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## **Second quarter 2018 results**

Delivering a world-class investment case

Pilipinas Shell Petroleum Corporation  
August 13, 2018

# Definitions and cautionary note

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This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of SHLPH.

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# Summary



## Key messages

- Positioned to deliver high dividend yield
- Strong free cash flow outlook
- Unchanged cash priorities
- Focus on capital discipline and high returns

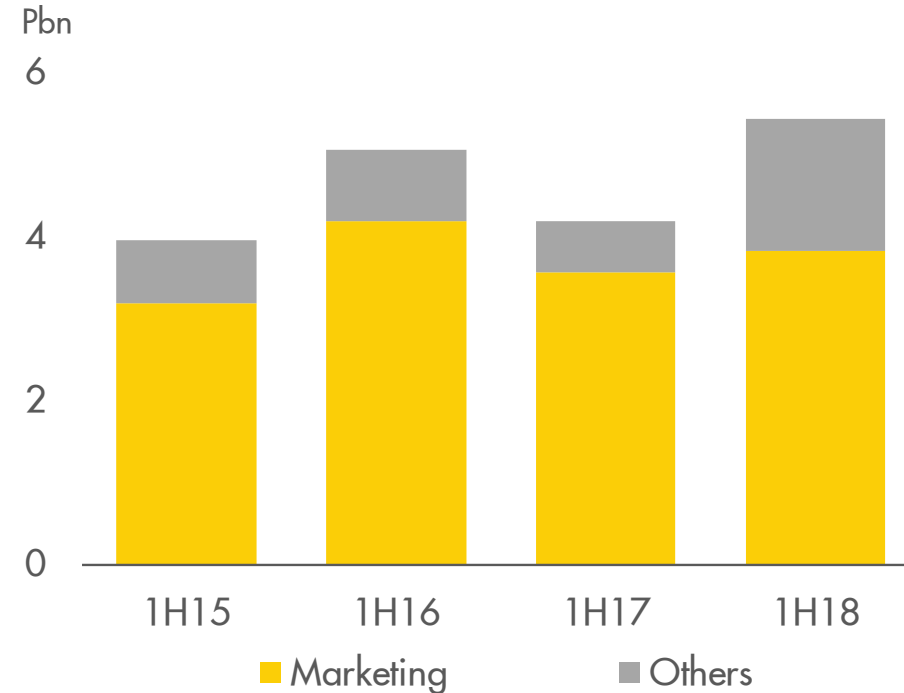
## 1H 2018

- Maintained competitive returns
- Retained high premium fuel penetration
- Double-digit growth in non-fuels business
- Delivered bitumen production project

# Financial highlights

Delivered 30% higher NIAT considering the booking of P1.4bn abandonment case provision reversal in 1H17

## 1H 2018 net income rebounds from 1Q18 performance



Note: Marketing and overall earnings based on NIAT. Marketing delivery based on internal estimates.

**5.4** NIAT (Pbn); EPS +30% vs 1H17

**2.7** Total volume (Bn litres)

**7.1** Cash flow from operations (Pbn)

**5.7** Free cash flow (Pbn)

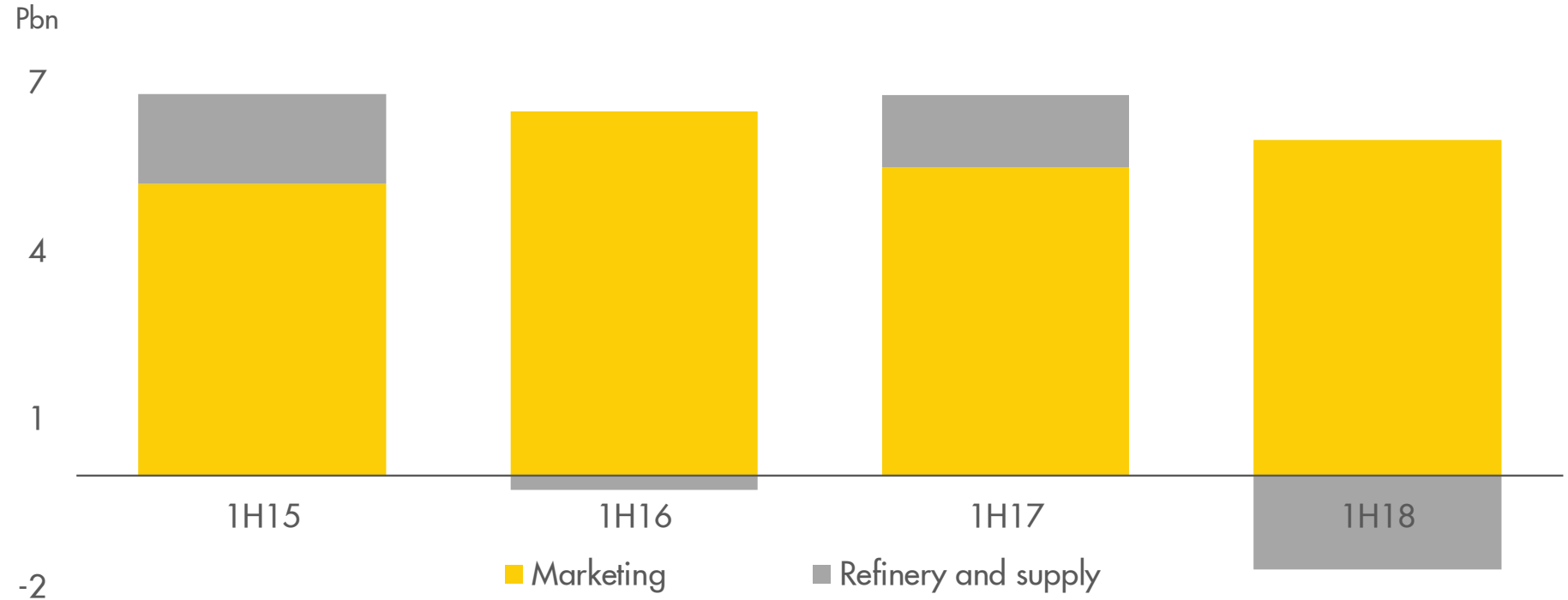
**30** ROACE (%)

**23** Gearing (%)

# Marketing growth softens impact of softer regional margins and planned refinery pitstop

Marketing contribution up 9% driven by margin optimization strategies

EBITDA adjusted for COSA



- ↑ Sales volume growth
- ↑ High regional refining margins
- ↑ Low unplanned downtime

- ↑ Retail volume growth
- ↓ Low regional refining margins
- ↓ Unplanned downtime

- ↑ Premium fuel penetration
- ↑ High regional refining margins
- ↑ Abandonment case reversal
- ↓ Two-month refinery maintenance shutdown

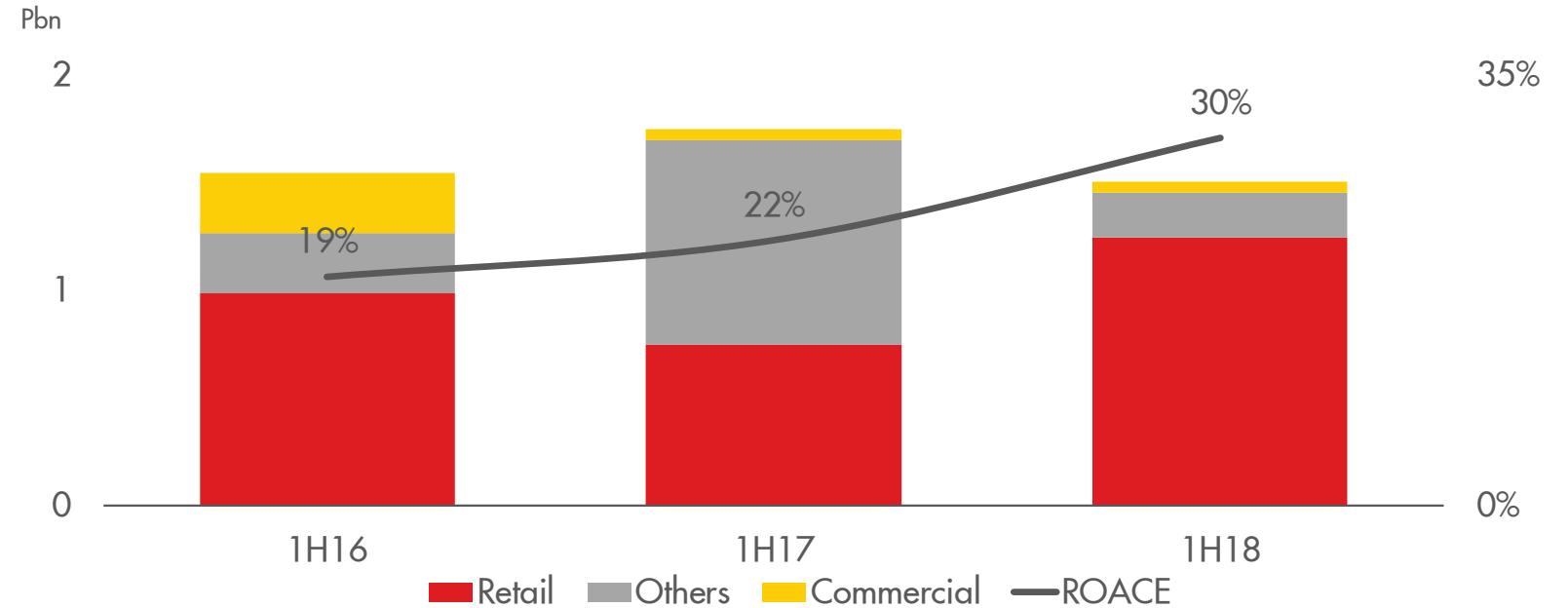
- ↑ Strong marketing delivery
- ↑ Premium fuel penetration
- ↓ Low regional refining margins
- ↓ One-month refinery pitstop
- ↓ Channel outlet penalties

Note: Segmented figures are based on internal estimates.

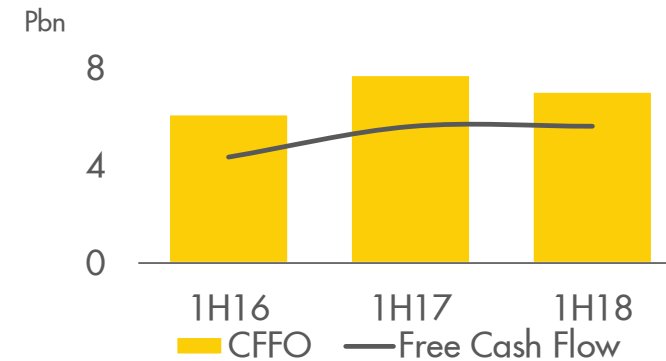
# PSPC continues to deliver industry - leading ROACE and robust cash flow

- Delivered higher return on capital vs peers
- CFFO remains strong at P7.1bn

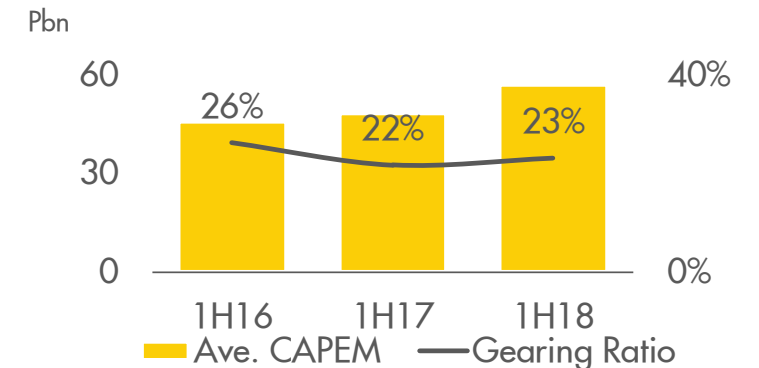
## Capital Investments + ROACE



## Cash flow from operations



## Average capital employed + Gearing



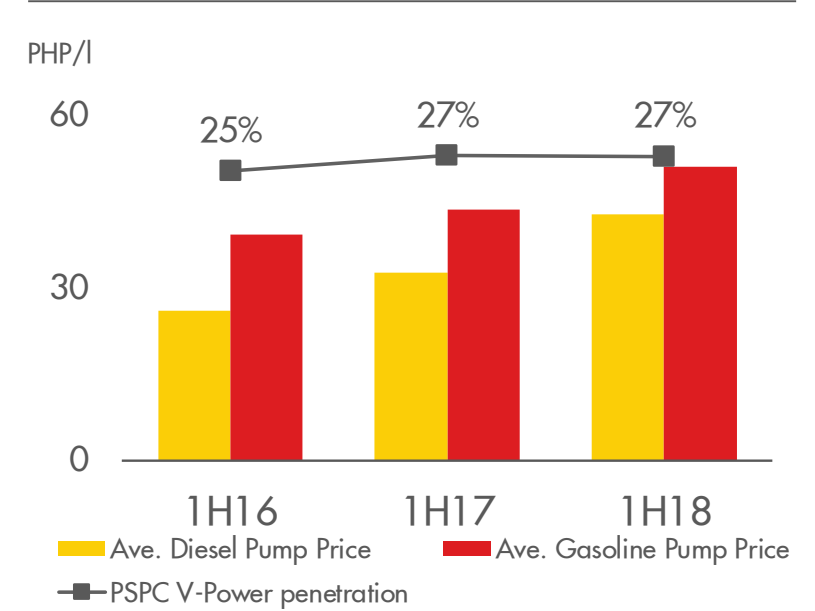
Notes: Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of short-term borrowings and loans payable, and total equity. Average capital is calculated as the mean of the opening and closing balances of capital 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.

# Retained high V-Power penetration despite ~20% increase in pump price



Continued high net earnings contribution

V-Power Penetration vs Average Pump Price

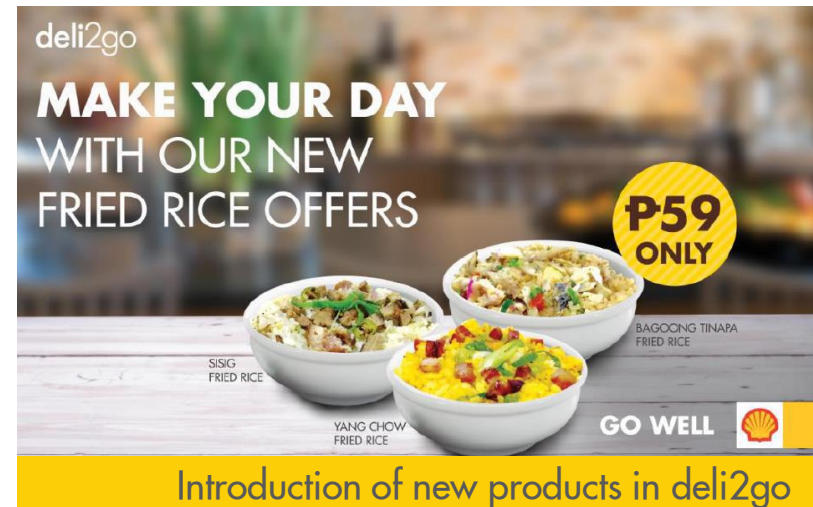
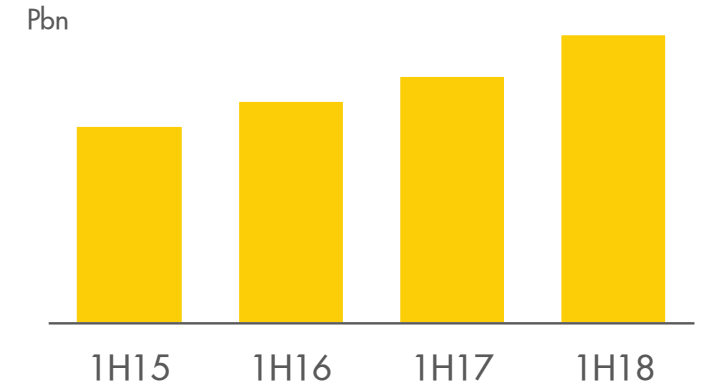


# Non-fuels retailing business continues to enjoy double-digit growth

## On track to delivery new store growth

Store count	1H18 New sites	Total
Select	19	121
deli2go	10	51
Lube bay	26	288

## High non-fuels growth year-on-year

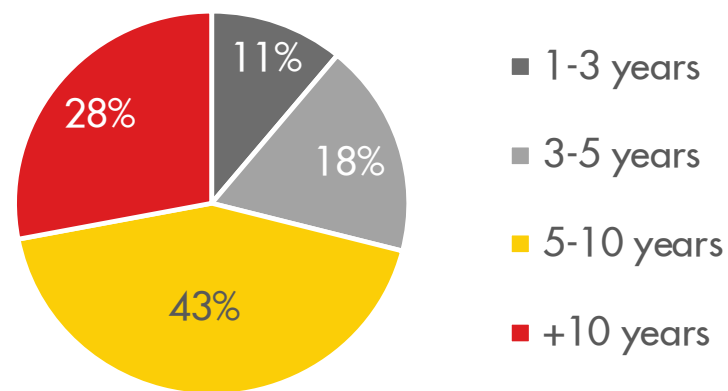




**Delivered  
higher premium  
product  
penetration in  
key business  
segments**



### Long relationship with partners



### Commercial fuels

Continued increase in premium products penetration outside the power sector

### Aviation

Strong volume growth in Aviation from new deals and higher liftings

### Lubricants

- Obtained new customers and higher liftings
- Strong brand performance resulting in higher premium penetration

### Specialities (Bitumen + Sulphur)

- Double digit growth in premium products
- Bitumen production facility first sale in Q3

# Leveraging on Reliable and Efficient Supply Chain



Tabangao Refinery

- Successfully completed the planned pitstop in Q2
- 7M man-hours free of Loss Time Incidents
- Realized lowest unplanned downtime over the past 5 years



North Mindanao Import Facility

- 18M man-hours free of Loss Time Incidents
- 99.2% on-time and in-full pick-up and road delivered

# Update on key strategies

## Strategy



Selectively pursue profitable fuel opportunities



Maintain a reliable and efficient manufacturing and supply chain



Capture non-fuel related growth opportunities



Leading corporate governance and world class talent development

### PSPC priorities

- Maximizing cash generation while maintaining competitive returns
- Disciplined expansion and capital allocation
- Attractive dividend policy

### Delivery

- Delivered CFFO of P7.1b
- ROACE at 30%
- Provided 80% Dividend Payout Ratio for FY16 and FY17 audited Net Income

## Key Projects



Sustained premium fuel penetration and on-target opening of new sites



Strong volume growth in Aviation



Double-digit growth in non-fuels retail



First sale from the bitumen production facility expected in Q3

