



Q2 2020 Results

Delivering a world-class investment case

Pilipinas Shell Petroleum Corporation
17 Aug 2020

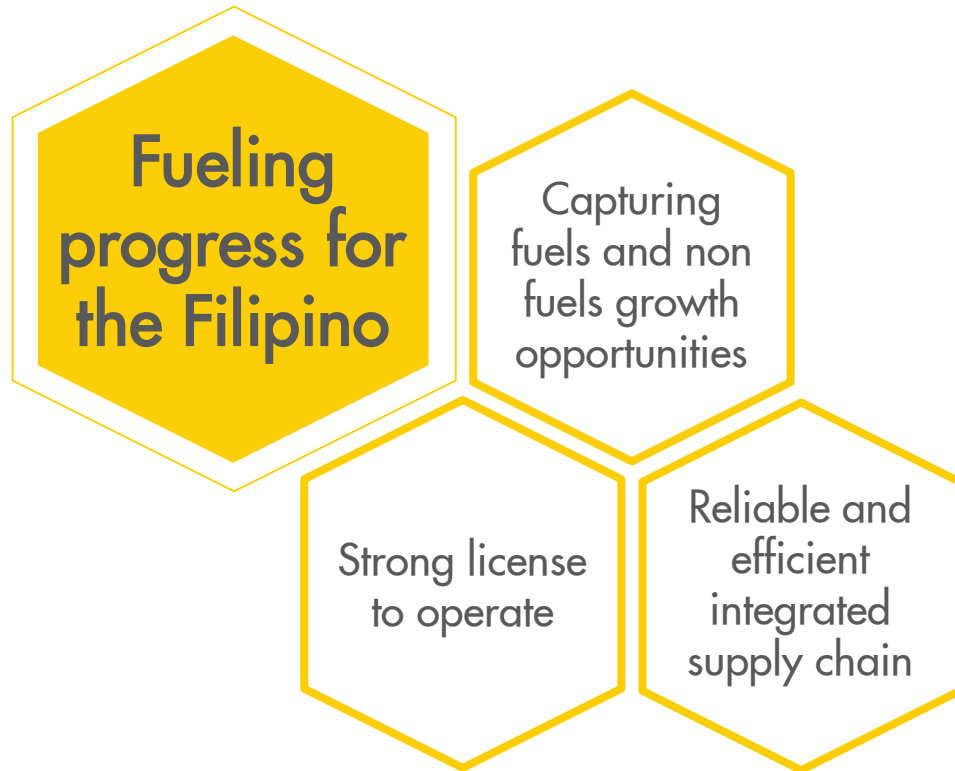
Definitions and cautionary note

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 2019 (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 Report. 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

- Full impact of COVID-19 lockdowns felt in Q2, impact mitigated through resilience and recovery strategies
- Customers continued to be served capitalizing on integrated supply chain flexibility

Strategies in place to thrive through the crisis:

- Care: Protect employees, customers, and community
- Continuity: Transform Tabangao Refinery into a world-class import terminal; adapt and innovate marketing offers and network growth; seize emerging market opportunities
- Cash: Cash preservation and generation initiatives positions company for resilience and subsequent economic recovery

1H 2020

- PHP6.7bn net loss mainly driven by drastic demand decline due COVID-19, inventory holding losses, depressed refining margins
- Gearing at 40%

Global and domestic headwinds felt during the first half

PH Economic slowdown

Economy shrunk by 16.5% in Q2, plunging into recession for the first time in ~30 years, following one of the longest pandemic lockdowns globally.

Drastic decline in crude price, negative refining margins

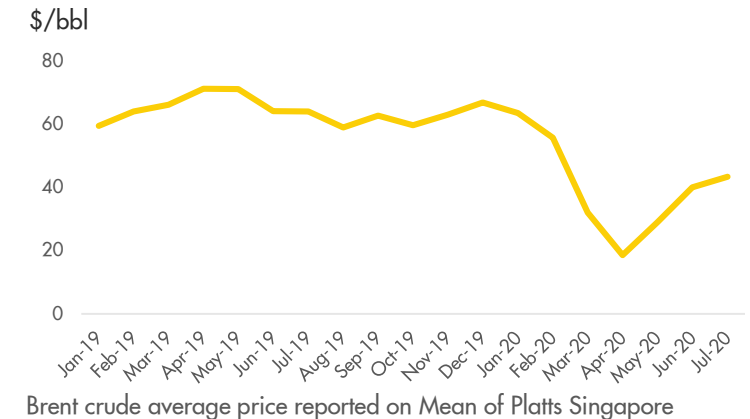
Brent reaches record-low of ~\$18/bbl last April and stabilized at ~\$40/bbl since May due to the 10mb/day supply cut by OPEC and Russia from May-July. Refining margins slightly improved in Q2 but returned to negative territory in July.

COVID-19 Pandemic

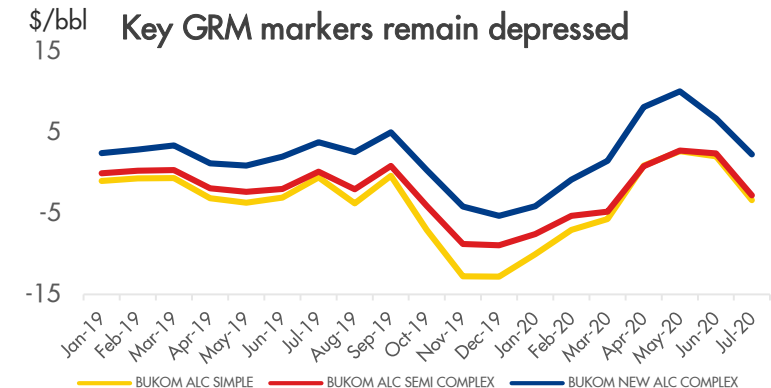
- Luzon, key cities under full lockdown since mid March to mid May
 - All flights cancelled
 - Mobility constrained, except for essential goods/services
- Quarantine eased from mid-May-June leading to demand pick-up
- Metro Manila and Luzon HUCs back to Modified ECQ* from Aug 4 to 18 due to rise in cases

*ECQ = Enhanced Community Quarantine; definition in next slide

Crude price slightly recovers in 2Q20



Key GRM markers remain depressed



Average Refining Margins of SG Arab Light Crude Refinery markers as reported on Mean of Platts Singapore (MOPS). Pilipinas Shell maintains a \$2-3/bbl margin over this marker.

Philippine Quarantine Timeline and Impact on PSPC Volume Delivery

	Jan	Feb	Mar	Apr	May	Jun	Jul
METRO MANILA and LUZON *HUCs	Pre-Enhanced Community Quarantine (ECQ)		Enhanced Community Quarantine		Mod. ECQ	General Community Quarantine (GCQ)	
			ECQ Extension 1	ECQ Extension 2		GCQ Extension 1	
MAJOR VISMIN CITIES/ PROVINCES	Pre-Enhanced Community Quarantine		ECQ		Modified/GCQ (discretion left with LGUs)		
			As declared by LGUs	As declared by National Government		GCQ Extension 1	
CEBU CITY	Pre-Enhanced Community Quarantine		ECQ			GCQ	ECQ
			ECQ Extension 1	ECQ Ext 2	ECQ Extension 3	ECQ Extension 4	Mod. ECQ
PSPC VOLUMES vs PY	Jan 1–Mar13		2H Mar	April	May	June	1H 2020
	Retail	Flat	-55%	-66%	-45%	-29%	-30%
	Commercial	+16%	+20%	-33%	-7%	-19%	-4%
	Aviation	+16%	-57%	-83%	-78%	-80%	-43%
	Lubricants	+7%	-55%	-65%	-65%	-34%	-36%
	Specialities	+16%	-87%	-91%	-88%	-77%	-62%
	Total Marketing	+6%	-34%	-58%	-36%	-30%	-23%
	Total PSPC	-1%		-22%	-26%	-18%	-10%

Note: HUC = Highly Urbanized Cities (e.g. Laguna, Pangasinan, etc.). Major cities/provinces in the Visayas and Mindanao regions include Iloilo province, Aklan province, Cebu province; Davao City, etc. Under the Enhanced Community Quarantine (ECQ), malls and public establishments were closed, public transport via land, sea and air suspended, mass gatherings prohibited, and people were only allowed to leave their homes to access basic necessities. ECQ excludes essential industries: (a) basic utilities and critical services (e.g., oil and gas, water, electricity, internet, telecommunication); (b) production, processing and distribution of basic necessities (e.g., food, pharmacies, banks).

Sources: PH Inter-Agency Task Force Guidelines; <https://www.officialgazette.gov.ph/> <https://www.cebucity.gov.ph/executive-order-no-082-a/>

Pilipinas Shell Petroleum Corporation

Quarantine restrictions

- Not Allowed ● Allowed with safety protocols
- Allowed but with high restrictions

RETAIL

	Public	ECQ	MECQ	GCQ
Bus				
Jeepney				
Transport network				
Public shuttle				
	Private	ECQ	MECQ	GCQ
Company Shuttle				
Personal Vehicle				

COMMERCIAL

Sector	ECQ	MECQ	GCQ
Entertainment/Recr			
Tourism			
Construction		~*BBB only	
Logistics Services	~Essential logistics only		
Manufacturing	~Essential only	~Essential + 50% workforce	
Utilities			
Energy			
Mining/ Quarrying			
Cement/Steel			

*BBB = PH Government's Build Build Build Program

Adapting to the 'new normal'

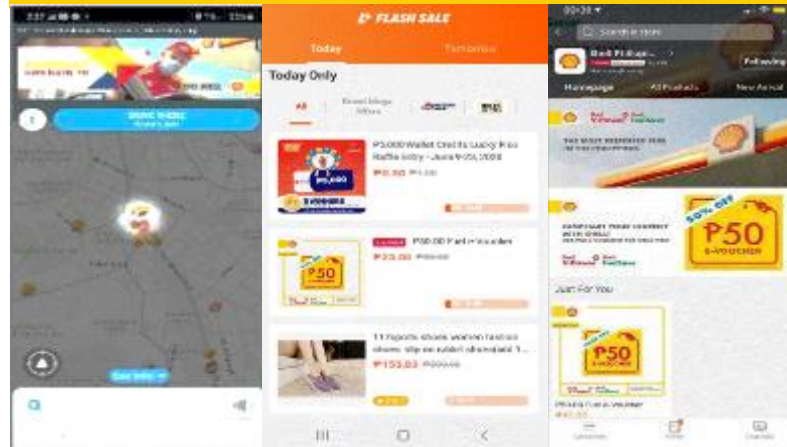
Safe, Reliable Operations



- Intensified Staff Sanitation
- Personal Protective Equipment Provision
- Enhanced Health Checks
- Proper Food Handling
- Strictly enforced physical distancing

- Virtual Business Partnering
- Increased Digital Presence and Engagements
- Process Improvements through Digital Solutions

Accelerating Digitalisation



Caring for the Community TOGETHER WITH YOU IN EACH OF LIFE'S JOURNEYS

Project Shelter: Our ongoing response to the COVID-19 pandemic

692,962
BENEFICIARIES

Partners: Philippine Disaster Resilience Foundation, Philippine Business for Social Progress, Oroquieta, Angkor, Office of the Vice President, Frontline Feeders PH, World Vision, BSWD - City of Manila, Various Community Churches in Palawan, Government of Palawan, Batangas State University, and Connected Freight



3,779,320
liters of discounted fuels
that transported healthcare workers, frontliners and critical goods

Free GO+ Points equivalent to
PHP 3,164,400
donated to 15,822
PUV drivers

19,098
pcs. of PPEs donated to
healthcare workers
and frontliners

168.1 tonnes
of fresh produce directly purchased
from local farmers and fishfolk

522,957
Meals provided to frontliners
and affected communities

77 municipalities supported
through Pare sa Bayani
programs

free fuels to fleet partners that supports medical
workers

Nationwide efforts
by Shell Retailers
to help their
communities

23 Malampaya Flights
optimized to transport real samples, blood
samples, lab tests, PPE & relief goods

3,388
Covers and railroads for farmers,
seafarers, and seafarers
during the community support

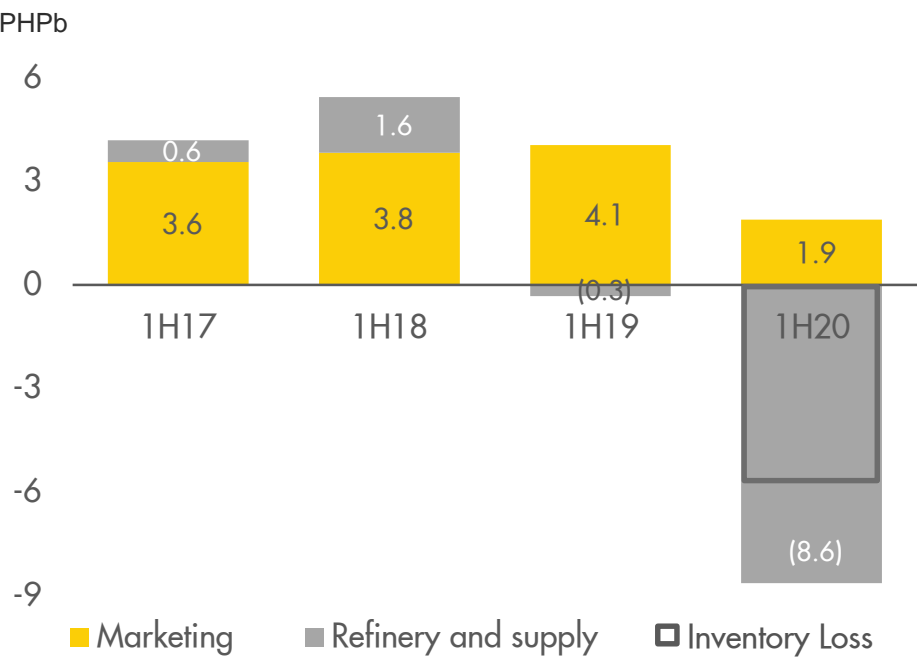
111,036
pcs of goods collected
for use in community support

Date as of May 31, 2020

Financial highlights

- PHP6.7b net loss driven by inventory losses, demand decline, and depressed refining margins
- Core net loss at PHP0.9b; inventory loss at PHP5.8b

1H20 books net loss of PHP6.7b



Net income/loss after tax figures include inventory holding gains/losses, net of tax for the following years: 1H17 (PHP0.3b gain), 1H18 (PHP3.0b gain), 1H19 (PHP1.8b gain) 1H20 (PHP5.8b loss); Volume split as follows: Retail (42%), Commercial (34%), Others (24%).

(6.7) NIAT (PHPb)

2.6 Total volume (Bn litres)

(3.3) Cash flow from operations (PHPb)

(15) ROACE (%)

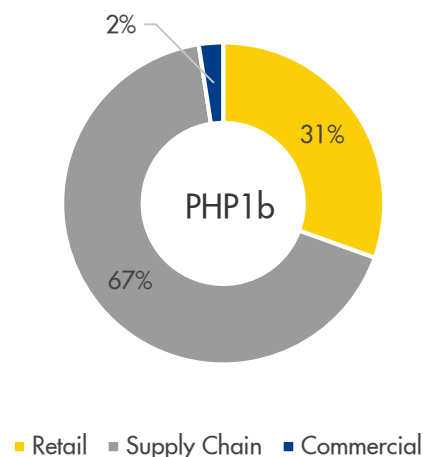
40 Gearing (%)

5.2 Retained Earnings (PHPb)
Unappropriated

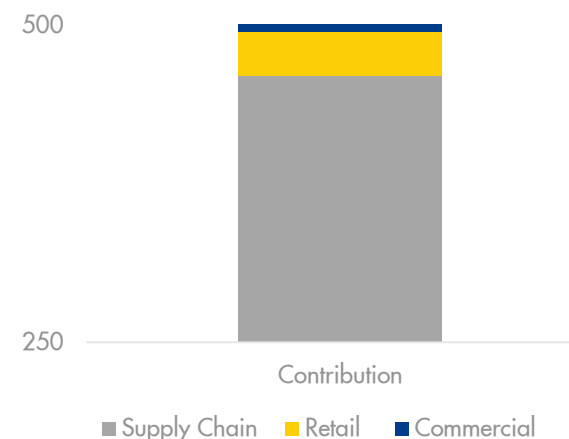
Cash Conservation Update

Reduction in advertising, logistics, maintenance, and services drives PHP1.1b lower OPEX vs PY

Target CAPEX savings delivery



Delivered 500M CAPEX Underspending vs Php 1bn Target

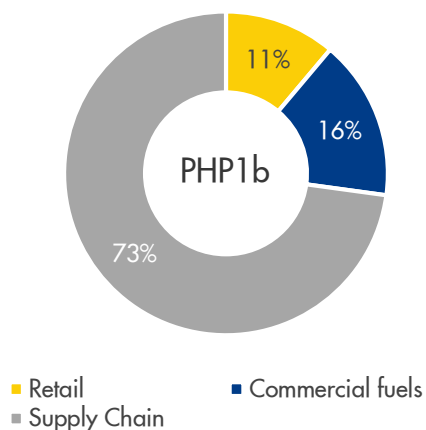


Other Cash Initiatives

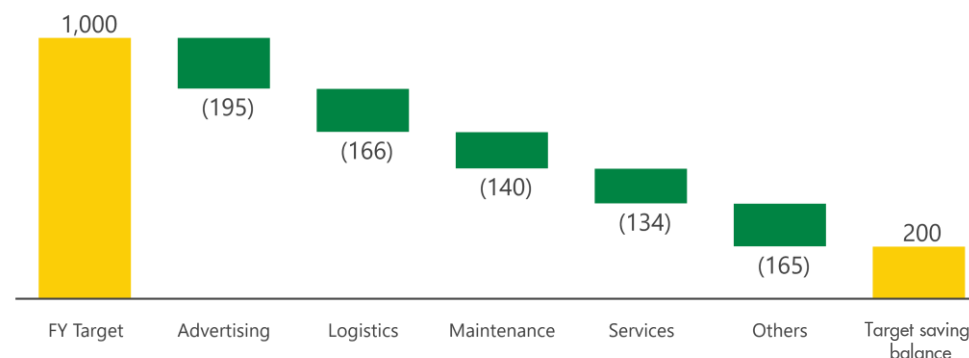
- 30% reduction of overdue receivables
- 30% decline in interest expense for short term borrowings¹
- No employee discretionary bonus for 2020 performance
- No dividends in 2020

¹June 2020 short term interest vs April 2020

Target OPEX savings delivery (exc. depreciation and amortization)

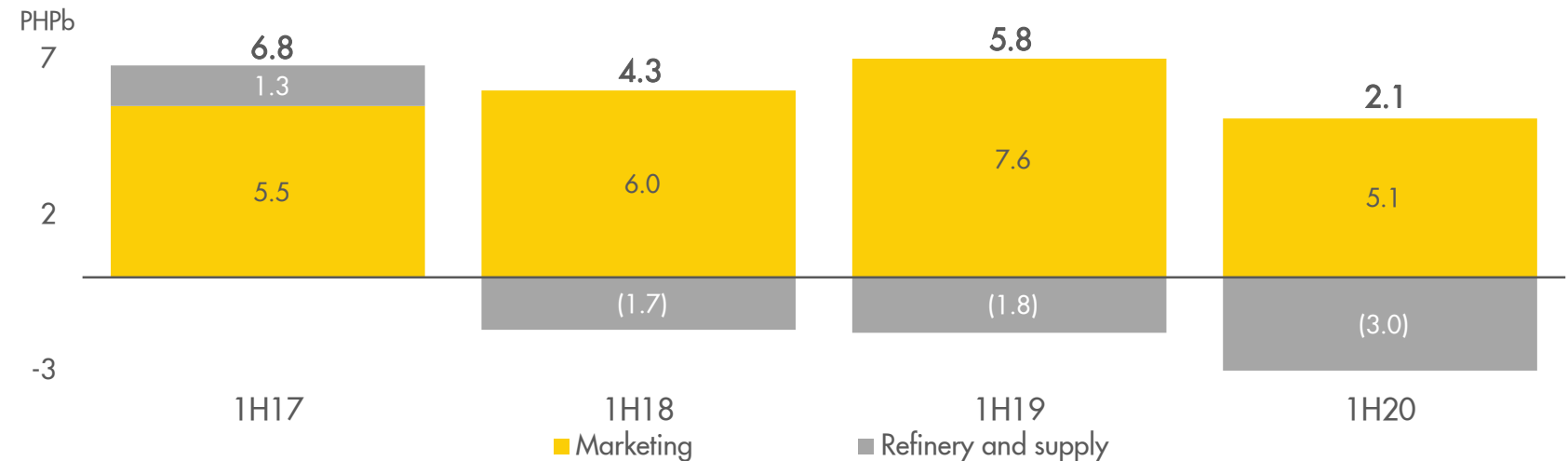


Delivered PHP0.8b OPEX savings vs PHP1b target



Core EBITDA at PHP2.1b despite the pandemic

EBITDA Adjusted for COSA



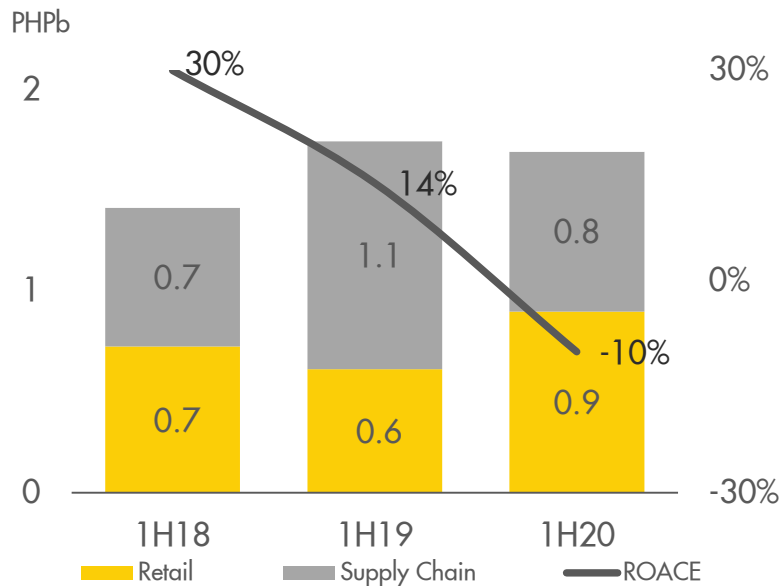
Note: Segmented figures based on internal estimates. Cost of Sales Adjustment (COSA) approximates inventory gains/losses incurred due to crude and oil price fluctuations. Using the first in first out method of accounting, cost of goods sold reflect FIFO costs while revenues reflect current prices. The 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.

Marketing	<ul style="list-style-type: none"> ↑ Premium fuel penetration ↑ Abandonment case reversal ↑ High Refining Margins 	<ul style="list-style-type: none"> ↑ Strong marketing delivery ↑ Premium fuel penetration 	<ul style="list-style-type: none"> ↑ Strong volume growth ↑ Premium fuel penetration ↑ Manufacturing cost optimizations 	<ul style="list-style-type: none"> ↑ PHP1.1bn savings in cash costs ↑ Volume higher than DOE estimates ↓ Drastic demand decline due to lockdowns (down 23% vs PY)
	<ul style="list-style-type: none"> ↓ Two-month refinery Maintenance Shutdown 	<ul style="list-style-type: none"> ↓ Low regional refining margins ↓ One-month refinery pitstop 	<ul style="list-style-type: none"> ↓ Further decline in regional refining margins 	<ul style="list-style-type: none"> ↓ Depressed regional refining margins leading to refinery economic shutdown

Note: Refining margins pertain to Arab Light Semi Complex refining margins based on MOPS. Pilipinas Shell maintains a \$2-3/bbl margin over this marker. EBITDA adjusted for COSA split: Retail (~190%), Commercial (~50%), Supply Chain (~140%); EBITDA adjusted for COSA in 2019 and 2020 presented using IFRS16. Prior year periods presented in PAS17. In implementation of IFRS16 in 2019, PSPC adapted the modified approach which does not require adjustment of prior periods.

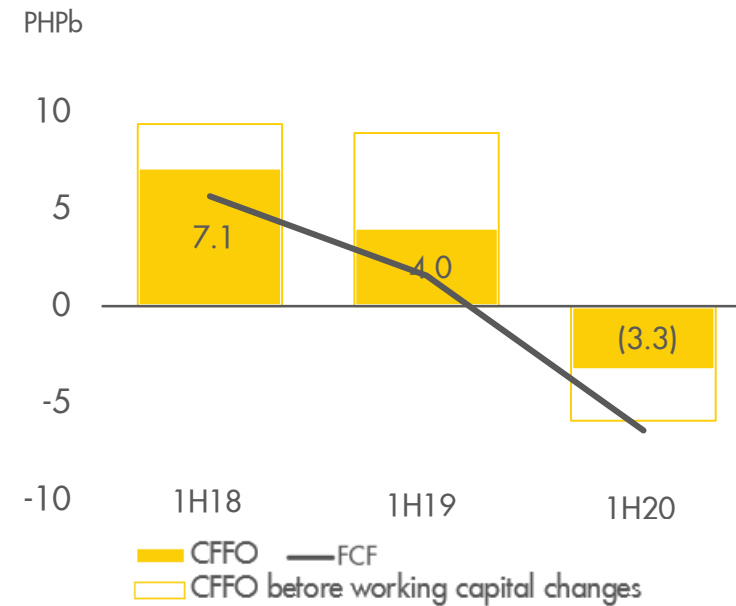
Volume improvement from easing of lockdown and cash strategies temper impact of pandemic

Capital Investments + Rolling ROACE



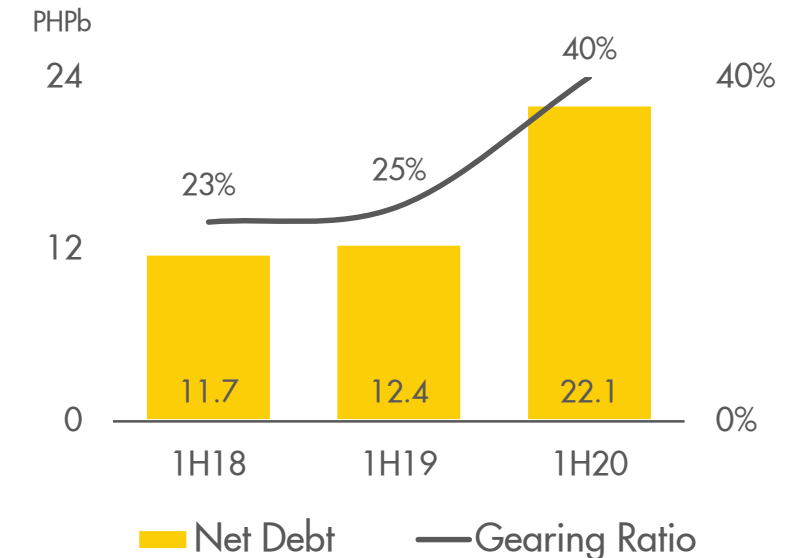
Delivered ~PHP1.8b CAPEX to grow retail footprint (48%) and strengthen supply chain (45%)

Cash flow from operations



CFFO and FCF impacted by depressed refining margins and drastic demand decline from COVID-19 led lockdowns

Net debt + Gearing



Net debt increased due to working capital bridge financing but down 20% since April

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.

Bounce back strategies temper impact of lockdowns

Retail stations remained open to serve the fuel needs of Filipinos

Jan1– Mar13	2H Mar	April	May	June	1H 2020
Flat	-55%	-66%	-45%	-29%	-30%

March total marketing volume 19% down vs DOE's 20-30% estimate. April posts 55% decline vs DOE's 60-70% estimate. DOE estimates vs Feb 2020 volumes.



Quick to respond to the new normal



Marketing Bounce Back Programs. Get Gas Get Bigas and Rewards For Your Return promotions supplemented growth in sales nationwide as lockdown eases



More Digital. New campaigns focused on CARE for CUSTOMER. Expanded contactless payment options and E-commerce fuels selling

Adaptive offerings for new normal consumer needs

13%	Non-fuels contribution to retail gross margins
+8%	Increase in NFR Income since 1H16 Down 30% vs PY

New store openings

	Guidance	1H20	Total
Select & deli2go	15-20	5	147
SHOC+/HSC	20-30	11	387

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

Sustain & Expand New Offers.
Frozen Food options from fast food selections (KFC, Tokyo Tokyo, Mister Donut, etc.) now available in key Shell stations



Grow SHOC+ and provide the best personalized customer experience in-store. Free Car Interior Sanitation offered to customers on Oil Change Packages

In Picture: Shell Helix Oil Change + offering car care home service; Shell Select mobile stores made more reachable to customers; Shell Select home deliveries of frozen goods and groceries



Full lockdown felt by most sectors; volume picks up as quarantine eases

March total marketing volume 19% down vs DOE's 20-30% estimate. April posts 55% decline vs DOE's 60-70% estimate. DOE estimates vs Feb 2020 volumes.

	Jan1–Mar13	2H Mar	April	May	June	1H 2020
Commercial	+16%	+20%	-33%	-7%	-19%	-4%
Aviation	+16%	-57%	-83%	-78%	-80%	-43%
Lubricants	+7%	-55%	-65%	-65%	-34%	-36%
Specialities	+16%	-87%	-91%	-88%	-77%	-62%

Commercial fuels

- Most sectors remain resilient, lockdown impact largely felt during ECQ
- Focus is on Margin Management, Controlling Credit Exposure and Securing incremental opportunities

Aviation

Q2 Volumes down by 80% due to international and domestic flight cancellations

Lubricants

- Sales push through digital channels
- Increased premium penetration supported by in-station upselling

Specialities (Bitumen + Sulphur)

- No construction during April-May lockdown
- Road overlay in Luzon (InstaPave) and BituFresh Air premium sales in VisMin accounts pushed

NEW PRODUCT





**SHELL QUICK MIX
COLD MIX ASPHALT**

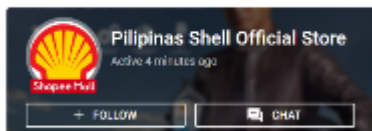
**EASY APPLICATION WITH NO HEAVY
EQUIPMENT REQUIRED**

READY TO USE FOR POTHOLE, CRACK SEALING

July soft launch for selected distributors

Shopee Mall

In This Shop




Products: 80 Cancellation Rate: 1% Joined: 25 Months Ago

Following: 1 Followers: 4.3K


Chat Performance: 98% (Within Minutes) Rating: 4.9 (2.4K Rating)

Lazada

CASH-IN & WIN 2,000



**Shell Lubricants
The No.1 Worldwide**



Supply chain remains flexible, delivered uninterrupted supply during refinery shutdown



TABANGAO REFINERY

- Outstanding HSSE compliance
- Cash preservation measures on target
- Served as an import terminal during refinery economic shutdown starting mid-May 2020



SUPPLY AND DISTRIBUTION

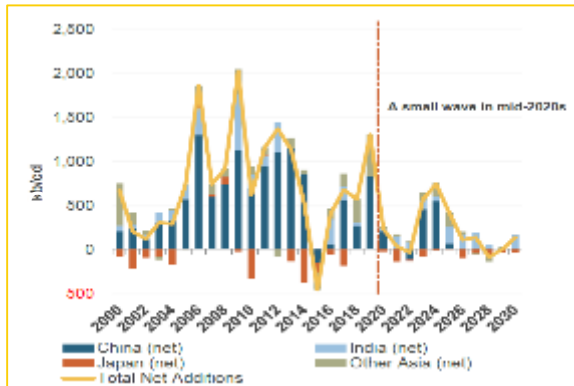
- Strong HSSE Performance
- Joint import operations of NMIF and Refinery ensured uninterrupted supply
- Access to Shell's global trading network assures a reliable source of quality finished products at the best possible price

Tabangao Refinery to be transformed into a world-class import terminal

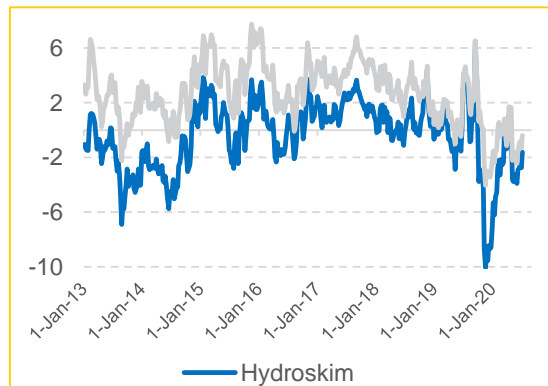
CASE FOR CHANGE

Objective: Maximize shareholder value but ensure presence of an efficient and reliable supply chain model that will support marketing growth ambitions.

Asia Refining Capacity Additions



Singapore Refining Margins



Tabangao Refinery's profitability and cash delivery outlook are negative in the coming years despite significant cost savings due to regional supply-demand imbalance worsened by demand destruction from the COVID-19 pandemic. Shutting down the refinery and converting it to an import terminal will deliver better shareholder value.

BENEFITS

Steady state will deliver:

- Capital expenditure avoidance of c.\$20m p.a.
- Operating expense savings of c.\$20m p.a.
- Capital employed reduction of c. \$190mln.

A WORLD-CLASS IMPORT TERMINAL



- Strategically located to serve Luzon and Northern Visayas
- Capable to take in MR vessels
- World-class site management staff
- Follows Shell's safety standards

Pilipinas Shell Wins

AWARD-WINNING EVENTS



**Bronze Stevie Winner, Award for Innovation in
Consumer Events**
Shell Rimula: Tsuperstar Grand Finals



**Bronze Stevie Winner, Award for Innovation
in Business-to-Business Events**
Shell Technology Forum: The Road Ahead

AWARD-WINNING TEAM



Winner, Legal Team of the Year

The Shell Companies in the Philippines (SciP) legal team was recognized as the In-House Legal Team of the Year under the Other Industry category at the 5th annual In-House Community Counsel of the Year Awards besting 13 other companies in the Asia and the Middle east and North Africa (MENA) regions

Refocused strategies to thrive in the new normal

- Be a World Class Investment Case
- Thrive in the Energy Transition
- Partner in Nation-Building



FY2020 TARGETS

GOAL ZERO COMMITMENT

No fatality; 0 Lost Time Injury;
0 spills & environmental non-compliance

PHP4b

Target Capital Expenditure
Reduced by 25% vs initial plan

PHP1b

Target OPEX Savings
No employee discretionary bonus for 2020 performance
No 2020 dividend payout

1. Leverage balance sheet strength
2. Proactive working capital and cashflow management
3. Seize opportunities as Philippines recovers from COVID-19



RETAIL and NON-FUELS RETAIL

Further grow the business with Integrated Retail Offers while maximizing assets

Deliver customer-centric sites with fuels, NFR (convenience retail, clip-Ins, lubes, co-Locators), and B2B offers while optimizing retail space and implementing sustainability solutions. Redefining offerings for consumer needs under the new normal.

40-50 New Retail Sites

15-20 New Select and Deli2Go stores

20-30 New Helix Oil Change centers

Strategic location • Relevant Offers • Excellent Service • Innovation



COMMERCIAL

Commercial and Lubricants

Leverage on technology to ensure continued supply across new and existing customers while pushing differentiated fuels

Specialities

Secure BBB projects, capitalize on strong VisMin position, introduce fit-for-purpose product solutions

Aviation

Seize tactical opportunities, highlight innovative customer value propositions



INTEGRATED SUPPLY CHAIN

Integrated supply chain flexibility

Refinery Transformation Delivery

Successfully transform the refinery into a world-class import terminal

Safe, Reliable & Resilient Operations

Deliver cash conservation targets while ensuring operational excellence

Q&A

Discover more at
www.pilipinas.shell.com.ph



pilipinas.shell.com.ph/investors.html



facebook.com/Shell

