

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)

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

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

CHARLES EDWARD M CHENG

Contact Person

4994001

Company Telephone Number

0 3 3 1

Month

Fiscal Year

1 7 - Q

FORM TYPE

0 4 1 9

Month

Day

3rd Tuesday of April
Annual Meeting

Secondary License Type, If
Applicable

C F D

Dept. Requiring this
Doc.

Amended Articles Number/Section

366

Total No. of Stockholders

Total Amount of Borrowings

16,216,000,000

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

Title of Class

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

N/A	N/A

11. Are any or all of the securities listed on a Stock Exchange? Yes ☐ No ☒

12. Indicate by check mark whether the registrant

(a) has filed all reports required to be filed with Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION**ITEM 1**

PILIPINAS SHELL PETROLEUM CORPORATION
BALANCE SHEET
AS OF 31 MARCH 2016 and 31 DECEMBER 2015
(In Thousand Pesos)

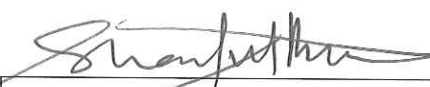
	Mar 2016 Unaudited	Dec 2015 Unaudited
ASSETS		
Current Assets		
Cash and Cash Equivalents	3,133,978	3,576,802
Receivables, Net	10,505,151	10,387,023
Inventories, Net	10,444,242	11,348,533
Prepayments and Other Current Assets	9,674,220	11,328,225
Total Current Assets	33,757,590	36,640,583
Non Current Assets		
LT Receivables, Rentals and Investments, Net	902,703	885,263
Property, Plant and Equipment, Net	22,321,329	22,309,078
Deferred Income Tax Assets, Net	2,753,499	3,712,251
Other Assets	2,681,282	2,671,827
Total Non Current Assets	28,658,813	29,578,419
TOTAL ASSETS	62,416,404	66,219,002
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable and Accrued Expenses	12,968,685	16,159,487
Dividends Payable	9,668	9,668
ST Borrowings	216,000	2,717,000
Current Portion of LT Loans	5,000,000	0
Total Current Liabilities	18,194,352	18,886,154
Non Current Liabilities		
LT Loans Payable	11,000,000	16,000,000
Other Liabilities	4,832,363	5,237,718
Total Non Current Liabilities	15,832,363	21,237,718
STOCK HOLDERS' Equity	28,389,689	26,095,130
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	62,416,404	66,219,002

Certified by:	 SHAIFUL B. ZAINUDDIN
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF INCOME - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2016 AND 2015
(In Thousand Pesos except per share amounts)

1Q 2016 Unaudited	1Q 2015 Unaudited		YTD March 2016 Unaudited	YTD March 2015 Unaudited
29,832,643	39,026,346	Net Sales	29,832,643	39,026,346
(24,392,478)	(34,895,460)	Cost of Sales	(24,392,478)	(34,895,460)
5,440,164	4,130,885	Gross Profit	5,440,164	4,130,885
(2,063,058)	(1,951,298)	Selling, General and Administrative Expenses	(2,063,058)	(1,951,298)
40,543	19,513	Other operating income (expense), net	40,543	19,513
3,417,650	2,199,100	Income from Operations	3,417,650	2,199,100
(157,438)	(541,294)	Finance Costs, Net	(157,438)	(541,294)
3,260,212	1,657,806	Income Before Provision for Income Tax	3,260,212	1,657,806
145,733	324,044	Current Income Tax	145,733	324,044
(1,131,739)	(809,901)	Deferred Income Tax	(1,131,739)	(809,901)
(986,006)	(485,857)	Total Tax (Expense)/Income	(986,006)	(485,857)
2,274,205	1,171,949	Net Income/(Loss)	2,274,205	1,171,949
1.43	1.70	Earnings per share* (basic and diluted)	1.43	1.70

**Earnings per share is calculated by dividing net income over weighted average number of common shares outstanding (# of Common Shares for Q1 2015: 691,271,425, # of Common Shares for Q1 2016: 1,585,944,202)*



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF TOTAL COMPREHENSIVE INCOME - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2016 AND 2015
(In Thousand Pesos)

1Q 2016	1Q 2015		YTD March 2016	YTD March 2015
2,274,205	1,171,950	Net Income (Loss)	2,274,205	1,171,950
		Other comprehensive income (loss)		
		Increase (Decrease) in fair value of available-for-sale		
(9,200)	(2,905)	financial assets	(9,200)	(2,905)
2,265,005	1,169,045	Total Comprehensive Income for the period	2,265,005	1,169,045
		Total comprehensive income attributable to:		
2,265,005	1,169,045	Equity holders of the company	2,265,005	1,169,045
		Non-controlling interest		
2,265,005	1,169,045		2,265,005	1,169,045



Certified by:	SHAIFUL B. ZAINUDDIN
	Vice President – Finance and Treasurer

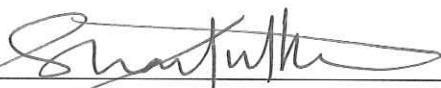
PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE PERIOD ENDED 31 MARCH 2016 AND 2015
(In Thousand Pesos)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income After Tax	2,274,205	1,171,950
Adjustments:		
Depreciation	417,335	510,971
Other Movement in Property, Plant and Equipment	3,038	19,218
(Increase) decrease in current assets other than cash and cash equivalents, and deferred tax	3,419,274	3,442,146
Increase (decrease) in current liabilities other than current portion of long-term loans, and short-term borrowings	(3,190,802)	(3,764,292)
Net Cash provided by (used in) Operating Activities	2,923,049	1,379,993
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(432,624)	(1,054,960)
Increase in Other Liabilities	(405,355)	948,162
(Increase)/Decrease in Long Term Receivable, Rentals and Investments and other assets	(26,895)	(1,702,166)
Net Cash provided by (used in) Investing Activities	(864,874)	(1,808,964)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Payment) from borrowings, Net	(2,501,000)	(1,373,000)
Payment of Dividends	-	-
Net Cash provided by (used in) Financing Activities	(2,501,000)	(1,373,000)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(442,825)	(1,801,971)
CASH AND CASH EQUIVALENTS		
Jan 1	3,576,802	4,721,647
March 31	3,133,978	2,919,676

Certified by:	 SHAIFUL B. ZAINUDDIN
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2016 AND 2015
(In Thousand Pesos)

	2016	2015
	Unaudited	Unaudited
Common Stock	1,653,558	758,885
Paid-in surplus	24,395,991	7,437,829
Fair Value Adjustments	380,589	322,931
	26,430,138	8,519,645
Retained Earnings		
Balance at beginning of the year (as reported)	181,508	(4,184,802)
Net Income/(Loss) for the period	2,274,205	1,171,950
IAS 19 impact posted to Retained Earnings	-	114,174
Balance at the end of the period	2,466,656	(2,898,678)
Treasury Stock	(507,106)	(507,106)
Total Stockholders' Equity	28,389,688	5,113,861

Certified by:	 SHAIFUL B. ZAINUDDIN
	Vice President – Finance and Treasurer

PILIPINAS SHELL PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE PERIODS ENDED
31 MARCH 2016 AND 31 MARCH 2015
(In Pesos '000 unless otherwise stated, except per share amounts)

Note 1 - General information

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

The Company is 68% owned by The Shell Petroleum Company Limited (SPCL), a corporation registered under the laws of the United Kingdom and 32% owned by Filipino and other foreign shareholders. In early 2009, the ownership of SPCL was transferred to Shell Overseas Investments B.V. (SOIBV), a corporation registered under the laws of The Netherlands. The ultimate parent of the Company is Royal Dutch Shell plc. (RDS) (Incorporated in the United Kingdom).

The Company is considered a public company under Section 17.2(c) of the Securities Regulation Code (SRC) Rule 68, as amended on 20 October 2011 and Rule 3.1 (i) of the Implementing Rules and Regulation of the SRC, which defines a public company, among others, as any corporation with total assets of more than P350 million or total liabilities of more than P250 million. The Company with assets of at least P50 million and having two hundred (200) or more shareholders each of which holds at least one hundred (100) shares of a class of its equity securities is also covered by additional requirements under SRC Rule 68, as amended, Part II. As at 31 March 2016, the Company has 366 shareholders (2015 – 359, 2014 – 359 and 2013 - 359), 336 of whom hold at least 100 shares of the Company's common shares (2015 – 333, 2014 – 333 and 2013 - 333).

The Company has its principal office at Shell House, 156 Valero Street, Salcedo Village, Barangay Bel-Air Makati City and has an oil refinery in Tabangao, Batangas and various oil depots and installations all over the Philippines. The Company has 754 regular employees as at 31 December 2015 (2014 - 765).

Note 2 - Summary of significant accounting policies

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

2.1 Basis of preparation

These interim financial statements for the three months ended 31 March 2016 have been prepared in accordance with Philippine Accounting Standards (PAS 34) 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 30 of the 2015 annual financial statements:

(a) *New and amended standards adopted by the Company*

There are no new standards, amendments to existing standards and interpretations which are effective for the financial year beginning on 1 January 2015 which has a significant impact or relevant to the Company's financial statements.

(b) *New and amended standards not yet adopted by the Company*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the financial statements of the Company, while the most relevant ones are set out below:

- PFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of PFRS 9 was issued in July 2014. It replaces the guidance in PAS 39 that relates to the classification and measurement of financial instruments. PFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. PFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under PAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company's initial assessment of PFRS 9's potential impact on its financial statements provides that it would change the classification of its financial assets but it will not affect the measurement of its current types of financial assets. The Company will continue its assessment and finalize the same upon effective date of the new standard.

- PFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces PAS 18 'Revenue' and PAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company's initial assessment of PFRS 15's potential impact on its financial statements provides that its current revenue recognition will not be significantly affected. The Company will continue its assessment and finalize the same upon effective date of the new standard.

- PFRS 16, Leases (effective 1 January 2019). The standard now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. It has also included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. PFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than

full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered"). The Company will continue its assessment and finalize the same upon effective date of the new standard. Other than recognition of right-of-use amounts and a corresponding lease liability, amount of which cannot yet be determined, this new standard is not expected to have a significant impact on the financial statements.

2.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. As at 31 March 2016, there were no financial assets and financial liabilities that were offset.

Note 3 - Financial risk management

3.1 Liquidity risk

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

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

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. Forecasted liquidity reserve for 2016 is as follows:

	2016
Opening cash balance for the year	3,576,802
Net cash from operating activities	6,044,980
Capital expenditures	(3,404,880)
Net cash from other investing activities	(821,166)
Net cash used in financing activities	(1,300,000)
Ending cash balance for the year	4,095,736

The Company has unused credit lines of PhP85.3 billion as at 31 March 2016 (PhP85.3 billion as at 31 December 2015 and PhP40.9 billion as at 31 December 2014) and undrawn borrowing facilities at floating rate amounting to PhP73.7billion (2015 – PhP73.5 billion and 2014 - PhP40.9 billion), which is expiring within one year.

The Company has a PhP11.6 billion credit facility with Shell Treasury Centre East (PTE) LTD (STCE), which does not have an expiration date.

3.2 Gearing ratio

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

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

While the Company does not have a fixed gearing target, management considers whether the

present gearing level is commercially acceptable based on the ability of the Company to operate on a stand-alone basis and gearing is set after appropriate advice has been taken from Tax, Treasury and Legal advisors.

The gearing ratios at 31 March 2016 and 31 December 2015 were as follows:

	2016	2015
Total loans and borrowings	16,216,000	18,717,000
Less: cash and cash equivalents	3,133,978	3,576,802
Net debt	13,082,022	15,140,198
Total equity (excluding fair value adjustments)	28,009,099	25,723,951
Total capital	41,091,122	40,864,149
Gearing ratio	32%	37%

The gearing ratio improved from 37% as at December 2015 to 32% as at March 2016 due to the strong operational and financial performance of the Company.

The Company is not subject to externally imposed capital requirement.

Note 4 - Cash and cash equivalents

The account as at 31 March 2016 and 31 December 2015 consists of:

	2016	2015
Cash on Hand and in Banks	3,133,978	3,576,802
Short-term Placements	-	-
Total	3,133,978	3,576,802

The average actual interest rate on short-term placements in YTD March 2016 was 0.78% p.a., with an average tenor of 1 day compared to 0.80% in the same period in 2015 with an average tenor of 7 days. This decrease in interest rate during 2016 is in line with the money market trends in the Philippines.

Note 5 - Receivables

The account as at 31 March 2016 and 31 December 2015 consists of:

	2016	2015
Trade	6,658,882	6,509,676
Related Parties	191,601	115,706
Provision for Impairment of Trade Receivables	(256,183)	(119,096)
	6,594,300	6,506,286
Related Parties (Non-Trade)	86,323	88,899
	6,680,623	6,595,185
Others:	4,534,288	4,175,089
Provision for Impairment of Other Receivables	(709,759)	(383,251)
	3,824,528	3,791,838
Total	10,505,151	10,387,023

Note 6 - Inventories

The account as at 31 March 2016 and 31 December 2015 consists of:

	2016	2015
Crude Oil and Products	10,125,070	12,064,450

Materials and Supplies	387,764	336,179
	10,512,834	12,400,629
Allowance for Inventory Losses	(68,591)	(1,052,096)
Total	10,444,242	11,348,533

Note 7 - Long-term receivables, rentals and investments

The account as at 31 March 2016 and 31 December 2015 consists of:

	2016	2015
Advance rentals	761,114	732,336
Market investment loans (a)	65,007	79,330
Investments in associates and jointly-controlled entity (b)	43,755	38,330
	869,876	849,996
Long-term receivables (c)	51,402	53,842
Provision for impairment of long-term receivables	(18,575)	(18,575)
	32,827	35,267
	902,703	885,263

(a) Market investments 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.

(b) Investments in associates and jointly-controlled entity

Bonifacio Gas Corporation (BGC) is an entity engaged in the wholesale distribution of LPG and was established to operate a centralized gas distribution system within the Bonifacio Global City. The book value of the investment is Php 34.5 million as at 31 March 2016 (2015 – Php 30.7 million).

Kamayan Realty Corporation (KRC) is an entity engaged in leasing and selling of real properties. The book value of the investment is Php 9.2 million as at 31 March 2016 (2015 – Php 9.6 million)

As at 31 December 2015, the Company's share in Pandacan Depot Services, Incorporated (PDSI), an asset held-jointly, amounting to Php 7.2 million was fully impaired, subsequent to the decommissioning of Pandacan Depot.

(c) Long-term receivables

As at 31 March 2016 and 31 December 2015, long-term receivable of Php18.5 million was impaired and fully provided for. The individually impaired receivables mainly relate to Batangas Bay Carriers Inc., which is in difficult economic situation and are aged over a year.

As at 31 March 2016 and 31 December 2015, there are no other long-term receivables that are past due but not impaired.

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

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

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

Note 8 - Short-term borrowings

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

The average actual interest rate/cost of funds on local borrowings for YTD March 2016 was 2.42% p.a., as against the rate of 2.05% in YTD March 2015.

The average tenor of borrowing was 2 days in YTD March 2016 as against 9.28 days in YTD March 2015.

Note 9 – Loans payable

On 17 January 2014, the Company entered into a loan agreement with Bank of the Philippine Islands (BPI) to obtain an unsecured loan of PhP5 billion. Details of the loan as at 31 March 2016 follow:

Amount	Interest	Terms
5,000,000	2.7632% as at that loan date effective until next re-pricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 17 January 2014. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months.

On 2 March 2015, the Company entered into a loan agreement with BPI to obtain an unsecured loan of PhP11 billion. Details of the loan as at 31 March 2016 follow:

Amount	Interest	Terms
6,000,000	2.7896% as at that loan date effective until next re-pricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 02 March 2015. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months.

On 2 March 2015, the Company entered into a loan agreement with BPI to obtain an unsecured loan of PhP5 billion. Details of the loan as at 31 March 2016 follow:

Amount	Interest	Terms
5,000,000	2.9212% as at that loan date effective until next re-pricing.	Payable after thirty-six (36) months reckoned from the drawdown date on 02 March 2015. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months.

Total interest expense charged to operation on the above loans as of March 2016 amounted to PhP174.4 million.

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

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

The Company is in compliance with the covenants as at 31 March 2016.

Note 10 - Other liabilities

The account as at 31 March 2016 and 31 December 2015 consists of:

	2016	2015
Provision for legal cases	1,598,498	1,561,022
Asset retirement obligation	1,383,439	1,611,137
Operating lease	310,450	693,086
Provision for remediation and demolition costs	874,396	818,867
Cash security deposits	338,599	379,744
Other liabilities	326,442	155,618
	4,832,363	5,219,474

Note 11 – Dividends

No dividends were declared in 2015 and as of YTD March 2016.

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

Note 12 - Earnings per share

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

	March 2016	December 2015	December 2014
Earnings available to stockholders:			
Net income/(loss) for the period ('000)	2,274,205	3,553,196	(8,488,580)
Weighted average number of shares	1,653,558,291	1,089,791,884	758,885,514
Treasury shares	(67,614,089)	(67,614,089)	(67,614,089)
	1,585,944,202	1,022,177,795	691,271,425
Earnings per share, basic and diluted	1.43	3.48	(12.28)

Note 13 – Contingencies

Tax cases

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

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

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

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

Filed 3 December 2009

Matter Summary: The Bureau of Customs (BOC) assessed the Company, more than **PhP7.3 billion** for claimed excise taxes on the importation of CCG/LCCG components from 2004-2009.

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

The Government later accepted the Company's offer to post a surety bond to answer for any damage that a Suspension Order might cause to the government. The posting of the bond was

approved by the CTA which prevented the BOC from implementing further seizures of the Company's importations.

Status: In a Resolution dated 27 November 2012, the Court granted the company's Motion for Summary Judgment and ruled that the government is enjoined from collecting the alleged unpaid excise taxes and Value Added Tax (VAT) on the company's CCG/LCCG importations for the periods in 2004 to 2009. The government 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. The parties' memoranda were filed in November 2013. In a Decision dated 28 September 2015, the CTA En Banc held company liable for the payment of unpaid excise taxes and VAT for the importation of CCG/LCCG covering the period from 2006 to 2009. On 2 November 2015, company moved for the reconsideration of said ruling.

Awaiting resolution by the CTA En Banc.

(b) Batangas Local Tax Case

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

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

Filed in SC on 8 May 2009

Matter Summary: The Batangas City local tax case amounting to PhP338 million is now pending with the SC.

On 11 August 2005, the CTA issued a resolution ordering Batangas City (City) and any of its officers to hold in abeyance the collection of the taxes under dispute.

On 21 June 2007, the 2nd Division of the CTA rendered a decision finding the Company not liable for business taxes on the manufacture and distribution of petroleum products and further declared that the amount assessed as mayor's permit fees was excessive. The City was further precluded from imposing taxes on the manufacture and distribution of petroleum products and was ordered to refund the excessive mayor's permit fees in the amount of PhP3.5 million. The Company filed a Motion for Clarification to correct the computation of the amount to be refunded. The 2nd Division of the CTA issued an Amended Decision last 31 July 2007 partially granting the Company's Motion for Clarification.

The City filed its Petition for Review with the CTA en banc on 20 December 2007. In a decision dated 22 January 2009, the CTA En Banc affirmed the decision of the 2nd Division and dismissed the Petition for Review filed by the City for lack of merit. Hence, the appeal by the City to the Supreme Court. In 2015, the Supreme Court rendered a decision in favor of the Company.

Status: On 8 July 2015, the Supreme Court affirmed that the Company is not liable for the business taxes in the amount imposed by Batangas City pursuant to the City Tax Code of 2002. It ruled against the imposition of local business taxes and ordered the refund of Mayor's permit fee which the Company had paid.

(c) Excise tax on Importations of Alkylate

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

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

Filed on 24 August 2012

Matter Summary: The BIR held that Alkylate, a raw material imported by the Company, is subject to excise taxes upon importation. The BIR ordered the collection of **PhP1,994,500,677.47** in alleged excise taxes for importations of Alkylate in the period from January 2010 to June 2012.

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

On 2 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 Supreme Court 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 Supreme Court consolidated the petitions which stemmed from this issue and are now pending before said court, to wit: (1) appeal filed by the BOC raising the question of jurisdiction (SC G.R. No. 211294), (2) appeal filed by the Company challenging the denial of its application for Suspension Order for its March 2014 alkylate shipment (SC G.R. 212490), and (3) appeal filed by the BIR likewise raising the issue of jurisdiction (SC G.R. No. 210501). The Supreme Court also 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, PSPC filed a Motion for Judgment on the Pleadings. This Motion was denied by the tax court on the 13 February 2015. On 16 March 2015, Company filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

The pre-trial had been set in March 2016.

(d) Tax Credit Certificates Cases

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

Filed 5 December 2012

Matter Summary: This is an appeal from the Decision of the Court of Appeals which affirmed the CTA in setting aside the CIR's demand for payment of the sum of PhP1,705,028,008.06 as the Company's excise tax liabilities for the years 1992, 1994-1997, which were paid by the Company through Tax Credit Certificates (TCC) and Tax Debit Memos (TDM).

Status: Awaiting action by the Supreme Court.

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

Filed October 04, 2011

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

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

Status: In its Resolution dated 1 April 2014, the Supreme Court consolidated this case with the case entitled "Commissioner of Internal Revenue vs. Pilipinas Shell Petroleum Corporation" with SC G.R. No. 204119-20.

Awaiting further action by the court.

3. Republic of the Philippines rep. by Bureau of Customs vs. Pilipinas Shell Petroleum Corporation & Filipino Way Industries

SC-G.R. No. UDK 14908 now SC G.R. No. 209324, Supreme Court

Matter Summary: Sometime in March 1996, TCCs were issued to Filway Industries for customs duties and taxes allegedly paid on raw materials used in the manufacture, processing or production of knitted fabrics. In 1997, Filway executed a deed of assignment over the TCCs in favour of 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.

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

Status: In its Decision dated 09 December 2015, the Supreme Court remanded the case to the lower court for the conduct of the trial proceedings so that the BOC could attempt to prove the alleged fraudulent acquisition and use of TCCs amounting. Company filed a Motion for Reconsideration from this decision on 4 February 2016.

Pandacan Zoning Ordinance

Social Justice Society (SJS) Officers VS Alfredo S. Lim, in his capacity as Mayor of the City of Manila and Jose L. Atienza, Jr. et.al. VS Mayor Alfredo S. Lim, et. al (Ordinance 8187)

SC-G.R. No. 187836 consolidated with Case No. 187916, Supreme Court

Filed June 01, 2009

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

Filed on 29 August 2013

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

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

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

On 25 November 2014, the Supreme Court decided to declare Ordinance No. 8187 unconstitutional and invalid with respect to the continuing stay of the Pandacan depots. The Court gave the oil companies 45 days to submit a comprehensive plan and relocation schedule and then six (6) months to implement the said plan. On 5 January 2015, the Company filed its Motion for Reconsideration.

In a Resolution dated 10 March 2015, the Supreme Court denied the Company's Motion for Reconsideration. The Court ordered the observation of the prescribed timelines indicated in its decision and the proscription against the filing of further pleadings, motions or papers. In view of the Decision of the Supreme Court, the Regional Trial Court dismissed Case No. 13-1034 for being moot and academic.

The Supreme Court has held that Ordinance No. 8187 is invalid and ordered the oil companies in Pandacan to remove its facilities within 6 months. As of 24 November 2015, Company has complied with the removal of its facilities.

Cases Filed by the West Tower Condominium Corporation

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

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

Filed on 11 June 2012

Matter Summary: The Company is a respondent in this Petition for Certiorari filed by West Tower Condominium Corp. (WTCC), 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. First Philippine Industrial Corporation (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. WTCC, 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 WTCC, 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 WTCC, et al. WTCC, 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. 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.

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

NPS No. XV-05-INV-11J-02709, Department of Justice

Filed October 2, 2011

Matter Summary: This is a complaint for criminal negligence against 11 Directors of the company and 2 Officers of the company who are also directors of FPIC. Aside from the other Directors and Officers of FPIC, also charged were Directors of First Gen Corp. and Directors of Chevron.

Each of the Company's Directors (11) and Officers (2) filed their respective Counter-affidavits on 19 of January 2011. The Directors asserted that there is no basis to find them culpable for negligence. The City Prosecutor will make a determination as to the existence of probable cause,

which is necessary before the Respondents can be indicted.

Status: The case is pending resolution.

Others

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

SC G.R. No. 202295, Supreme Court, 1st Division

SC-G.R. Case 199182-89, Supreme Court, 2nd Division

Filed December 23, 2011

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

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

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

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

Note 14 –Changes in estimates of amounts

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

There were no issuances, repurchases of debt and equity securities during the quarter. There was a repayment of Php 2.5 billion of short term borrowing during the quarter.

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

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

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

Note 18 – Changes in contingent liabilities or contingent assets

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

Note 19 – Existence of material contingencies

There were no material contingencies, events or transactions that existed that materially impact the current interim period.

ITEM 2

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

Key Performance Indicators

	YTD March 2016 (Unaudited)	2015 Full year
Current Ratio	1.86	1.94
Debt-to-Equity	0.47	0.59
Debt Ratio	0.21	0.23
Return on Assets	3.54%	5.37%
Asset Turnover Ratio	0.46	2.25

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

(Please note that the numbers for 2016 are only for YTD March while those for 2015 are for the full year).

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

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

Any events that will trigger direct or contingent financial obligation

There were no material or significant events during the reporting period that will trigger direct or contingent financial obligations that are material to PSPC.

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

There 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.

Material commitments for capital expenditures

For the year 2016, a budget of PhP3.4 billion has been approved for capital expenditures. Bulk of the capital expenditures will be allocated mainly for asset integrity maintenance, turnaround and growth projects.

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

Global developments, particularly the steep decline in oil prices, will continue to impact crude oil supply, both internationally and in the domestic market.

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

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

Profitability

Sales revenues decreased by 24% from PhP39 billion in YTD March 2015 to PhP29.8 billion in YTD March 2016. This decrease is mainly due to significantly lower product prices in YTD March 2016 vs YTD March 2015 driven by the drop in global oil prices. Sales Volume, on the other hand, increased by 4% from 1,450M Liters in YTD March 2015 to 1,501M Liters in YTD March 2016 driven mainly by Retail and Supply.

Retail volumes grew in view of general market growth, local-regional marketing initiatives, differentiated fuels offerings, contributions of new-to-industry retail sites and execution of strategic pricing alignment.

Supply volumes increased primarily due to higher sales to the other two major oil companies via the company's buy/sell contract.

Gross Margins

Gross margin registered at PhP5.4 billion as of YTD March 2016 compared to PhP4.1 billion gross margin for the same period in 2015 mainly due to stronger refinery margins, higher sales volume and lower purchase cost and primary transport.

Operating & Other expense increased from PhP1.9 billion in YTD March 2015 to 2.0 billion in YTD March 2016 mainly due to increase in advertising expenses.

Net Finance cost decreased from PhP0.4 billion in YTD March 2015 to PhP0.2 billion in YTD March 2016 primarily due to the repayment of loans by end of 2015.

As a result of the reasons stated above the Company registered a **Net Income After Tax** for YTD March 2016 of PhP2.3 billion compared to PhP1.2 billion for the same period in 2015.

Financial Position

Cash and Cash Equivalents decreased from PhP3.6 billion as at December 31, 2015 to PhP3.1 billion as at 31 March 2016 due to the repayment of the short term borrowings.

Inventories decreased from PhP11.3 billion as at 31 December 2015 to PhP10.4 billion as at 31 March 2016 due to reduction in oil prices and improvements in inventory management.

Prepayments and Other Current Assets decreased from PhP11.3 billion as at 31 December 2015 to PhP9.7 billion as at 31 March 2016 due to working capital improvement initiatives implemented by the Company.

Deferred Income Tax Assets, Net decreased from PhP3.7 billion as at 31 December 2015 to PhP 2.8 billion as at 31 March 2016 due to the utilization of some of the deferred tax assets in Q1 2016 as a result of the profits made during the quarter.

Accounts Payable and Accrued Expenses decreased from PhP16.2 billion as at 31 December 2015 to PhP13.0 billion as at 31 March 2016 mainly due to reduction in purchase value as a result of lower crude prices.

ST Borrowings decreased from PhP2.7 billion as at 31 December 2015 to PhP0.2 billion as at 31 March 2016 mainly due to the repayment of loans.

Current Portion of LT Loans increased from nil as at 31 December 2015 to PhP5.0 billion as at 31 March 2016 due to re-class of current portion of long term loan to short term.

Long Term Loans Payable decreased from PhP16.0 billion as at 31 December 2015 to PhP11.0 billion as at 31 March 2016 due to re-class of current portion of long term loan to short term.

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

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

SIGNATURES

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

Issuer:

Signature and Title:

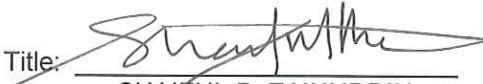


ATTY. ERWIN R. OROCIO
Corporate Secretary

Date: May 12, 2016

Principal Financial/Accounting Officer/Controller:

Signature and Title:



SHAIFUL B. ZAINUDDIN
Vice President – Finance and Treasurer

Date: May 12, 2016