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S.E.C. Registration Number

P	I	L	I	P	I	N	A	S		S	H	E	L	L		P	E	T	R	O	L	E	U	M				
C	O	R	P	O	R	A	T	I	O	N																		

(Company's Full Name)

1	5	6		V	A	L	E	R	O		S	T		S	A	L	C	E	D	O		V	I	L	L	A	G	E
B	A	R	A	N	G	A	Y		B	E	L	-	A	I	R		M	A	K	A	T	I		C	I	T	Y	

(Business Address, No. Street City/Town/Province)

MA. LOURDES O. DINO

Contact Person

816-65-01

Company Telephone Number

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Month

1	7	-	Q	
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FORM TYPE

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Month Day
3rd Tuesday of April
Annual Meeting

Fiscal Year

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Secondary License Type, If
Applicable

C	F	D
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Dept. Requiring this
Doc.

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Amended Articles Number/Section

359

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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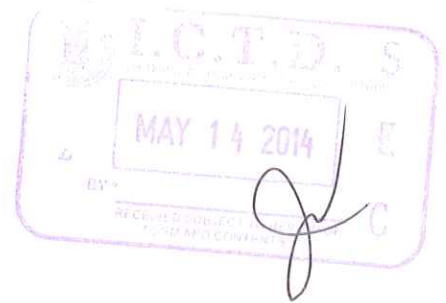
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Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
2. Commission identification number
3. BIR Tax Identification Number
4. Exact name of issuer as specified in its chapter
5. Province, country, or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal code
8. Issuer's telephone number, including area code
9. Former name, former address, and formal fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or sections 4 and 8 of RSA

Title of Class

*Number of shares common
stock outstanding and amount of
debt outstanding*

<input type="text" value="N/A"/>	<input type="text" value="N/A"/>
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11. Are any or all of the securities listed on a Stock Exchange? Yes ☐ No ☒
12. Indicate by check mark whether the registrant
 - (a) has filed all reports required to be filed with Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past ninety (90) days

Yes ☒ No ☐

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SEC 17Q	Source	SEC requirement	Reference
PART I: FINANCIAL INFORMATION			
Item 1. Financial Statements	Finance	a. statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year.	Page 4
		b. statements of income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.	Page 5
		c. statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.	Page 6
		d. statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.	Page 7
		e. statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year. Selected explanatory notes	Page 8 Page 9 - 21
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations		MD&A helps explain financial results. A reader of the MD&A should understand the financial results of the registrant's business. It shall provide information with respect to liquidity, capital resources and other information necessary to understanding the registrant's financial condition and results of operation. The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of matters that would have an impact on future operations and have not had an impact in the past, and matters that have had an impact on reported operations and are not expected to have an impact upon future operations.	
	Finance	For interim periods, disclose the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.	Page 21
		If interim financial statements are included in the registration statement or report, provide a comparable discussion that will enable the reader to assess material changes in financial condition and results of operations since the end of the last fiscal year and for the comparable interim period in the preceding year:	
	Finance	(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or income or cash flow items that it believes may be indicators of its liquidity condition. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms. If a material deficiency is identified, the course of action that the registrant has taken or proposes to take to remedy the deficiency should also be indicated. The registrant should identify and separately describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used. The term "liquidity" refers to the ability of an enterprise to generate adequate amount of cash to meet its needs for cash. Liquidity generally must be discussed on both a long-term and short-term basis.	* Page 21 * Note 3.1 (page 11)
		(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.	Page 22
	Finance	(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.	Page 22
	Finance	(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.	Page 22
	CX	(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.	Page 22
	Finance	(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.	Page 22
	Finance	(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.	Page 22-23
	Finance	(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.	Page 23
PART II: OTHER INFORMATION		The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.	N/A
SEC Regulation/Memorandum (as of November 7, 2013)			
* SEC Memorandum Circular No. 6 Series of 2013		The Commission <i>En Banc</i> in its meeting on 22 April 2013, resolved to allow covered corporations to present the prescribed information and to recognize the impact of the following standards in their interim financial statements starting with the period ended June 30, 2013:	
	PAS 27 (Amended)	Separate Financial Statements	Page 10
	PAS 28 (Amended)	Investments in Associates and Joint Ventures	Page 10
	Amendments to PFRS 1	Government loans	Page 10
	Amendments to PFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	Page 10
	PFRS 10	Consolidated Financial Statements	Page 10
	PFRS 11	Joint Arrangements	Page 10-11
	PFRS 12	Disclosure of Interests in Other Entities	Page 11
	PFRS 13	Fair Value Measurement	Page 11
SIGNATURES			Page 24

ITEM 1

PILIPINAS SHELL PETROLEUM CORPORATION
BALANCE SHEET
AS OF 31 MARCH 2014 and 31 DECEMBER 2013
(In Thousand Pesos)

	2014 UNAUDITED	2013 AUDITED
ASSETS		
Current Assets		
Cash and Cash Equivalents	4,866,246	6,161,150
Receivables, Net	16,725,314	15,664,026
Inventories, Net	28,166,338	28,514,218
Prepayments and Other Current Assets	9,665,528	9,531,866
Total Current Assets	59,423,426	59,871,260
Non Current Assets		
LT Receivables, Rentals and Investments, Net	1,536,138	1,409,419
Property, Plant and Equipment, Net	14,995,711	14,777,222
Deferred Income Tax Assets, Net	1,850,024	1,488,694
Other Assets	1,820,145	1,186,782
Total Non Current Assets	20,202,018	18,862,117
TOTAL ASSETS	79,625,444	78,733,377
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable and Accrued Expenses	25,483,405	14,291,762
Dividends Payable	9,907	10,090
ST Borrowings	13,968,000	35,537,000
Total Current Liabilities	39,461,312	49,838,852
Non Current Liabilities		
LT Loans Payable	23,000,000	11,000,000
Other Liabilities	5,336,366	5,333,830
Total Non Current Liabilities	28,336,366	16,333,830
STOCK HOLDERS' Equity	11,827,766	12,560,695
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	79,625,444	78,733,377

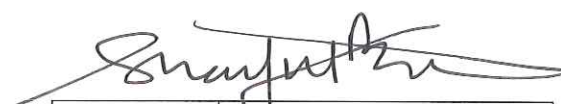


Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President - Finance

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF INCOME - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2014 AND 2013
(In Thousand Pesos except per share amounts)

1Q 2014 Unaudited	1Q 2013 Unaudited		YTD MAR 2014 Unaudited	YTD MAR 2013 Unaudited
57,912,223	46,601,010	Net Sales	57,912,223	46,601,010
(56,372,567)	42,355,842	Cost of Sales	(56,372,567)	(42,355,842)
1,539,656	4,245,168	Gross Profit	1,539,656	4,245,168
(2,620,648)	(2,102,057)	Selling, General and Administrative Expenses	(2,620,648)	(2,102,057)
388,797	50,309	Other operating income (expense), net	388,797	50,309
(692,195)	2,193,420	Income from Operations	(692,195)	2,193,420
(428,541)	(296,217)	Finance Costs, Net	(428,541)	(296,217)
(1,120,735)	1,897,203	Income Before Provision for Income Tax	(1,120,736)	1,897,203
(46,446)	(237,766)	Current Income Tax	(46,446)	(237,766)
387,649	(379,615)	Deferred Income Tax	387,649	(379,615)
341,202	(617,381)	Total Tax (Expense)/Income	341,203	(617,381)
(779,533)	1,279,822	Net Income/(Loss)	(779,533)	1,279,822
(1.13)	1.85	Earnings per share* (basic and diluted)	(1.13)	1.85

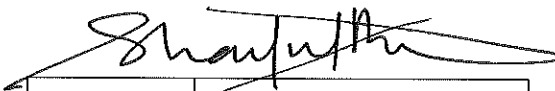
**Earnings per share is calculated by dividing net income over number of common shares outstanding (# of Common Shares: 691,271,425)*



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President - Finance

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF TOTAL COMPREHENSIVE INCOME - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2014 AND 2013
(In Thousand Pesos)

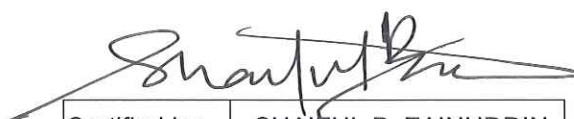
1Q 2014	1Q 2013		YTD MAR 2014	YTD MAR 2013
(779,533)	1,279,821	Net Income (Loss)	(779,533)	1,279,821
		Other comprehensive income (loss)		
		Increase (Decrease) in fair value of available-for-sale		
(68,750)	14,035	financial assets	(68,750)	14,035
(848,283)	1,293,856	Total Comprehensive Income for the period	(848,283)	1,293,856
		Total comprehensive income attributable to:		
(705,403)	1,293,856	Equity holders of the company	(705,403)	1,293,856
		Non-controlling interest		
(705,403)	1,293,856		(705,403)	1,293,856



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President - Finance

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2014 AND 2013
(In Thousand Pesos)

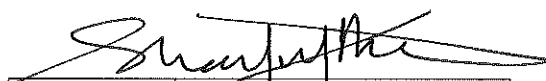
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income After Tax	(779,533)	1,279,822
Adjustments:		
Depreciation on PPE	505,427	449,801
Other Movement in Property, Plant and Equipment	(16,111)	(32,969)
(Increase)/Decrease in Current Assets other than Cash and Cash Equivalents and Deferred Tax	(970,694)	(2,981,323)
Increase (Decrease) in Current Liabilities other than Current Portion of LT Loans, and ST Borrowings	11,191,460	1,781,244
Net Cash provided by (used in) Operating Activities	9,930,549	496,575
CASH FLOW FROM INVESTING ACTIVITIES		
(Additions)/Reduction to Property, Plant and Equipment	(707,805)	(244,375)
Increase/(Decrease) in Other Liabilities	2,536	(1,080,909)
(Increase)/Decrease in LT Receivable, Rentals and Investments and Other Assets	(951,184)	823,007
Net Cash provided by (used in) Investing Activities	(1,656,453)	(502,277)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Payment) from ST Borrowings, Net	(9,569,000)	(2,183,200)
Payment of Dividends		
Net Cash provided by (used in) Financing Activities	(9,569,000)	(2,183,200)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,294,904)	(2,188,902)
CASH AND CASH EQUIVALENTS		
Jan, 1	6,161,150	6,924,552
Mar, 31	4,866,246	4,735,650



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President - Finance

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014 AND 2013
(In Thousand Pesos)

	2014	2013
	Unaudited	Audited
Common Stock	758,885	758,885
Paid-in surplus	7,437,829	7,437,829
Fair Value Adjustments	584,420	346,714
	8,781,134	8,543,428
Retained Earnings		
Balance at beginning of the year (as reported)	4,333,272	5,436,481
Net Income/(Loss) for the period	(779,533)	(912,108)
Cash Dividend	-	-
Balance at the end of the period	3,553,739	4,524,373
Treasury Stock	(507,106)	(507,106)
Total Stockholders' Equity	11,827,767	12,560,695



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President - Finance

PILIPINAS SHELL PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED
31 MARCH 2014 AND 31 MARCH 2013
(In Pesos '000 unless otherwise stated, except per share amounts)

Note 1 - General information

Pilipinas Shell Petroleum Corporation (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on 9 January 1959 primarily to engage in the refining and marketing of petroleum products. On 5 December 2008, the SEC approved the extension of the corporate term of the Company for another fifty (50) years from 9 January 2009 to 8 January 2059.

The Company is 67% owned by The Shell Petroleum Company Limited (SPCL), a corporation registered under the laws of the United Kingdom and 33% owned by Filipino and other foreign shareholders. In early 2009, the ownership of SPCL was transferred to Shell Overseas Investments BV (SOIBV), a corporation registered under the laws of Netherlands. The ultimate parent of the Company is Royal Dutch Shell plc. (RDS) (Incorporated in the United Kingdom).

The Company is considered a public company under Section 17.2(c) of the Securities Regulation Code (SRC) Rule 68, as amended on 20 October 2011 and Rule 3.1 (i) of the Implementing Rules and Regulation of the SRC, which defines a public company, among others, as any corporation with total assets of more than P350 million or total liabilities of more than P250 million. The Company with assets of at least P50 million and having two hundred (200) or more shareholders each of which holds at least one hundred (100) shares of a class of its equity securities is also covered by additional requirements under SRC Rule 68, as amended, Part II. As at 31 March 2014, the Company has 359 shareholders (2013 – 359, 2012 – 362 and 2011 - 363), 333 of whom hold at least 100 shares of the Company's common shares (2013 – 333, 2012 – 337 and 2011 - 337).

The Company has its principal office at Shell House, 156 Valero Street, Salcedo Village, Barangay Bel-Air, Makati City and has an oil refinery in Tabangao, Batangas and various oil depots and installations all over the Philippines. The Company has 741 regular employees as at 31 December 2013 (2012 - 747).

Note 2 - Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These interim financial statements for the Three months ended 31 March 2014 have been prepared in accordance with Philippine Accounting Standards (PAS 34) 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for the first time for the financial year beginning on or after 1 January 2013 have been adopted by the Company and their impact were recognized on the interim financial statements:

PAS 19 (Amendment), Employee Benefits (effective 1 January 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. It also requires recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company has adopted the same for the year 2013.

PAS 27 (Revised), Separate Financial Statements (effective 1 January 2013). As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

PAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013). This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11.

PFRS 1 (Amendment), Government Loans (effective 1 January 2013). This amendment addresses how a first-time adopter would account for government loan with a below-market rate of interest when transitioning to PFRS. It also adds an exception to the retrospective application of PFRS, which provides the same belief to the first-time adopters granted to existing preparers of PFRS financial statements when the requirements was incorporated into PAS 20 in 2008.

PFRS 7 (Amendment), Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013). This amendment includes new disclosures required to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the Company's financial statements.

PFRS 9, Financial Instruments (effective 1 January 2015). This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Company has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 beginning 1 January 2015. The Company will also consider the impact of the remaining phases of PFRS 9 when issued. However, adoption is not expected to have a significant impact on the financial statements since the Company do not have complex financial instruments.

PFRS 10, Consolidated Financial Statements (effective 1 January 2013). This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company has applied that guidance in assessing possible control of the Company in its interests on other entities. Based on the Company's assessment, the Company do not have investments that would qualify as an investment in a subsidiary as at all the reporting periods presented.

PFRS 11, Joint Arrangements (effective 1 January 2013). This new standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint

ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

PFRS 12, Disclosures of Interests in Other Entities (effective 1 January 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Amendments to PFRS 10, 11 and 12 - Transition Guidance (effective 1 January 2013). These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

PFRS 13, Fair Value Measurement (effective 1 January 2013). This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS or US GAAP.

There are no other PFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. There are no offsetting financial instruments as at 31 March 2014.

Note 3 - Financial risk management

3.1 Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company has access to sufficient external debt funding sources (banks credit lines) to meet currently foreseeable borrowing requirements. The Treasury group centrally monitors bank borrowings, foreign exchange requirements and cash flow position.

Surplus cash is invested into a range of short-dated money market instruments, time deposits and money funds, which seek to ensure the security and liquidity of investments while optimizing yield.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. Forecasted liquidity reserve for 2014 is as follows:

	2014
Opening cash balance for the year	6,161,150
Net cash from operating activities	5,990,368
Capital expenditures	(4,983,186)
Net cash from other investing activities	(234,454)
Net cash used in financing activities	(300,000)
Ending cash balance for the year	6,633,878

The Company has unused credit lines of PhP50.3billion as at 31st March 2014 (PhP35.7billion as at 31 December 2013 and PhP37.6billion as at 31 December 2012) and undrawn borrowing facilities at floating rate amounting to PhP39.1billion (2013 – PhP24.8billion and 2012 - PhP27.4billion), which is expiring within one year.

The Company has a PhP11.2billion credit facility with STCE, which does not have an expiration date.

3.2 Gearing ratio

The gearing ratio is a measure of the Company's financial leverage reflecting the degree to which the operations of the Company are financed by debt. The amount of debt that the Company will commit depends on cash inflow from operations, divestment proceeds and cash outflow in the form of capital investment, dividend payments and share repurchases. The Company aims to maintain an efficient balance sheet to be able to finance investment and growth, after the funding of dividends.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings less cash and cash equivalents.

While the Company does not have a fixed gearing target, management considers the present level of commercially acceptable. This gearing ratio takes into consideration the ability of the Company to operate on a stand-alone basis and is set after appropriate advice has been taken from Tax, Treasury and Legal advisors.

The gearing ratios at 31 March 2014 and 31 December 2013 were as follows:

	2014	2013
Total loans and borrowings	36,968,000	46,537,000
Less: cash and cash equivalents	4,866,246	6,161,150
Net debt	32,101,754	40,375,850
Total equity (excluding fair value adjustments)	11,207,164	12,213,981
Total capital	43,308,918	52,589,831
Gearing ratio	74%	77%

The 2014 gearing ratio is within the management target range.

The Gearing Ratio reduced from 77% to 74% in 2014 due to repayments of Borrowings which were sourced from reduction in working capital.

The Company is not subject to externally imposed capital requirement.

Note 4 - Cash and cash equivalents

The account consists of:

	March 31	December 31
	2014	2013
Cash on Hand and in Banks	4,866,246	6,161,150
Short-term Placements	-	-
Total	4,866,246	6,161,150

The average actual interest rate on short-term placements in YTD March 2014 was 0.40% p.a, as against the market benchmark rate of 0.42% p.a., with an average tenor of 7 days compared to 0.94% in the same period in 2013 with an average tenor of 7 days. This fall in interest rate during 2013 is in line with the money market trends in the Philippines on account of fall in inflation rate and fall in global interest rate scenario.

Note 5 - Receivables

The account consists of:

	March 31	December 31
	2014	2013
Trade	11,747,983	11,339,775
Related Parties	805,457	1,142,242
Provision for Impairment of Trade Receivables	(200,278)	(215,376)
	12,353,162	12,266,641
Related Parties (Non-Trade)	910,020	94,488
Provision for Impairment of Non -Trade Receivables	-	-
	13,263,182	12,361,129
Others:	4,201,731	3,971,107
Provision for Impairment of Other Receivables	(739,599)	(668,210)
	3,462,132	3,302,897
Total	16,725,314	15,664,026

Note 6 - Inventories

The account consists of:

	March 31	December 31
	2014	2013
Crude Oil and Products	27,929,458	28,183,489
Materials and Supplies	369,015	363,325
	28,298,473	28,546,814
Allowance for Inventory Losses	(132,135)	(32,596)
Total	28,166,338	28,514,218

Note 7 - Long-term receivables, rentals and investments

The account consists of:

	March 31	December 31
	2014	2013
Loans to an entity under common control	494,678	494,678
Advance rentals	780,734	661,613
Advances to an entity under common control	100,000	100,000
Market investment loans (a)	50,306	57,566
Investments in associates and jointly-controlled entity (b)	64,187	49,638
Other long-term assets	2,018	9,809
	1,491,923	878,626
Long-term receivables (c)	68,192	55,990
Provision for impairment of long-term receivables	(23,977)	(19,875)
	44,215	36,115
	1,536,138	1,409,419

(a) Market investments loans

Market investment loans consist of unsecured promissory notes collectible from third party customers on various dates up to year 2026 with interests ranging from 9% to 18%.

(b) Investments in associates and jointly-controlled entity

The Company entered into an agreement with two (2) other oil companies to integrate their

operations at the Pandacan depot while retaining individual ownership of their facilities (e.g. tanks, equipment, etc.). Pandacan Depot Services, Incorporated, a jointly-controlled entity owned by the parties under the agreement has been incorporated and registered with the SEC on 29 September 2004. Actual operations of the jointly-controlled entity started on 1 November 2004.

In 2011, the Company purchased 44% interest in Bonifacio Gas Corporation at an acquisition price of P34 million from SGLPI.

(c) Long-term receivables

As at 31 March 2014 and 31 December 2013, long-term receivable of PhP24million and PhP20million was impaired and fully provided for respectively. The individually impaired receivables mainly relate to Batangas Bay Carriers Inc., which is in difficult economic situation, and are aged over a year.

As at 31 March 2014 and 31 December 2013, there are no other long-term receivables that are past due but not impaired.

The carrying amounts of the Group's long-term receivables are denominated only in Philippine Pesos.

The other classes and balances within long-term receivables, rental and investments are fully performing.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Note 8 - Short-term borrowings

The account consists of unsecured short-term loans from various local commercial banks intended to fund crude and product importations and working capital requirements. The loans mature on various dates.

The average actual interest rate/cost of funds on local borrowings for 1Q 2014 was 1.78% p.a., as against the market benchmark rate of 1.50% Q1'2014. During Q1 2014, the average tenor of borrowing was 8.5 days.

During the previous comparison period, 1Q 2013, the actual interest rate was 3.83% p.a (market benchmark rate of 1.72% p.a.) with an average borrowing tenor of 18 days.

Note 9 – Loans payable

On 2 March 2012, the Company entered into a loan agreement with BPI to obtain an unsecured loan of P11 billion. Details of the loan as at 31 December 2012 follow:

Amount	Interest	Terms
11,000,000	2.8947% as at that loan date effective until next repricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 2 March 2012. Principal is payable in lump sum at maturity date. Interest is repriced every three (3) months.

On 17 January 2014, the Company entered into a loan agreement with BPI to obtain an unsecured loan of P5 billion. Details of the loan as at 31 March 2014 follow:

Amount	Interest	Terms
5,000,000	2.2368% as at that loan date effective until next repricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 17 January 2014. Principal is payable in lump sum at maturity date. Interest is repriced every three (3) months.

On 28 January 2014, the Company entered into a loan agreement with Metropolitan Bank to obtain an unsecured loan of P7 billion. Details of the loan as at 31 March 2014 follow:

Amount	Interest	Terms
7,000,000	3.6840% as at that loan date effective until next repricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 28 January 2014. Principal is payable in lump sum at maturity date. Interest is repriced every three (3) months.

Total interest expense charged to operation on the above loans till March 2014 amounted to P146.7 million.

Under the loan agreements, the Company is required to comply with certain covenants, as follows:

- Maintenance of the Company's legal status.
- Ensure that at all times the loans rank at least *pari passu* with the claims of all other unsecured and insubordinated creditors except those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application.
- The Company shall not create or permit to subsist any encumbrance over all or any of its present or future revenues or assets other than a permitted encumbrance as defined in the loan agreements.
- The Company shall duly pay and discharge all taxes, assessment and charges of whatsoever nature levied upon or against it, or against its properties, revenues and assets prior to the date on which penalties attach thereto, and to the extent only that the same shall be contested in good faith and by appropriate legal proceedings.

The Company is in compliance with the covenants as at 31 March 2014.

Note 10 - Other liabilities

The account consists of:

	March 31 2013	December 31 2013
Provision for legal cases (a)	1,504,808	1,504,808
Asset retirement obligation (b)	1,568,546	1,480,711
Operating lease	1,072,893	1,110,853
Provision for remediation and demolition costs (c)	753,489	823,081
Cash security deposits	305,293	333,806
Other liabilities	131,337	80,571
	5,336,366	5,333,830

Note 11 – Dividends

No Dividends declared for 2014 yet.

Cash dividends declared in 2013, 2012 and 2011 follow:

Date					
Declared	Paid	Per share	2013	2012	2011
16-Apr-2013	16-May-2013	0.69	475,812	-	-
17-Apr-2012	17-May-2012	7.04	-	9,143	-
17-Apr-2012	17-May-2012	7.04	-	4,863,980	-
14-Dec-2011	13-Jan-2012	5.20	-	-	2,412,743
14-Dec-2011	21-Dec-2011	5.20	-	-	1,181,869
26-Apr-2011	12-May-2011	3.50	-	-	2,419,449
			475,812	4,863,980	6,014,061

Included in the balance of retained earnings is the amount of PhP1.1billion representing the retained earnings of Shell Philippines Petroleum Corporation as at 30 June 1999 upon its merger with the Company. The said amount is available only for stock dividends.

In 2013, dividends payable amounting to P10.09 million (2012 - P9.14 billion) in the balance sheet is presented net of applicable withholding tax.

As at 31 March 2014 and 31 December 2013, the Company's accumulated earnings are tied-up to dividend declaration and anticipated operating and capital expenditures.

Note 12 - Earnings per share

Computations of earnings per share for the periods ended are as follows:

	March 31 2014	December 31 2013	December 31 2012
Earnings available to stockholders:			
Net income for the period ('000)	(779,533)	(912,108)	4,799,392
Weighted average number of shares	758,885,514	758,885,514	758,885,514
Treasury shares	(67,614,089)	(67,614,089)	(67,614,089)
	691,271,425	691,271,425	691,271,425
Earnings per share, basic and diluted	(1.13)	(1.32)	6.94

Note 13 – Contingencies

Tax cases

(a) *Excise tax on Importations of Catalytic Cracked Gasoline(CCG) and Light Catalytic Cracked Gasoline (LCCG)*

Pilipinas Shell Petroleum Corporation vs. Commissioner of Customs, Collector of Customs of the Port of Batangas, Bureau of Customs and Bureau of Internal Revenue

CTA Case Nos. 8004 and 8121, Court of Tax Appeals, 2nd Division

CTA Case No. EB 1007/1003, Court of Tax Appeals En Banc

Filed December 03, 2009

Matter Summary: The Bureau of Customs assessed PSPC more than **PHP7.3 Billion** for claimed excise taxes on the importation of Catalytic Cracked Gasoline and Light Catalytic Cracked Gasoline (CCG/LCCG) components from 2004-2009.

PSPC filed a Petition for Review with the Court of Tax Appeals to contest the ruling of the BOC. This case was consolidated with a petition against a ruling by the Commissioner of Internal Revenue dated 15 December 2009, which requires double taxation on CCG/LCCG.

The Government later accepted PSPC's offer to post a surety bond to answer for any damage that a Suspension Order might cause to the government. The posting of the bond was approved by the CTA which prevented the BOC from implementing further seizures of PSPC importations.

Status: In a Resolution dated 27 November 2012, the Court granted PSPC's Motion for Summary Judgment and ruled that the government is enjoined from collecting the alleged unpaid excise taxes and VAT on PSPC's CCG/LCCG importations for the periods in 2004 to 2009. The government filed a Petition for Review with the CTA En Banc. Meanwhile, PSPC filed its own Petition for Review with the CTA En Banc because the CTA did not invalidate the 15 December 2009 Ruling of the CIR with respect to double taxation. The parties' memoranda were filed in November 2013.

Awaiting resolution by the CTA En Banc.

(b) Batangas Local Tax Case

Batangas City, Maria Teresa Geron, in her capacity as City Treasurer of Batangas City and Teodulfo A Deguito in his capacity as City Legal Officer of Batangas City vs. Pilipinas Shell Petroleum Corporation

SC-G.R. No. 187631, Supreme Court, 3rd Division

Filed in SC May 08, 2009

Matter Summary: In 2003, the City of Batangas assessed PSPC **Php4,000,000** for Mayor's permit and **Php405,029,973.04** (inclusive of interest and penalties) as business taxes on the basis of the volumes of petroleum products manufactured and distributed thru PSPC's Tabangao refinery located within Batangas City. It is PSPC's position that it is not liable for said amounts since petroleum products are exempt from local taxes under the Local Government Code. Batangas City, on the other hand, posits that what are being taxed are the businesses of manufacturing and distribution, and not the petroleum products themselves.

The 2nd Division of the CTA rendered a decision finding the Company not liable for these taxes and further declared that the amount assessed as mayor's permit fees was excessive. The City was further precluded from imposing taxes on the manufacture and distribution of petroleum products and was ordered to refund the excessive mayor's permit fees. The City of Batangas filed a Petition for Review with the CTA *en banc* which also affirmed the decision of the 2nd. Hence, the appeal by the City of Batangas to the Supreme Court.

Status: Awaiting action by the Supreme Court.

(c) Claim for Refund of Excise Taxes

Commissioner of Internal Revenue vs. Pilipinas Shell Petroleum Corporation

SC-G.R. No. 188497, Supreme Court,

Filed September 7, 2010

Matter Summary: PSPC filed for refund of excise taxes on petroleum products sold to international carriers covering October 2001 to June 2002 in the amount of **Php95,014,284.00**. CTA Division level and En Banc granted the refund and BIR appealed to the Supreme Court. The Supreme Court First Division reversed the Decision of the Court of Tax Appeals.

Other similar claims for refund are pending.

Status: On 22 May 2012, PSPC filed its Motion for Reconsideration of the Supreme Court Decision. The CIR and OSG filed their Comments to this Motion for Reconsideration. PSPC also filed a motion for leave of court to admit a supplement to the Motion for Reconsideration, which the Supreme Court approved.

On 19 February 2014, the First Division of the Supreme Court abandoned its earlier decision and directed the Commissioner of Internal Revenue to refund or issue a tax credit certificate to PSPC in the amount of P95,014,283.00 representing the excise taxes it had paid on products sold to international carriers from October 2001-June 2002.

(d) Excise tax on Importations of Alkylate

Pilipinas Shell Petroleum Corporation vs. Commissioner of Internal Revenue et al.

CTA Case No. 8535, Court of Tax Appeals, 1st Division

Filed August 24, 2012

Matter Summary: The Bureau of Internal Revenue held that Alkylate, a raw material imported by PSPC, is subject to excise taxes upon importation. The BIR ordered the collection of **Php1,994,500,677.47** (inclusive of interest and penalties) in alleged excise taxes for importations of Alkylate in the period from January 2010 to June 2012.

Status: On 22 October 2012, the CTA issued a Suspension Order which means that while the case is pending, the government cannot enforce the collection of the alleged unpaid excise taxes on Alkylate importations from 2010 to June 2012. After the submission by Shell and the Government of arguments and counter-arguments, the CTA resolved to deny the Government's motion to dismiss and the subsequent motion for reconsideration. Following the denial of the Motion to Dismiss, the Bureau of Customs appealed to CTA En Banc, while the Bureau of Internal Revenue (BIR) brought the matter to the Supreme Court. In a Resolution dated 10 February 2014, the CTA En Banc dismissed the appeal filed by the Bureau of Customs.

(e) *Tax Credit Certificates Cases*

1. **Commissioner of Internal Revenue vs. Pilipinas Shell Petroleum Corporation**
SC GR No. 204119-20, Supreme Court 2nd Division
Filed 5 December 2012

Matter Summary: This is an appeal from the Decision of the Court of Appeals which affirmed the Court of Tax Appeals in setting aside the CIR's demand for payment of the sum of Php 1,705,028,008.06 (inclusive of interest and penalties) as PSPC's excise tax liabilities for the years 1992, 1994-1997, which were paid by PSPC through TCCs and TDMs.

Status: Status: Awaiting action by the Supreme Court.

2. **Commissioner of Internal Revenue vs. Pilipinas Shell Petroleum Corporation**
SC-G.R. No. 197945, Supreme Court
Filed October 04, 2011

Matter Summary: From 1988 to 1997, PSPC paid some of its excise tax liabilities with Tax Credit Certificates duly assigned and transferred to it by other BOI-registered entities. In 1998, the BIR sent a collection letter to PSPC demanding payment of allegedly unpaid excise taxes. This became the subject of several protests which led to various cases before the CTA.

This is an appeal from the Decision dated 22 February 2011 of the Court of Tax Appeals in CTA EB Case No. 535 which denied the CIR's petition for lack of merit and ruling that PSPC has duly settled its excise tax liabilities by utilizing valid and genuine TCC/TDMs, obtained in good faith and for value, and in accordance with the applicable laws and rules.

Status: Awaiting further action by the court.

3. **Republic of the Philippines rep. by Bureau of Customs vs. Pilipinas Shell Petroleum Corporation
& Filipino Way Industries**
SC-G.R. No. UDK 14908, Supreme Court

Matter Summary: Sometime in March 1996, TCCs were issued to Filway Industries for customs duties and taxes allegedly paid on raw materials used in the manufacture, processing or production of knitted fabrics. In 1997, Filway executed a deed of assignment over the TCCs in favour of PSPC. PSPC utilized said TCCs to settle its customs duties and taxes on oil importations. According to the government, it was discovered that the said credit memos were fake and spurious as they did not conform to the records. Thus, the TCCs were cancelled and BOC is demanding anew for the payment of custom duties and taxes for PSPC's importations.

This is an appeal by the government from the decision of the Court of Appeals affirming the orders of RTC Manila Branch 49 that dismissed the case

Status: Awaiting action by the Supreme Court.

Pandacan Zoning Ordinance

Social Justice Society (SJS) Officers VS Alfredo S. Lim, in his capacity as Mayor of the City of Manila and Jose L. Atienza, Jr. et.al. VS Mayor Alfredo S. Lim, et. al (Re: Ordinance

8187), SC-G.R. No. 187836 consolidated with Case No. 187916, Supreme Court, Filed June 01, 2009.

Pilipinas Shell Petroleum Corp. vs. City of Manila, et al. (Re: Ordinance No. 8283), Case No. 13-1034, Regional Trial Court of Makati City, Filed on 29 August 2013.

Matter Summary: On 28 May 2009, the Mayor of Manila approved Ordinance No. 8187, which repeals or amends the zoning ordinances (Ordinance No. 8027 and 8119) that earlier required the closure of the Pandacan depots. Social Justice Society and former Manila Mayor Joselito Atienza separately filed their respective Petitions before the Supreme Court challenging the validity of Ordinance No. 8187.

PSPC has intervened in the cases and is asking the Supreme Court to assign a special court or commission to receive evidence on the factual issues such those on safety and environment. The Supreme Court has ordered the consolidation of the cases.

Status: On 29 August 2013, PSPC filed a Petition for Declaratory Relief to challenge the validity of Ordinance No. 8283. This Ordinance re-classifies the area of the Pandacan Terminal into a Commercial/Mixed Use Zone and requires the removal of the oil terminal by January 2016. In view of this, PSPC informed the Supreme Court that the pending matter regarding Ordinance No. 8187 should be dismissed.

PSPC is presenting evidence in the Regional Trial Court of Makati to support an application for the issuance of a writ of preliminary injunction against the implementation of Ordinance No. 8283.

Cases Filed by the West Tower Condominium Corporation

(a) West Tower Condominium Corp., on behalf of the residents of West Tower Condominium and in representation of Barangay Bangkal, and others, including minors and generations yet unborn vs. First Philippine Industrial Corporation, First Gen Corporation and their respective Board of Directors and Officers, John Does and Richard Does (Writ of Kalikasan Case)

SC-G.R. NO. 194230, Supreme Court
Filed November 21, 2010

Matter Summary: This is a petition for the permanent closure of the 117km white oil pipeline (WOPL) that transports finished products from the refinery to the fuel depot in Manila. First Philippine Industrial Corporation (FPIC) owns and operates the WOPL and PSPC is one of FPIC's customers.

In 2010, it was discovered that the WOPL had a leak which caused fuel products to seep into the basement of West Tower Condominium. The petitioners filed the present case and applied for a Writ of Kalikasan or an environmental protection order. Since the filing of the case in 2010, the court has ordered the continued shut down of the WOPL. The issue before the court now is whether the shut down should be made permanent.

Status: In August 2013, the Supreme Court adopted the recommendations of the Court of Appeals, requiring the submission of a certification from the Department of Energy that the pipeline is safe for commercial operation. On 29 October 2013, the pipeline company submitted the required certification. The Court noted FPIC's submission of the September Periodic Report on its efforts at checking its white oil pipeline, safety measures and remediation of the affected area.

(b) West Tower Condominium Corp. et al. vs. Judge Elpidio R. Calis et al.

CA-GR SP No. 125104 (Appeal of Civil Case—Civil Case No. 11-256),
Court of Appeals, 6th Division
Filed June 11, 2012

Matter Summary: PSPC is a respondent in this Petition for Certiorari filed by West Tower Condominium Corp, et al. to challenge the ruling of Judge Calis requiring the payment of filing fees in the civil case for damages earlier brought by WTCC in connection with the leak in White

Oil Pipeline. The issue is whether the case filed with the lower court is exempt from payment of filing fees. The trial court judge earlier ruled that the claim is an ordinary claim for damages.

Status: Case is submitted for decision.

(c) West Tower Condominium Corp. vs. Garde, et al (Criminal Negligence)

NPS No. XV-05-INV-11J-02709 , Department of Justice
Filed October 2, 2011

Matter Summary: This is a complaint for criminal negligence against 11 Directors of PSPC and 2 Officers of PSPC who are also directors of FPIC. Aside from the other Directors and Officers of FPIC, also charged were Directors of First Gen Corp. and Directors of Chevron. Each of the PSPC Directors (11) and Officers (2) filed their respective Counter-affidavits on the 19th of January 2011. The Directors asserted that there is no basis to find them culpable for negligence. The City Prosecutor will make a determination as to the existence of probable cause, which is necessary before the Respondents can be indicted.

Status: The case is pending resolution.

Others

Cecilio Abenion, et al vs. Dow Chemical Co, et al.

SC G.R. No. 202295, Supreme Court, 1st Division
SC-G.R. Case 199182-89, Supreme Court, 2nd Division
Filed December 23, 2011

Matter Summary: In 1996, an action for damages was filed against several U.S. corporations, including Shell Oil Company, alleged to be manufacturers and users of pesticides used in plantations in Davao City. A global compromise agreement was reached between Shell Oil Company (among others) and the claimants.

In August 2009, a Davao City trial court issued a Notice of Garnishment of PSPC's funds in a bank supposedly to enforce the compromise agreement. PSPC sought and obtained protective relief from the courts on the basis that it was not a party to the case or to the compromise agreement subject of the case.

The Court of Appeals voided the orders of execution and ordered the judge to recuse from further presiding in the proceedings in the trial court.

Status: Two separate petitions for review of the Court of Appeals' decision were filed by the claimants with the Supreme Court. One of the petitions was dismissed by the Supreme Court 1st Division (SC G.R. No. 202295). The other petition is still pending with the 2nd Division (SC G.R. No. 199182-89).

Note 14 –Changes in estimates of amounts

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that would have a material effect in the current interim period.

Note 15 – Issuances, repurchases, and repayments of debt and equity securities

There are no issuances, repurchases, and repayments of debt and equity securities during the quarter.

Note 16 – Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent the end of the interim period that has not been reflected in the financial statements for the interim period.

Note 17 – Changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

There are no changes of material amount in the composition of the Company during the interim period.

Note 18 – Changes in contingent liabilities or contingent assets

There are no changes of material amount in contingent liabilities or contingent assets since the last annual balance sheet date.

Note 19 – Existence of material contingencies

There are no material contingencies, events or transactions existed that are material to an understanding of the current interim period.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

	YTD March 2014 (Unaudited)	2013 Full year
Current Ratio	1.51	1.20
Debt-to-Equity	3.13	3.70
Debt Ratio	0.85	0.84
Return on Assets	(0.98%)	(1.16%)
Asset Turnover Ratio	0.37	2.53

- Current ratios are computed by dividing current assets over current liabilities.
- Debt-to-equity ratio resulted by dividing total borrowings (short-term and long-term borrowings) over stockholder's equity.
- Debt ratios are computed as total liabilities divided by total assets.
- Return on assets is computed as net income after taxes divided by average total assets.
- Asset Turnover Ratio is computed as net sales divided by average total assets.

(Please note that the numbers for 2014 are only for YTD March while those for 2013 are for the full year).

Known trends, demands, developments, commitments, events or uncertainties that will have a material impact on the issuer's liquidity

The Company has reviewed the known trends, demands, developments, commitments, events or uncertainties during the reporting period and is of the opinion that there are no items which will have a material impact on the issuer's liquidity. (Refer to Note 3.1 Liquidity Risk on page 11)

Any events that will trigger direct or contingent financial obligation

There are no events during the interim period that would trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Material commitments for capital expenditures

For the year 2014, a budget of PhP5 billion has been approved for capital expenditures. Bulk of the capital expenditures will be allocated mainly for the new import facility in North Mindanao, Manufacturing Refinery upgrade to handle Euro IV compliance project, its maintenance work and the expansion of service stations and the support of its retail businesses.

Known trends, events, or uncertainties that have had or that are reasonably expected to have a material favourable or unfavourable impact on Net Sales/Income from continuing operations

The Department of Energy (DOE) issued Department Circular DC2013-09-0021, mandating standard specifications for gasoline, in line with Republic Act 8749 or the Philippine Clean Air Act of 1999. All oil companies must distribute and sell gasoline blended with 10% ethanol with the following specifications: regular grade with at least a 91 research octane number (green); premium, 95 RON minimum (red); and premium plus, 97 RON minimum (blue). The circular was signed by DOE Secretary Carlos Jericho Petilla last September 19, 2013; retailers have until January 1, 2014 to comply with the new standards.

Significant elements of income or loss that did not arise from the issuer's continuing operations

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

Profitability

The company registered a Net Loss After Tax for YTD March 2014 of PhP(0.8)billion compared to Net Income of PhP1.1billion for the same period last year.

Sales revenues increased by 24% to PhP57.9billion in YTD March 2014 from PhP46.6billion as of YTD March 2013.

Sales revenues increase is driven by increase in Sales Volume from 1,209M Liters in 2013 to 1,305M Liters in 2014 mainly in retail and wholesale commercial fuels.

Retail volumes increased due to wholesale volumes, various pricing initiatives, local promotion and marketing initiatives.

Wholesale Commercial fuels increased due to additional volumes from PSALM contracts secured in Q2 2013, power plants' higher lifting in anticipation of upcoming maintenance shut down in the coming summer and also due to higher lifting by resellers due to crackdown on smuggling activities that resulted in lower supply in market.

Gross margin registered as of YTD March 2014 was at PhP1.5billion compared to PhP4.2billion for the same period in 2013. Decrease in gross margin was attributed to mainly a lower refining margin environment caused by supply overhang in the region and planned shutdown at the refinery in March. Additionally higher product losses and wharfage costs were experienced during the quarter.

Average Crude Prices:

USD/BARREL	Jan	Feb	Mar
2013	\$ 107.80	\$ 111.09	\$ 105.55
2014	\$ 104.02	\$ 105.04	\$ 104.32

Operating & Other expense and Net Finance cost shows a increase from PhP2.4billion in YTD Mar 2013 to PhP2.6billion in YTD Mar 2014 mainly due to increase in overheads, difference in exchange loss, rentals and repairs and maintenance during YTD Mar 2014 offset by booking of capital gains tax refund (on SGLPI).

Financial Position

Cash and Cash Equivalents decreased from PhP6.1billion as at December 31, 2013 to PhP4.7 billion as at March 31, 2014 due to reduction in borrowings.

Receivables increased from PhP15.7billion as at December 31, 2013 to PhP16.7billion as at March 31, 2014 due to increased sales during 2014.

LT Receivables, Rentals and Investments, Net increased from PhP1.4billion as at December 31, 2013 to PhP1.5billion as at March 31, 2014 due to increase in Advance rentals.

Deferred Income Tax Assets, Net increased from PhP1.5billion as at December 31, 2013 to PhP1.9billion as at March 31, 2014 due to deferred tax impact on carried forward of losses.

Other Assets increased from PhP1.2billion as at December 31, 2013 to PhP1.8billion as at March 31, 2014 mainly due to pension asset revaluation to adopt Accounting Standard IAS 19.

Accounts Payable and Accrued Expenses increased from PhP14.3billion as at December 31, 2013 to PhP25.5billion as at March 31, 2014 mainly due to increase in payables to related parties.

ST Borrowings decreased from PhP35.5billion as at December 31, 2013 to PhP13.9billion as at March 31, 2014 mainly due repayment of the Loan, funds sourced from Long term loans and working capital.

Long Term Loans Payable increased from PhP11billion as at December 31, 2013 to PhP23billion as at March 31, 2014 due to Loan being borrowed to fund working capital requirements and pay off short term borrowings.

Seasonal aspects that had a material effect on the financial condition or results of operations

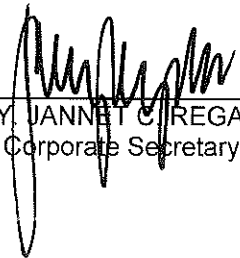
There are no seasonal aspects during the interim period that have a material effect on the financial results of operations.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer:

Signature and Title:

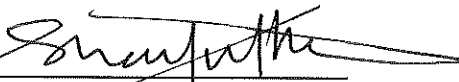


ATTY. JANNET C. REGALADO
Corporate Secretary

Date: May 13, 2014

Principal Financial/Accounting Officer/Controller:

Signature and Title:



SHAIFUL B. ZAINUDDIN
Vice President - Finance

Date: May 13, 2014