

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)

Reynaldo P. Abilo Contact Person

+632 3 4994001 Company Telephone Number

0 3 3 1 Month Day

1 7 - Q FORM TYPE

0 5 1 1 Month Day

Fiscal Year

2nd 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

321 Total No. of Stockholders (As of 30 April 2022)

25,377,000,000 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="77,638,218,000"/>

11. Are any or all of the securities listed on a Stock Exchange? Yes 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 No
- (b) has been subject to such filing requirements for the past ninety (90) days
- Yes No

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PART I – FINANCIAL INFORMATION

ITEM 1

PILIPINAS SHELL PETROLEUM CORPORATION

Statements of Financial Position

As at 31 March 2022

With Comparative Figures for 31 December 2021

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

	Note	March 2022 Unaudited	December 2021 Audited
ASSETS			
Current Assets			
Cash	2	1,626,264	1,684,252
Trade and other receivables, net	3	20,087,402	15,940,115
Inventories, net	4	21,444,065	15,853,475
Prepayments and other current assets	5	3,986,640	2,997,801
Total Current Assets		47,144,371	36,475,643
Noncurrent Assets			
Long-term receivables, rentals and investments, net	6	9,767,329	7,880,521
Property, plant and equipment, net		24,074,166	23,419,388
Right of use assets, net	8	18,035,974	17,964,489
Deferred tax assets, net	7	3,032,389	4,130,652
Other assets, net	9	5,304,720	5,278,554
Total Noncurrent Assets		60,214,578	58,673,604
TOTAL ASSETS		107,358,949	95,149,247
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	30,894,325	24,467,473
Short term loans	11	10,377,000	8,220,000
Current portion of long-term debt		9,000,000	-
Dividends payable		16,836	16,836
Total Current Liabilities		50,288,161	32,704,309
Noncurrent Liabilities			
Long-term debt	12	6,000,000	15,000,000
Lease liabilities		15,945,182	15,929,207
Provisions and other liabilities	13	5,404,875	5,344,227
Total Noncurrent Liabilities		27,350,057	36,273,434
Total liabilities		77,638,218	68,977,743
Equity			
Share capital – P1 par value	14	1,681,058	1,681,058
Share premium	14	21,857,677	21,857,677
Treasury shares	14	(507,106)	(507,106)
Retained earnings	15	4,853,770	1,325,887
Remeasurement gains on defined benefit plans		1,147,495	1,147,495
Other reserves		687,837	666,493
Total Equity		29,720,731	26,171,504
TOTAL LIABILITIES AND EQUITY		107,358,949	95,149,247

Certified by:	REYNALDO P. ABILO
	Chief Financial Officer

PILIPINAS SHELL PETROLEUM CORPORATION
 Unaudited Statement of Income
 For the period ended 31 March 2022 and 2021
 (All amounts in thousands Philippine Peso, except earnings per share)

1Q 2022	1Q 2021		YTD 1Q 2022	YTD 1Q 2021
59,068,035	39,920,388	Net sales	59,068,035	39,920,388
(51,170,637)	(33,936,629)	Cost of sales	(51,170,637)	(33,936,629)
7,897,398	5,983,759	Gross profit	7,897,398	5,983,759
		Selling, general and		
(3,437,021)	(3,306,535)	administrative expenses	(3,437,021)	(3,306,535)
727,713	480,036	Other operating income, net	727,713	480,036
5,188,090	3,157,260	Income from operations	5,188,090	3,157,260
(467,663)	(465,246)	Finance expense, net	(467,663)	(465,246)
-	-	Other non-operating income, net	-	-
4,720,427	2,692,014	Income before income tax	4,720,427	2,692,014
(1,192,544)	(1,669,822)	Provision for income tax	(1,192,544)	(1,669,822)
3,527,883	1,022,192	Net income	3,527,883	1,022,192
2.19	0.63	Earnings per share - Basic and Diluted	2.19	0.63

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 2022 and for 1Q 2021 is 1,613,444,202 respectively.

Certified by:	REYNALDO P. ABILO
	Chief Financial Officer

PILIPINAS SHELL PETROLEUM CORPORATION

Unaudited Statement of Comprehensive Income

For the period ended 31 March 2022 and 2021

(All amounts in thousands Philippine Peso)

1Q 2022	1Q 2021		YTD 1Q 2022	YTD 1Q 2021
3,527,883	1,022,192	Net Income	3,527,883	1,022,192
		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		
21,344	67,654		21,344	67,654
3,549,227	1,089,846	Total comprehensive income	3,549,227	1,089,846

Certified by:	REYNALDO P. ABILO
	Chief Financial Officer

PILIPINAS SHELL PETROLEUM CORPORATION

Unaudited Statement of Changes in Equity
For the period ended 31 March 2022 and 2021
(All amounts in thousands Philippine Peso)

	Share Capital	Share Premium	Treasury Stock	Retained Earnings	Other Reserves Share- based Reserve	Fair value Reserve	Remeasur- ment Gain on Defined Benefit Plans	Total
Notes	14	14	14	15				
Balances as at 01 January 2021								
	1,681,058	26,161,736	(507,106)	(6,833,885)	130,494	469,748	2,529,826	23,631,871
Income for the period	-	-	-	1,022,192	-	-	-	1,022,192
Increase in fair value of AFS financial assets	-	-	-	-	-	67,654	-	67,654
Total comprehensive income for the period	-	-	-	1,022,192	-	67,654	-	1,089,846
Transactions with owners								
Cash dividends	-	-	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	-	-	-
Balances as at 31 March 2021	1,681,058	26,161,736	(507,106)	(5,811,692)	130,494	537,401	2,529,826	24,721,717
Balances as at 01 January 2022	1,681,058	21,857,677	(507,106)	1,325,887	151,549	514,944	1,147,495	26,171,504
Income for the period	-	-	-	3,527,883	-	-	-	3,527,883
Increase in fair value of AFS financial assets	-	-	-	-	-	21,344	-	21,344
Total comprehensive income for the period	-	-	-	3,527,883	-	21,344	-	3,549,227
Transactions with owners								
Cash dividends	-	-	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	-	-	-
Balances as at 31 March 2022	1,681,058	21,857,677	(507,106)	4,853,770	151,549	536,288	1,147,495	29,720,731

* Refer to "Basis of Preparation"

Certified by:	REYNALDO P. ABILO
	Chief Financial Officer

PILIPINAS SHELL PETROLEUM CORPORATION
Unaudited Statement of Cash Flows
For the period ended 31 March 2022 and 2021
(All amounts in thousands Philippine Peso)

	March 2022	March 2021
Cash flows from operating activities		
Income (loss) before income tax	4,720,427	2,692,014
Adjustments:		
Depreciation and amortization expense	1,130,075	774,450
Interest and finance charges	354,904	338,484
Unrealized mark-to-market loss, net	12,846	-
Unrealized foreign exchange loss (gain), net	(171,952)	64,692
Pension expense	9,005	24,208
Accretion expense	20,088	17,324
Loss on disposal of property and equipment	746	9,749
Interest Income	(282)	-
Share in profit of associates	30,586	(6,420)
Operating income before working capital changes	6,106,443	3,914,501
Increase in inventories, trade and other receivables, prepayments and other assets	(12,814,749)	(4,719,343)
Increase/(Decrease) in trade and other payables and provisions and other liabilities	6,802,049	(2,646,935)
Cash generated from operations	93,743	(3,451,777)
Pension contributions paid	(3,040)	(27,224)
Net cash flows from operating activities	90,703	(3,479,001)
Cash flows from investing activities		
Additions to property and equipment	(1,255,029)	(423,505)
Increase in long term receivables and rentals, net	-	(103,019)
Proceeds from sale of property and equipment	7,000	2,099
Dividend received	40,000	-
Interest received	282	-
Net cash flows used in investing activities	(1,207,747)	(524,425)
Cash flows from financing activities		
Net proceeds (settlements of) from short-term borrowings	2,157,000	600,000
Interest and finance charges paid	(78,960)	(128,289)
Principal elements of lease payments	(1,001,467)	(902,201)
Net cash flows used in financing activities	1,076,573	(430,490)
Net increase in cash	(40,471)	(4,433,916)
Cash at the beginning of the period	1,684,252	6,290,506
Effect of exchange rate changes on cash	(17,517)	(3)
Cash at end of the period	1,626,264	1,856,587

Certified by:	REYNALDO P. ABILO
	Chief Financial Officer

PILIPINAS SHELL PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
As at 31 March 2022 and 31 December 2021 and for the
three-month period ended 31 March 2022 and 2021
(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 09 January 1959 primarily to engage in the refining and marketing of petroleum products. On 05 December 2008, the SEC approved the extension of the corporate term of the Company for another fifty (50) years from 09 January 2009 to 08 January 2059.

Prior to its initial public offering ("IPO"), the Company is 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 Shell plc., incorporated in the United Kingdom. The Company conducted its IPO to list in the 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, SOIBV 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.

Starting 2019, the Company's registered office, which is also its principal place of business, is 41st Floor, The Finance Centre, 26th Street corner 9th Avenue Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila, 1635. During the Annual Stockholders' Meeting of the Corporation on 03 May 2018, the stockholders of the Corporation have approved the amendment of its Articles of Incorporation to change its Principal Office. The Company has obtained the requisite endorsement of the Department of Energy and approval of the Securities and Exchange Commission on 25 September 2018 and 25 January 2019, respectively.

Note 2 - Cash

The account as at 31 March 2022 and 31 December 2021 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 2022 and 31 December 2021 is maintained with the following type of financial institutions:

	31 March 2022	31 December 2021
Universal bank	1,445,891	924,247
Commercial bank	180,373	760,005
	1,626,264	1,684,252

Note 3 – Trade and other receivables, net

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Trade receivables		
Third parties	15,463,510	12,213,152
Related parties	946,618	117,327
Provision for impairment of trade receivables from third parties	(354,716)	(358,991)
	16,055,412	11,971,488
Non-trade receivables from related parties	168	60,804
Other receivables		
Creditable withholding tax	454,718	427,431
Duty drawback and other claims	2,785,948	2,526,517
Non-trade receivable from third party	354,549	327,099
Miscellaneous	476,204	666,662
Provision for impairment of other receivables	(39,597)	(39,886)
	4,031,822	3,907,823
	20,087,402	15,940,115

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 2022 valued at P4.8 billion (31 December 2021 - P4.6 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 P11.3 billion as at 31 March 2022 (31 December 2021 - P7.4 billion). These balances relate to a number of independent customers with whom there is no recent history of default. The carrying amount of trade and other receivables at the reporting date approximated their fair value.

(a) Past due receivables but not impaired

The aging of past due trade receivables, net of provision from third parties as at 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Less than 30 days	142,804	435,287
31 - 60 days	195,258	142,960
61 - 90 days	23,301	60,796
Greater than 90 days	112,088	130,490
	473,451	769,533

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
As at 01 January 2021	336,472	39,886	376,358
Provisions (Reversals)	27,102	-	27,102
Write Off	(4,583)	-	(4,582)
As at 31 December 2021	358,991	39,886	398,877
Provisions (Reversals)	(4,275)	(289)	(4,564)
As at 31 March 2022	354,716	39,597	394,313

For the year ended 31 March 2022, total trade receivables written-off directly to statement of income amounted to P1.4 million (31 March 2021 - direct write off P0.5 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 2022 and 31 December 2021 that are neither past due nor impaired that are fully recoverable has been assessed by reference to historical information about counterparty default rates:

Trade receivables (counterparties with internal credit rating)	31 March 2022	31 December 2021
A	1,883,494	1,565,551
B	2,669,704	2,100,032
C	4,259,313	3,377,326
D	5,822,832	4,041,718
Total trade receivables	14,635,343	11,084,627

- 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 2022 and for the year ended 31 December 2021.

Note 4 - Inventories, net

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Petroleum products	21,244,737	15,666,835
Materials and supplies	199,328	186,640
	21,444,065	15,853,475

Details of and changes in for inventory write-down and obsolescence as at and for the three-month period ended 31 March 2022 and for the year ended 31 December 2021 are as follows:

	Petroleum products	Materials and supplies	Total
As at 01 January 2021	68,969	106,000	174,969
Write-off	(78,829)	(103,000)	(181,829)
Provision, net	24,719	-	24,719
As at 31 December 2021	14,859	3,000	17,858
Provision, net	(6,030)	-	(6,030)
As at 31 March 2022	8,829	3,000	11,829

The allowance for inventory resulting from the write-down of petroleum products to net realizable value amounted to Nil as at 31 March 2022 (31 December 2021 - P8.9 million) and the allowance for obsolescence of finished products amounted to P8.8 million as at 31 March 2022 (31 December 2021 - P6.0 million). In 2022, amount of petroleum products written-off amounted to Nil as at 31 March 2022 (31 December 2021 - P78.8 million).

Of the total amount of inventories, the inventories with a value of P57.1 million as at 31 March 2022 (31 December 2021 - P254.8 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 P43.3 billion for the three-month period ended 31 March 2022 (31 March 2021 – P22.5 billion).

Note 5 - Prepayments and other current assets

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Input VAT net of output VAT (a)	402,487	173,696
Prepaid corporate income taxes (c)	3,157,677	2,435,441
Advance rentals	294,929	309,468
Derivative financial assets (d)	75,029	53,001
Prepaid duties and taxes	1,721	2,239
Others	54,797	23,956
	3,986,640	2,997,801

(a) 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.

(b) Prepaid specific tax

These are excise tax deposits made to the Bureau of Internal Revenue (BIR) pertaining to importation of petroleum products.

(c) Prepaid corporate income tax

These are claimed against income tax due, representing amounts that were withheld from income tax payments and carried over in the succeeding period for the same purpose.

(d) Derivative financial assets

The Company enters into commodity forward contracts to hedge the commodity price risks arising from its petroleum products requirements. As at 31 March 2022, the notional principal amount of the outstanding commodity forward contracts amounted to P12.8 billion (31 December 2021 – P2.8 billion). As at 31 March 2022, the fair value of the derivative assets from outstanding commodity forward contracts amounted to P75.0 million (31 December 2021 – P53.0 million).

For the three-month period ended 31 March 2022, the Company's fair value of settled derivatives amounted to gain of P695.8 million (31 March 2021 – loss of P251.9 million).

For the three-month period ended 31 March 2022, net fair value changes of the outstanding commodity forward contracts amounting to a gain of P144.0 million (31 March 2021– loss of P15.9 million) were recognized in 'Other operating income, net'.

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

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Advance rentals	141,425	141,679
Market Investment loans (b)	104,617	101,587
Investments in associates (c)	(38,120)	32,466
	207,922	275,732
Long-term receivables (a)	9,767,760	7,813,393
Provision for impairment of long-term receivables	(208,354)	(208,604)
	9,559,406	7,604,789
	9,767,328	7,880,521

(a) Long-term receivables

Long-term receivables include claims from government agencies amounting to P9.4 billion as at 31 March 2022 (31 December 2021 – P7.5 billion) representing the amount to be recovered from the government on various taxes paid. Included in this P9.4 billion, is P4.5 billion of excise duties and VAT paid under protest for Alkylate shipment see (Note 18). 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 2022 and year ended 31 December 2021.

As at 31 March 2022, long-term receivables of P103.3 million (31 December 2021 – P208.6 million) were impaired and fully provided.

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

	Other long-term receivables
As at 01 January 2021	269,733
Write-off	(4,280)
Reversal	(56,849)
As at 31 December 2021	208,604
Reversal	(250)
As at 31 March 2022	208,354

As at 31 March 2022 and 31 December 2021, 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) *Market Investment loans*

Market Investment loans 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 2022	31 December 2021			
Cost		23,073	23,073			
	Interest	Assets	Liabilities	Net Assets	Income	Share of Profit
31 March 2022						
Bonifacio Gas Corporation	40%	202,393	118,185	84,208	29,345	11,738
Kamayan Realty Corporation	40%	35,061	15,577	19,484	1,394	558
31 December 2021						
Bonifacio Gas Corporation	44%	261,208	208,914	52,294	77,067	33,632
Kamayan Realty Corporation	40%	34,536	10,420	24,116	6,677	2,671

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. PSPC has entered into a share purchase agreement to sell its 3.64% shares of Bonifacio Gas Corporation in 2021. The completion of legal and administrative requirements to complete the transfer of shares was done in 2022. PSPC has also executed a Proxy and Declaration of Rights of Trust assigning its related voting rights to the buyers

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 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Deferred income tax assets (liabilities)		
Asset retirement obligation	977,775	992,602
PFRS 16 Lease Liability accrual	924,079	843,451
Unamortized past service cost, net	57,914	64,810
Provision for doubtful debts	147,026	148,229
Provision for remediation costs	27,459	67,316
Provision for inventory losses	188,577	190,085
Share-based compensation	35,813	35,813
Mark to market gain	34,222	(1,775)
Retirement benefit asset	(1,106,235)	(1,106,235)
Prepaid duties and taxes	(682,870)	(633,363)
Unrealized foreign exchange gain	(96,651)	(32,067)
Other provisions	92,906	347,766
Impairment of property, plant and equipment	1,295,642	1,295,618
NOLCO	617,685	1,493,012
MCIT – Recognition	519,046	425,390
Net deferred income tax	3,032,389	4,130,652

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

	31 March 2022	31 December 2021
As at 01 January	4,130,652	6,102,753
Credited to profit and loss	(1,188,152)	(2,938,392)
Credited to other comprehensive income	(3,766)	701,094
Application of excess MCIT	93,655	265,197
As at 31 March 2022 and 31 December 2021	3,032,389	4,130,652

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 2022 and 31 December 2021 are fully realizable.

On 30 September 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO balances as of 31 March 2022

As at 31 March 2022, the Company has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	5,899,148	-	-	3,501,306	2,397,842
2021	2022-2026	72,899	-	-	-	72,899

MCIT balances as at 31 March 2022

Year Incurred	Availment Period	Amount	MCIT Applied Previous Years	MCIT Expired	MCIT Applied Current Year	MCIT Unapplied
2020	2021-2023	160,193	-	-	-	160,193
2021	2022-2024	265,197	-	-	-	265,197
2022	2022-2025	94,494	-	-	-	93,655

The details of provision for income tax for the three-month period ended 31 March 2022 and 2021 are as follows:

	31 March 2022	31 December 2021
Current	98,048	77,677
Deferred	1,094,496	1,592,145
At 31 March 2022 and 31 December 2021	1,192,544	1,669,822

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 2022	31 March 2021
Income tax at statutory income tax rate	1,180,107	673,004
Income tax effect of:		
Non-deductible expenses	2,533	5,736
Limitation on deductible interest expense	24	91
Interest income subjected to final tax	(121)	(454)
Income subjected to 8% final tax	(2,039)	(203)
Non-taxable income	7,647	(7,061)
Remeasurement of Deferred Tax Balances	-	995,595
Provision for income tax before final taxes	1,188,151	1,666,708
Final taxes on interest and other charges	4,393	3,114
Provision for income tax at effective tax rate	1,192,544	1,669,822

Note 8 – Right of use lease assets

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Cost	27,081,507	26,548,968
Accumulated depreciation	(9,045,533)	(8,584,479)
Net carrying amount	18,035,974	17,964,489

Note 9 - Other assets, net

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Pension asset	4,523,733	4,515,467
Equity through OCI (a)	657,728	632,618
Deferred input VAT (b)	122,065	129,275
Intangible assets (c)	1,194	1,194
	<u>5,304,720</u>	<u>5,278,554</u>

(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 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Cost		
As at 01 January	26,800	26,800
Balance at the end	<u>26,800</u>	<u>26,800</u>
Fair value adjustments recognized directly in OCI		
Balance at the beginning	605,818	554,158
Changes during the period	25,110	51,660
	<u>630,928</u>	<u>605,818</u>
Balance at the end	<u>657,728</u>	<u>632,618</u>
Current portion	-	-
Non-current portion	<u>657,728</u>	<u>632,618</u>

The Company does not intend to sell equity instruments within 12 months from 31 March 2022 and 31 December 2021.

(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 2022 and 31 December 2021.

(c) Intangible Asset

Intangible asset consists of program software and others. As at 31 March 2022 and 31 December 2021 the movements in the accounts for the years consist of:

	31 March 2022	31 December 2021
Cost		
As at 01 January	1,007,623	1,007,623
Balance at the end	<u>1,007,623</u>	<u>1,007,623</u>
Accumulated amortization		
As at 01 January	(1,006,429)	(1,006,262)
Amortization for the period	-	(167)
Balance at the end	<u>(1,006,429)</u>	<u>(1,006,429)</u>
Net book value	<u>1,194</u>	<u>1,194</u>

Note 10 – Trade and other payables

The account as at 31 March 2022 and 31 December 2021 consists of:

	31 March 2022	31 December 2021
Trade Payables		
Third parties	8,379,568	7,900,755
Related parties	15,852,848	10,100,256
	24,232,416	18,001,001
Non-trade payables from related parties	1,027,289	124,710
Other payables		
Lease liabilities	1,667,744	1,685,598
Project-related costs and advances	755,765	847,808
Provision for ARO and remediation	763,309	1,014,534
Rent and utilities	187,006	173,820
Advertising and promotions	475,457	526,085
Employee benefits	119,539	391,611
Duties and taxes	253,422	239,340
Supply and distribution	91,144	16,181
Derivatives (a)	211,916	45,902
Others (b)	1,109,317	1,400,873
	30,894,325	24,467,473

(a) As at 31 March 2022, the fair value of the derivative liabilities from outstanding commodity forward contracts amounted to P211.9 million (31 December 2021 – P45.9 million).

(b) Others include provision related to accrual of interest on short term borrowings, IT related cost and various other accruals.

Note 11 - Short-term loans

As at 31 March 2022, unsecured short-term loan amounted to P10,377 million with tenure ranging from 1 to 360 days. The loans are intended solely for working capital requirements and corporate expenses.

As at 31 December 2021, unsecured short-term loan amounted to P8,220 million with tenure ranging from 182 to 360 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 2022 was 2.19% (31 March 2021 – 2.60%). Total interest expense charged to operations for the three-month period ended 31 March 2022 arising from short-term loans amounted to P29.80 million (31 March 2021 – P104.44 million).

Note 12 – Long-term debt

Details of the loan agreements with Bank of the Philippine Islands (BPI) as at 31 March 2022 and 31 December 2021 follow:

31 March 2022	31 December 2021	Interest	Terms
9,000,000	9,000,000	1.70% as at 31 March 2022 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 March 2023. Interest is re-priced every three (3) months.
6,000,000	6,000,000	1.91% as at 31 March 2022 effective until next re-pricing	Payable after sixty (60) months reckoned from the drawdown rate of 20 December 2021. Principal is payable in lump sum at maturity date 21 December 2026. Interest is repriced every three (3) months.

Total interest expense charged to operations for the three-month period ended 31 March 2022 arising from these loans amounted to P68.04 million (31 March 2021 – P35.28 million).

There are no borrowings related to acquisition, construction or production of a qualifying asset as at 31 March 2022 and 31 December 2021. The borrowings are intended solely for general corporate expenses.

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.

The carrying amounts of loans payable approximate their fair values as balances are subject to changing interest rates based on market, which falls under level 2 of fair value hierarchy.

Note 13 – Provisions and Other Liabilities

As at 31 March 2022, provisions and other liabilities amounted to P5,404.9 million which also contains asset retirement obligation representing the future estimated dismantling costs of various assets used in retail, depot and commercial operations, amounting to P4,382.0 million and cash security deposits amounting to P176.9 million.

As at 31 December 2021, provisions and other liabilities amounted to P5,344.2 million which also contains asset retirement obligation representing the future estimated dismantling costs of various assets used in retail, depot and commercial operations, amounting to P4,340.0 million and cash security deposits amounting to P193.7 million.

Note 14 - Share capital; Treasury shares; Share premium

Capital stock and treasury shares as at 31 March 2022 and 31 December 2021 consist of:

	31 March 2022		31 December 2021	
	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 2022, the Company has 322 shareholders excluding treasury shares (31 December 2021 - 323), 285 of whom hold at least 100 shares of the Company's common shares (31 December 2021 - 286).

Note 15 - Retained earnings

Retained earnings as at 31 March 2022 and 31 December 2021 consist of:

	31 March 2022	31 December 2021
Unappropriated retained earnings, unadjusted	4,853,770	1,325,887
Adjustments & Unrealized income items	(5,595,213)	(6,454,522)
Unappropriated Retained Earnings available for dividends (deficit)	(741,443)	(5,128,635)

Note 16 - Earnings per share

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

	YTD 1Q 2022	YTD 1Q 2021
Earnings available to stockholders:		
Profit for the period	3,527,883	1,022,192
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	2.19	0.63

As at 31 March 2022 and 2021, the Company does not have any potentially dilutive stocks.

Trailing Earnings per share

	2022 (Trailing 12 months)	2021 (Trailing 12 months)
Earnings available to stockholders:		
Profit for the period	6,361,403	(9,614,304)
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	3.94	(4.10)

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 17 – Classification of other operating and non-operating income and finance expense

	YTD 1Q 2022	YTD 1Q 2021
Other operating income	915,320	506,948
Other operating expense	(187,607)	(26,912)
Other operating income, net	724,714	480,036
Finance income	172,233	1,616
Finance expenses	(639,897)	(466,862)
Finance expenses, net	(467,664)	(465,246)

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 18 – 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 06 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. Awaiting action by the Supreme Court. No change in status as of 31 March 2022.

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 07 July 2014, the SC issued a temporary restraining order (TRO) 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 P2.8 billion for certain Alkylate shipments.

Status:

Decision on the merits is pending with the Court of Tax Appeals (“CTA”). The parties have concluded the presentation of their witnesses.

In the consolidated jurisdictional cases before the Supreme Court, the Office of the Solicitor General (OSG) filed a Motion to Lift TRO and for Immediate Resolution of the Consolidated Cases on 23 October 2020. PSPC filed its Comment/Opposition on 27 November 2020. In July 2021, the Supreme Court lifted the temporary restraining order (TRO) against the collection of excise tax for the Company’s alkylate importations from March 2014 to April 2020 (principal amount involved is around P 3.4 billion) and remanded the case to the Court of Tax Appeals (CTA) for the latter to determine the propriety of issuing a TRO / injunction in favor of the Company.

In line with said Supreme Court ruling, the Company has already filed an application for TRO / injunction with the CTA, which remains pending to date. The CTA has scheduled a hearing on the application for TRO / injunction on 26 January 2022.

In the meantime, the District Collector of the Bureau of Customs, taking action outside of the court proceedings, issued a letter to the Company demanding for the payment of around P3.4 billion. The Company promptly responded and argued, among others, that there is no final decision yet from either the CTA or Supreme Court on the taxability of the Company's alkylate importations.

Nevertheless, the Bureau of Customs commenced actions to suspend the Company's accreditation as an importer. Left without an immediate legal remedy that would avert the disruption of its operations, the Company in December 2021 and January 2022 was constrained to pay under protest the Bureau of Customs the amount of around P3.4 billion. The Company has since initiated refund proceedings to recover the amounts paid under protest.

Claims from government includes P4.5 billion of excise duties and VAT paid under protest for certain Alkylate shipments. P1.8 billion of which, pertains to the payment made under protest in January 2022.

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.

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:

In a decision dated 16 February 2021, the RTC dismissed the case on the merits. The Bureau of Customs has filed a Notice of Appeal. As of 31 March 2022, the Company is awaiting further actions from the RTC and/or the Court of Appeals.

(c) *Excise Tax Refund Case*

There are also tax cases filed by the Company for its claims from the government amounting to P1.03 billion that are pending as at 31 December 2021 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.

(d) *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 31 March 2022.

Note 19 - 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 03 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 its implementing rules and regulations.

Note 20 - Summary of significant accounting policies

20.1 Basis of preparation

Basis of Preparation:

The accompanying financial statements have been prepared on a historical cost basis, except for equity through OCI, derivatives and retirement assets that are 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 (PFRSs).

Changes in Accounting Policies and Disclosures:

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective on 01 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform- Phase 2. The amendment did not have any impact on the financial statements of the Company.
- Amendments to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021. The amendment did not have any impact on the financial statements of the Company.

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 01 January 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use
- Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract
- Annual Improvements to PFRSs 2018-2020 Cycle
- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to PAS 41, Agriculture, Taxation in fair value measurements

Effective beginning on or after 01 January 2023

- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

Effective beginning on or after 01 January 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- PFRS 17, Insurance Contracts

Deferred effectivity

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

20.2 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 2022 and 31 December 2021, there are no financial assets and financial liabilities that were offset.

Note 21 - Financial risk management

21.1 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.

21.1.1 Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or the prices of petroleum 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 2022 and 31 December 2021, 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 period ended 31 March 2022, if interest rates on Philippine peso-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been P190 million (31 December 2021 – P174 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 fuel oil, gasoline, diesel and other petroleum products in its operating activities. To minimize the Company's risk of potential losses due to volatility of international petroleum product prices, the Company may implement commodity hedging for petroleum products. The hedges are intended to protect petroleum products 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 equity through other comprehensive income financial assets are not considered material in the financial statements.

21.1.2 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 2022 and 31 December 2021, the Company has the following:

	Gross amounts before offset	Amounts offset	Net Amounts as presented	Credit enhancement	Net amount
31 March 2022					
<u>Financial assets:</u>					
Receivables	16,055,580	-	16,055,580	4,796,295	11,259,285
31 December 2021					
<u>Financial assets:</u>					
Receivables	12,032,291	-	12,032,291	4,606,106	7,426,185

21.1.3 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 P70 billion as at 31 March 2022 (31 December 2021 – P73.5 billion) which are expiring within one year.

21.2 Capital management

The Company manages its business to deliver strong cash flows to fund capital expenditures and growth based on cautious assumptions relating to petroleum product 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.

The Company have a 5-year strategy and considers whether the present gearing level is commercially acceptable based on the ability of the Company to operate on a standalone basis. Gearing target is set after appropriate advice has been taken from Tax, Treasury and Legal advisors.

The gearing ratios at 31 March 2022 and 31 December 2021 are as follows:

	Note	31 March 2022	31 December 2021
Total loans and borrowings	11,12	25,377,000	23,220,000
Less: cash	2	1,626,264	1,684,252
Net debt		23,750,736	21,535,748
Total equity (excluding other reserves)	14,15	29,032,894	25,505,011
Total Capital		52,783,630	47,040,759
Gearing ratio		45%	46%

The Company is not subject to externally imposed capital requirement.

21.3 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 2022 and 31 December 2021:

	Note	31 March 2022	31 December 2021
Financial assets			
Loans and receivables			
Cash	2	1,626,264	1,684,252
Receivables	3	16,055,580	12,032,292
Derivatives	5	75,029	53,001
Customer grants	6	104,617	101,587
Long-term receivables	6	208,872	223,394
Equity through OCI	9	657,728	632,618
Total financial assets		18,728,090	14,727,144
Financial liabilities			
Other financial liabilities			
Accounts payable and accrued expenses	10	30,428,986	24,182,231
Dividends payable		16,836	16,836
Derivatives	10	211,916	45,902
Cash security deposits	13	176,915	193,678
Short-term borrowings	11	10,377,000	8,220,000
Current portion of loans payable	12	9,000,000	-
Loans payable	12	6,000,000	15,000,000
Total financial liabilities		56,211,653	47,658,647

Receivables in the table above exclude claims from the government and miscellaneous receivables 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:

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 equity instruments through OCI are marked-to-market if traded and quoted. The predominant source used in the determining the fair value of the equity through other comprehensive income financial assets is the quoted price and is considered categorized under Level 1 of the fair value hierarchy. The Company's golf club shares are categorized under Level 2 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 22 – 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 23 – Issuances, repurchases, and repayments of debt and equity securities

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

Note 24 – 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 25 – 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 26 – 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 27 – 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 28 – Other Matters

- a. 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.
- b. 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 18 - Contingencies.
- c. 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.
- d. For the year 2022, a budget of ~P3 to 4 billion has been approved for capital expenditures. Bulk of the capital expenditures will be allocated mainly for establishment of new mobility service stations and growth projects, and the improvement of existing supply and distribution facilities.
- e. The ongoing conflict between Ukraine and Russia has resulted in several uncertainties on businesses and institutions worldwide. The Company does not expect any significant impact from

these developments after the end of the reporting period. The Company has long-term and secured access to petroleum products through the Shell network. The Company will continue to closely monitor the situation.

- f. There are no material elements of income or loss that did not arise from the registrant's continuing operations during the period

ITEM 2

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

The Statements of Financial Position and Statements of Income for the period ended 31 March 2022 and 2021, are shown in Million Philippine Pesos.

Financial condition as of the three-month period ended 31 March 2022 compared with the period ended 31 December 2021

	31 March 2022	31 December 2021	%Increase (decrease)
Current assets	47,144.4	36,475.6	29.2%
Non-Current assets	60,214.6	58,673.6	2.6%
Total assets	107,358.9	95,149.2	12.8%
Current Liabilities	50,288.2	32,704.3	53.8%
Non-Current Liabilities	27,350.1	36,273.4	(24.6)%
Total Liabilities	77,638.2	68,977.7	12.6%
Equity	29,720.7	26,171.5	13.6%

Current assets

PSPC's current assets increased from P36,475.6 million as of 31 December 2021 to P47,144.4 million as of 31 March 2022 primarily due to the following:

Receivables increased by P4,147.3 million or 26.0% from P15,940.1 million as of 31 December 2021 to P20,087.4 million as of 31 March 2022 primarily driven by the increase in finished products prices in the globally.

Inventories, net increased by P5,590.6 million, or 35.3% from P15,853.5 million as of 31 December 2021 to P21,444.1 million as of 31 March 2022 primarily driven by increase in average global fuel prices for petroleum product such as gasoline, diesel, fuel oil, aviation fuel from ~\$82/bbl as of 31 December 2021 to ~\$128/bbl by end of March 2022.

Prepayments and other current assets increased by P988.1 million, or 33.0% from P2,997.8 million as of 31 December 2021 to P3,986.6 million as of 31 March 2022 mainly driven by the increase in prepaid corporate taxes, input VAT credit and prepaid excise taxes for imports.

Non-Current Assets

PSPC's non-current assets increased from P58,673.6 million as of 31 December 2021 to P60,214.6 million as of 31 March 2022 primarily due to the following:

Long-term Receivables, rentals and investments increased by P1,886.8 million, or 23.9% from P7,880.5 million as of 31 December 2021 to P9,767.3 million as of 31 March 2022 mainly due to increase in excise duty claims including the payment under protest of alleged excise tax on importation of alkylate.

Property, plant and equipment, net increased by P654.8 million, or 2.8% from P23,419.4 million as of 31 December 2021 to P24,074.2 million as of 31 March 2022 due to additional mobility stations built during the year, upgrades made to existing mobility sites and enhancement of the supply chain network.

Current Liabilities

PSPC's current liabilities increased from P32,704.3 million as of 31 December 2021 to P50,288.2 million as of 31 March 2022 primarily due to the following:

Short-term loans increased by P2,157.0 million from P8,220.0 million as of 31 December 2021 to P10,377.0 million as of 31 March 2022 primarily due to working capital requirements driven by the increase in global product prices.

Current portion of loans payable increased by P9,000.0 million from nil as of 31 December 2021 to P9,000.0 million as of 31 March 2022 due to the reclassification of the portion of long-term debt that will mature within 12-months from 31 March 2022.

Non-Current Liabilities

PSPC's non-current liabilities decreased from P36,273.4 million as of 31 December 2021 to P27,350.1 million as of 31 March 2022 primarily due to the following:

Long-term loans decreased by P9,000 million from P15,000.0 million as of 31 December 2021 to P6,000.0 million as of 31 March 2022 due to the reclassification of the portion of long-term debt that will mature within 12-months from 31 March 2022.

Equity

PSPC's total equity increased from P26,171.5 million as of 31 December 2021 to P29,720.7 million as of 31 March 2022 due to profits earned during the period mainly driven by marketing earnings and inventory gains.

Financial Performance

	YTD 1Q 2022	YTD 1Q 2021	%Increase (decrease)
Net Sales	59,068.0	39,920.4	48.0%
Sales Volumes (M liters)	970.3	997.8	(2.8)%
Marketing Volumes (M liters)	964.3	991.5	(2.7)%
Cost of sales	51,170.6	33,936.6	50.8%
Gross profit	7,897.4	5,983.8	32.0%
Selling, General and administrative expenses	3,437.0	3,306.5	3.9%
Other operating income, net	727.7	480.0	51.6%
Finance expenses, net	467.7	465.2	0.5%
EBITDA	6,225.2	3,821.1	62.9%
Provision for income tax	1,192.5	1,669.9	(28.6)%
Net Income	3,527.9	1,022.2	245.1%
Core earnings	528.2	1,022.2	(48.3)%

Results of operations for the period ended 31 March 2022 compared with the period ended 31 March 2021

Net sales increased by P19,147.6 million, or 48.0% primarily due to higher pump prices driven by the general increase in global oil prices.

Gross profit increased by P1,913.6 million or 32.0% mainly due to high premium fuel penetration, and inventory gains as a result of increase in global oil prices

Selling, General and Administrative expenses increased by P130.5 million, or 3.9% from P3,306.5 million for the year ended 31 March 2021 to P3,437.0 million for the year ended 31 March 2022 as a result of higher logistics and transshipment costs driven by increase in global prices, and higher depreciation.

Other operating income/expense, net increased by P247.7 million from P480.0 million for the period ended 31 March 2021 to P727.7 million for the period ended 31 March 2022 primarily driven by increase in market prices leading to commodity hedging net mark to market gain in 2022 as compared to 2021.

EBITDA increased by P2,404.1 million or 62.9% from P3,821.1 million for the period ended 31 March 2021 to P6,225.2 million for the period ended 31 March 2022 mainly due to impact of post-tax inventory holding gains of P2,998.8 million in Q1 2022 against gains of P959.7 million in Q1 2021.

Core earnings (net earnings excluding inventory holding gains and other one-off items) decreased by P494.0 million from P1,022.2 million for the period ended 31 March 2021 to P528.2 million for the period ended 31 March 2022, mainly driven by weaker marketing volumes from new government-imposed mobility restrictions to combat the Omicron surge at the beginning of the year, and price exposures borne by marketing businesses due to increasing product prices. Conversely, the corporation reports inventory holding gains of P2,998.8 million across its supply chain in Q1 2022 as non-core. In Q1 2021, the Corporation reported one-offs composed of P959.7 million of inventory gains, offset by one-off deferred tax adjustment due to CREATE.

Key financial ratios

	YTD 1Q 2022 (Unaudited)	FY 2021 (Audited)
Current Ratio (a)	0.94	1.12
Debt Ratio (b)	0.22	0.23
Debt to Equity (c)	0.82	0.84
Asset to equity ratio (d)	3.70	3.73
Interest coverage ratio (e)	49.25	14.86
Return on Assets (f)	3.29%	4.05%
Return on Equity (g)	12.15%	15.12%
Return on average capital employed (h)	9.75%	17.52%

- 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 2022 are only for YTD 1Q 2022 while those for 2021 are for the full year, as audited).


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, in the City of Taguig on day of 6 May 2022.

Issuer:

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

Signature and Title:  _____
ANGELICA M. CASTILLO
Corporate Controller and Investor Relations Manager

Signature and Title:  _____
REYNALDO P. ABILO
Vice President – Finance, Treasurer and Chief Risk Officer