



FY 2018 results

Delivering a world-class investment case

Pilipinas Shell Petroleum Corporation
March 22, 2019

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Summary



Key messages

- Pilipinas Shell celebrates its 105th year in the country attributable to strong corporate governance, consistent strategy, and commitment to its core values
- Marketing businesses positioned for growth
- Supply chain continues to optimize operations and employ cost-efficiency initiatives

FY18

- Marketing businesses deliver strong performance against headwinds
- Refinery delivers highest reliability in five years but impacted by the low regional refining margins and steep decline in crude prices in 4Q
- Delivered first sale from new bitumen production facility
- Maintains attractive dividend policy

Oil and Gas sector in 2018: Short-term headwinds, but strong fundamentals remain

Regional refining margins and macroeconomic factors affected targets but long-term outlook remains strong

	1Q 2018	2Q 2018	3Q 2018	4Q 2018
PH	TRAIN IMPLEMENTATION		HIGH INFLATION >5%: 6.7% recorded in September, highest in 9 years	INFLATION EASING In November (6%) and December (5.1%)
REGION	LOW REFINING MARGINS FOR MOST OF 2018: Average Regional Refining Margins declined by ~80% in 2018			
				~30-40% DECLINE IN CRUDE PRICES

COUNTRY'S DEMAND FOR ENERGY REMAINS STRONG



STRONG GDP GROWTH SUPPORTED BY YOUNG POPULATION

6.2% 2018 GDP growth among the fastest in the World

23YRS Median age of population of 105M



INCREASED VEHICLE POPULATION WITH POTENTIAL TO GROW

11.6M Total registered vehicles 2018 (8% CAGR since '14)

9/100 Low motorization vs ASEAN countries



GROWING HOUSEHOLD CONSUMPTION

11% Growth in 2018 household spending

1ST Food remains the top spend priority

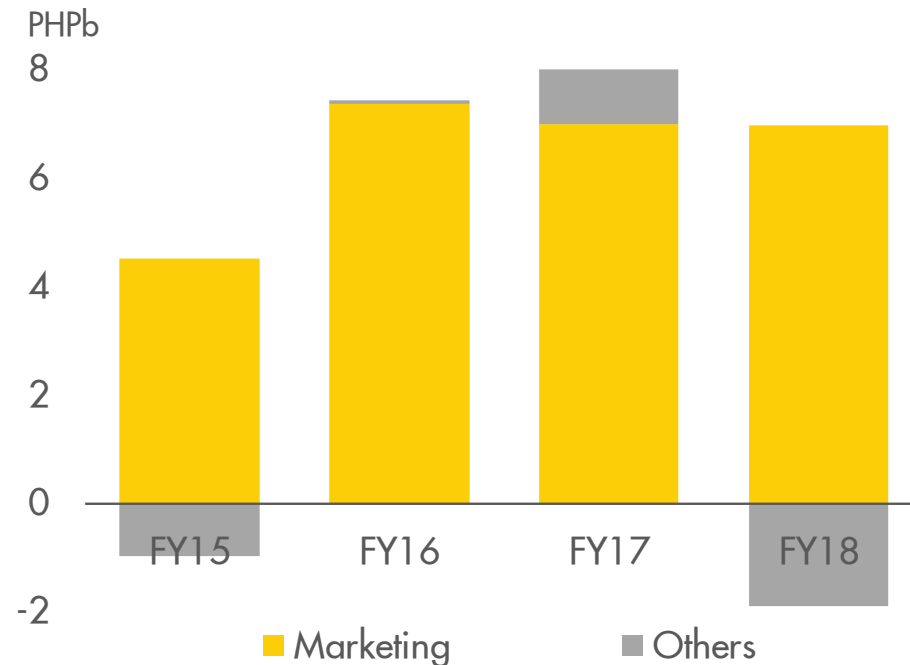
3RD Transport comes third

References: Philippine Statistics Authority, Land Transportation Office, MOPS. Regional refining margins based on 2017 and 2018 average of Singapore Arab Light Crude Semi-Complex as reported on MOPS; crude price based on October and December average price of Brent crude as reported on MOPS.

Financial highlights

- Pilipinas Shell continues to deliver strong cash generation and industry-leading ROACE
- Steep decline in crude prices in Q4 wiped out inventory gains as of YTD3Q

Marketing businesses continue to deliver solid earnings despite headwinds partially offsetting impact of drastic decline in crude prices in Q4



Note: Marketing and overall earnings based on net income after tax. Marketing delivery based on internal estimates.

5.1 NIAT (PHPb)

5.7 Total volume (Bn litres)

14.1 Cash flow from operations (PHPb)

9.9 Free cash flow (PHPb)

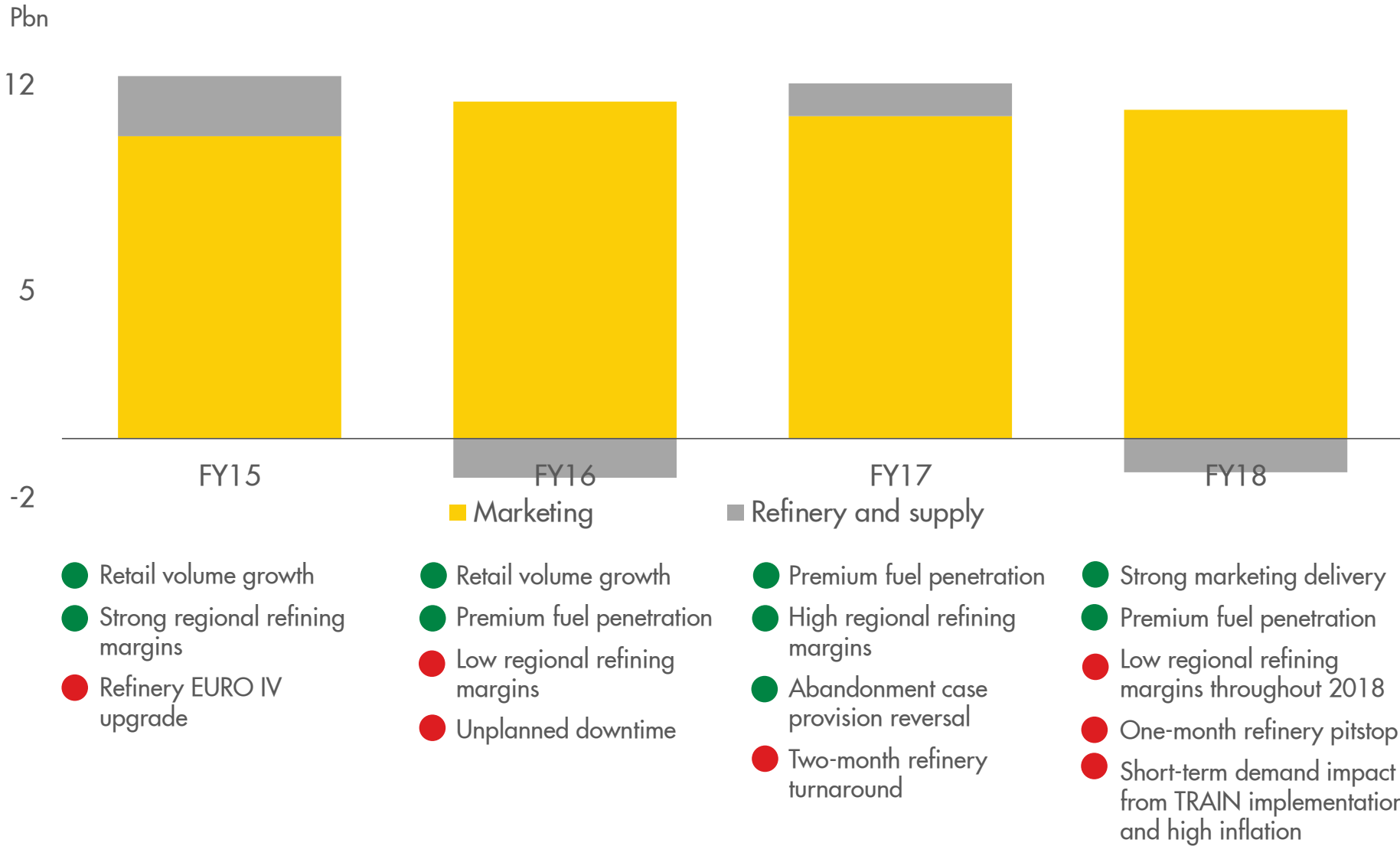
15 ROACE (%)

17 Gearing (%)

Robust marketing delivery, low regional refining margins throughout 2018

Marketing volume growth affected by TRAIN and high inflation in the short-term. Positive outlook in the medium and long-term as fundamentals remain

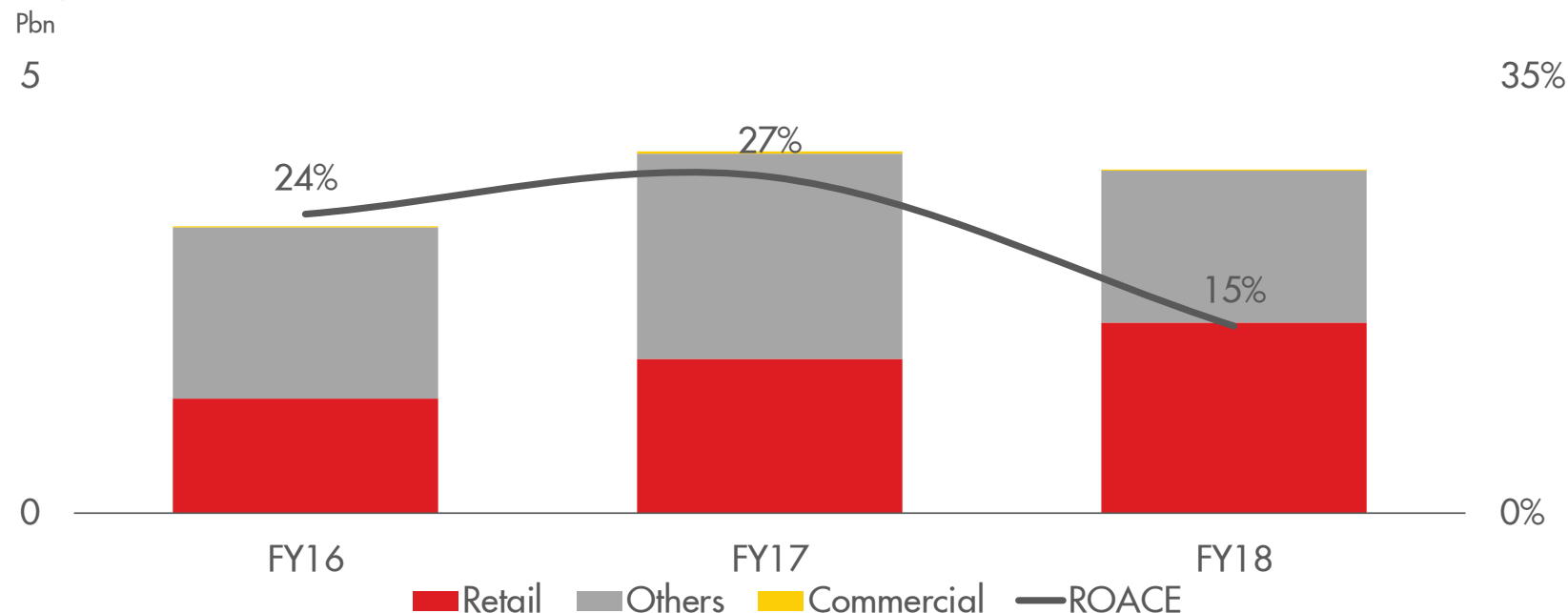
EBITDA adjusted for COSA stands at PHP10b



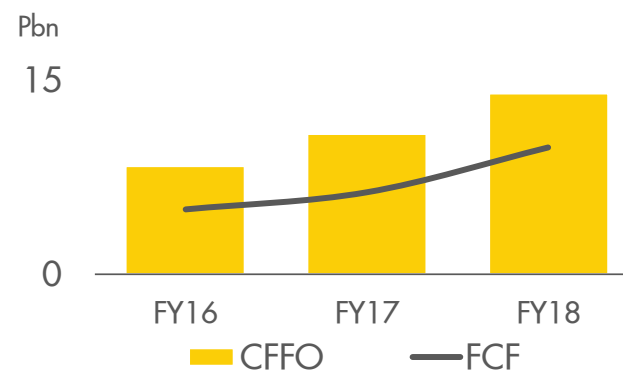
CFFO increases by 29% sufficient to fund CAPEX and dividend payments

Pilipinas Shell funds CAPEX requirements as planned; gearing remained low at 17%

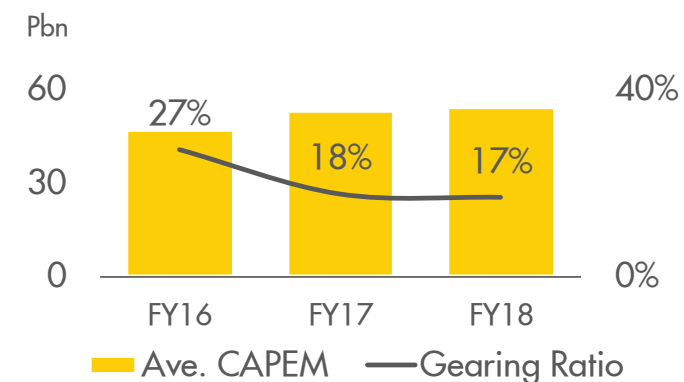
Capital Investments + ROACE



Cash flow from operations



Average capital employed + Gearing



Notes: Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of short-term borrowings and loans payable, and total equity. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period. Net earnings based on net income after tax. Gearing ratio is defined as net debt (total debt less cash and cash equivalents) as a percentage of total capital (net debt plus total equity). It is a measure of the degree to which our operations are financed by debt.

Retail retained loyal customers despite over 20% increase in pump prices vs PY

RETAIL FUELS



Brand share preference increases to 45% in Q4, 12% ahead of biggest competitor



Strong volume growth in Q4 vs previous quarters



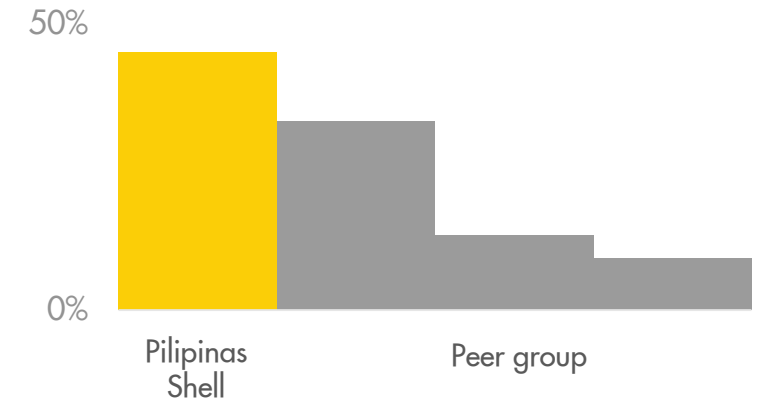
Retained high premium fuel penetration at 26%



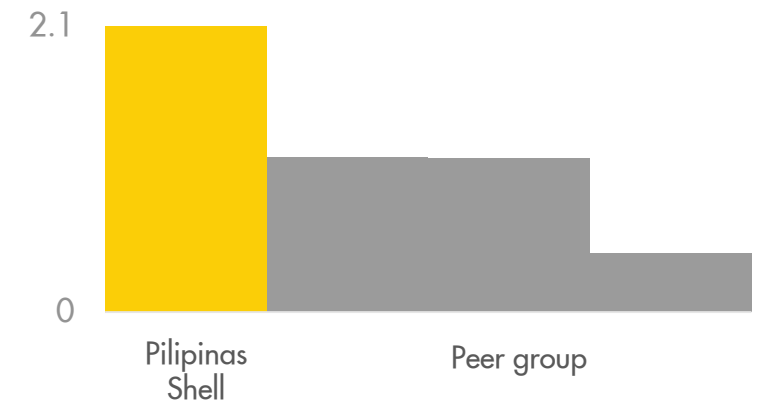
Total 1,084 sites, opened 50 new sites for 2018

- Volumes delivered aligned with industry
- Remains most efficient in Philippines with 2.1x network efficiency over competitors

Leading Brand Preference Share at ~45%



Most efficient retail network in the Philippines



Non-fuels retailing business continues to enjoy double- digit growth

11% Non-fuels contribution to retail gross margins

+30% Increase in NFR Income from 2016

Overdelivered on new store growth guidance

	Guidance	FY18 New sites	Total
Select	15-20	33	135
deli2go	15-20	17	58
SHOC+/HSC	30-50	75	337

Note: Shell Helix Oil Change (SHOC+) and Helix Service Center (HSC)



New Select shops and deli2go offerings in key retail stations



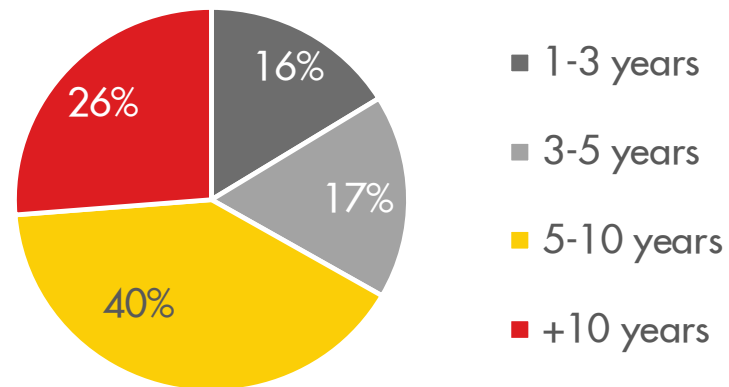
New Helix Shell Centers offering oil change and other services

Increased premium penetration in key segments to partially offset structural decline in power demand

Posted volume growth in aviation, bitumen and some non-power sectors



Maintained long relationship with partners



Commercial fuels

- Higher premium penetration softens impact of decline in power sector demand
- Strategic wins in non-power sectors

Aviation

- Strong volume growth vs PY
- Renewal of contract with key airlines

Lubricants

- Remains most preferred brand in various sectors
- Grew volume in non-power sectors offset by lower demand in power segment

Specialities (Bitumen + Sulphur)

- Bitumen production facility first sale in Q3
- Sealed deals in 2018 supporting the country's Build, Build, Build projects

PSPC delivery vs key IPO commitments

KEY PRIORITIES	2018 DELIVERY
Maximizing cash generation while maintaining competitive returns	Recorded CFFO of P14.1b, up 29%
Disciplined expansion and capital allocation	Delivered P4.1b of CAPEX, ~50% invested in retail; ROACE at 15%; Gearing at 17%
Attractive dividend policy – annual dividends not less than 75% of PY's audited net income	Delivered 80% of PY's net income for FY16 and FY17; projected to deliver ~6% dividend yield

STRATEGIC OBJECTIVES



SELECTIVELY PURSUE PROFITABLE FUEL OPPORTUNITIES

- Opened 50 new sites, ended 2018 with 1,084 sites
TARGET: 50-70 per year
- 26% premium fuel penetration despite >20% increase in pump prices
- Decline in power sector sales offset by strong growth in aviation and other sectors



CAPTURE NON-FUEL RELATED GROWTH OPPORTUNITIES

- 33 new Shell Select and 17 deli2go offerings
TARGET: 15-20 per year
- 75 new lube bays
TARGET: 50-70 per year



MAINTAIN COMPETITIVE ADVANTAGE THROUGH A RELIABLE & EFFICIENT MANUFACTURING, SUPPLY & DISTRIBUTION CHAIN

- US\$9.3m cost savings from NMIF
TARGET: US\$5-6M per year
- Only bitumen production facility in PH now operational
- Increase in refinery turnaround cycle - in progress
- 1.5% unplanned downtime; highest reliability in 5 years and 2nd most reliable refinery in Shell globally



MAINTAIN INDUSTRY LEADING POSITION FOR CORPORATE GOVERNANCE AND WORLD CLASS TALENT DEVELOPMENT

- 10.4M man-hours Total Reportable Cases Free
- Recognized in Asia Corporate Excellence Awards, Agora Awards and Anvil Awards

2019 Outlook

Growing our Marketing Businesses

PHP6b CAPEX planned for 2019 to support marketing businesses growth (40%), refinery (40%) and supply chain (20%)



RETAIL FUELS: LEVERAGING ON NETWORK EFFICIENCY STRONG BRAND, WORLD-CLASS FUELS

50-70 new retail stations/year
IN STRATEGIC LOCATIONS

VOLUME GROWTH SUPPORTED BY:

- Launch of Shell Go+ Card
- OEM Partnerships
- Marketing Campaigns



NON-FUELS RETAIL: SUSTAINING DOUBLE-DIGIT GROWTH

STORE GROWTH PER YEAR:

15-20 NEW SELECT STORES

15-20 DELI2GO OFFERINGS

30-50 SHOC+/SHC

- Revitalized offers and store format updates
- Supply chain efficiencies



COMMERCIAL FUELS: GROWING NON-POWER SECTORS

- IMO 2020 Preparedness
- Improving value proposition and promotion of differentiated fuels



LUBRICANTS

- Increase premium mix
- Grow non-power sector



AVIATION

ONE NEW AIRPORT ENTRY IN 2019

Launch of Skypad, digital ticketing alternative



BITUMEN

- Increase utilization of bitumen production facility
- Support government projects and secure export contracts

2019 Outlook

Optimising an efficient and competitive supply chain

PHP6b CAPEX planned for 2019 to support marketing businesses growth (40%), refinery (40%) and supply chain (20%)



TABANGAO REFINERY

COST TRANSFORMATION JOURNEY

Improve competitiveness by looking at efficiency improvements and waste elimination

HYDROGEN OPTIMISATION PROJECT

Capability to produce higher value products, increase crude slate flexibility, and improve turnaround frequency

RESPONDING TO IMO 2020

- Securing fuel oil output domestically
- Capability to segregate High Sulfur and Low Sulfur Fuel Oil
- Lower Fuel Oil output through Bitumen Production Facility



SUPPLY

- Leveraging on the North Mindanao Import Facility
- Sustaining heartlands supply chain advantage
- Strengthening and developing partnerships



WORLD CLASS SAFETY PERFORMANCE AND RELIABILITY

ZERO INJURIES AND FATALITIES;
2ND AMONG SHELL REFINERIES IN RELIABILITY

AWARD-WINNING SOCIAL PERFORMANCE AND INVESTMENTS

RECOGNITION FROM AGORA, ACES AND ANVIL

STRONG CORPORATE GOVERNANCE

I-ACGR SCORE OF 91%

ONE OF THE HIGHEST YIELDING STOCKS IN PSE

DIVIDEND YIELD >5%



MOST PREFERRED BRAND BY MOTORISTS

45% BRAND
PREFERENCE SHARE IN
Q4 2018;
HIGH V-POWER
PENETRATION AT 26%



FIRST AND ONLY BITUMEN PRODUCTION FACILITY IN THE COUNTRY

STRONG CASH GENERATION

SUFFICIENT TO COVER
CAPEX AND DIVIDEND
PAYMENTS



MOST EFFICIENT RETAIL NETWORK

EFFICIENCY INDEX OF MORE
THAN 2x OF INDUSTRY

INDUSTRY- LEADING RETURN ON CAPITAL

ROACE OF 15%

PREPARED TO SUPPORT THE COUNTRY'S
INFRASTRUCTURE PROJECTS
FIRST DELIVERY MADE IN AUGUST 2018

