Following our robust overall performance last year with net income up 11% versus 2018, and the strong marketing delivery from the start of 2020 up until mid-March, Pilipinas Shell Petroleum Corporation (PSPC) took a hit in net earnings from the severe drop in global oil prices and further deterioration of refining margins. This was aggravated by the parallel slowdown in economic activity under the government-imposed Enhanced Community Quarantine (ECQ) to contain the spread of the COVID-19 pandemic. All these led to a first quarter loss of PHP5.5 billion. Gearing remained healthy at 37%. Our retained earnings as of the end of 1Q 2020 stands at PHP6.4 billion.

The biggest contributor to PSPC's PHP5.5 billion net loss in the 1st quarter was the oil price decline of more than 40 USD/barrel from January to end-March, resulting in inventory holding losses[1] of PHP5.6 billion. The alternative measure of underlying business performance used by PSPC – that excludes the impact of inventory holding gains/losses – is EBITDA adjusted for Cost of Sales Adjustments (COSA). As of 1Q 2020, EBITDA adjusted for COSA stands at PHP1.8bn. a 26% decline versus same period last year. Marketing EBITDA Adjusted for COSA still increased because of the strong marketing delivery pre-ECQ and higher premium fuel penetration.

The economic slowdown from the ECQ in most areas in the country has caused the Philippine GDP to contract by 0.2% this 1Q 2020 for the first time since the 1998 Asian Financial crisis. Same trend can be seen in PSPC's sales performance, wherein we saw a 34% decline in sales post ECQ implementation.

Exhibit A

	Pre ECQ (Jan 1-Mar 13)	Post ECQ (Mar 14-31)	April Volume
Retail	Flat	-55%	-66%
Commercial	+16%	+20%	-33%
Aviation	+16%	-57%	-83%
Lubricants	+7%	-55%	-65%
Specialities	+16%	-87%	-91%
Total Marketing Volume	**6%**	**-34%**	**-58%**

The trend seen in April is based on the full lockdown scenario and should not be used as a predictor of future volumes

Luzon and some parts of the country was placed on ECQ starting March 16. Following an initial extension to 30 April 2020, on April 24, 2020, the ECQ was further extended until May 15, 2020 for Metro Manila and several provinces in Luzon. Last May 12th, the government declared the modified ECQ (MECQ) starting May 16 until May 31 whereby in general, 50% of the workforce of specific services/industries is allowed to go back to work. Public transportation is still prohibited under the MECQ.

[1] Cost of Sales Adjustment (COSA) approximates the inventory gains/losses incurred by the company due to crude and oil price fluctuations. Using the first in first out method of accounting, cost of goods sold reflect costs 30 days earlier while revenues reflect current prices. The timing difference creates a significant impact on cost of sales. As a general rule, an increase in crude prices will create an inventory gain while a drop in crude prices will lead to an inventory loss. COSA is removed to reflect the underlying performance of the business. This methodology calculates the cost of goods sold as the monthly average of goods purchased and is consistent with the basis of reporting used by other oil refining groups.

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The Retail business managed to keep volume at par with last year's performance despite the Taal eruption and implementation of the last tranche of excise tax increase in January. In the second half of March, post-ECQ, volumes dropped by over 50 percent. Retail stations remain open to serve the fuel needs of Filipinos. The non-fuels retailing ("NFR") delivery remained flat versus last year despite the lockdown as it established partnerships with delivery companies to transport non-fuels retail products to selected parts of the country during ECQ and as it increased its premium penetration in lubricants by 8% due to the strong execution of Women's month promotions and impact of the new benefit-led range of products. Five new Shell Select shops, five Shell Helix Oil Change (SHOC)+ and nine co-locators were opened in the quarter.

Our Commercial business sectors delivered growth pre-ECQ with 16% increase vs prior year, while increasing premium fuel penetration. For the wholesale commercial business, post-ECQ volumes in March increased by 20% as the operations of base load plant customers continued, and new customers in construction, manufacturing and wholesale sectors were acquired. Some customers also increased their stocks when the ECQ was announced.

However, as seen in our April volume trends, demand is seen to decline in the next quarter as customers' operations halted due to the ECQ. This includes an over 80% volume decrease for Aviation fuel in April due to international and domestic flight cancellations, and over 90% volume drop in Bitumen demand as all Luzon construction operations were stopped.

Our supply chain remains flexible and resilient to ensure an uninterrupted supply of fuels to serve the needs of the Filipinos. The North Mindanao Import Facility, Tabangao Refinery, and all depots remain open and operational, some with compressed operating hours during the ECQ.

Pilipinas Shell is taking prompt action to mitigate the impact of COVID-19 and crude price volatility by further strengthening its financial position. During this unprecedented crisis, Pilipinas Shell puts top priority on the following:

1) People safety
    - All operating sites (refinery, depots, retail stations) follow strict safety and health protocols.

2) Serving customers in the critical time of need
    - Continue operations nationwide to ensure stable supply of fuel and energy
    - Capitalize on integrated value chain to drive E2E value and benefit from supply flexibility
    - Leverage on Shell Group's support to have the flexibility to quickly respond to drastic changes in demand and price volatility

3) Surviving the crisis and thriving in the "new normal"
    - Deliver targeted PHP1bn OPEX reduction (reduction in SP&A, maintenance costs, contract negotiation). We were able to double this amount from PHP500 million when we initially announced the target OPEX savings in March
    - Employees will not be receiving discretionary performance-related bonuses for their full year 2020 performance
    - Reduce CAPEX by 25% or over PHP1 billion

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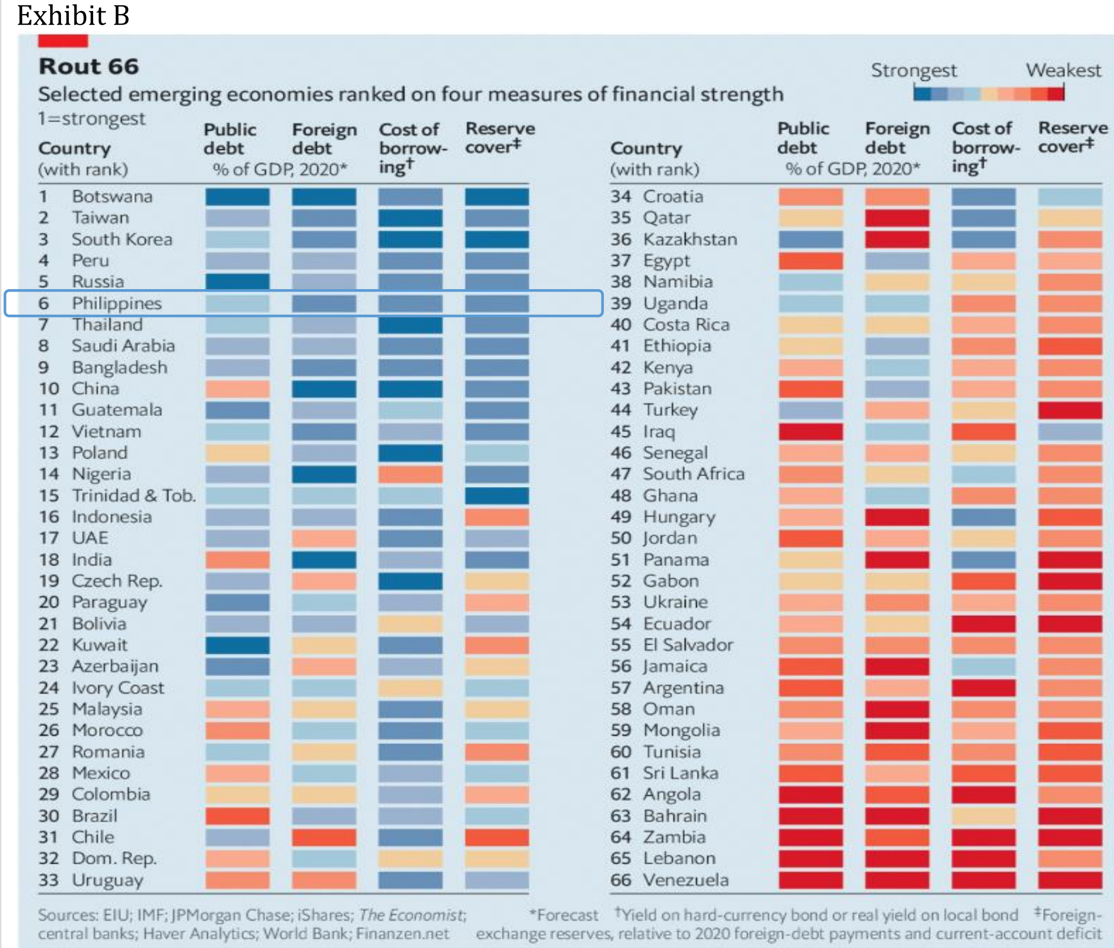
- Remain poised to win all available opportunities in the market through recovery plans developed and in place for each of our marketing businesses

While there are many unknowns, the country will still need efficient, resilient energy to help the economy rebound as we face the new normal. Pilipinas Shell is facing the current reality and we are accelerating the implementation of our strategies to capture demand available during the new normal, improve the liquidity position despite the demand disruption seen, and continue to become a stronger and more valuable company after the crisis.

The Philippine economy is projected to shrink this year because of the pandemic. However, this needs to be put in context given its relatively high GDP growth rates in the past years as compared to most other countries in the region. Despite the contraction in the service, construction, mining, and transportation sectors because of the ECQ, the country maintains a strong fiscal and financial position that will help it overcome the crisis. According to The Economist, the Philippines ranks 6th in financial strength among 66 countries, higher than China, Thailand, India, and Vietnam. The country also obtained the BBB+ S&P credit rating and Baa2 from Moody's which will support the aggressive investment program in the coming years.

Exhibit B



The Economist

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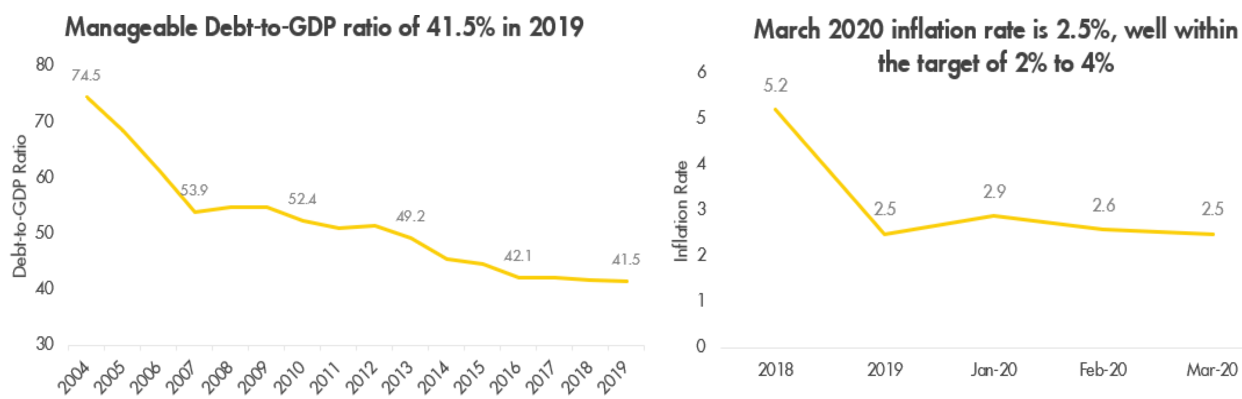
Based on the Covid-19 Socio-Economic Response as of April 21, 2020 by the Department of Finance, Debt to GDP ratio remains manageable at 41.5%, a steep improvement from the 74.5% ratio in 2004. Likewise, March 2020 inflation rate is contained at 2.5% which remains at the lower end of the 2-4% inflation range target. According to the National Economic Development Authority, the government has also set action plans to recover from the crisis. From June to December 2020, they will prioritize Build-Build-Build (BBB) resumption, stimulate private consumption, reduce corporate income tax from 30% to 25% and encourage liquidity and equity infusion thru the financial sector. From 2021 onwards, they will allocate budget to BBB, digital infrastructure, and health, using the crisis as an opportunity to implement structural reforms.

Exhibit C



Source: Dept of Finance Report on COVID-19 Socio-Economic Response as of April 21 2020

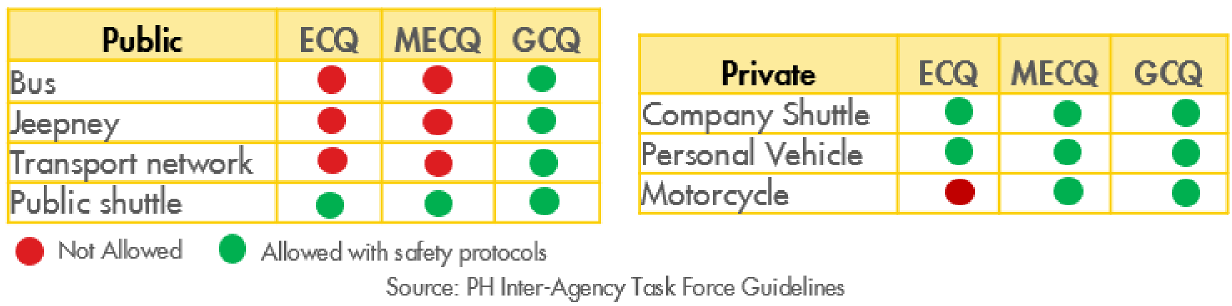
Drastic decline in crude prices following the breakdown of production cuts discussion between OPEC and Russia was seen in 1Q 2020. Decline in other fuels product prices due to the global supply-demand imbalance was also felt because of the pandemic. Due to these factors, Pilipinas Shell recognized an inventory holding loss amounting to PHP5.6 billion in 1Q 2020.

Our recovery plans are premised on projected volume growth based on the guidelines released by the government, state of the economy, together with assumptions on the timing of the lifting of the lockdown. We also incorporated the experience of other countries that had already lifted lockdown protocols on our recovery plans. We caution however, that the experience of other countries may not fully apply in the Philippines.

Historically fuels volume growth has a 60-70% correlation with GDP growth. However, this formula may no longer hold as we are operating in very rare circumstances given that this is the first time in 20 years that the country is projected to have negative GDP growth. The oil and gas sector is considered a vital part of the economic recovery of the Philippines. We are hopeful that demand will pick up in line with improvement in economic activity as industries reopen and people regain confidence to drive. Finally, the oil industry's recovery is heavily dependent on the magnitude and speed of economic recovery of the sectors it serves.

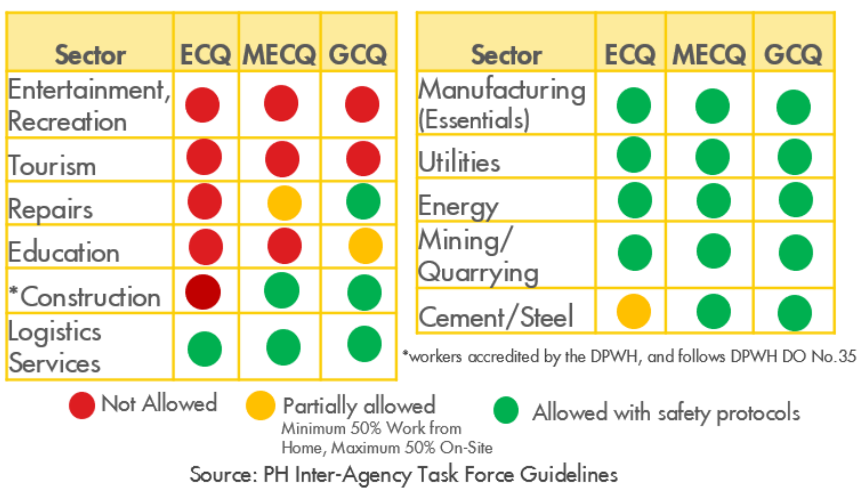
The impact of the lockdown on the retail business may be assessed via the public and private transportation guidelines shared by the government. The specific coverage and application of the lockdown will vary per city and is fully dependent on the government's proclamation.

Exhibit D



For the commercial sector, we have identified sectors that may drive fuel demand based on guidelines released by the government.

Exhibit E



Inter-Agency Task Force (IATF) Resolution No. 37 indicates that Metro Manila and 7 other areas will be under MECQ from May 16 to May 31. There is no announcement on the GECQ duration yet.

For 2020, we will continue with our disciplined approach on capital expenditure and leverage on our strong balance sheet we have built over the years. We will continue investing in the country as we plan to spend ~PHP4bn on CAPEX in 2020 for around 45-55 new retails sites coupled with around 15-20 new Select and Deli2go shops and 20-30 new Helix oil change centers. We will also use this money to set-up the hydrogen optimization project.

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The crisis is far from over, as the effects of the ECQ will probably be more felt in the second quarter. However, Pilipinas Shell has a strong balance sheet and manageable gearing of 37 percent. We will continue to reinforce financial resilience by implementing measures to protect and generate cash flows. With your continued support and confidence in us, we will surpass this crisis, much as we have surmounted the challenges in our 106 years of operation in the Philippines. We assure you that we remain true to our goal of fulfilling our responsibility to our various stakeholders and our commitment to sustainability. We are well prepared to support the country to rebound from the crisis by continuously supporting its energy requirements and seizing the opportunities as the Philippines recovers from COVID-19.