies in emerging markets. Although the primary motivation is to more completely serve customers daily

needs, we also believe such initiatives serve to differentiate from emerging competition, who lack the necessary scale to follow into this space.

EXPANSION

We opened 180 stores to end 2013 with 1,009 stores, a 22% growth in store base. Compounded growth rate in store openings since aggressive expansion began (on a store base of 311 at the start of 2008) is also 22%.

Going forward, we aim to increase annual store growth rate to 25%, doubling store count every 3 years. This rate is significant for three reasons. First, we believe 25% growth sufficient to protect share in the rapidly expanding market we expect should current economic trends continue. Second, no chain abroad seems to have managed to grow above this rate for a sustained period, probably due to operational constraints. Finally (and a convenient coincidence), it is the maximal rate that can be financed with internally generated funds given current levels of profitability, franchise ratios, and reinvestment in existing stores.

A store expansion rate of 25% is currently a best guess, and will likely change in response to conditions and unknowns. What will remain unchanged is the determination to protect market share (currently estimated at 60% for chained convenience stores and 30% including independents) in the longer term. Based on our review of publicly listed convenience chains here and abroad, there is an almost linear correlation between operating margin and market share.

Though we can do little to keep competition from building stores in the short term, we will continue to

use our experience in site selection and network planning to win the majority of strategically desirable locations - to fight from the high ground, if you will - which has been proven here and elsewhere to lead to dominance in the long term. The discipline of location defensibility has in fact guided (and at times slowed) expansion since 2007.

The foregoing is especially relevant given the impending entry of new players and aggressive expansion plans of incumbents, nearly all of them joint ventures between international convenience chains and large local conglomerates. Competition has strengthened us before, and we welcome the opportunity to prove our mettle yet again against such worthy newcomers. Our confidence stems from our strategic preparedness, but more so from our faith in every member of Team 7-Eleven rising to the challenge and rallying around our shared mission of making daily life more convenient for the Filipino.

In closing we would like to thank our customers for their patronage, our stakeholders for their partnership, and our majority shareholder 7-Eleven Taiwan, who along with our licensor 7-Eleven Enterprises, have provided invaluable support and guidance as we continue to adapt the convenience model to the Philippine market.



Jose Victor P. Paterno
President and CEO

MILESTONES OF 2013



BACOLOD GRAND OPENING

PSC's aggressive expansion continues in Visayas by opening stores in the capital city of Negros Occidental, Bacolod City in July 2013.



SLURPEE BRING YOUR OWN CUP DAY

PSC brings the first ever Bring Your Own (BYO) Cup Day in the Philippines. More than 12,000 customers joined BYO Cup Day and thousands of photos showing their craziest and unique cups were posted on social media. BYO Cup Day kicks-off the partnership between PSC and Coca-Cola.

RECOGNITIONS

In 2013, PSC received 3 awards from Entrepreneur Philippines Franchise Awards: Top 5 Outstanding Franchise Companies, Fastest Growing Franchise and Best in Franchise Support. These awards recognize the company's financial standing, growth rate, and quality of franchising support.



EVERY DAY! REWARDS PROGRAM

7-Eleven is the first convenience store to offer a loyalty program, the Every Day! Rewards Card. Available at only PhP10 the program is a way of rewarding 7-Eleven's most loyal customers.



1000TH STORE OPENING

PSC opens its 1000th store, successfully doubling its store count in 3 years according to PCSC's mandate.



50TH STORE WITH CALTEX

In 2013, PSC and Chevron Philippines continue to strengthen their partnership as they celebrate the opening of the 50th 7-Eleven store at Caltex located at CPI J. Vargas, Pasig City.

RUN 1000

In celebration of 1000 stores in the Philippines, 7-Eleven holds Run 1000 at the CaviteX. The event drew over 17,000 runners. Proceeds of the run will be given for the livelihood to the victims of Typhoon Yolanda.



STRENGTHENING ROOTS

Philippine Seven Corporation's systems and brand identity – the way the company does business and the way that 7-Eleven is perceived – are the firm foundations that support its smart, sustainable growth. As PSC continues to mature as a company, therefore, it continually seeks to further strengthen these vital roots, evolving its core strategies to provide better service, and adapt to the constantly-changing needs of its customers.

BUILDING THE BRAND

Over the years, 7-Eleven has built its reputation as the dependable neighbor that people can turn to for their needs and wants, 24 hours a day, 7 days a week, as supported by taglines beginning with 7-Eleven Philippines' very first, 'The Neighbor You Can Trust'.

The recent transition from 'Mag 7-Eleven Muna' – inviting shoppers to visit on occasion, an appropriate call for its time, when the brand was still being solidified and proliferated – to 'Make Every Day a 7-Eleven Day' shows the company's subtle brand evolution, maintaining that core 'friendly neighbor' image, while emphasizing the '7 days a week' ideal, with the intent of bringing more customers in, more often.

While 7-Eleven is seen as the leading store chain in its field, the company sees the opportunity to pull ahead even more by increasing customer visits on more days of the week, a goal reinforced by the new tagline, the more memorable and impactful '7-Eleven. Every Day!' This definitively encapsulates the essence of the brand as an every day friend and companion, encouraging not just occasional, but habitual daily patronage.

The tagline was launched via store murals, and will be cascaded into communication materials. The murals highlighted various slice-of-life occasions to visit the store – a quick snack break, barkada bonding, and a Slurpee sharing moment between *lolo* and *apo*.

DRAWING IN MORE CUSTOMERS

PSC's ongoing revamp of the 7-Eleven store look and feel, begun in 2012, met with gratifying customer approval, with comments testifying that the new layout makes the stores more cozy, elegant, and clean, with a more inviting feel and better ambience.

Among various improvements, the most noticeable elements of the store upgrade include an island table that allows convenient access to food from all sides, lowered shelves that let customers reach products more easily, and a comfortable, spacious dining area, with more tables and chairs to bring in more customers.

In 2013, the company opened 277 stores and renovated 65, all with the new layout. The renovated stores

showed an increase in sales of 9.5%, compared to 4.5% prior to renovation, indicating that the refurbishment has had a real and significant effect on the financial bottom line.

PSC's target is to open 312 stores and renovate 120 in 2014 for a total of 432 upgraded stores.

GROWING ITS SYSTEMS

Along with making its stores physically more inviting, PSC constantly works to make the 7-Eleven experience quicker, even easier, and still more encompassing, as the company strives to consistently redefine the true meaning of convenience.

The 7-Eleven point-of-sale system has been modified to upload sales



7-Eleven showcases its newest tagline: 7-Eleven. Every Day! through its new store murals.



7-Eleven's upgraded look continues to be rolled out across new and existing stores and offers customers a more inviting ambience and easy access to its products.

transactions to its central server every minute, achieving real-time crediting of customer loyalty points and – by enabling swifter, more efficient checkout – adding to customer satisfaction.

7-Eleven will also launch remittance services in 2014 – Remittance Card Registration, Pay-in, and Pay-out Transactions. Cash registers have been updated in preparation for these services.

INVESTING IN PEOPLE

In its constant quest to find new ways to better serve its customers, PSC has turned to the people who know them best, interacting with them firsthand, every day – the company's personnel, specifically its own Area Managers (AMs). The University of Seven Eleven Philippines (USEP) was created by the Operations Division in 2013, not only to generate new ideas for improving store performance, but also to cultivate and maximize one of PSC's greatest assets – its enthusiastic, involved, and innovative workforce.

Under USEP, AMs are required to present at least two case studies a year on any store-related topic of their choice, from increasing sales to developing personnel to simplifying jobs. Case studies are tested in the

stores, and considered successful if they generate a double-digit profit increase.

In just the first year of USEP, PSC awarded 11 case studies in different categories, with the top 3 entries winning plaques, gift checks and products. These proposed initiatives are then rolled out across the 7-Eleven network, as best practices.

Learning from the case studies that have already been applied in most stores include Hot Pot Labeling, which improved store ads and created a more organized planogram to make Hot Pot toppings more inviting and easy

to choose from. Another is the Sliding Fastfood Preparation Table installed beneath *siopao* and hotdog steamers, which made it easier for customers to prepare their snacks.

As PSC pushes forward with its expansion, it also continues to strengthen its brand image and develop its resources, to offer customers more reasons to keep coming back, every day.



The first ever University of Seven Eleven recognizes best practices presented by PSC's area managers.

EXTENDING REACH

A single twig may be easy to break, yet many twigs bound together, are all but impossible to even bend. 7-Eleven proved this in 2013 with the opening of its 1000th store, showing its commitment to grow in terms of not just quantity, but quality.



7-Eleven opens its first four stores in Bacolod in July 2013.

COVERING NEW GROUND

Following its successful launch in the Visayan region, with seven Cebu stores in 2012, 7-Eleven established its presence in Bacolod in 2013. Four stores were inaugurated in July and a total of eight stores were opened by the end of 2013. The most populous city and one of the top tourist destinations in the Western Visayas, the 'City of Smiles' has become an even more attractive growth proposition due to the presence of large universities, Business Process Outsourcing operations, improved infrastructure and increased investment activities in the area.

PSC aims to launch a total of 60 stores in Bacolod over the next 2 years, as part of its expansion plans. The company presently has 75 stores in Visayas alone, and looks forward to its eventual entry into Mindanao.

1,000 BRANCHES STRONG

In 2010, PSC opened its 500th store, as it envisioned doubling that number in just three years. By December of 2013, the company opened its 1000th store at the IT Building in Mandaluyong's Greenfield District.

CROWNING ACHIEVEMENTS

PSC received various honors in 2013 from the Entrepreneur Philippines Franchise Awards, which included: Top 5 Outstanding Franchise Companies, Fastest-Growing Franchise and Best in Franchise Support. These were given in recognition of the company's financial standing, growth rate and quality franchising support. PSC's reputation as the industry leader was



Customers can now earn points and enjoy exciting rewards with the Every Day! Rewards Card, 7-Eleven's first ever loyalty program.



PSC opens its 1000th store at Mandaluyong's Greenfield District in December 2013.

further reinforced with the opening of its 50th store in partnership with Chevron Philippines. 7-Eleven and Chevron look to reaching 100 collaborative stores by the end of 2014.

BEARING FRUIT

7-Eleven Every Day! Rewards Card (ERC) was launched in November 2013, making 7-Eleven the first convenience store chain to offer

a loyalty program. In less than a year, 3.9 million cards have already been sold. The average transaction size of ERC holders recorded 62% higher than the average transaction size of all stores.

ERC is available at any 7-Eleven store for only PhP10. Customers can activate it either via SMS or the Rewards website at www.rewards.7-eleven.com.ph.

They can present their ERC every time they pay to earn a point for every PhP50 worth of purchase. Points can be used to redeem rewards from the website catalog and to access WiFi in the store. Accumulated points can also be converted to raffle entries in selected promos. This is PSC's way of rewarding its most loyal customers; thus, encouraging them to spend even more and to visit more often.

The ERC builds a database from the profile of registered cardholders, which tracks transaction history and purchase behavior, allowing the company to launch sharper, more targeted promotions.

PSC will continue its rapid growth, by expanding its store network even more, and offering more reasons and rewards that nurture its loyal customer base.

BLOSSOMING FURTHER

As 7-Eleven increasingly becomes an emerging food destination, PSC continues to launch new offerings and innovations, providing quality and value to attract more customers, more often, building the daily habit of visiting 7-Eleven.

Complementing this goal of nurturing a following, the company also runs various brand-building events, to keep the enthusiasm and excitement toward 7-Eleven bright and blooming.

BUDDING FAVORITES

In 2012, PSC recognized the great potential in evolving its food offerings as it adapts to the changing needs of its customers. The company furthered this strategy in 2013, as it reaped the rewards of the previous year's strategic launches.



7-Eleven continues to launch food offerings that cater to the needs of its on-the-go customers. Among these include Big Time Meals, Crisp Bites, Hot Pot and coffee.

Big Time Meals

Two new flavors were launched – Grilled Liempo, priced at Php69, and Katsudon, at Php75 – joining the 2012 lineup of Baked Chicken and Baby Back Ribs. Big Time Meals are part of 7-Eleven's rice meal line, but are more satisfying because they come in bigger servings, with side dishes that make them more enjoyable and filling. The concept has proven successful, since

sales have contributed to the growth of the fastfood category, indicating that there is an increased demand for premium products, especially in central business district stores.

Crisp Bites

The company created a new category, Crisp Bites, available in selected stores. The line includes 7-Eleven's hot and fried meals and snacks, ranging

from Php20 to Php65, displayed in heated showcases near the counters – convenience for those on the go, like students and office workers. Offerings include Fried Bread, Chicken Nuggets, Fried Chicken with Rice, and Fried Siomai with Egg, along with the newest introduction, Toasted Sandwiches. Crisp Bites were introduced in 2013 and were well-received by customers, as reflected by an increase in sales. Even more attractive variants are planned for 2014.



Customers of all ages, including celebrities like Saab Magalona, join in to showcase their quirkiest cups on social media for the first ever Slurpee BYO Cup Day event.

Hot Pot

Launched in September 2012, Hot Pot was made available at 448 stores in 2013, including 30 in Cebu. Customers have said that 7-Eleven's Hot Pot makes a filling meal, with good, authentic *shirodashi* soup, while being more affordable than expensive *shabu-shabu*, yet of better quality than cheap, flour-enriched snacks from street stalls and kiosks.

Coffee Program

PSC continues to innovate its coffee program, as it aims to become the go-to destination for hot beverages for those on the go. Among these efforts include testing out different coffee machines and switching to 100% Arabica coffee beans for a more aromatic brew. Equipped with learnings from the previous year, PSC plans to launch a new coffee identity under the 7-Eleven brand.

UNFOLDING OPPORTUNITY

While the company enjoys strong sales during lunch and *merienda* time, only 2% of Filipinos eat breakfast at 7-Eleven, and just 13% get their morning snacks from the stores. Given that most Filipinos eat out for breakfast, PSC recognized breakfast as both a challenge and opportunity to build 7-Eleven as a breakfast and overall food destination in consumers' minds.

The company's strategy leveraged its numerous choices, offering an assortment of food and drink combinations at prices ranging from Php39 to Php59. The mix-and-match Breakfast promo brought customers significant savings and more combo choices compared to the average quick-service restaurant. The promo proved successful, bringing in a 70.52% increase in sales, while share of customers who bought two items – instead of just one – went up to 44%, versus 17% before the promo.

INCREASING BRAND RELEVANCE

Beyond the strategic intentions of building the 7-Eleven brand and strengthening its relationship with its customers, the company also makes sure to stay connected and enrich the communities it serves.

7-Election

Following the success of its 7-Election run during the 2010 presidential campaign, PSC once again sought to promote voter awareness and participation, this time in the 2013 senatorial race.

7-Election gave customers the opportunity to vote in an unscientific, just-for-fun poll, by buying any 16-ounce Gulp drink, and choosing one of three cup designs, each representing one of the three senatorial coalitions. Each Gulp purchase counted as a strictly unofficial vote for the party indicated by the cup.

The 7-Election promo increased sales by 13% in the postmix category, with over a million cups sold – 45% for Team PNoy, 32% for the United Nationalist Alliance, and 23% for other parties. 12,490 joined the voting online.

Bring Your Own Cup Day

7-Eleven customers were encouraged to get creative, when the Slurpee Bring Your Own Cup Day was introduced last November 7, 2013.

The event brought more than 12,000 excited customers to the stores with the

craziest 'cups' they could imagine. As long as it was hygienic, watertight, and of a fixed size and shape that fit in the 'MaCUPangyarihang Bilog', customers could fill their cups with Slurpee for only Php29. BYO Cup Day was also a hit on social media, as thousands of photos were uploaded on Instagram and Facebook, featuring customers with the most creative cups they could think of. The fun event kicked off the new partnership between Slurpee and Coca-Cola.

Run 1000

January 2013's Run 800: Takbo Para sa Kalusugan was an unprecedented success, attended by over 10,000 runners. The top 3 cities, namely Manila, Quezon City, and Makati received a total of Php800,000 worth of donations toward funding healthcare projects.

The top 3 Filipinos in the 21k male and female categories were also given the opportunity to join the 18th Angkor Wat International Half-Marathon as part of the prize. Janette Agura, one of the winners, did the company and country proud with her second-place finish.

Following the event's success, PSC made this an annual event, and held Run 1000 early in 2014. Run 1000, held in celebration of its 1,000th store in the Philippines, was attended by over 17,000 runners. This time, the prize for top Filipino placers was the opportunity to participate in the Beijing International Marathon. And keeping in the spirit of serving the community, part of the proceeds of Run 1000 was dedicated to aid rehabilitation efforts for those affected by Typhoon Yolanda.

2013 was an exciting year for PSC, as it supported its expansion with products, promos and events strategically geared toward strengthening its relationship with customers.



Run 1000 celebrates 1000 stores in the Philippines with over 17,000 runners joining.

SPREADING SEEDS

PSC remains committed to spread the seeds of well-being, empowerment, and progress among the communities in which it operates. Through PhilSeven Foundation, Inc. (PFI), PSC's CSR arm conducts many programs that help underprivileged children, the sick, and victims of disasters.



PhilSeven Foundation, Inc. (PFI) conduct different activities as a way of giving back to its community through programs such as the Supplementary Feeding Program, Medical Mission, BUKO program, Balik-Eskwela, and Mobile Day Care.

REGULAR PROGRAMS OF THE COMPANY'S FOUNDATION COVER SUCH AREAS AS:

HEALTH & NUTRITION

- **Supplementary Feeding Program:** Conducted in Bacoor and Pasig City in 2013, this program aims to provide education and healthy eating for underweight children.
- **Medical Mission:** The company provided over 2,000 less-privileged Filipinos with free check-ups, testing services, medicine, and minor surgery, including clean, safe circumcision via 'Operation Tuli'.

EDUCATION

- **BUKO:** The foundation launched its Boundless Updated Knowledge Offline program, providing 3rd and 4th-year high school students at Manila's Ramon Magsaysay High School with access to preloaded, up-to-date information via tablet devices.
- **Balik-Eskwela:** 2,000 children were given schoolbags and supplies for the entire school year.
- **Mobile Day Care:** This project, which prepares 3 to 5-year-olds in adopted communities for formal schooling, saw a 28% increase in attendance. The day care vans were also refurbished in 2013.



On behalf of 7-Eleven Japan, PSC President and CEO, Victor Paterno turns over the USD1 Million donation to Habitat for Humanity. The donation was collected from customers through the efforts of 7-Eleven Japan and will be used to rebuild the homes and livelihood of those affected by Typhoon Yolanda.



Uniting in the desire to extend more assistance and support to the Filipinos in a time of great need, 7-Eleven Inc. (SEI) and 7-Eleven Taiwan (SET) donated USD 175,000 to help victims of Typhoon Yolanda.

PFI continued to assist in disaster and calamity relief operations for the victims of *Habagat*, the Cebu-Bohol earthquake, and the devastating calamity that was Typhoon Yolanda

Through PFI, the company was one of the first to help the areas affected by Typhoon Yolanda, in Samar and Leyte. Fifty tons of food (about 300,000 meals) were delivered immediately in the aftermath of the typhoon and the foundation worked in close collaboration with the Department of Social Welfare and Development (DSWD) to supply food for the volunteers. PSC also opened its stores to accept cash donations from its customers, which were then coursed through DSWD.

7-Eleven International and PSC's parent company 7-Eleven Taiwan showed support by donating a total of USD175,000, an amount that PSC matched. 7-Eleven Japan took the initiative and placed collection boxes in stores, raising over USD1 Million which PSC turned over to Habitat for Humanity for its rebuilding efforts.

On behalf of PSC, PFI will sustain its core purpose of not just spreading, but planting and nurturing vital seeds for community development.

BOARD OF DIRECTORS AND CORPORATE OFFICERS

Chin-Yen Kao

Honorary Chairman of the Board

Honorary Chairman of the Board of PSC since 2001. He is also the Chairman of Uni-President Enterprise Corporation, President Chain Store Corporation (PCSC), President Fair Development Corporation, President International Development Corporation, Ton Yi Industrial Corporation, and TTET Union Corporation. He also serves as Director of President Chain Store (Labuan) Holdings Ltd., PCSC (China) Drugstore Ltd., President Chain Store (BVI) Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., Global Strategic Investment, Inc., President Energy Development (Cayman Islands) Ltd., Cayman President Holdings Ltd., Kao Chyuan Investment Co.Ltd., Uni-President China Holdings Ltd., Tainan Spinning Co., Ltd., and Hantech Venture Capital Corporation. He holds Honorary PhDs from Lincoln University, USA, Sun Yat-sen University, and National Cheng Kung University.



Vicente T. Paterno

Chairman of the Board

Chairman of the Board and Founding Director since 1982. He chairs the Board's Executive Committee and Nomination and Governance Committee and was PSC Managing Director 1984-1986 and 1992-2000. He chairs PSC subsidiaries Store Sites Holdings and Phil Seven Foundation. He was Treasurer of Meralco, then served government, 1970 to 1980 as Chairman Board of Investments, Minister of Industry, Minister of Public Highways. He was drafted by President Corazon Aquino to administrative positions in 1986 and was elected Senator 1987-1992. Among his awards are MAP's Management Man of the Year 1982, Doctor in Humane Letters (honoris causa) from Ateneo de Manila University, One of 100 Outstanding Engineers of the Century by UP College of Engineering, Order of the Sacred Treasure First Class, Imperial Award, by Government of Japan. Mr. Paterno earned B.S. in Mechanical Engineering, University of the Philippines, and Master of Business Administration, with distinction, Harvard University.



Nan-Bey Lai

Vice Chairman and Director

Director of PSC since 2010. He was elected as Vice-Chairman as of November 13, 2012. He is also the President and Director of Books.com Co., Ltd., and Senior Vice President of PCSC. He is the Chairman of Duskin Serve Taiwan Company, Rakuten Taiwan Co., Ltd., Bank Pro E-Service Technology Co., Ltd, and PCSC (Vietnam) Supermarket Ltd. He is a Director of PCSC, President Drugstore Business Corporation, Mech-President Corporation, President Transnet Corporation, President Collect Services Co., Ltd., Uni-President Department Store Corporation, Pet Plus Co., Ltd., Muji (Taiwan) Co., Ltd., President Organics, Co., President SATO Co., Ltd., Q-ware Systems & Services Corporation, Ren-Hui Investment Corporation, SATO (Shanghai) Catering Mathematics Co., Ltd., Tong-Ho Development Corporation, and Q-ware Communications Co., Ltd. He sits as Chairman of the Compensation Committee of PSC. He holds a BA from the Department of Business Administration, Tunghai University.



Jose Victor P. Paterno

President & Director

Director of PSC since 1997. He served as Vice-President for Operations prior to being appointed as President and CEO of PSC. He is also the Chairman and President of Convenience Distribution, Inc. (CDI), and Vice-Chairman of PFL He is the President of First MFI Network, Inc., Chairman of Supply Chain Networks, Inc., and Director of both Electronic Commerce Payment (EC Pay) Network, Inc., and The Straits Wine Company, Inc. He is a Member of the Executive, Audit and Compensation Committees of PSC. He serves as Board Co-Chair (Retailer) of ECP Philippines. He serves as a VP for National Chapter Development of Philippine Franchise Association. He is a member of Management Association of the Philippines; Makati Business Club; Young Presidents Organization; Coca-Cola Retailing Research Council. He was a Management Associate of Nestle USA from 1990 to 1993. He received the 2013 CEO Excel Award from International Association of Business Communicators (IABC). He was also awarded as the 2012 Master Entrepreneur by Ernst & Young. He holds a Bachelor of Science in Mechanical Engineering, (Magna Cum Laude) from Lehigh University, Bethlehem Pennsylvania, U.S.A.



Jorge L. Araneta

Director

Director of PSC since 1988. He serves as Consul Ad Honorem of the Embassy of the Republic of Colombia. He also serves as the Chairman and CEO of Araneta Group (Araneta Center Inc., Philippine Pizza Inc., Progressive Development Corporation, and Uniprom Inc.). He serves as a Director of Philippine Seven Corp and Wendy's Philippines. He holds a degree in Bachelor of Science in Business Administration from the University of the Philippines.



Diana Pardo-Aguilar

Director

Director of PSC since 1999. She is a member of the Executive, Audit, Nomination and Governance Committees. Ms. Pardo-Aguilar is also a Commissioner of the Social Security Commission, the Chairperson of the Investment Oversight Committee and member of the Information Technology Committee and Risk Management Committee of the Social Security System. She is a Director of Security Bank Corporation, Asian Holdings Corporation, Wenhphil Corporation, Electronic Commerce Payments Network, Inc., DAJ Property Holdings Corporation, Gate Distribution Enterprise, Inc., and Modesto Holdings Philippines, Inc. She also sits as member of the Executive Finance Committee of the De La Salle Santiago Zobel School. Ms. Pardo-Aguilar is an Investment Banker by training and worked at CLSA Exchange Capital Corporation and Jardine Fleming Exchange Capital Corporation for 13 years. She also sits as the Treasurer of Modesto Holdings Philippines, Inc. She holds a Masters Degree in International Business and Finance from the Pepperdine University, Malibu, USA. And she holds a Bachelor of Science degree in Computer studies from the De La Salle University, Taft Avenue, Manila.



Antonio Jose U. Periquet, Jr.

Independent Director

Independent Director of PSC since 2010. He is the Chairman of Pacific Main Holdings, Inc., Campden Hill Group, Inc., and Regis Financial Advisers. He is a Director of The Straits Wine Company, Inc. and Trustee of the Lyceum University of the Philippines. He is also an Independent Director of Ayala Corporation, BPI Capital, DMCI Holdings, Inc., Bank of the Philippine Islands, BPI Family Bank, ABS-CBN Corporation, ABS-CBN Holdings Corporation and Pancake House, Inc. He is a Member of the Deans Global Advisory Council in the Darden School of Business, University of Virginia. He sits as Chairman of the Audit Committee and Member of the Executive Committee of PSC. He holds a degree in AB Economics from the Ateneo De Manila University, MSc Economics from Oxford University, and an MBA from the University of Virginia.

Michael B. Zalamea

Independent Director

Independent Director of PSC since 2005. He serves as a Director of Campden Hill Advisors, Inc. He is also a Director of the Philippine Coastal Storage & Pipeline Corporation, Clark Pipeline & Depot Company, Inc., and Wespak Holdings, Inc. He is the former Portfolio Manager of Global Fund of American International Group, Inc. He is a Director of The Straits Wine Company, Inc. and a Trustee of The Beacon Academy. He is a Member of the Compensation and Nomination & Governance Committees of PSC. He holds a Bachelor of Science in Finance from the Fordham University U.S.A and an MBA from the University of Virginia.



Wen-Chi Wu

Director

Director of PSC since 2008. She is the Chief Financial Officer of PCSC. She is also a Director of PCSC Afternoon Tea Cayman Ltd., and President Investment Trust Corporation. She is the Supervisor of Muji (Taiwan) Co., Ltd., Books.com Co., Ltd., Rakuten Taiwan Co., Ltd.; Mister Donut Taiwan Corp., President Coffee Corp., Q-ware Systems & Services Corp., President Information Corp., Integrated Marketing Communications Co., Ren Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Catering Management Co., Ltd., PCSC Afternoon Tea Shanghai Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd., President Drugstore Business Corp., Mech-President Corp., President Pharmaceutical Corp., President Transnet Corp., President Collect Services Co., Ltd., Uni-President Department Store Corp., President Coffee Corp., and Pet Plus Co., Ltd. She holds a degree from the School of Accountancy in University of Missouri in Columbia.



Jui-Tang Chen

Director

Director of PSC since 2012. He is the President of PCSC, and Ren-Hui Investments Corporation. He is also the Chairman of President Drugstore Business Corp., President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co.Ltd., Muji (Taiwan) Co., Ltd, Retail Support International Corp., President Musashino Corp., and Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd. He is a Director of PCSC, President Chain Store (Hong Kong) Holdings Limited, President Coffee (Cayman) Holdings Ltd., Uni-President Department Store Corp., President Being Corp., 21 Century Enterprise Co. Ltd., President Coffee Corp., Wisdom Distribution Service Corp., Uni-President Cold-Chain Corp., President International Development Corp., President Chain Store (Shanghai) Ltd., Shan Dong President Yinzuo Commercial Limited, Shanghai President Starbucks Coffee Corp., and Nanlien International Corp. President Chain Store(BVI) Holdings Ltd., President Chain (Labuan)Holdings Ltd., PCSC (China) Drugstore Limited. He holds a BA from the Dept of Economics of the National Taiwan University.



Mao-Chia Chung

Director

Director of PSC since 2012. He is Director Senior Vice President of PCSC. He is the Chairman of Capital Inventory Services Corp., President Information Corp., PCSC, Insurance Brokers Co., Ltd., and President Chain Store Good Neighbor Foundation. He is also a Director of President Drugstore Business Corp., President Being Corp., President Pharmaceutical Corp., Books.com Co., Ltd., Q-ware Systems & Services Corp., Bank Pro E-Service Technology Co., Ltd., Integrated Marketing Communications Co., Presicare Corp., PK Venture Capital Corp., President Chain Store (Shanghai) Ltd., President (Shanghai) Health Product Training Company Ltd., Presicree Limited, and President Pharmaceutical (Hong Kong) Holdings Limited. He holds a degree from the Department of International Trade of Feng Chia University.



Lien-Tang Hsieh

Director

Director of PSC since 2012. He is the Vice President of PCSC. He is also a Director of Duskin Serve Taiwan Co., Uni-President Cold-Chain Corp., and President Baseball Team Corp. He is a Supervisor of Capital Inventory Services Corp. He holds a degree from the Department of Business Administration of the Chinese Culture University.



Ping-Hung Chen

Treasurer and CFO

Treasurer and CFO of PSC since 2012. He is the Head of Investment Management of PCSC, Head of Investor Relations of PCSC, and Financial Planning Specialist of PCSC. He is a Member of the Executive and Compensation Committees of PSC. He holds a Degree in Economics from Tung Hai University and an MBA from National Kaoshiung First University of Science and Technology.



Evelyn S. Enriquez

Corporate Secretary

Corporate Secretary of PSC since 2004. She is PSC's Legal and Corporate Services Division Head, Compliance Officer & Non-Voting Member of Nomination & Governance Committee. She is also the Corporate Secretary of CDI, SSHI, FPTC Corporation & PFL. She is the President of Columbia Owners' Association Inc. & Corporate Secretary of SFSEL. She holds a degree in BSC Economics from the University of Santo Tomas and a Bachelor of Laws (Cum Laude), University of Santo Tomas Faculty of Civil Law.



BOARD COMMITTEES AND MANAGEMENT TEAM

EXECUTIVE COMMITTEE

- Vicente T. Paterno
Chairman of the Board and Executive Committee
- Jose Victor P. Paterno
Member and President
- Antonio Jose U. Periquet, Jr.
Member and Independent Director
- Diana Pardo-Aguilar
Member and Director
- Ping-Hung Chen
Member / Treasurer and CFO
- Ying-Jung Lee
Member / Operations and Marketing Director

COMPENSATION COMMITTEE

- Nan-Bey Lai
Chairman and Vice Chairman of the Board
- Michael B. Zalamea
Member and Independent Director
- Jose Victor P. Paterno
Member and President
- Ping-Hung Chen
Non-voting member / Treasurer & CFO
- Ying-Jung Lee
Non-voting member / Operations and Marketing Director

AUDIT COMMITTEE

- Antonio Jose U. Periquet, Jr.
Chairman and Independent Director
- Jose Victor P. Paterno
Member and President
- Diana Pardo-Aguilar
Member and Director

NOMINATION & GOVERNANCE COMMITTEE

- Vicente T. Paterno
Chairman of the Board and the Committee
- Michael B. Zalamea
Member and Independent Director
- Diana Pardo-Aguilar
Member and Director
- Evelyn S. Enriquez
Non-voting member and Corporate Secretary

MANAGEMENT TEAM

- Jose Victor P. Paterno
President & CEO
- Ping-Hung Chen
Treasurer & CFO
- Lawrence M. De Leon
Head, Finance & Accounting Division
- Atty. Evelyn S. Enriquez
Head, Legal & Corporate Service Division/ Compliance Officer
- Ying-Jung Lee
Operations and Marketing Director
- Chao-Shun Tseng
Head, Corporate Planning
- Liwaway T. Fernandez
Head, Operations Division
- Francis S. Medina
Head, Business Development Division

- Jose Ang, Jr.
Head, General Merchandise Division
- Armi A. Cagasan
Head, Strategic Merchandise Division
- Emmanuel Lee M. Esguerra
Head, Marketing Communications Division
- Eduardo P. Bataclan
Head, Procurement Division
- Violeta B. Apolinario
Head, Human Resources & Administration Division
- Jason Jan Ngo
Head, Management Information Division
- Maria Celina D. De Guzman
Manager, Internal Audit Division



Management Team(left to right): Francis S. Medina, Liwaway T. Fernandez, Eduardo P. Bataclan, Armi A. Cagasan, Evelyn S. Enriquez, Chao-Shun Tseng, Jose Victor P. Paterno

Ping-Hung Chen, Ying-Jung Lee, Jason G. Ngo, Maria Celina D. De Guzman, Lawrence M. De Leon, Jose C. Ang Jr., Emmanuel Lee M. Esguerra, Violeta B. Apolinario

CORPORATE GOVERNANCE

PSC believes that Corporate Governance is a necessary component of sound strategic business management. Committed to the principles and best practices reflected in its Manual on Corporate Governance, it strives to ensure that good governance is practiced and institutionalized within the organization.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Pursuant to the mandate given by the shareholders, the Board is primarily responsible for the governance of the corporation. The Board sets the policies for the accomplishment of corporate objectives and provides independent check on Management. The Board's leadership provides guidance to PSC and its management to achieve its aim of competitiveness, profitability and long-term success in a manner consistent with the corporate objectives and in accordance with the best interest of the stakeholders.

BOARD STRUCTURE AND COMPOSITION

For the year 2013, 11 qualified members, including 2 independent directors, were elected by the stockholders during the Annual Stockholders Meeting (ASM) to serve for a period of 1 year from election.

All of these members have diversified business experiences in retail, finance, investment, banking, property, IT & Communications while majority of the directors have vast experiences in the retail industry.

Mr. Antonio Jose U. Periquet, Jr. and Mr. Michael B. Zalamea continue to serve as the independent directors in 2013. They both possess all the qualifications and none of the disqualifications found in Section 17.2 of the Securities Regulations Code (SRC), and other relevant laws, rules and regulations as well as those outlined in the CG Manual.

The Chairman of the Board and the President are separate individuals. Mr. Vicente T. Paterno serves as the Chairman of the Board and Mr. Jose Victor P. Paterno serves as PSC President and Chief Executive Officer (CEO).

BOARD RESPONSIBILITIES

Before a director begins his term, PSC orients and provides them with copies of the Manual on Corporate Governance (CG Manual), corporate documents, information, and policies. It conducts a business overview and provides exposure tour of 7-Eleven stores and other retail business formats.

The Board exercises their duties and responsibilities as outlined in the CG Manual. Among these are the formulation, regular review and approval of the Corporation's mission-vision; policies and principles to guide in its daily activities; formulation and adoption of CG policies; oversight power on risk management; creation of an accountability system; and development and promotion of ethical and good governance practices in the Corporation.

DIRECTOR	POSITION	JULY 10			BOD MTG NOV. 21
		SPECIAL BOD MEETING (AM)	ANNUAL STOCKHOLDERS' MEETING	ORGANIZATIONAL BOD MEETING (PM)	
Vicente T. Paterno	Chairman/Director	✓	✓	✓	✓
Nan-Bey Lai	Vice Chairman/Director	✓	✓	✓	✓
Jose Victor P. Paterno	President/Director	✓	✓	✓	✓
Jui-Tang Chen	Director	✓	✓	✓	✓
Mao-Chia Chung	Director	✓	✓	✓	✓
Lien-Tang Hsieh	Director	✓	✓	✓	✗
Wen-Chi Wu	Director	✓	✓	✓	✓
Jorge L. Araneta	Director	✓	✓	✓	✗
Diana Pardo-Aguilar	Director	✓	✓	✓	✓
Antonio Jose U. Periquet, Jr.	Independent Director	✓	✓	✓	✓
Michael B. Zalamea	Independent Director	✓	✓	✓	✓

SHAREHOLDING OF DIRECTORS AND KEY OFFICERS AS OF 2013

As disclosed to the PSE/SEC in 2013

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF CLASS
Common	Vicente T. Paterno	1,220,237 (R) 32,358,795 (B) 33,579,032	Filipino	0.31% 8.12% 8.42%
Common	Jose Victor P. Paterno	10,420,327 ¹	Filipino	2.61%
Common	Jorge L. Araneta	1 ³	Filipino	0.00%
Common	Diana Pardo-Aguilar	1 ³	Filipino	0.00%
Common	Antonio Jose U. Periquet, Jr.	1 ³ 806,094 ² 806,095	Filipino	0.20%
Common	Michael B. Zalamea	1 ³	Filipino	0.00%
Common	Jui-Tang Chen	1 ³	R.O.C.	0.00%
Common	Mao-Chia Chung	1 ³	R.O.C.	0.00%
Common	Nan-Bey Lai	1 ³	R.O.C.	0.00%
Common	Wen-Chi Wu	1 ³	R.O.C.	0.00%
Common	Lien-Tang Hsieh	1 ³	R.O.C.	0.00%
Common	Evelyn Sadsad-Enriquez	3,107 ²	Filipino	0.0008%
Common	Lwayway T. Fernandez	4,438 ²	Filipino	0.0011%

¹ Shares directly owned by Vicente T. Paterno is 1,220,237 which is 0.31%, and he has power of attorney for 32,358,795 shares held by his 5 children including above shares of Jose Victor Paterno – 10,420,327 (2.61%)

² Directly owned shares

³ Qualifying shares

To perform their duties, the Board held three meetings this year. The Chairman, the President and CEO, majority of the directors, and independent directors of PSC attended these meetings.

BOARD REMUNERATION

PSC has certain standard arrangements with respect to compensation and profit sharing. Per diems of Php7,500.00 (as may be fixed by the Board from time to time) are given for every regular or special meeting of the Board, Executive Committee and Board Committees attended.

The company established a policy effective January 1, 2012 to provide guidelines for director's fee to be provided to Independent Directors. As a director and member of the Board, the Independent Director shall be entitled to an annual director's fee of Php100,000.00, as Chairman of any Board Committees, the Independent Director shall be entitled to an annual director's fee of Php150,000.00, as a member of any Board Committees, the

Independent Director shall be entitled to an annual director's fee of Php50,000.00. The independent director shall also be entitled to per diem of Php7,500.00 for every meeting attended.

BOARD & COMMITTEE PERFORMANCE ASSESSMENT

To assess the effectiveness of their performance as a collegial body and as individual members, PSC's Board conducts and accomplishes self-rating surveys yearly. Board Committees also appraise their performance through a similar survey.

Board Assessment

The Board assessed their performance as a whole and as a collegial body for 2013 through completion of their self-rating survey last April 3, 2014. They evaluated themselves based on the 13 questions in the self-rating form covering topics from knowledge of the company's beliefs, values, philosophy, mission, strategic plan and business plan to their performance of their duties,

responsibilities and functions. The Board also answered a separate self-rating form to evaluate their individual performance.

Board Committee Assessment

Last March 14, 2014, the Audit Committee Members evaluated their 2013 performance through accomplishing a self assessment worksheet in accordance with the Audit Committee Charter.

THE BOARD COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee is composed of five members, which includes the Chairman of the Board and the President. The Committee exercises, during intervals between Board meetings, all the powers and functions vested in the Board, as well as the ability to act on specific matters as may be delegated to it by the Board, except with respect to: (1) approval of any action for which shareholders' approval is also required; (2) the filing of vacancies in the Board; (3) the amendment

or repeal of any resolution of the Board which by its express terms is not so amendable or repealable. All matters passed and acted upon by the Executive Committee in the exercise of its powers and functions as provided herein, have the same force and effect for all intents and purposes, as if passed by the Board itself.

AUDIT COMMITTEE

Audit Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. It also provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; and performs oversight functions over the Corporation's internal and external auditors. The Committee is composed of three directors and is chaired by an independent director.

The Audit Committee Charter is reviewed and evaluated subject to the board approval for the proposed changes and disclosures as required by applicable laws, rules and regulations. This charter can be viewed at the PSC website.

The Audit Committee had two meetings in 2013. The meeting includes the review and approval of the audit and review services of the external auditor, Sycip, Gorres, Velayo & Co. (SGV). Also, the Committee discussed with SGV all items required to be discussed by the prevailing applicable Auditing Standard, including the responsibilities under the Philippine Standards in Auditing, the confirmation of independence of SGV from PSC and its subsidiaries and PSC Management as required by the applicable Independence Standards (Statement of Independence), and fraud inquiry which SGV confirmed that it is not aware of any matters that require communication.

COMPENSATION COMMITTEE

The Compensation Committee is composed of five members, three of whom are voting members and the other two are non-voting members. The Committee shall establish formal and transparent procedures for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee is composed of four members, three of whom are voting members and one non-voting member. The Committee shall review and evaluate the qualifications of all persons nominated to the Board that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It also oversees the development and implementation of corporate governance principles and policies as part of its governance functions.

In 2013, the Nomination and Governance Committee screened and identified nominees for election as directors and independent directors at the annual stockholders meeting. The Committee likewise reviewed and submitted a list of directors and officers for elections or re-appointment.

They also reviewed the performance evaluation/self-assessment of the Directors and the Board Assessment.

DISCLOSURE AND REPORTORIAL REQUIREMENTS

In order to regularly improve and sustain its good corporate governance practices, PSC continues to be transparent by disclosing all compliance reports to SEC and PSE. It also constantly monitors and reviews the developments on Good Corporate Governance Practices and the regulatory requirements in connection with these practices.

PSC has consistently complied with the disclosure and reportorial requirements of both SEC and PSE, which included the following:

- Certification of attendance at board meetings by the directors and PSC's compliance with its Manual of Corporate Governance
- Clarifications on news articles referred to or as requested by PSE; disclosure requirements on changes in beneficial ownership of securities under the SRC, and the reporting of trading transactions of directors and concerned officers of the Corporation by the Compliance Officer
- Certification and submission of regular periodic reports involving financial statements, disclosure of material information and events
- Annual Corporate Governance Report (ACGR) and changes in the ACGR
- Regulations and circulars passed by SEC and PSE from time to time and other regulatory requirements prescribed by regulatory agencies
- Minimum Public Float pursuant to PSE Memorandum

For 2013, PSC representatives also attended the training on how to use Electronic Disclosure Generating System (EDGE). EDGE serves as the new online disclosure and reporting platform to PSE beginning December 27, 2013.

All the foregoing reports were disclosed to and are available in the web page of the said regulatory institutions - namely, SEC (www.sec.gov.ph) and PSE (www.pse.gov.ph and <http://edge.pse.com.ph>) - and in the PSC website (www.7-eleven.com.ph).

COMPANY POLICIES, PROCESSES AND PRACTICES

CORPORATE GOVERNANCE MANUAL

PSC CG Manual embodies PSC's commitment to institutionalize the principles of good corporate governance in the entire

organization. It serves as guide in attaining the corporate goal. It contains among others the responsibilities, duties and functions of the board of directors, board committees, compliance officer and corporate secretary. It also contains provisions on governance self-rating, disclosure and transparency, and commitment to good corporate governance.

CODE OF CONDUCT AND BUSINESS ETHICS

PSC Code of Conduct and Business Ethics was drafted to strengthen PSC's commitment to CG and to provide thorough guidelines for actions of employees. With transparency as its main foundation, the code contains the principles and standards of action guiding the employees, directors, and officers towards their relationship to their position, fellow employees and the Corporation's resources.

POLICIES

Below are policies which support PSC's aim to strengthen good governance practices within the organization.

- Reportorial Compliance - effective January 1, 2014
- Policy on Whistle blowing - effective October 1, 2013
- Policy on Insider Trading (Trading Block-outs) - effective January 1, 2013
- Policy on Director's Fee for Independent Directors - effective January 1, 2012
- Policy on Conflict of Interest - effective on August 1, 2011
- Policy on Related Party Transactions - effective November 1, 2004

PRACTICES

The Institute of Corporate Directors recognized the CG efforts of the Corporation by awarding PSC as a Silver Awardee of the 2011 Corporate Governance Scorecard. PSC continues to improve its CG practices.

Part of the CG practices is the initiative on continuing education on CG. Board of Directors and Officers have attended several CG Trainings over the years.

RISK MANAGEMENT

PSC recognizes that risk management is an integral part of sound management practice and good corporate governance as it improves decision-making and enhances outcomes and accountability. PSC acknowledges its responsibility to manage risks and supports a structured, systematic and focused approach to managing them by approval of the risk management strategy. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. The BOD reviews and approves policies for managing each of these risks. The BOD also created a separate board-level entity, which is the Audit Committee, with explicit authority and responsibility in managing and monitoring risks. The Audit Committee, which ensures the integrity of internal control activities throughout the Group, develops, oversees, checks and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks of the Group, and crisis management. The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities. The PSC Board of Directors or Executive Committee, via the Audit Committee, oversee the establishment and implementation of the risk management system and annually reviews the effectiveness of the system. In particular the Audit Committee considers on a regular basis whether:

- PSC's ongoing risk management program identifies all material and critical areas of risk;
- Adequate risk mitigation strategies have been designed and implemented by PSC to manage all material and critical identified risks;
- PSC undertakes a regular program of audits (Internal Audit, Compliance Audit and External Audit) to test the effectiveness of internal controls and compliance with PSC's prescribed policies; and
- Timely remedial action is undertaken to redress areas of weakness.

The Audit Committee also reviews and approves PSC's risk management policy.

OUR STAKEHOLDERS

PSC works together with the stakeholders in developing governance programs. It takes measures to preserve and protect their rights as mandated by relevant laws and internal policies.

INVESTORS

PSC respects the rights of shareholders to vote, to inspect corporate books and records, to gain access to relevant information, right to dividends, pre-emptive right and appraisal rights.

In accordance with their right to vote and in compliance with applicable laws, notices are provided to shareholders at least 15 business days prior to the holding of the Annual Stockholders' Meeting (ASM). The notice contains the date, time, venue and agenda of the meeting. ASM is held in a venue that is accessible to shareholders as part of efforts to remove excessive or unnecessary costs and other administrative impediments to the stockholder's participation in the conduct of the annual and special stockholder's meetings. During the ASM, shareholders are given the opportunity to ask questions that are relevant to the corporation's operations, performance, and prospects.

Shareholders are also given updates of the corporate events and operations of the Corporation through the PSC website. SEC and PSE structured and unstructured disclosures/reports are also uploaded in the website for shareholder's perusal. Shareholder's queries may be coursed through email at psc-corp@7-eleven.com.ph. Investor queries can be e-mailed to investor-relations@7-eleven.com.ph.

To further protect our investors, PSC has a Policy on Insider Trading (Trading Block-outs) which took effect January 1, 2013.

It provides for a blackout period when directors, officers and employees in possession of material non-public information are prohibited from dealing with PSC shares.

In addition, PSC's Policy on Related Party Transactions (RPT) requires compliance with the Disclosure and Transparency portion of the Manual on Corporate Governance for RPTs. It provides procedure on dealing with related party transactions for observance of the requirement that transactions be fair or arm's length.

CUSTOMERS

PSC strives to satisfy its customers by increasing and improving the assortment and quality of the products. It also continuously expands services and innovations.

To attain customer satisfaction, the Corporation improves its processes and customer service with the creation of different programs such as the 7-Eleven Every Day! Rewards Cards, variance of Breakfast Combo meals and collectible items upon reaching rewards points. A customer care hotline and on-line access for customer feedback was made available for their concerns regarding products or services.

SUPPLIERS

PSC works with various suppliers in accordance with PSC's general policy for accreditation of suppliers; and utilizes available environmentally friendly, cost- and work-efficient equipment for the stores. The stores adhere to applicable environmental regulations in its operations. It protects the rights of the creditors with the public disclosure of financial reports and performance and all material information on earning results, related risks and loan availments.

EMPLOYEES

PSC values its employees and their contribution in achieving the corporate objectives. It respects their rights to self-organization, safe working conditions, and work-life balance. Compensation and incentives are determined on the basis of annual performance

and achievement of targets. Training and development programs are regularly provided across all levels. PSC has started in 2012 a Leadership Academy & Mentor's Leadership Training Program which has the objective to train Management/ Officers in line with the Company's succession planning program.

Employee satisfaction survey for all position levels is conducted annually. In accordance with employees' benefits program, the Corporation provides health, accident and life insurance coverage, wellness program, and work leaves under the law and company policies. Actual health insurance utilization for last year contract covering October 1, 2011 to August 20, 2012 is at 69%. Wellness participation rate is at 32% while employee participation rate for corporate events is on the average 90%.

THE COMMUNITY

PSC reaches out to the communities where 7-Eleven stores are situated and partner with them in providing supplemental feeding programs, medical missions, mobile day care assistance, "Balik-Eskwela" assistance, and "Christmas Caravan" activities. These programs are implemented through the PhilSeven Foundation, Inc. (PFI), where PSC pledged half of 1% of its annual net income before tax as a yearly donation to support CSR activities.

The Corporation also engages directly and through PFI, various NGOs and government agencies, in disaster or calamity relief assistance in affected communities. For 2013, PSC through PFI provided relief operations for those who were affected by the Cebu/Bohol earthquake, the *Habagat* and Typhoon Yolanda. To know more about PFI's activities, please refer to the Corporate Social Responsibility update in this book, "Spreading Seeds"

AUDIT COMMITTEE REPORT

The Board of Directors Philippine Seven Corporation

Further to our compliance with applicable corporate governance laws and rules, we confirm for the year 2013 that:

1. The Audit Committee is composed of three directors, including the Chairman who is an independent director;
2. The Committee had two meetings during the year. The Committee in its meetings, reviewed and approved all audit and review services provided by external auditor, SGV & Co., to PSC, and the related fees for such services;
3. The Committee discussed with SGV & Co. all the items required to be discussed by the prevailing applicable Auditing Standard, including the required communications to the Audit Committee on the responsibilities under Philippine Standards in Auditing, the confirmation of independence of SGV & Co. from PSC and its subsidiaries and PSC's management as required by the applicable Independence Standards (Statement of Independence), and fraud inquiry which SGV & Co. confirmed that it is not aware of any matters that require communication;
4. As part of its oversight responsibilities, the Committee reviewed and discussed the audited financial statements PSC and the consolidated audited financial statements of PSC and its subsidiaries as of and for the year ended December 31, 2013 with the PSC's management and with SGV. SGV has expressed its opinion on PSC's conformity with Philippine Financial Reporting Standards (PFRS);
5. Based on the foregoing but subject to the limitations of the Committee's role as encompassed in our Audit Committee Charter, the Committee recommended for approval the audited financial statements of PSC and the consolidated audited financial statements of PSC and its subsidiaries for the year ended December 31, 2013 to the Executive Committee and/or the Board of Directors. The Executive Committee, having authority to act during intervals of Board meetings, approved the same.
6. Upon review of SGV's performance and qualifications, including consideration of management's recommendation, the Committee also approved the appointment of SGV, subject to approval of the Executive Committee and/or the Board of Directors and ratification by the stockholders in the forthcoming annual meeting.

Antonio Jose U. Periquet, Jr.
Chairman and Independent Director

Jose Victor P. Paterno
Member and Director/President

Diana Pardo-Aguilar
Member and Director

EXCERPTS OF FINANCIAL STATEMENTS

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31		January 1
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 29 and 30)	973,002,633	415,285,569	394,696,749
Short-term investment (Notes 4, 29 and 30)	10,810,229	10,632,115	10,409,907
Receivables (Notes 5, 29 and 30)	450,668,446	374,597,843	239,289,287
Inventories (Note 6)	900,849,891	726,986,563	519,258,936
Prepayments and other current assets (Note 7)	270,748,698	259,007,887	161,522,138
Total Current Assets	2,606,079,897	1,786,509,977	1,325,177,017
Noncurrent Assets			
Property and equipment (Note 8)	2,746,672,621	2,276,921,044	1,946,032,976
Deposits (Note 9)	313,888,467	249,418,061	215,964,826
Deferred income tax assets - net (Note 27)	63,203,127	50,477,480	48,181,800
Goodwill and other noncurrent assets (Note 10)	231,929,220	208,489,602	206,461,345
Total Noncurrent Assets	3,355,693,435	2,785,306,187	2,416,640,947
TOTAL ASSETS	5,961,773,332	4,571,816,164	3,741,817,964
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans (Notes 11, 29 and 30)	560,000,000	477,777,778	374,666,667
Accounts payable and accrued expenses (Notes 12, 29 and 30)	1,872,703,489	1,261,289,989	1,243,937,457
Income tax payable	109,792,774	105,144,142	73,922,196
Other current liabilities (Notes 13 and 25)	571,066,689	541,881,392	298,435,516
Total Current Liabilities	3,113,562,952	2,386,093,301	1,990,961,836
Noncurrent Liabilities			
Deposits payable (Note 14)	202,888,935	181,901,238	171,457,833
Net retirement obligations (Note 24)	96,481,142	86,012,693	90,255,998
Cumulative redeemable preferred shares (Note 15)	6,000,000	6,000,000	6,000,000
Deferred revenue - net of current portion (Note 16)	1,607,183	2,643,179	4,057,482
Total Noncurrent Liabilities	306,977,260	276,557,110	271,771,313
Total Liabilities	3,420,540,212	2,662,650,411	2,262,733,149
Equity			
Common stock (Notes 17 and 31) - 1 par value			
Authorized -600,000,000 shares as at December 31, 2013 and 2012 and 400,000,000 shares as at December 31, 2011			
Issued - 459,121,573 and 399,325,661 shares as at December 31, 2013 and 2012, respectively [held by 650 and 656 equity holders in 2013 and 2012, respectively (Note 1)]	459,121,573	399,325,661	347,329,216
Additional paid-in capital (Note 31)	293,525,037	293,525,037	293,525,037
Retained earnings (Notes 17 and 31)	1,810,521,305	1,227,553,509	849,038,228
Other comprehensive income (loss):			
Remeasurements loss on net retirement obligations- net of deferred income tax asset (Notes 24 and 27)	(22,241,444)	(11,545,103)	(11,114,315)
Revaluation increment on land -net of deferred income tax liability (Notes 8 and 27)	3,229,895	3,229,895	3,229,895
	2,544,156,366	1,912,088,999	1,482,008,061
Cost of 686,250 shares held in treasury (Note 17)	(2,923,246)	(2,923,246)	(2,923,246)
Total Equity	2,541,233,120	1,909,165,753	1,479,084,815
TOTAL LIABILITIES AND EQUITY	5,961,773,332	4,571,816,164	3,741,817,964

EXCERPTS OF FINANCIAL STATEMENTS

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
REVENUES			
Revenue from merchandise sales	14,133,649,192	11,713,760,468	9,435,604,073
Franchise revenue (Notes 20 and 32)	1,367,253,289	683,572,827	534,025,712
Marketing income (Note 20)	346,135,947	375,768,257	239,888,660
Rental income (Note 26)	48,341,871	45,751,718	44,143,593
Commission income (Note 32)	43,402,035	67,396,391	37,236,539
Interest income (Notes 4, 9, 22 and 26)	7,165,804	5,377,093	5,864,713
Other income	214,886,062	123,025,663	99,300,756
	16,160,834,200	13,014,652,417	10,396,064,046
EXPENSES			
Cost of merchandise sales (Note 18)	10,626,971,610	8,523,151,274	6,844,562,019
General and administrative expenses (Notes 19 and 32)	4,520,385,066	3,784,875,178	3,011,577,592
Interest expense (Notes 11, 15 and 21)	16,247,890	16,596,830	16,024,647
Other expenses	13,799,871	14,595,186	4,806,251
	15,177,404,437	12,339,218,468	9,876,970,509
INCOME BEFORE INCOME TAX	983,429,763	675,433,949	519,093,537
PROVISION FOR INCOME TAX (Note 27)	300,802,114	210,257,926	162,330,278
NET INCOME	682,627,649	465,176,023	356,763,259
OTHER COMPREHENSIVE LOSS NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Remeasurement loss on net retirement obligations- net of tax (Note 24)	(10,696,341)	(430,788)	(11,114,315)
TOTAL COMPREHENSIVE INCOME	671,931,308	464,745,235	345,648,944
BASIC/DILUTED EARNINGS PER SHARE (Note 28)	1.49	1.01	0.78

See accompanying Notes to Consolidated Financial Statements.

Please refer to the companion book for the complete set of the 2013 Audited Financial Statements

7-ELEVEN STORES WORLDWIDE

STORES	2013	2012	2011
7-Eleven, Inc.(1)	8,292	8,118	7,149
Hawaii	59	59	58
Mexico	1,690	1,498	1,351
NA Totals/Average	10,041	9,675	8,558

Denmark	196	197	196
Norway	157	159	164
Sweden	189	189	185
Europe Totals/Average	542	543	545

Australia	595	595	581
Beijing	150	200	147
Chengdu	79	85	41
Hong Kong	916	915	924
Indonesia	143	94	57
Japan	16,020	14,807	13,718
Korea	7,160	7,202	4,690
Macau	44	42	40
Malaysia	1,557	1,407	1,328
Philippines	1,009	829	689
Quingdao	28	-	-
Shanghai	75	84	94
Singapore	537	570	561
So. China	647	587	546
Taiwan	4,922	4,852	4,801
Thailand	7,411	6,794	6,270
Asia Totals/Averages	41,293	39,063	34,487

Totals/Averages	51,876	49,281	43,590
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CORPORATE INFORMATION

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