

PILIPINAS SHELL PETROLEUM CORPORATION
MINUTES OF THE ANNUAL GENERAL MEETING
OF THE STOCKHOLDERS OF
HELD AT THE 10TH FLOOR, SHELL HOUSE
156 VALERO STREET, SALCEDO VILLAGE, MAKATI CITY
ON 13 MAY 2016

Present:

| Stockholders | No. of Shares Voted in Person | No. of Shares Voted by Proxy | Percentage |
|---|--|---|-------------------|
| Shell Overseas Investments B.V. | | 1,081,364,501 | 68.18% |
| The Insular Life Assurance Company, Ltd. | | 310,079,001 | 19.55% |
| Aguas, Nina D. | 1 | | 0.00% |
| Albert, Antonio A. | 134,508 | | 0.01% |
| Bucnafflor, Joaquin R. | 649,539 | | 0.04% |
| Buenaventura, C. A. | 1 | | 0.00% |
| Carosal Development Corporation | | 5,107,991 | 0.32% |
| Chua, Edgar O. | 52 | | 0.00% |
| de Ortoll, Ma. Asuncion M. | | 132,843 | 0.01% |
| Dela Cruz, Mona Lisa B. | 7 | | 0.00% |
| Dutta, Anabil | 1 | | 0.00% |
| Geus, Eduard R. | 1 | | 0.00% |
| Mutuc, Ma. Francesca O. | | 131,000 | 0.01% |
| Ortoll, Ma. Inmaculada Z. - ITF | | 15,000 | 0.00% |
| Ma. Francesca O. Mutuc | | | |
| Ortoll, Carlos Jr. M. | | 1,021,220 | 0.06% |
| Ortoll, Jorge Z. | | 474,000 | 0.03% |
| Ortoll, Ma. Beatriz M. | | 1,140,923 | 0.07% |
| Ortoll, Ma. Elena M. | | 1,021,220 | 0.06% |
| Ortoll, Ma. Inmaculada Z. | | 369,500 | 0.02% |
| Ortoll, Ma. Marta M. | | 1,021,220 | 0.06% |
| Ortoll, Ma. Rosario Z. | | 588,000 | 0.04% |
| Ortoll, Ma. Teresa M. | | 1,021,220 | 0.06% |
| Ortoll, Martin M. | | 1,021,220 | 0.06% |
| Ortoll-Mutuc, Ma. Inmaculada Z. | | 40,272 | 0.00% |
| Orzat Development Corporation | | 966,818 | 0.06% |
| Quiniones, Sebastian C. Jr. | 1 | | 0.00% |
| Rizal Commercial Banking Corporation | | 28,863,475 | 1.82% |
| Tamaraw Investors Management Enterprises, Inc. | | 145,023 | 0.01% |
| Yam, Anthony Lawrence D. | 1 | | 0.00% |
| Zainuddin, Shaiful B. | 1 | | 0.00% |
| Zarcon Development Corporation | | 1,726,462 | 0.11% |
| Total | 784,113 | 1,436,250,909 | |
| Grand Total | | 1,437,035,022 | 90.61% |

**Also In
Attendance:**

Mr. E. R. Orocio, Corporate Secretary and Managing Counsel-Downstream
Mr. C. E. M. Cheng, Assistant Corporate Secretary
Ms. J. C. Regalado, Vice-President for Legal
Mr. D.G. Gamab, Vice-President for Trading and Supply
Mr. R. Del Rosario, Vice-President for External Relations
Mr. H. G. L. Ortega, Vice-President for Human Resources
Mr. M. B. Vergel De Dios, Business Manager for Commercial Fuels Philippines
Mr. Jose Jerome R. Pascual III, Finance Manager – Downstream Philippines
Mr. M. J. Nicdao, External Relations Downstream and Internal Communications Manager

748. The attendees were requested to stand up for the national anthem. Afterwards, the attendees were asked to take their seats for the Safety Briefing Video. During the Safety Briefing Video, the attendees were advised of the emergency procedures that will be implemented to help them to respond appropriately in case an emergency occurs during the meeting.

749. **Quorum**

The Corporate Secretary certified that the Notices for this annual meeting of stockholder had been duly served on stockholders, and stockholders owning at least 90% of the Corporation's outstanding capital stock were present in person or by proxy.

750. **Approval of the Minutes of the Regular Stockholders' Meeting Dated 12 May 2016**

On motion duly made and seconded, the Stockholders adopted the following resolution:

“**RESOLVED**, that the Minutes of the Regular Meeting of the Stockholders held on 12 May 2015 be, as it is hereby, approved.”

751. **President's Report**

The President rendered his report attached herewith as Annex “A”.

The President shared that despite the challenges in 2015, the Corporation performed well. In relation to Health Safety Security and Environment, the Corporation had zero recordable incidents pursuant to its Goal Zero policy. As

for the Retail performance, which is the face of the Corporation to the public, the volume grew by 4.3 percent. There was also a significant increase in the penetration rate of V-Power Diesel and V-Power in general. The President explained that this bodes well for the Corporation as margins are higher for differentiated fuels. The Corporation also grew its network, with 59 new stations in 2015. A significant number of these new sites are in previously unpenetrated areas, especially Mindanao. This is aligned with the Corporation's strategy to grow its business in the south supported by the new North Mindanao Import Facility.

As for the Commercial performance, which is the Business-to-Business or B2B business that supplies in bulk to customers such as those in the transportation, marine, manufacturing and power sector, the Corporation has secured a large number of transactions. For Lubricants, the Corporation has Ford and Del Monte as two of its biggest customers. For Bitumen, these mostly refer to government accounts. Unfortunately, due to the delay in government projects and the preference for cement, Bitumen performed below plan, however, the Corporation still retained its market leadership at 40%. The Corporation is presently undertaking an information campaign to tout the benefits and superiority of polymer-modified bitumen over cement. For Aviation, demand is growing due to the tourism industry. While the Corporation is currently present in Clark and Manila only, it is poised to meet the growing demands.

For Trading and Supply, the Corporation successfully managed its costs. Unit operating costs were managed well despite the loss of Pandacan. The Pandacan operations were transferred to Batangas beside the Corporation's Tabangao refinery. Even though the move to Batangas resulted to longer travel times and increased number of deliveries, the costs arising therefrom were managed efficiently. The Corporation had issues with its vendor managed inventory arising from stockouts, which were in turn due to unplanned shutdowns at the refinery.

The Corporation is also currently constructing the North Mindanao Import Facility. Upon completion, the facility will be in a good position to serve the growing demands of Mindanao. The facility will enable the Corporation to support the energy requirements of Visayas and Mindanao and gives the Corporation flexibility as it will lessen the load and congestion at the Tabangao refinery. Further, weather disturbances will have less effect and the Corporation will be very competitive in the south. The facility was built within budget.

In relation to Manufacturing, the Corporation encountered some challenges. In 2015, the Corporation completed a major investment, STAR TREC or the refinery upgrade project. The project was challenging as the refinery operations continued while the upgrade was being implemented, akin to open heart surgery. Despite the numerous challenges, the overall refinery performance was good. The project was completed on time and within budget. As a result of the upgrade, the refinery is now capable of producing Philippine Euro IV fuels

For the Corporation's Financial Performance, low crude prices continue to affect the Corporation. Similar to 2014, the Corporation suffered losses due to inventory valuations due to falling oil prices. The Corporation accounts for its inventory on a first-in-first out basis. However, due to falling oil prices, the Corporation was essentially purchasing crude oil at a high price (with crude being purchased 40-45 days from sale) and was selling at lower prices (which was based on the prices of the previous week). Notwithstanding the accounting treatment and resulting inventory losses, the Chairman described the underlying business as strong.

The Corporation's 2015 Income Statement showed a net income of PHP3.5 Billion, which is a major reversal from the 2014 net loss of PHP8.5 Billion, a majority of which was attributed to inventory valuation. The Balance Sheet showed a lower gearing ratio due to the recent rights offering and equity infusion by the shareholders. The President thanked the shareholders for their continued trust in the Corporation. For Cash Flow, the President said that the Corporation has a healthy level of cash.

As for External Relations, the President shared the various activities of the Corporation, namely the 23rd year supporting active chess, Road Safety awareness programs, donation of solar lamps and fishing boats to those affected by the typhoons which hit the country, the 48th year of the Shell National Students Art Competition, which has produced national and notable artists such as Ben Cab and Ang Kiukok. The Corporation also partnered with Globe, Smart and the Manila Observatory to put up facilities in retail stations and depot sites, which allowed the observatory and Weather Philippines to monitor the weather conditions and provide accurate 5-day forecasts.

The President happily shared that the Philippine team has given itself a good account in the wider Shell Group of Companies. Shell Philippine staff have been reaping awards in regional and global competitions, internally and externally. For Retail, the Corporation's District Manager, Territory Manager, retailer and forecourt staff won awards. It is the same for Commercial. Manufacturing won its 7th straight Process Safety Award, similar to only one other refinery in the Shell Group.

In relation to the Initial Public Offering ("IPO"), the President confirmed that there is a team working on preparatory steps. In the event the IPO will push through, the Corporation shall secure the necessary approvals from the relevant parties, including the stockholders, to progress the IPO. The Corporation will call an Extraordinary General Meeting when the time comes to secure the stockholders' approval.

Mr. Arroyo inquired if the Corporation will declare dividends given the PHP3.5 Billion net income. The President responded that while the Corporation incurred a net income in 2015, its Retained Earnings is still negative, not including the restricted retained earnings which can only be distributed via stock dividends. Due to the negative retained earnings, the Corporation cannot declare dividends. Nevertheless, the President explained that the Corporation is aware of the

stockholders' interest in dividends due to non-declaration of dividends the past few years, and shared that the same shall be taken up by the directors at the next Board Meetings.

Mr. Albert inquired about the specific effect of low crude prices of the Corporations net income. Mr. Zainuddin, the Vice President for Finance, explained that based on his estimates, changing crude prices may translate to a variation of roughly PHP300 – 500 Million per month for every 1 USD/barrel change in price.

Mr. Ortoll inquired if the Corporation sells AvGas. The President stated that the Corporation only uses Jet A1. The President explained that AvGas is primarily used by the military, and the Corporation has limited transactions with the same. While margins can be great, the demand is very limited.

752. **Presentation of the Audited Financial Statements Ending 31 December 2015**

The Chairman and President presented to the stockholders the Corporation's Audited Financial Statements for the year ending 31 December 2015.

753. **Ratification of the Acts of the Board of Directors and Officers**

On motion duly made and seconded, the following resolution was unanimously adopted by all of the stockholders present:

“**RESOLVED**, that all acts of the Board of Directors, Management, and the officers, acting within the scope of their delegated authority, for the period from 12 May 2015 to 13 May 2016, be confirmed and ratified.”

754. **Recognition/Appreciation of Mr. Ayllon, Ambassador Bautista and Mr. Araneta; Election of Directors**

The Chairman announced that, Mr. Ayllon, by virtue of his retirement from Insular Life Assurance Company Ltd., has stepped down as a director of the Corporation, and has been succeeded by Ms. Nina D. Aguas. Mr. Araneta, on the other hand, decided to step down as director, after serving as such for many years. Ambassador Bautista passed away in December 2015.

The Chairman thanked Mr. Ayllon, Amb. Bautista and Mr. Araneta for their contributions to the Corporations for the past years.

The Chairman then announced that the Nomination Committee has come up with the short and final list of candidates for election to the Board. There are

eleven (11) seats in the Board. The list includes the independent directors as required by law.

The Chairman requested the Secretary to read the names of the candidates. The Secretary read the lists of candidates as follows:

Edgar O. Chua
Cesar A. Buenaventura (Independent Director)
Fernando Zobel de Ayala (Independent Director)
Nina D. Aguas
Mona Lisa Bautista Dela Cruz
Anabil Dutta
Eduard R. Geus
Sebastian C. Quiniones, Jr.
Anthony Lawrence D. Yam
Shaiful B. Zainuddin

On motion duly made and seconded, it was unanimously resolved by all of the stockholders present that the nominations be closed and the Secretary be authorized to accumulate the votes present or represented and to cast all said votes in favour of the stockholders nominated to the Board.

Accordingly, the following resolution was unanimously adopted by all of the stockholders present:

“**RESOLVED**, that the following be declared as the duly elected members of the Board of Directors, to serve as such until their successors shall have been duly elected and qualified:

Edgar O. Chua
Cesar A. Buenaventura (Independent Director)
Fernando Zobel de Ayala (Independent Director)
Nina D. Aguas
Mona Lisa Bautista Dela Cruz
Anabil Dutta
Eduard R. Geus
Sebastian C. Quiniones, Jr.
Anthony Lawrence D. Yam
Shaiful B. Zainuddin

755. **Appointment of External Auditor for Y2016**

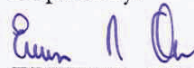
The Chairman asked from the floor for a motion for the appointment of the accounting firm of Sycip Gorres Velayo and Co., member of Ernst and Young International, as auditor of the Corporation.

On motion duly made and seconded, the following resolution was unanimously adopted by all of the stockholders present:

“RESOLVED, that Sycip Gorres Velayo and Co., a member of Ernst and Young International, be appointed as the auditors of the Corporation for the calendar year 01 January 2016 – 31 December 2016 under such terms and conditions as the Board of Directors may consider reasonable.”

756. There being no further business to transact, the meeting was adjourned, upon motion duly made and seconded.

Prepared by:



ERWIN R. OROCIO
Corporate Secretary

Attested By:



EDGAR O. CHUA
Chairman