

COVER SHEET

1 4 8 2 9 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)

4 1 S T F L R . T H E F I N A N C E C E N T E R ,

2 6 T H S T . C O R 9 T H A V E . B O N I F A C I O G L O B A L C I T Y , B R G Y . F O R T

B O N I F A C I O , T A G U I G C I T Y , M E T R O M A N I L A 1 6 3 5

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

Jose Jerome R. Pascual III Contact Person

+632 3 4994001 Company Telephone Number

0 3 3 1 Month Day

1 7 - Q FORM TYPE

0 5 0 7 Month Day

Fiscal Year

3rd Tuesday of May Annual General Meeting as per By-Laws

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE DATED 14 OCTOBER 2016

Secondary License Type, If Applicable

C G F D Dept. Requiring this Doc.

Amended Articles Number/Section

319 Total No. of Stockholders (As of 31 March 2020)

23,591,738,000 Total Amount of Borrowings Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

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

<i>Title of Class</i>	<i>Number of shares common stock outstanding and amount of debt outstanding</i>
<input type="text" value="Common Stock"/>	<input type="text" value="1,613,444,202"/>
<input type="text" value="Total Liabilities"/>	<input type="text" value="59,119,505,000"/>

11. Are any or all of the securities listed on a Stock Exchange? Yes [X] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippines Stock Exchange - Common Shares

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 [X] No []
- (b) has been subject to such filing requirements for the past ninety (90) days
- Yes [X] No []

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PART I – FINANCIAL INFORMATION

ITEM 1

PILIPINAS SHELL PETROLEUM CORPORATION

Statements of Financial Position

As at 31 March 2020

With Comparative Figures for 31 December 2019

(All amounts in thousands Philippine Peso, except par value per share)

	Note	March 2020 Unaudited	December 2019 Audited
ASSETS			
Current Assets			
Cash	2	3,797,227	4,778,877
Trade and other receivables, net	3	12,675,346	15,767,566
Inventories, net	4	13,980,837	25,422,717
Prepayments and other current assets	5	3,634,404	1,500,241
Total Current Assets		34,087,814	47,469,401
Noncurrent Assets			
Long-term receivables, rentals and investments, net	6	6,007,984	4,622,849
Property and equipment, net		30,952,669	30,925,797
Right of use lease assets	8	13,814,171	12,649,096
Deferred income tax assets, net	7	1,352,166	-
Other assets, net	9	7,197,229	7,252,325
Total Noncurrent Assets		59,324,219	55,450,067
TOTAL ASSETS		93,412,033	102,919,468
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	20,372,073	29,684,153
Short term loans	11	14,591,738	9,752,000
Dividends Payable		17,062	17,054
Total Current Liabilities		34,980,873	39,453,207
Noncurrent Liabilities			
Long-term debt, net of current portion	12	9,000,000	9,000,000
Lease liabilities		11,947,815	10,477,414
Deferred tax liabilities, net	7	-	1,000,115
Provisions and other liabilities		3,190,817	3,160,418
Total Noncurrent Liabilities		24,138,632	23,637,947
Total liabilities		59,119,505	63,091,154
Equity			
Share capital - P1 par value	13	1,681,058	1,681,058
Share premium	13	26,161,736	26,161,736
Treasury shares	13	(507,106)	(507,106)
Retained earnings	14	6,391,803	11,937,980
Other reserves		565,037	554,646
Total Equity		34,292,528	39,828,314
TOTAL LIABILITIES AND EQUITY		93,412,033	102,919,468

Certified by:	JOSE JEROME R. PASCUAL III
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
 Unaudited Statement of Income
 For the period ended 31 March 2020 and 2019
 (All amounts in thousands Philippine Peso, except earnings per share)

1Q 2020	1Q 2019		YTD 1Q 2020	YTD 1Q 2019
48,377,314	50,876,751	Net sales	48,377,314	50,876,751
(51,398,529)	(44,178,172)	Cost of sales	(51,398,529)	(44,178,172)
(3,021,215)	6,698,579	Gross profit	(3,021,215)	6,698,579
(3,608,939)	(3,496,149)	Selling, general and administrative expenses	(3,608,939)	(3,496,149)
(784,404)	398,487	Other operating income, net	(784,404)	398,487
(7,414,558)	3,600,917	Income from operations	(7,414,558)	3,600,917
(479,679)	(468,970)	Finance expense, net	(479,679)	(468,970)
(7,894,237)	3,131,947	Income before income tax	(7,894,237)	3,131,947
2,348,060	(799,875)	Provision for income tax	2,348,060	(799,875)
(5,546,177)	2,332,072	Net income	(5,546,177)	2,332,072
(3.44)	1.45	Earnings per share - Basic and Diluted	(3.44)	1.45

**Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.*

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Weighted average number of Common Shares, excluding Treasury Shares, for 1Q 2020 and for 1Q 2019 is 1,613,444,202 respectively.

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	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION

Unaudited Statement of Comprehensive Income

For the period ended 31 March 2020 and 2019

(All amounts in thousands Philippine Peso)

1Q 2020	1Q 2019		YTD 1Q 2020	YTD 1Q 2019
(5,546,177)	2,332,072	Net Income	(5,546,177)	2,332,072
		Other comprehensive income		
		<i>Items not to be reclassified to income or loss in subsequent periods:</i>		
		Increase/(Decrease) in fair value of equity through OCI financial assets, net of tax		
10,391	9,166		10,391	9,166
(5,535,786)	2,341,238	Total comprehensive income	(5,535,786)	2,341,238

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	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION

Unaudited Statement of Changes in Equity
For the period ended 31 March 2020 and 2019
(All amounts in thousands Philippine Peso)

	Share Capital	Share Premium	Treasury Stock	Retained Earnings	Other Reserves Share- based Reserve	Fair value Reserve	Total
Notes	13	13	13	14			
Balance at 01 January 2019	1,681,058	26,161,736	(507,106)	11,074,898	145,880	415,345	38,971,811
Income for the period	-	-	-	2,332,072	-	-	2,332,072
Increase in fair value of AFS financial assets	-	-	-	-	-	9,166	9,166
Total comprehensive income for the period	-	-	-	2,332,072	-	9,166	2,341,238
Transactions with owners							
Cash dividends	-	-	-	(4,840,333)	-	-	(4,840,333)
Total transactions with owners for the period	-	-	-	(4,840,333)	-	-	(4,840,333)
Balances at March 31, 2019	1,681,058	26,161,736	(507,106)	8,566,637	145,880	424,511	36,472,716
Balance at 01 January 2020	1,681,058	26,161,736	(507,106)	11,937,980	82,038	472,608	39,838,314
Income for the period	-	-	-	(5,546,177)	-	-	(5,546,177)
Other comprehensive income:							
Increase in fair value of AFS financial assets	-	-	-	-	-	10,391	10,391
Total comprehensive income for the period	-	-	-	(5,546,177)	-	10,391	(5,535,786)
Transactions with owners							
Cash dividends	-	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	-	-
Balances at March 31, 2020	1,681,058	26,161,736	(507,106)	6,391,803	82,038	482,999	34,302,528

* Refer to "Basis of Preparation"

Certified by:	JOSE JEROME R. PASCUAL III
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION

Unaudited Statement of Cash Flows
For the period ended 31 March 2020 and 2019
(All amounts in thousands Philippine Peso)

	March 2020	March 2019
Cash flows from operating activities		
Income before income tax	(7,894,238)	3,131,947
Adjustments:		
Depreciation and amortization	1,184,419	1,029,167
Amortization of prepaid lease payments	91,716	436,747
Interest and finance charges	513,348	437,070
Unrealized mark-to-market (gain) loss, net	99,965	(663)
Unrealized foreign exchange loss (gain), net	20,072	82,745
Pension expense	43,543	21,916
Accretion expense	17,558	29,370
Loss (Gain) on disposal of property and equipment	18,780	4,397
Write off of fixed asset	769	-
Interest Income	949	(22)
Share in profit of associates	(14,820)	(19,131)
Operating income before working capital changes	(5,917,939)	5,153,543
Increase in inventories, trade and other receivables, prepayments and other assets	12,394,008	(4,038,899)
Increase in trade and other payables and provisions and other liabilities	(9,412,710)	(2,558,084)
Cash generated from operations	(2,936,640)	(1,443,440)
Pension contributions paid	(40,263)	(16,940)
Net cash from operating activities	(2,976,903)	(1,460,380)
Cash flows from investing activities		
Additions to property and equipment	(280,256)	(767,578)
Increase in long term receivables and rentals, net	(1,381,909)	(643,599)
Proceeds from sale of property and equipment	(1,106)	508
Dividend received	-	52,377
Interest received	(949)	22
Net cash used in investing activities	(1,664,220)	(1,358,270)
Cash flows from financing activities		
Net proceeds (settlements of) from short-term borrowings	4,839,738	5,464,000
Principle lease payments	(675,458)	(594,950)
Interest and finance charges paid	(504,810)	(431,515)
Net cash used in financing activities	3,659,470	4,437,535
Net increase in cash	(981,654)	1,618,885
Cash at the beginning of the period	4,778,877	4,455,124
Effect of exchange rate changes on cash	4	56
Cash at the end of the period	3,797,227	6,074,065

Certified by:	JOSE JEROME R. PASCUAL III
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS

As at 31 March 2020 and 31 December 2019 and for the three-month period ended 31 March 2020 and 2019 (All amounts in table are shown in thousand Philippine Peso except per share data and unless otherwise stated)

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.

Prior to its initial public offering (IPO), the Company was 68% owned by Shell Overseas Investments BV (“SOIBV”), a corporation registered under the laws of the Netherlands and 32% owned by Filipino and other foreign shareholders. The ultimate parent of the Company is Royal Dutch Shell plc. (“RDS”), incorporated in the United Kingdom. The Company conducted its IPO to list in Philippine Stock Exchange on 03 November 2016. The offer was composed of a Primary Offer of 27,500,000 Common Shares and Secondary Offer of 247,500,000 Common Shares with an over-allotment option of up to 16,000,000 Common Shares, with an Offer Price of P67.0 (USD1.39) per Share. After the IPO, Shell Overseas Investments BV owns 55% of the total outstanding shares of the Company. The Company used the net proceeds from the Primary Offer to fund capital expenditure, working capital and general corporate expenses. Net proceeds amounted to P1.36 billion (USD 0.03 billion). The IPO proceeds have been fully utilized as at 31 December 2017.

Certain operations of the Company are registered with the Board of Investments (BOI) and entitled to Income Tax Holiday (ITH) provided under Republic Act 8479, otherwise known as the Downstream Oil Deregulation Act of 1998.

The Company’s registered office, which is also its principal place of business, is located at 41st Floor, The Finance Centre, 26th Street corner 9th Avenue Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila, 1635.

The Company owns an oil refinery in Tabangao, Batangas and various oil depots and installations all over the Philippines. The Company has 676 regular employees as at 31 March 2020 (31 December 2019 - 681).

Note 2 - Cash

The account as at 31 March 2020 and 31 December 2019 consists of cash in banks which are earning interest at the prevailing bank deposit rates. The Company maintains cash deposits with universal and commercial banks in the Philippines. Universal and commercial banks represent the largest single group, resource-wise, of financial institutions in the country.

Cash as at 31 March 2020 and 31 December 2019 is maintained with the following type of financial institutions:

	31 March 2020	31 December 2019
Universal banks	2,427,106	3,640,929
Commercial banks	1,370,121	1,137,948
	3,797,227	4,778,877

Note 3 – Trade and other receivables, net

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Trade receivables		
Third parties	9,669,274	11,246,826
Related parties	1,369,986	1,318,369
Provision for impairment of trade receivables from third parties	(230,823)	(252,621)
	10,808,437	12,312,574
Non-trade receivables from related parties	246,404	277,129
Other receivables		
Creditable Withholding tax	378,487	623,092
Duty drawback and other claims	48,896	1,387,271
Non-trade receivable from third party	386,351	359,578
Miscellaneous	853,921	856,311
Provision for impairment of other receivables	(47,150)	(48,389)
	1,620,505	3,177,863
	12,675,346	15,767,566

Miscellaneous receivables pertain to rental from co-locators in retail service stations and other non-trade receivables.

The Company holds collaterals for trade receivables from third parties as at 31 March 2020 valued at P5.0 billion (31 December 2019 – P1.2 billion) consisting of cash securities, letters of credit or bank guarantees and Real Estate Mortgages (REM). These securities can be applied once the related customer defaults on settlement of the Company's receivables based on agreed credit terms. The maximum exposure of the Company is P6.0 billion as at 31 March 2020 (31 December 2019 – P11.4 billion) (see Note 20.1.2). These balances relate to a number of customers with no recent history of default.

(a) Past due receivables but not impaired

The aging of past due trade receivables, net of provision from third parties as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Less than 30 days	306,146	244,736
31 - 60 days	263,561	134,933
61 - 90 days	43,605	58,307
Greater than 90 days	147,257	157,481
	760,569	595,457

These balances relate to a number of independent customers for majority of whom there is no recent history of default.

(b) *Impaired receivables*

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Impaired receivables are fully provided and movements in the provision for impairment of the receivables are presented in the table below.

	Trade	Others	Total
At 1 January 2019	185,107	35,590	220,697
Provisions (Reversals)	83,487	12,799	96,286
Write Off	(15,973)	-	(15,973)
At 31 December 2019	252,621	48,389	301,010
Provisions (Reversals)	6,217	(1,238)	4,979
Write Off	(28,015)	-	(28,015)
At 31 March 2020	230,823	47,151	277,974

For the three-month period ended 31 March 2020, trade receivables written-off directly to statement of income amounted to P23.9 million (31 March 2019 direct recovery of P1.4 million) based on the Company's assessment of recoverability.

(c) *Neither past due nor impaired*

The credit quality of trade receivables from third parties at 31 March 2020 and 31 December 2019 that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates:

Trade receivables (counterparties with internal credit rating)	31 March 2020	31 December 2019
A	720,707	1,141,113
B	1,686,363	1,915,455
C	4,672,672	5,582,695
D	1,598,140	1,759,485
Total trade receivables	8,677,882	10,398,748

- A Customers with strong financial performance and with low probability of default.
- B Customers with good financial strength but with some elements of risk in one or more financial or non-financial inputs.
- C Customers with low credit risk and balance is secured with post-dated checks and other collaterals.
- D Customers with a medium risk of default, however, concerned group of customers have been historically able to faithfully settle their balances. The receivables are deemed performing hence impairment provision is not necessary.

Trade and non-trade receivables from related parties are all current in age. The other classes and remaining balances within trade and other receivables do not contain impaired assets.

There are no receivables that are neither past due nor impaired that have been renegotiated for the three-month period ended 31 March 2020 and for the year ended 31 December 2019.

Note 4 - Inventories, net

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Crude oil and finished products, net	13,723,638	25,170,506
Materials and supplies, net	257,199	252,211
	<u>13,980,837</u>	<u>25,422,717</u>

Details of and changes in allowance for inventory write-down and obsolescence as at and for the three-month period ended 31 March 2020 and for the year ended 31 December 2019 are as follows:

	Crude oil and finished products	Materials and supplies	Total
At 1 January 2019	152,656	-	152,656
Provision, net	10,994	-	10,994
At 31 December 2019	163,650	-	163,650
Provision, net	2,181,348	-	2,181,348
At 31 March 2020	<u>2,344,998</u>	<u>-</u>	<u>2,344,998</u>

The provision for inventory resulting from the write-down of crude and finished products to net realizable value, driven by the decline in global oil prices amounted to P2,330.3 million and P14.6 million relates to obsolescence of finished products as at 31 March 2020 (31 December 2019 – P136.3 million and P27.4 million).

Of the total amount of inventories, the inventories with a value of P5,992.1 million as at 31 March 2020 (31 December 2019 – P4,283.6 million) are carried at net realizable value, this being lower than cost which approximates the inventories fair value less cost to sell.

Cost of inventories included as part of cost of sales amounted to P41.7 billion for the three-month period ended 31 March 2020 (31 March 2019 – P36.0 billion).

Note 5 - Prepayments and other current assets

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Prepaid specific tax (a)	729,669	756,806
Prepaid corporate income tax (b)	887,456	226,863
Input value added tax (VAT), net of Output VAT (c)	264,609	192,587
Advance rentals	267,998	153,997
Derivatives (d)	341,804	3,715
Prepaid duties and taxes	4,330	5,438
Deposits	1,077,259	121,793
Others	61,279	39,042
	<u>3,634,404</u>	<u>1,500,241</u>

(a) *Prepaid specific tax*

These are excise tax deposits made to the BIR and utilized upon removal of taxable products from the refinery.

(b) *Prepaid corporate income tax*

Creditable withholding taxes, which are claimed against income tax due, represent amounts that were withheld from income tax payments and carried over in the succeeding period for the same purpose.

(c) *Input VAT, net of output VAT*

Input VAT represents the taxes paid on purchases of goods and services which can be recovered as tax credit against future output VAT liability of the Company.

(d) *Derivatives*

The Company enters into commodity forward contracts to hedge the commodity price risks arising from its crude oil and other oil products requirements. As at 31 March 2020, the notional principal amount of the outstanding commodity forward contracts amounted to P7.9 billion (31 December 2019 – P0.5 billion). As at 31 March 2020, the fair value of the derivative assets from outstanding commodity forward contracts amounted to P341.8 million (31 December 2019 – P3.7 million).

For the three-month period ended 31 March 2020, the Company's fair value of settled derivatives amounted to loss of P889.3 million (31 March 2019 – gain of P220.7 million).

For the three-month period ended 31 March 2020, net fair value changes of the outstanding commodity forward contracts amounting to a loss of P100.0 million (31 March 2019 – gain of P0.7 million) were recognized in 'Other operating income, net'.

Note 6 - Long-term receivables, rentals and investments, net

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Advance rentals	134,504	135,798
Customer Grants (b)	30,193	36,783
Investments in associates (c)	45,352	30,532
	210,049	203,113
Long-term receivables (a)	6,207,077	4,828,278
Provision for impairment of long-term receivables	(409,142)	(408,542)
	5,797,935	4,419,736
	6,007,984	4,622,849

(a) *Long-term receivables*

Long-term receivables include claims from government agencies amounting to P6.1 billion as at 31 March 2020 (31 December 2019 – P4.7 billion) representing the amount to be recovered from the government on various taxes paid. Included in this P6.1 billion is P1.1 billion of excise duties and VAT paid under protest for Alkylate shipment. The management has assessed that its recoverability is beyond 12 months from the reporting date and hence has been classified as non-current for the three-month period ended 31 March 2020 and year ended 31 December 2019.

As at 31 March 2020, long-term receivables of P409.1 million (31 December 2019 – P408.5 million) were impaired and fully provided.

Movements in provision for impairment of long-term receivable is as follows:

	Other long-term receivables
At 1 January 2019	408,992
Provision	-
Reclassification	-
Reversal	(450)
At 31 December 2019	408,542
Write off	600
At 31 March 2020	409,142

As at 31 March 2020 and 31 December 2019, there are no other long-term receivables that are past due but not impaired. 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 carrying value of each class of receivable mentioned above. The carrying amount of long-term receivables approximate their fair value.

(b) *Customer Grants*

Customer grants consist of business development funds used to help customers expand their operations. The payments of the funds are secured by long-term sales contracts with the customers. The carrying amount of customer grant approximate their fair value.

(c) *Investments in associates*

	31 March 2020	31 December 2019
Cost	23,073	23,073

Bonifacio Gas Corporation is an entity engaged in wholesale distribution of LPG and was established to operate a centralized gas distribution system within the Bonifacio Global City. Kamayan Realty Corporation is an entity engaged in leasing and selling of real properties.

There are no contingent liabilities relating to the Company's interest in the associates.

Note 7 - Provision for income tax; deferred tax assets/(liabilities)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Deferred income tax assets (liabilities)		
Asset retirement obligation	429,487	420,811
Unamortized past service cost, net	161,325	174,590
IFRS16 Lease Liability & Lease straight lining accrual	498,454	394,807
Provision for remediation costs	78,821	88,266
Provision for doubtful debts	201,765	208,495
Share-based compensation	22,122	22,122
Provision for inventory losses	720,422	66,018
Unrealized foreign exchange gain	(111,139)	(117,160)
Unrealized mark-to-market gain	29,469	(521)
Prepaid duties and taxes	(609,047)	(595,203)
Retirement benefit asset	(1,905,376)	(1,905,376)
Other provisions	241,087	243,036
Minimum corporate income tax (MCIT) – Recognition	1,594,776	-
Net deferred income tax	1,352,166	(1,000,115)

The gross movements in net deferred income tax (liabilities) assets are as follows:

	31 March 2020	31 December 2019
At 1 January	(1,000,115)	(693,574)
Credited to profit and loss	2,354,480	(236,279)
Credited to other comprehensive income	(2,199)	(70,262)
Application of excess MCIT	-	-
At 31 March 2020 and 31 December 2019	1,352,166	(1,000,115)

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's Management has considered these factors in arriving at its conclusion that the deferred income tax assets as at 31 March 2020 and 31 December 2019 are fully realizable.

Year of incurrence	Year of expiration	NOLCO			MCIT		
		2020	2019	2018	2020	2019	2018
2013	2016	-	-	-	-	-	-
2014	2017	-	-	-	-	-	-
2015	2018	-	-	-	-	-	-
2016	2019	-	-	-	-	-	-
2018	2021	-	-	-	-	-	-
2019	2021	-	-	-	-	-	-
2020	2023	5,315,919	-	-	-	-	-
		5,315,919	-	-	-	-	-
Expired		-	-	-	-	-	-
Applied		-	-	-	-	-	-
		5,315,919	-	-	-	-	-
Tax rate		0.30	-	-	-	-	-
		1,594,776	-	-	-	-	-

The Company was granted an income tax holiday (ITH) in line with its registration as an existing industry participant with new investments in the modernization of the Tabangao Refinery with the Board of Investments (BOI) in 09 May 2014 to produce Euro IV products. BOI issued a Certificate of ITH Entitlement on 03 April 2017 for the taxable year 2016.

On 20 December 2017, the Company filed its ITH segmented statement of income to recognize the ITH benefits from 2016 results of operations. This resulted to a change in the income tax position of the Company from RCIT to MCIT. Further, on 19 September 2018, the company filed revised segmented financial statements in line with the BOI requirement for its ITH application. The Company availed the ITH benefit to arrive at the income tax liability as of 31 March 2020 and 31 December 2019.

The details of provision for income tax for the three-month period ended 31 March 2020 and 2019 are as follows:

	31 March 2020	31 March 2019
Current	6,420	745,535
Deferred	(2,354,480)	54,340
	(2,348,060)	799,875

The reconciliation of provision for income tax computed at the statutory rate to actual provision for income tax shown in the statements of income is shown below:

	31 March 2020	31 March 2019
Income tax at statutory income tax rate at 30%	(2,368,271)	939,584
Income tax effect of:		
Non-deductible expenses	40,108	928
Limitation on deductible interest expense	50	46
Interest income subjected to final tax	(153)	(139)
Non-taxable income	(25,396)	(141,903)
Income subjected to 8% final tax	(818)	(822)
Provision for income tax before final taxes	(2,354,480)	797,694
Final taxes on interest and other charges	6,420	2,181
Provision for income tax at effective tax rate	(2,348,060)	799,875

Note 8 – Right of use lease assets

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Cost	17,621,792	16,069,284
Accumulated depreciation	(3,807,621)	(3,420,188)
Net carrying amount	13,814,171	12,649,096

Note 9 - Other assets, net

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Pension asset	6,375,063	6,441,783
Equity through OCI (a)	596,697	584,107
Deferred input VAT (b)	123,561	123,013
Intangible assets (c)	101,908	103,422
	7,197,229	7,252,325

(a) *Equity through OCI*

Equity through OCI mainly represent equity securities and proprietary club shares which are carried at fair value. Details of the account as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Cost		
As at 01 January	26,800	26,800
Reclassified to intangible asset	-	-
As at 31 December	26,800	26,800
Fair value adjustments recognized directly in other comprehensive income		
1 January	557,307	489,907
Changes during the period	12,590	67,400
	569,897	557,307
31 March 2020 and 31 December 2019	596,697	584,107
Current portion	-	-
Non-current portion	596,697	584,107

The Company does not intend to sell equity instruments within 12 months from 31 March 2020 and 31 December 2019.

(b) *Deferred Input VAT*

Deferred input VAT will be recovered 12 months after reporting date. Hence, the same is presented as non-current asset as at 31 March 2020 and 31 December 2019.

(c) *Intangible asset*

Intangible asset consists of program software and others. As at 31 March 2020 and 31 December 2019 the movements in the accounts for the years consist of:

	31 March 2020	31 December 2019
At cost		
1 January	1,003,459	950,323
Reclassifications from AUC	-	53,136
Reclassification from available for sale financial assets	-	-
Write off	-	-
Balance at the end	1,003,459	1,003,459
Accumulated amortization		
1 January	(900,037)	(894,597)
Amortization for the period	(1,514)	(5,440)
Write off	-	-
Balance at the end	(901,551)	(900,037)
Net book value	101,908	103,422

Note 10 – Trade and other payables

The account as at 31 March 2020 and 31 December 2019 consists of:

	31 March 2020	31 December 2019
Trade Payables		
Third parties	6,825,391	6,595,947
Related parties	7,495,054	15,800,160
	14,320,445	22,396,107
Non-trade payables from related parties	222,077	473,463
Other payables		
Rent and utilities	312,139	305,242
Project-related costs and advances	2,030,088	2,593,866
Employee benefits	122,463	450,909
Provision for remediation	147,698	179,184
Supply and distribution	149,363	218,860
Advertising and promotions	233,383	340,556
Duties and taxes	146,925	158,180
Lease liabilities	1,324,490	1,581,846
Derivatives (a)	440,033	1,979
Others (b)	922,969	983,961
	20,372,073	29,684,153

(a) As at 31 March 2020, the fair value of the derivative liabilities from outstanding commodity forward contracts amounted to P440.0 million (31 December 2019 – P2.0 million).

(b) Others include the current portion of asset retirement obligation and various other accruals.

Note 11 - Short-term loans

As at 31 March 2020, unsecured short-term loan amounted to P14,591.7 million with tenure ranging from 21 to 360 days. The loans are intended solely for working capital requirements and corporate expenses.

As at 31 December 2019, unsecured short-term loan amounted to P9,752.0 million with tenure ranging from 6 to 11 days. The loans are intended solely for working capital requirements and corporate expenses.

The average interest rate on local borrowings for the three-month period ended 31 March 2020 was 3.78% (31 March 2019 – 5.26%). Total interest expense charged to operations for the three-month period ended 31 March 2020 arising from short-term loans amounted to P111.5 million (31 March 2019 – P81.0 million).

Note 12 – Long-term debt

Details of the loan agreements with Bank of the Philippine Islands (BPI) as at 31 March 2020 and 31 December 2019 follow:

31 March 2020	31 December 2019	Interest	Terms
9,000,000	9,000,000	3.67% as at 31st March 2020 effective until next re-pricing	Payable after sixty (60) months reckoned from the drawdown date on 08 March 2018. Principal is payable in lump sum at maturity date 08 Mar 2023. Interest is re-priced every three (3) months.

31 March 2020	31 December 2019	Interest	Terms
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Total interest expense charged to operations for the three-month period ended 31 March 2020 arising from these loans amounted to P83.51 million (31 March 2019 – P132.8 million).

There are no borrowings related to acquisition, construction or production of a qualifying asset as at 31 March 2020 and 31 December 2019. The borrowings are intended solely for working capital requirements.

There are no collaterals pledged as security against these borrowings.

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 in subordinated 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 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 reporting periods presented.

Note 13 - Share capital; Treasury shares; Share premium

Capital stock and treasury shares as at 31 March 2020 and 31 December 2019 consist of:

	31 March 2020		31 December 2019	
	Number of shares	Amount	Number of shares	Amount
Authorized capital stock, common shares at P1 par value per share	2.5 billion	2,500,000	2.5 billion	2,500,000
Issued shares	1,681,058,291	1,681,058	1,681,058,291	1,681,058
Treasury shares	(67,614,089)	(507,106)	(67,614,089)	(507,106)
Issued and outstanding shares	1,613,444,202	1,173,952	1,613,444,202	1,173,952

As at 31 March 2020, the Company has 319 shareholders, excluding treasury shares, (31 December 2019 - 320), 282 of whom hold at least 100 shares of the Company's common shares (31 December 2019 - 283).

Note 14 - Retained earnings; Dividends

Retained earnings as at 31 March 2020 and 31 December 2019 consist of:

	31 March 2020	31 December 2019
Unappropriated retained earnings, unadjusted	3,860,642	9,406,819
Re-measurement gains on net defined benefit obligation, net of tax, closed to retained earnings	2,589,192	2,589,192
PFRS16 Deferred tax	(58,031)	(58,031)
Unappropriated Retained Earnings	6,391,803	11,937,980

At the Regular Meeting of the Board held on 21 March 2019, the Board approved the distribution of cash dividend to stockholders on record as of 5 April 2019 amounting to P4.8 billion out of the unrestricted retained earnings available for cash dividends as of 31 December 2018.

Cash dividends declared and paid in 2020 and 2019

Date		Paid	Per share	2019
Declared				
21 March 2019	05 April 2019		3.00	4,840,333
				4,840,333

As at 31 March 2019, cost of treasury shares, the accumulated earnings of its associates and unrealised mark-to-market gains are not available for dividend declaration. As at 31 March 2019, the dividend declared is unpaid and presented as part of dividend payable, the same has been paid on 30 April 2019.

Note 15 - Earnings per share

Computation of earnings per share (EPS) for the three-month period ended 31 March follow:

	YTD 1Q 2020	YTD 1Q 2019
Earnings available to stockholders:		
Profit for the period	(5,546,177)	2,332,072
Weighted average number of shares	1,681,058,291	1,681,058,291
Treasury shares	(67,614,089)	(67,614,089)
	1,613,444,202	1,613,444,202
Basic and diluted EPS	(3.44)	1.45

As at 31 March 2020 and 2019, the Company does not have any potentially dilutive stocks.

Trailing Earnings per share

	2020 (Trailing 12 months)	2019 (Trailing 12 months)
Earnings available to stockholders:		
Profit for the period	(2,226,582)	5,086,115
Weighted average number of shares	1,681,058,291	1,681,058,291
Treasury shares	(67,614,089)	(67,614,089)
	1,613,444,202	1,613,444,202
Basic and diluted EPS	(1.38)	3.15

Trailing 12 months Earnings/(Loss) per Share (Basic) = Trailing 12 months Net Income/(Loss) – Dividends Paid on Preferred Stock/Weighted Ave. No. of Common Shares Outstanding.

Trailing 12 months Net Income/(Loss) = Current Year-to-date Net Income/(Loss) + Latest Annual Net Income/(Loss) – Previous Year-to-date Net Income/(Loss).

Note 16 – Classification of other operating and non-operating income and finance expense

	YTD 1Q 2020	YTD 1Q 2019
Other operating income	242,345	414,874
Other operating expense	(1,026,749)	(16,388)
Other operating income, net	(784,404)	398,486
Finance income	286,770	83,261
Finance expenses	(766,449)	(552,231)
Finance expenses, net	(479,679)	(468,970)

Other operating income, net comprises rental income and franchise commission from non-fuel retail business, mark to market loss or gain from hedge settlements, loss on disposal of fixed assets and others.

Note 17 – Contingencies

- (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
SC G.R. Nos. 227651 & 227087
Filed 03 December 2009**

Matter Summary:

From 2004 to 2009, the Company imported shipments of CCG and LCCG into the Philippines in accordance with the BIR Authority to Release Imported Goods (ATRIG) stating that the importation of CCG and LCCG is not subject to excise tax. Upon payment of VAT as assessed in the ATRIGs, the Bureau of Customs (BOC) allowed the entry of the imported CCG and LCCG without payment of excise tax. CCG and LCCG, being intermediate or raw gasoline components, are then blended with refinery products to produce unleaded gasoline that is compliant with applicable Philippine regulatory standards, particularly the Clean Air Act of 1999 and the Philippine National Standards (the “resulting product”). Prior to the withdrawal of the resulting product from the Company’s refinery, the Company paid the corresponding excise taxes.

In 2009, the District Collector of the Port of Batangas issued a letter demanding from the Company the payment of deficiency excise tax, VAT and penalties covering importation entries from 2006 to 2008. The Company requested the cancellation of the demand letter for lack of factual and legal basis. The District Collector of the Port of Batangas denied the request of the Company and declared that the law mandated the payment of excise tax on importation of unleaded gasoline and that it made no distinction or qualification on whether or not it was for consumption or sale to the domestic market. The District Collector of the Port of Batangas then reiterated his previous demand and threatened enforcement of Section 1508 of the Tariff and Customs Code of the Philippines (TCCP) which would hold the delivery or release of imported articles when an importer has an outstanding and demandable account.

The Company appealed before the Commissioner of Customs (COC). In the meantime, the Director of the DOE-Oil Industry Management Bureau issued a letter reiterating the earlier DOE finding that CCG and LCCG imports were raw materials or blending components in the production or processing of gasoline in its finished form. The then BIR Commissioner issued a memorandum confirming and reiterating the initial ruling in 2004 to the effect that CCG and LCCG are intermediate products or blending components which are not subject to excise tax under Section 148 of the NIRC.

The COC denied the appeal of the Company and demanded the payment of excise tax and VAT for the Company’s CCG and LCCG importations this time from 2004 to 2009. The Company filed a motion for reconsideration of the Letter-Decision, which was denied by the COC. The COC then ordered the Company to pay the principal amount of P7.35 billion and pay the excise tax and VAT on all incoming CCG and LCCG shipments.

The Company thereafter filed a petition for review with the Court of Tax Appeals (CTA) for the purpose of appealing the ruling of the COC as well as to apply for the issuance of a temporary restraining order (TRO) to immediately prevent the COC from seizing future shipments of the Company pursuant to Section 1508 of the TCCP. The Company likewise applied for the issuance of a suspension order for the purpose of ensuring the preservation of the status quo while the merits of the appeal are being heard by the CTA.

While the case was pending in the CTA, the BIR Commissioner at that time issued on 15 December 2009 a Letter-Ruling declaring that the CCG and LCCG imports of the Company were subject to excise tax on the ground that the law did not make any distinction or qualification on whether or not the imports were intended for consumption or for blending with other substances. The ruling effectively reversed the earlier rulings of former BIR Commissioners.

Following the reversal of the ruling by the BIR Commissioner, the BOC started collecting excise taxes in January 2010 on shipments of the Company. The Company paid the BOC assessments under protest and on 27 January 2010, filed a Supplemental Petition seeking to annul the 15 December 2009 ruling by the BIR Commissioner.

In view of the paramount public interest, the government agreed not to exercise Section 1508 of the TCCP on condition that the Company posts a surety bond.

On 04 March 2010, the CTA approved the surety bond posted by the Company and enjoined the COC, the Collector of Customs at the Port of Batangas, the BOC and all persons acting under their direction or authority from undertaking any actions under Section 1508 of the TCCP and/or from all remedies to collect from petitioner the excise taxes and VAT, with increments, subject of the case.

On 27 November 2012, the CTA 3rd Division issued a Resolution granting the Company's Motion for Summary Judgment. The Court deemed that BOC's demand for the payment of excise taxes on importations of LCCG/CCG during the period 2004 to 2009 without merit, rendering the discussion on whether the CCG/LCCG are properly classified (under Section 148(e) or Section 148(f) of the NIRC, as amended) moot and academic. The CTA 3rd Division ruled in favour of the Company and respondent was prohibited from collecting the alleged unpaid excise taxes and VAT thereon, on the Company's importations of CCG/LCCG for the relevant periods in 2004 to 2009.

The BOC filed a Petition for Review with the CTA en banc. Meanwhile, the Company 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 - first, upon importation and the other upon withdrawal of the finished grade products from the refinery.

In its 28 September 2015 decision, the CTA en banc reversed the CTA Third Division, ruled partially in favour of the BOC and the BIR and held that the Company is liable to pay excise taxes and VAT on the importation of CCG and LCCG but only for the period from 2006 to 2009. The CTA en banc recognized the Company's defense of amnesty applied for periods from 2004 to 2005, thereby partially reducing the liability to shipments made from 2006 to 2009. Both parties filed motions for reconsideration of the CTA en banc decision. The BIR and BOC filed an Omnibus Motion for Partial Reconsideration and Clarification to question the decision of the CTA en banc in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2004 and 2005. The Company, in turn, filed an Opposition to the said motion. The Company likewise filed a motion for reconsideration of the CTA en banc decision in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2006 to 2009.

On 21 September 2016, the Company received an Amended Decision of the CTA en banc upholding its 28 September 2015 ruling and holding that the Company is liable to pay the Government for alleged unpaid taxes for the importation of CCG and LCCG for the period from 2006 to 2009 totalling P5.72 billion.

On 06 October 2016, the Company filed the appropriate appeal with the Supreme Court. The BOC and the BIR also filed their Petition for Review on Certiorari seeking to bring back the liability of the company to P7.35 billion plus interest and surcharges.

Status:

The Supreme Court consolidated the said petitions and the parties have filed their respective Comments. The Government and the Company filed their Reply on 22 January 2018 and 06 June 2018, respectively. On 6 March 2020, the Office of the Solicitor General filed a Motion for Early Resolution. The Company subsequently filed a motion for leave to file an opposition on 23 March 2020.

Management believes that provision should not be recognized since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong. The Company continues to take appropriate legal action and remediation with respect to such case.

(b) *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, 2nd Division

Filed 24 August 2012

Matter Summary:

Following the ruling of the BIR authorizing the collection of excise taxes on CCG/LCCG importations, the Company began importing Alkylate as its blending component. The COC issued Customs Memorandum Circular No. 164-2012 directing the BOC and its officers to take the "appropriate action" in relation to BIR Ruling dated 29 June 2012 (Ruling No. M-059-2012) issued by the BIR Commissioner. In the ruling dated 29 June 2012, the BIR Commissioner held that Alkylate is also subject to excise tax upon importation. The BIR Ruling further held that the Company is liable for the amount of P1.9 billion representing the unpaid taxes, on the importations of Alkylate from 2010.

A Petition for Review of the BIR ruling was filed with the CTA. On 18 September 2012, the Company filed a Motion for the Issuance of a Suspension Order to stop the implementation of Ruling No. M-059-2012.

On 22 October 2012, the CTA issued a Resolution approving the issuance of a Suspension Order stopping the collection of alleged deficiency excise taxes (and VAT) for the period from 2010 to June 2012, upon the posting by the Company of a surety bond. Said bond was duly filed and the CTA approved the same on 30 October 2012.

In a Resolution dated 28 January 2013, the CTA denied the BIR/BOC Motion to Dismiss the case. Subsequent appeals (Petitions for Certiorari) from the denial of the Motion to Dismiss have been filed by the BOC and the BIR with Supreme Court.

On 02 June 2014, the Company filed a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the SC questioning the denial of its application for the issuance of a suspension order against the assessment and collection of excise taxes on its March 2014 alkylate shipment. On 7 July 2014, the SC issued a temporary restraining order enjoining the CTA and the tax-collecting agencies of the government from imposing excise taxes on incoming alkylate importations of the Company.

Meanwhile, in the main case before the CTA, on 31 July 2014, the Company filed a Motion for Judgment on the Pleadings. This Motion was denied by the tax court on 13 February 2015. On 16 March 2015, the Company filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

As disclosed in Note 6, the Company has excise duties and VAT paid under protest amounting to P1.1 billion for certain Alkylate shipments.

Status:

Trial on the merits is pending with the Court of Tax Appeals ("CTA"). Jurisdictional issues are pending with the Supreme Court. No change in status as of April 2020.

Republic of the Philippines rep. by Bureau of Customs vs. Pilipinas Shell Petroleum Corporation & Filipino Way Industries
SC G.R. No. 209324 Supreme Court
Civil Case No. 02-103191, Regional Trial Court of Manila

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 the company. The Company then utilized said TCCs to settle its customs duties and taxes on oil importations. WA

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 the Company's importations.

The Court of Appeals had earlier upheld the dismissal of the case by the RTC Manila Branch 49 that dismissed the case. In a Decision dated 09 December 2015, the Supreme Court remanded the case to the RTC for the conduct of the trial proceedings so that the Bureau of Customs could attempt to prove the alleged fraudulent acquisition and use of TCCs.

Status:

The court turned down PSPC's motion for reconsideration from the denial of the demurrer to evidence. Hearings for the presentation of evidence have been concluded. Status hearing to be reset in view of the community quarantine being implemented.

(d) *Excise Tax Refund Case*

There are also tax cases filed by the Company for its claims from the government amounting to P733.1 million that are pending as at 30 June 2018 and 31 December 2017 in the CTA and SC. Management believes that the ultimate outcome of such cases will not have a material impact on the Company's financial statements.

(e) *Other significant case*

Case filed by the West Tower Condominium Corporation (WTCC)

West Tower Condominium Corp. et al. vs. Judge Elpidio R. Calis et al
SC G.R. No. 215901, Supreme Court
Filed 11 June 2012

Matter Summary:

The Company 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:

In a Decision dated 30 June 2014, the Court of Appeals affirmed the ruling of the Regional Trial Court requiring the payment of filing fees. FPIC and its Board of Directors and Officers asked the Court of Appeals to reconsider the part of its Decision retaining the party-complainants previously dropped as parties to the case arguing that the court has no jurisdiction to reinstate these party-complainants. West Tower Condominium Corporation, et al. filed its Motion for Reconsideration arguing that they have satisfied all the requirements in order that this case may be treated as an environmental case which does not necessitate the payment of the filing fees.

On 26 September 2014, the Company asked the Court of Appeals to deny the motion for reconsideration filed by West Tower Condominium Corporation, et al. for lack of merit. In its resolution dated 11 December 2014, the Court of Appeals denied the motion for reconsideration filed by the West Tower Condominium Corporation, et al. West Tower Condominium Corporation, et al.'s filed with the Supreme Court the present petition dated 11 February 2015 seeking a review of the decision of the Court of Appeals. The Company has filed its Comment with Opposition dated 18 September 2015 asking the Supreme Court to dismiss the petition and to deny the application for a temporary restraining order. Awaiting Supreme Court's action. No change in status as of April 2020.

Note 18 - Deregulation Law

On 10 February 1998, RA No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act 1998 (the "Act") was signed into law. The law provides, among others, for oil refiners to list and offer at least 10% of their shares to the public within three years from the effectivity of the said law.

In a letter to the Department of Energy (DOE) dated 12 February 2001, the Department of Justice (DOJ) rendered an opinion that the 3 year period in Section 22 of RA 8479 for oil refineries to make a public offering is only directory and not mandatory. As to when it should be accomplished is subject of reasonable regulation by the DOE.

On 3 November 2016, the Company became a publicly-listed company with the Philippine Stock Exchange, in compliance with Philippine Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 and it's implementing rules and regulations.

Note 19 - Summary of significant accounting policies

19.1 Basis of preparation

Basis of Preparation:

The accompanying financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivatives which have been measured at fair value. The financial statements are presented in Philippine peso, the functional and presentation currency of the Company. All amounts are rounded off to the nearest thousand peso unit unless otherwise indicated.

Statement of Compliance:

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures:

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS. which were adopted as at 01 January 2020.

- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- PFRS 16, Leases
- Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
- Annual Improvements to PFRSs 2015-2017 Cycle
 - Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation
 - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
 - Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization

Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Company.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material Deferred effectivity*
- Amendments to PFRS 10, *Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

19.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. As at 31 March 2020 and 31 December 2019, there are no financial assets and financial liabilities that were offset.

Note 20 - Financial risk management

20.1 Financial risk factors

The Company's operations expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest risk, and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by its Regional Treasury - Shell Treasury Centre East (STCE) under policies approved by the Board of Directors. STCE identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

20.1.1 Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or the prices of crude oil and refined products will adversely affect the value of the Company's assets, liabilities or expected future cash flows.

i. Foreign exchange risk

The Company operates internationally and is exposed to foreign currency exchange risk arising from currency fluctuations, primarily with respect to the importations of crude and finished products denominated in US dollar. Foreign currency exchange risk may also arise from future commercial transactions and recognized assets and liabilities denominated in a currency other than the Company's functional currency.

Foreign exchange currency risks are not hedged and the Company does not enter into significant derivative contracts to manage foreign currency risks. Since foreign currency exposure is significantly concentrated on purchase of crude, the Company manages foreign currency risk by planning the timing of its importation settlements with related parties and considering the forecast of foreign exchange rates.

Management considers that there are no significant foreign exchange risks with respect to other currencies.

ii. Cash flow and fair value interest rate risk

Cash flow and fair value interest risk is the risk that future cash flows and fair value, respectively, of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant exposure to fair value interest rate risk as the Company has no significant interest-earning assets and interest-bearing liabilities subject to fixed interest rates.

The Company's interest-rate risk arises from its borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. As at 31 March 2020 and 31 December 2019, the Company's short-term borrowings and loans payable carry floating rates based on a certain index plus applicable premium.

The Company does not enter into significant hedging activities or derivative contracts to cover risk associated with borrowings.

For the year ended 31 March 2020, if interest rates on Philippine peso-denominated borrowings had been 100 basis points (assessment threshold used by management) higher/lower with all other variables held constant, post-tax profit for the year would have been P165.1 million (31 December 2019 – P65.0 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. Management uses 100 basis points as threshold in assessing the potential impact of interest rate movements in its operations.

iii. Commodity and Other Price risks

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company is affected by price volatility of certain commodities such as crude oil required in its operating activities. To minimize the Company's risk of potential losses due to volatility of international crude and petroleum product prices, the Company may implement commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risk of downward prices and squeezing margins. This allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Company, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

The Company is not significantly exposed to price risk on equity securities and proprietary club shares as investments held by the Company classified in the statement of financial position as available-for-sale financial assets are not considered material in the financial statements.

20.1.2 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to trade and non-trade receivables.

The Company maintains cash and certain other financial instruments with various major financial institutions. To minimize this risk, the Company performs periodic evaluations of the relative credit standing of these financial institutions and where appropriate, places limits on the amount of credit exposure with any one institution. Additional information is presented in Note 2.

The Company has policies in place to ensure that sales of products are made to customers with acceptable creditworthiness. Counterparty credit risk is managed within a framework of individual credit limits with utilization being regularly reviewed. Credit checks are performed by a department independent of sales department and are undertaken before contractual commitment. Where appropriate, cash on delivery terms are used to manage the specific credit risk. Also, there are collaterals and security deposits from customers taken which enables to manage the risk.

There is no concentration of credit risks as at statement of financial position dates as the Company deals with a large number of homogenous trade customers. Additional information is presented in Note 3.

Where there is a legally enforceable right to offset under trading agreements and net settlement is regularly applied, the net asset or liability is recognized in the statement of financial position, otherwise assets and liabilities are presented at gross. As at 31 March 2020 and 31 December 2019, the Company has the following:

	Gross amounts before offset	Amounts offset	Net Amounts as presented	Credit enhancement	Net amount
31 March 2020					
<u>Financial assets:</u>					
Receivables	11,054,841	-	11,054,841	5,037,947	6,016,894
31 December 2019					
<u>Financial assets:</u>					
Receivables	12,589,703	-	12,589,703	1,237,171	11,352,532

20.1.3 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.

Availability of funding to settle the Company's payables are ensured since the Company has unused credit lines and undrawn borrowing facilities at floating rate amounting to over P60 billion as at 31 March 2020 (31 December 2019 – P62.1 billion) which is expiring within one year.

20.2 Capital management

The Company manages its business to deliver strong cash flows to fund capital expenditures and growth based on cautious assumptions relating to crude oil prices. Strong cash position and operational cash flow provide the Company financial flexibility both to fund capital investment and return on equity. Total capital is calculated as 'equity' as shown in the balance sheet less other reserves plus net debt.

i. Cash flow from operating activities

Cash flow from operating activities is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value for shareholders from the Company's operations. The statement of cash flows shows the components of cash flow. Management uses this analysis to decide whether to obtain additional borrowings or additional capital infusion to manage its capital requirements.

ii. 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 repurchase. The Company aims to maintain an efficient statement of financial position 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.

The Company does not have a fixed gearing target and management considers whether the present gearing level is commercially acceptable based on 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 2020 and 31 December 2019 are as follows:

	Note	31 March 2020	31 December 2019
Total loans and borrowings	11,12	23,591,738	18,752,000
Less: cash	2	3,797,227	4,778,877
Net debt		19,794,511	13,973,123
Total equity (excluding other reserves)	13,14	33,727,491	39,273,668
Total Capital		53,522,002	53,246,791
Gearing ratio		37%	26%

The Company is not subject to externally imposed capital requirement.

20.3 Fair value estimation

The table below presents the carrying amounts of the Company's financial assets and financial liabilities, which approximates its fair values, as at 31 March 2020 and 31 December 2019:

	Notes	31 March 2020	31 December 2019
Financial assets			
Loans and receivables			
Cash	2	3,797,227	4,778,877
Receivables	3	11,054,841	12,589,703
Derivatives	5	341,804	3,715
Customer grants	6	30,193	36,783
Long-term receivables	6	139,274	198,510
Equity through OCI	9	596,697	584,107
Total financial assets		15,960,036	18,191,695
Financial liabilities			
Other financial liabilities			
Trade and other payables	10	19,785,115	29,523,994
Dividends payable		17,062	17,054
Derivatives	10	440,033	1,979
Cash security deposits		286,393	280,058
Short-term loans	11	14,591,738	9,752,000
Long-term debt, net of current portion	12	9,000,000	9,000,000
Total financial liabilities		44,120,341	48,575,085

Receivables in the table above exclude miscellaneous receivables and Long-term receivables exclude claims from the government while accounts payable and accrued expenses exclude amounts payable to the government and its related agencies.

The following methods and assumptions were used to estimate the value of each class of financial instrument for which it is practicable to estimate such value:

i. Current financial assets and liabilities

Due to the short-term nature of the accounts, the fair value of cash and cash equivalents, receivables, deposits, accounts payable (excluding derivative financial liabilities) and short-term borrowings approximate the amount of consideration at the time of initial recognition.

ii. Financial assets and liabilities carried at cost

Staff car loans, market investment loans, other long-term receivables and payables, are carried at cost which is the repayable amount.

iii. Financial assets and liabilities carried at fair value

The Company's equity securities classified as available-for-sale financial assets are marked-to-market if traded and quoted. The predominant source used in the determining the fair value of the available-for-sale financial assets is the quoted price and is considered categorized under Level 1 of the fair value hierarchy.

For unquoted equity securities, the fair values could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of carrying at a reliable fair value. These are carried at cost less any allowance for impairment losses. These are not significant in relation to the Company's portfolio of financial instruments.

Fair values of derivative assets and liabilities are calculated by reference to the fixed price and the relevant index price as of the statement of financial position date. The fair values of the derivatives are categorized under Level 2 of the fair value hierarchy.

iv. Loans payable

The carrying values of long-term loans payable approximates their fair value because of regular interest reprising based on market conditions.

Note 21 – Changes in estimates of amounts

There were 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 22 – Issuances, repurchases, and repayments of debt and equity securities

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

Note 23 – Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

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

Note 24 – 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 were no changes of material amount in the composition of the Company during the interim period.

Note 25 – Changes in contingent liabilities or contingent assets

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

Note 26 – Existence of material contingencies

There were no material contingencies, events or transactions that existed that materially impact the current interim period except those disclosed in the contingencies note.

Note 27 – Other Matters

- a. The COVID-19 pandemic during the interim period had a material impact on the financial results of operations, further details have been provided as part of the MD&A.
- b. 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.
- c. There were no material or significant events during the reporting period that will trigger direct or contingent financial obligations that are material to Pilipinas Shell Petroleum Corporation except for the cases enumerated under Note 17 - Contingencies.
- d. There were 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.
- e. For the year 2019, a budget of P6.0 billion has been approved for capital expenditures. Bulk of the capital expenditures will be allocated mainly for establishment of new retail service stations and growth projects, and the improvement of existing supply and distribution sites.
- f. Global developments, particularly the volatility in oil prices, will continue to impact crude oil supply, both internationally and in the domestic market.
- g. There were no significant elements of income or loss that did not arise from the Company's continuing operations.

ITEM 2

Management's Discussion and Analysis of Financial Performance and Financial Condition

Impact of COVID-19 pandemic to business operations

The COVID-19 pandemic has disrupted business operations and affected people's way of living since the first case was reported on December 31, 2019. In the Philippines, the first case was confirmed by the Department of Health on January 30, 2020. The government has taken action to control the spread of the virus by convening an Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases, requiring class suspensions and imposing certain travel restrictions. On March 12, 2020, the government announced a Metro Manila-wide community quarantine. On March 16, 2020, this whole Luzon island was placed under enhanced community quarantine (ECQ). Under ECQ, malls and public establishments were closed, public transport via land, sea and air suspended, mass gatherings prohibited, and people were only allowed to leave their homes to access basic necessities (food, healthcare, finances, etc.). Further, only establishments and workers who provide these essential services are exempted from the ECQ. The Oil & Energy sector was classified as an essential service during the ECQ. Hence, Pilipinas Shell was able to continue to run its refinery and retail stations nationwide, ensuring the stable supply of fuel in the country. Following an initial extension to 30 April 2020, on April 24, 2020, the ECQ was further extended until May 15, 2020 for Metro Manila and several provinces in Luzon. Other provinces were placed under general community quarantine with certain restrictions lifted, particularly on certain sectors and industries that are allowed to operate.

Pilipinas Shell puts top priority on the health and safety of its people, customers and the community, along with the safe operations of all its businesses. Pilipinas Shell Petroleum Corporation, along with Shell companies of the Philippines and the Pilipinas Shell Foundation, has implemented Project Shelter which aims to ensure safety in business operations and extend aid to the communities where the companies operate. For more information on these initiatives, readers can visit <https://www.shell.com.ph/>.

During the ECQ and despite lower demand, Pilipinas Shell's operations continue. Sites follow and implement strict safety and health protocols. Partnership with delivery companies were established to help deliver non-fuels retail products to selected parts of the country. The Company leverages on its integrated supply chain and the support from the Shell Group to respond to the drastic changes in demand brought about by the pandemic.

Pilipinas Shell's profitability has been affected by the pandemic. As crude prices reached record-lows due to the breakdown of production cuts discussion between OPEC and Russia and product prices in the global and regional market decline, pre-tax inventory holding losses for the Company, reach P7,975.9 million for the quarter. While the refinery recorded high reliability in the quarter, its earnings were hampered by the further deterioration of regional refining margins as demand for oil products slow down globally. Marketing volumes posted 6% growth prior to the announcement of the ECQ, but decreased 34% in the second half of March.

Pilipinas Shell aims to maintain its strong balance sheet to manage uncertainties amid the COVID-19 crisis and crude oil price volatility. Several initiatives are being reviewed and implemented to preserve and generate cash. The Company plans to cut its capital investments and operating expenses to preserve cash for the year and lower its working capital requirements. Pilipinas Shell continues to monitor the situation and is prepared to seize opportunities as the world enters the "new normal".

The Statements of Financial Position and Statements of Income for the period ended 31 March 2020 and 2019, are shown in Million Philippine Pesos.

Financial condition as of the three-month period ended 31 March 2020 compared with the period ended 31 December 2019

	31 March 2020	31 December 2019	%Increase (decrease)
Current assets	34,087.8	47,469.4	-28.2%
Non-Current assets	59,324.2	55,450.0	7.0%
Total assets	93,412.0	102,919.4	-9.2%
Current Liabilities	34,980.9	39,453.2	-11.3%
Non-Current Liabilities	24,138.6	23,637.9	2.1%
Total Liabilities	59,119.5	63,091.1	-6.3%
Equity	34,292.5	39,828.3	-13.9%

Current assets

PSPC's current assets decreased from P47,469.4 million as of 31 December 2019 to P34,087.8 million as of 31 March 2020 primarily due to the following:

Cash decreased by 981.7 million, or 20.5% from P4,778.9 million as of 31 December 2019 to P3,797.2 million as of 31 March 2020 driven by lower cash from operations as COVID-19 outbreak and community quarantines adversely affected the industry starting March 2020.

Receivables decreased by P3,092.2 million or 19.6% from P15,767.6 million as of 31 December 2019 to P12,675.3 million as of 31 March 2020 as a result of decrease in trade receivables mainly driven by general decrease in global oil prices.

Inventories, net decreased by P11,441.9 million, or 45.0% from P25,422.7 million as of 31 December 2019 to P13,980.0 million as of 31 March 2020 driven by general decrease in prices of crude oil and finished products. Brent crude oil price decreased from ~\$67/bbl as of 31 December to ~\$26/bbl by end of March.

Prepayments and other current assets increased by P2,134.2 million, or 142.3% from P1,500.2 million as of 31 December 2019 to 3,634.4 million as of 31 March 2020 mainly driven by increase in prepaid corporate taxes coupled with increase in derivative financial assets.

Non-Current Assets

PSPC's non-current assets increased from P55,450.0 million as of 31 December 2019 to P59,324.2 million as of 31 March 2020 primarily due to the following:

Right of use asset of increased by 1,165.1 million or 9.2% from 12,649.1 as of 31 December 2019 to 13,814.2 as of 31 March 2020 primarily driven by renewal of lease contracts.

Long-term Receivables, rentals and investments, net increased by P1,385.2 million, or 30.0% from P4,622.8 million as of 31 December 2019 to P6,008.0 million as of 31 March 2020 mainly due to increase in excise duty claims.

Current Liabilities

PSPC's current liabilities decreased from P39,453.2 million as of 31 December 2019 to P34,980.9 million as of 31 March 2020 primarily due to the following:

Short-term loans increased by P4,839.7 million from P9,752.0 million as of 31 December 2019 to P14,591.7 million as of 31 March 2020 primarily due to higher short-term bridge-financing requirements.

Trade and other payables decreased by P9,312.1 million, or 31.4% from P29,684.2 million as of 31 December 2019 to P20,372.1 million as of 31 March 2020 primarily due to decrease in trade payables owing to reduction in global oil prices.

Non-Current Liabilities

PSPC's non-current liabilities increased from P23,637.9 million as of 31 December 2019 to P24,138.6 million as of 31 March 2020 primarily due to the following:

Lease liabilities increased by P1,470.4 million from P 10,477.4 million as of 31 December 2019 to P 11,947.8 million as of 31 March 2020 mainly due by renewal of lease contracts.

Deferred Tax moved from a net liability position of P1000.1 million as of 31 December 2019 to a net asset position of P1,352.2 million as of 31 March 2020.

Equity

PSPC's total equity decreased from P39,828.3 million as of 31 December 2019 to P34,292.5 million as of 31 March 2020 primarily due to the decrease in retained earnings from P11,938 million as of 31 December 2019 to P6,391.8 million as of 31 March 2020. The 46.5% or P5,546.2 million reduction in retained earnings is primarily on account of decline in profits owing to COVID-19 impact on demand and drastic decline in crude prices following the breakdown of the production cuts discussion between OPEC and Russia.

Financial Performance

	YTD 1Q 2020	YTD 1Q 2019	%Increase (decrease)
Net Sales	48,377.3	50,876.8	-4.9%
Sales Volumes (M liters)	1,446.3	1,401	3.2%
Cost of sales	51,398.5	44,178.2	16.3%
Gross profit	(3,021.2)	6,698.6	-145.1%
Selling, General and administrative expenses	3,608.9	3,496.1	3.2%
Other operating income, net	(784.4)	398.5	-296.8%
Finance expenses, net	479.7	469.0	2.3%
EBITDA Adjusted for COSA	1,797.9	2,419.8	-25.7%
EBITDA	(6,178.0)	4,627.6	-233.5%
Provision for income tax	(2,348.1)	799.9	-393.6%
Net Income	(5,546.2)	2,332.1	-337.8%

Results of operations for the period ended 31 March 2020 compared with the period ended 31 March 2019

Net sales decreased by P2,499.5 million, or 4.9% primarily due to lower average pump prices in the country, and lower marketing volumes post the implementation of the ECQ. The decreased mobility caused over 50% reduction in marketing volumes.

Cost of sales increased by P7,220.3 billion or 16.3% due to NRV provision of P2.4 billion and impact of lower closing stock prices charged against higher opening stock prices and purchases with higher prices.

Gross profit decreased by P9,719.8 million or 145.1% mainly due to inventory holding losses and higher excise taxes from TRAIN. Further the COVID-19 pandemic hampered demand for oil products globally, average gasoline and diesel prices in Mean of Platts Singapore (MOPS) have declined ~15% and ~19% respectively in the first quarter. Similarly, prices of other oil products have also declined.

Other operating income/expense, net decreased significantly by P1,182.9 million from net operating income of P398.5 million for the period ended 31 March 2019 to net operating expense of P784.4 million for the period ended 31 March 2020 primarily due to net mark to market loss in 2020 as compared to net mark to market gain in 2019.

EBITDA Adjusted for COSA decreased by P621.9 million or 25.7% from P2,419.8 million for the period ended 31 March 2019 to P1,797.9 million for the period ended 31 March 2020 driven by the depressed regional refining margin environment. As the COVID-19 pandemic disrupt businesses and dictate a “new normal” globally, lower demand for oil products and an excess of supply translated to lower refining margins for the quarter. Marketing EBITDA Adjusted for COSA increased 1%, despite higher excise taxes, the Taal Volcano eruption in January, and the announcement of the ECQ for Luzon and other parts of the country on March 12, 2020.

EBITDA decreased by P10,805.6 million or 233.5% from P4,627.6 million for the period ended 31 March 2019 to loss of P6,178.0 million for the period ended 31 March 2020 mainly due to impact of post-tax inventory holding losses of P5,580.5 million in YTD 1Q 2020 against gains of P1,547.2 million in in YTD 1Q 2019.

Key financial ratios

	YTD 1Q 2020 (unaudited)	FY 2019 (Audited)
Current Ratio (a)	0.97	1.20
Debt Ratio (b)	0.21	0.14
Debt to Equity (c)	0.59	0.36
Asset to equity ratio (d)	2.77	2.62
Interest coverage ratio (e)	(39.47)	10.19
Return on Assets (f)	-5.94%	5.46%
Return on Equity (g)	-16.44%	14.31%
Return on average capital employed (h)	-12.64%	16.34%

- a. Current ratio is computed by dividing current assets over current liabilities.
- b. Debt ratio is computed by dividing net debt (short-term and long-term borrowings less cash) over total assets.
- c. Debt to equity ratio is derived by dividing net debt (short-term and long-term borrowings less cash) over stockholder's equity (exclusive of Other Reserves).
- d. Asset to equity ratio is derived by dividing total assets over stockholder's equity (exclusive of Other Reserves).
- e. Interest coverage ratio is derived by dividing earnings before interest expense and taxes over interest expense.
- f. Return on assets is computed as Profit (Loss) for the year divided by total assets.
- g. Return on equity is computed as Profit (Loss) for the year divided by stockholder's equity (exclusive of Other Reserves).
- h. Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of total equity, short-term borrowings and loans payable. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period.

(Please note that the numbers for 2019 are only for YTD 1Q 2020 while those for 2019 are for the full year, as audited).

OTHER FINANCIAL DATA

Reconciliation from statutory profit for the year to EBIT and EBITDA

	YTD 1Q 2020	YTD 1Q 2019
Profit for the period	(5,546.2)	2,332.1
Add:		
Provision for income tax	(2,348.1)	799.9
Finance expense	530.9	466.4
Depreciation and amortization	1,184.4	1,029.2
Less:		
Finance income	(0.9)	0.0
EBITDA¹	(6,178.0)	4,627.6
Less:		
Depreciation and amortization	1,184.4	1,029.2
EBIT¹	(7,362.4)	3,598.4
	YTD 1Q 2020	YTD 1Q 2019
EBITDA	(6,178.0)	4,627.6
Less:		
Cost of Sales Adjustment (COSA) ²	(7,975.9)	2,207.8
EBITDA (adjusted for COSA) ³	1,797.9	2,419.8
Less:		
Depreciation and amortization	1,184.4	1,029.2
EBIT (adjusted for COSA) ³	613.5	1,390.6

¹ EBIT indicates profit for the period excluding interest income, interest and finance charges (and accretion) expense and benefit from (provision for) income tax. EBITDA indicates profit for the period excluding interest income, interest and finance charges (and accretion) expense, benefit from (provision for) income tax and depreciation and amortization. EBIT and EBITDA are not measurements of financial performance under PFRS and investors should not consider them in isolation or as an alternative to profit or loss for the period, income or loss from operations, an indicator of PSPC's operating performance, cash flow from operating, investing and financing activities, or as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBIT and EBITDA calculation methods, PSPC's presentation of this measure may not be comparable to similarly titled measures used by other companies. EBIT and EBITDA above are both unaudited figures for YTD 1Q 2019.

² The COSA provides an approximate measure of PSPC's performance on a current cost of supplies basis, and is a financial measure used by PSPC in managing its day-to-day operations such as (but not limited to) allocating resources and assessing performance. The COSA is an adjustment that reflects PSPC's cost of sales using the current cost of supplies sold, rather than FIFO inventory accounting which is the actual standard applied by PSPC in preparing its PFRS financial statements. As such, the COSA excludes the accounting effect of changes in the oil price on inventory carrying amounts. The COSA as applied to EBIT and EBITA is applied on a pre-tax basis to arrive at adjusted EBIT and adjusted EBITDA. Prospective investors are cautioned that COSA, EBITDA, and EBIT (and any adjustments thereto) are in all cases not measurements of financial performance under PFRS and investors should not consider them in isolation or as an alternative to profit or loss for the year, income or loss from operations, or as an indicator of PSPC's operating performance, cash flow from operating, investing and financing activities, or as a measure of liquidity or any other measures of performance under PFRS. Although other oil refiners use similar measures, prospective investors are cautioned that there are various calculation methods, and PSPC's presentation of COSA may not be comparable to similarly titled measures used by other companies.

³ These figures have been adjusted to remove the effects of changes in oil prices on inventory carrying amounts, which adjustment is referred to herein as the cost of sales adjustment.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of PSPC Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, on 13th day of May 2020.

Issuer:



Signature and Title: _____
ATTY. ELIE CHRIS C. NAVARRA
Assistant Corporate Secretary



Signature and Title: _____
JOSE JEROME R. PASCUAL III
Vice President – Finance and Treasurer



Signature and Title: _____
ANGELICA M. CASTILLO
Corporate Controller