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## **Q2 2019 Results**

Delivering a world-class investment case

Pilipinas Shell Petroleum Corporation  
August 15, 2019

# Definitions and cautionary note

References in this presentation to “our Company” or the “Corporation” and to “PSPC” refer to SHLPH. The words “we”, “us” and “our” are used to refer to SHLPH or to those who work for SHLPH.

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

All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of SHLPH to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “goals”, “intend”, “may”, “objectives”, “outlook”, “plan”, “probably”, “project”, “risks”, “schedule”, “seek”, “should”, “target”, “will” and similar terms and phrases. There are a number of factors that could affect the future operations of SHLPH and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell’s products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the disclaimer contained or referred to herein. Audience should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in SHLPH Annual Report for the year ended 31 December 2018 (available at <http://pilipinas.shell.com.ph/investors/financial-reports.html> and <http://edge.pse.com.ph>). These risk factors also expressly qualify all forward looking statements contained in this presentation and should be considered by the audience. Each forward-looking statement speaks only as of the date of this Analyst and Investors’ Briefing, 15 August 2019. Neither SHLPH nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation.

# Summary



## Key messages

- Pilipinas Shell celebrates its 105th year in the country founded on longer-term investment horizon, consistent strategy, commitment to business principles/core values, and strong corporate governance
- Marketing businesses are positioned for growth
- Supply chain continues to optimize operations and employ cost-efficiency initiatives

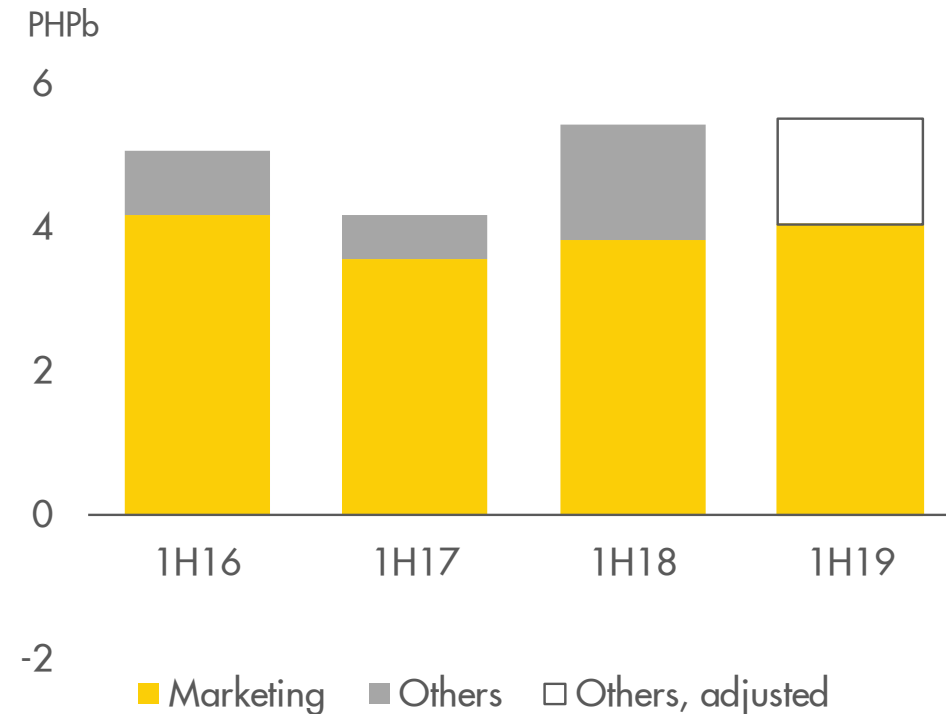
## 1H 2019

- Net income reaches PHP3.7b, already at ~70% of FY2018 earnings
- Marketing volumes grew across all segments in Q2
- Network and non fuels store expansion on-track
- Supply chain implements cost and operational efficiency projects to improve competitiveness

# Financial highlights

- Grew volumes and premium fuel penetration despite TRAIN Phase 2 implementation
- Pilipinas Shell continues to deliver industry-leading ROACE

Increase in marketing volumes and margins continue to temper low refining margins



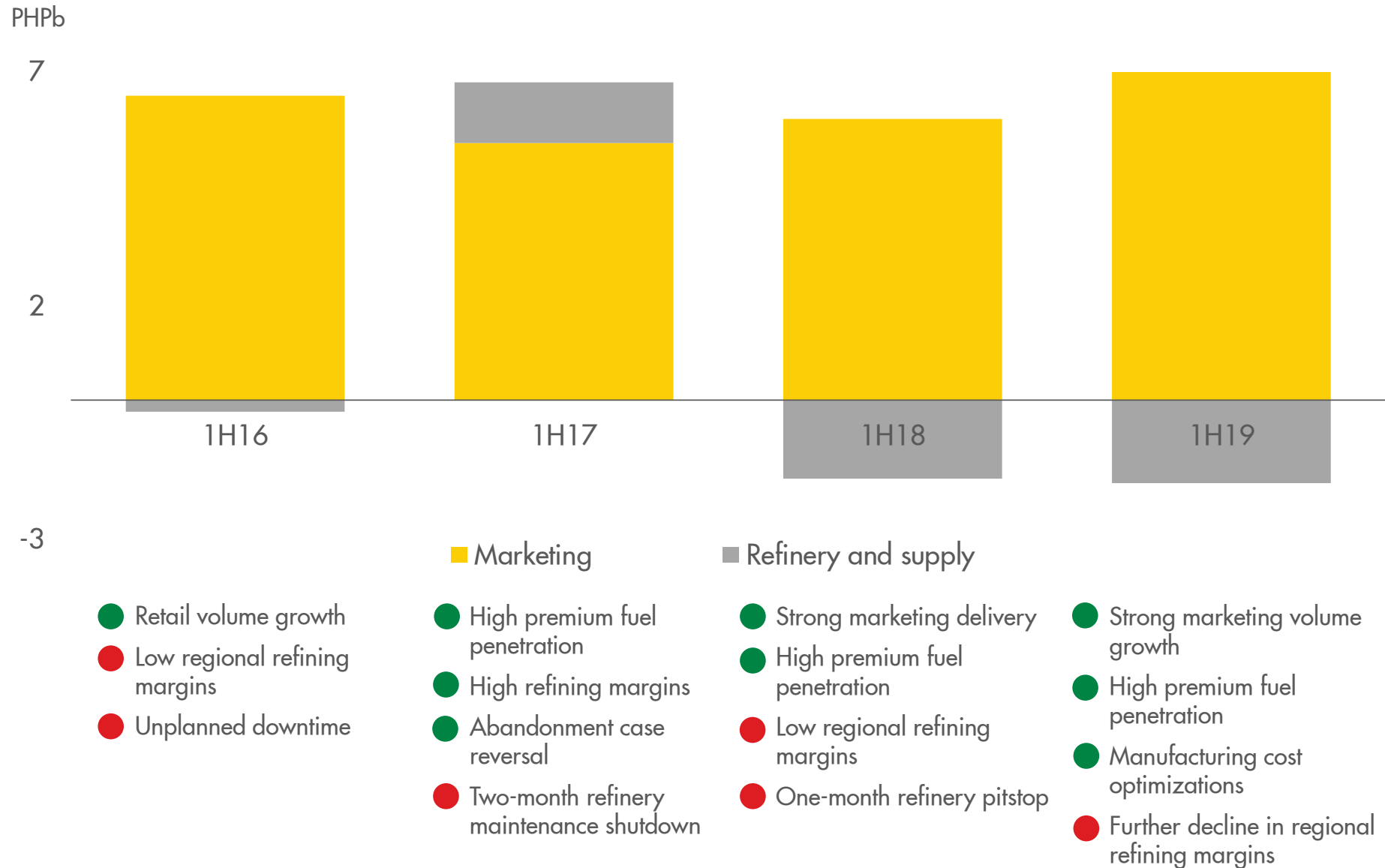
Note: Adjustment includes removing impact of differences between inventory holding gain and GRM level for 1H18 vs 1H19 to show comparability. GRM and inventory gain level for 1H18 were used as baseline figures

|            |                                  |
|------------|----------------------------------|
| <b>3.7</b> | NIAT (PHPb)                      |
| <b>2.9</b> | Total volume (Bn litres)         |
| <b>4.0</b> | Cash flow from operations (PHPb) |
| <b>14</b>  | ROACE (%)                        |
| <b>25</b>  | Gearing (%)                      |

# Robust earnings driven by marketing volume growth and supply chain cost optimizations

Core earnings grew despite higher excise taxes and regional decline in gross refining margins

1H19 EBITDA Adjusted for COSA stands at PHP5.8b

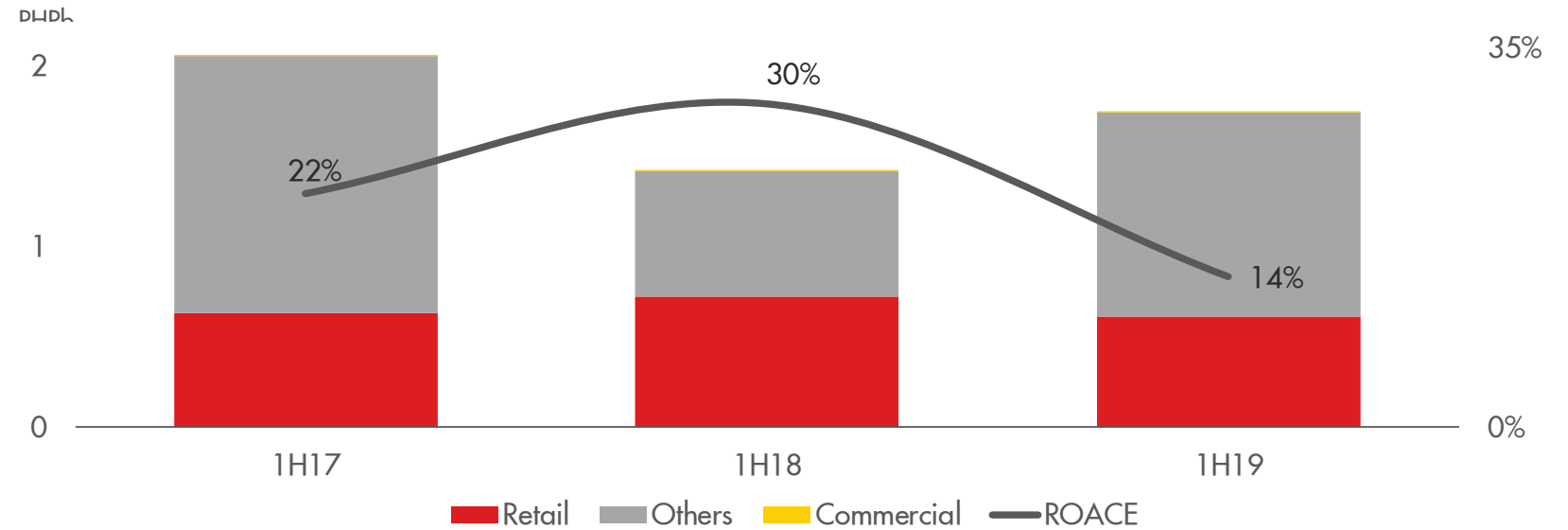


Note: Segmented figures are based on internal estimates.

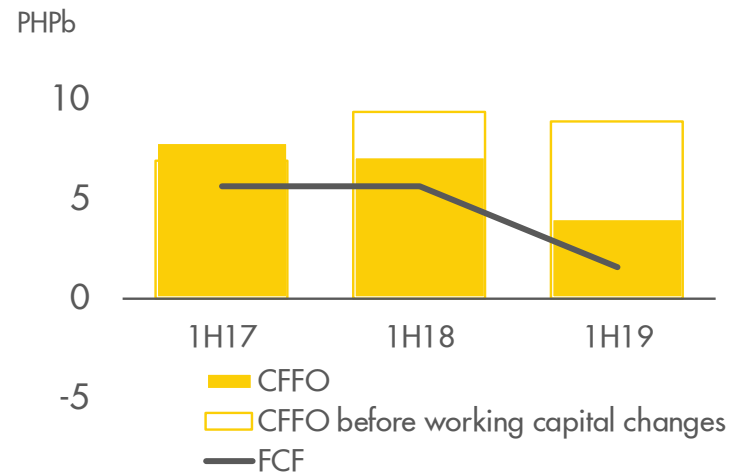
# Cash flows remain healthy while gearing remains low at 25% post dividend payout

Cashflows remain sufficient to cover planned capital expenditures

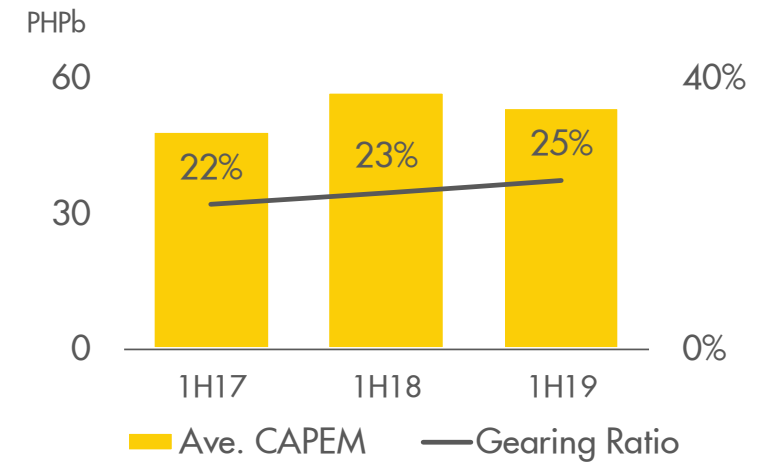
## Capital Investments + ROACE



## 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.



# Higher volume delivery and premium fuel penetration contribute higher earnings

Robust performance in the retail segment amidst higher excise taxes

## RETAIL FUELS



Most preferred fuels brand in the country, enhanced by successful campaigns in 1H 2019



Volume up >2% in Q2 2019 despite higher excise taxes



High premium fuel penetration at 27%



Total 1,092 sites  
Opened 16 sites in 1H 2019  
On-track to deliver 50-70

# WE'RE PASSIONATE ABOUT FUELS AND SO MUCH MORE



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

Convenience retailing, lubricants and co-locator segments continue to expand

**13%** Non-fuels contribution to retail gross margins

**+50%** Increase in NFR Income vs 1H 2016

On track to deliver new store guidance by year-end

|           | Guidance | 1H 2019 | Total |
|-----------|----------|---------|-------|
| Select    | 15-20    | 8       | 137   |
| deli2go   | 15-20    | 5       | 63    |
| SHOC+/HSC | 30-50    | 17      | 348   |

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



Freshly baked pastries and warm food offered in deli2go stores



SHOC+ offers quick and reliable oil change service + free preventive maintenance checks.



# Commercial volumes grew across all segments in Q2

Customers continue to appreciate the product quality and technical services offered

## Lubricants

- Strong volume growth, following successful marketing campaign
- Remains the most preferred brand in the industry



## Commercial fuels

- Captured surge in demand from the power sector as a result of warmer weather and maintenance shutdowns of several coal-fired plants
- Won key accounts from non-power customers

## Aviation

- Strong volume growth in Q2 driven by higher liftings and new contracts

## Specialities (Bitumen + Sulphur)

- Over 50% volume growth vs PY as the bitumen production facility captures international markets

# Refinery implements cost and operational efficiency projects

Reliable and responsive supply chain continue to enable growth for PSPC



## TABANGAO REFINERY

- Strong HSSE performance
- Significant decline in regional refining margins but Tabangao continues to perform better vs benchmark<sup>1</sup>
- Started preparations for the Hydrogen optimization project
- Ongoing cost optimization initiatives

<sup>1</sup>Based on January-June 2018 and 2019 averages of Bukom ALC Semi-Complex, as reported on MOPS



## SUPPLY AND DISTRIBUTION

- Strong HSSE performance
- North Mindanao Facility continues to support demand requirements in southern Philippines and deliver cost savings
- 97% on-time and in-full pick-up and road delivered

# 2H 2019: Delivering competitive returns through strategic investments

## GROWING THE MARKETING BUSINESSES



### RETAIL NETWORK EXPANSION

**50-70** RETAIL STATIONS



### SUSTAIN DOUBLE-DIGIT NON-FUELS GROWTH

**15-20** NEW SELECT STORES

**15-20** DELI2GO OFFERINGS

**30-50** SHOC+/SHC



### COMMERCIAL BUSINESS GROWTH

- **Lubricants:** Maximize and benefit from existing and complementary endorsements
- **Commercial fuels:** Grow non-power sectors
- **Aviation:** Working on new airport entries
- **Specialities:** Support supply requirements of local and internal infra projects through the bitumen production facility

## OPTIMIZING AN EFFICIENT AND COMPETITIVE SUPPLY CHAIN



### IMPROVING COST COMPETITIVENESS OF THE REFINERY (Ongoing)



### HYDROGEN OPTIMISATION PROJECT (Ongoing)



### REFINERY PITSTOP IN PREPARATION FOR IMO 2020

