Pilipinas Shell Petroleum Corporation

Analysts and Investors Briefing

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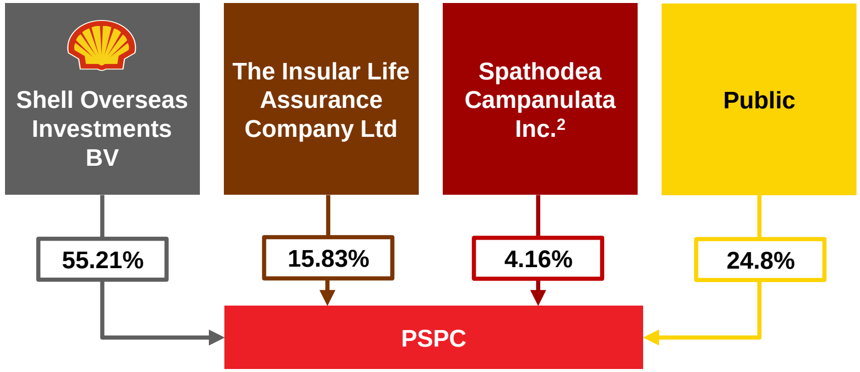
OPERATIONAL HIGHLIGHTS

PSPC – leading integrated downstream player in the Philippines

Key facts[1]

- **#1 most efficient fuel retail network**
- **#2 largest fuel retailer in the Philippines:**
- **#2 largest commercial fuel franchise:**
- **Integrated and optimized supply & distribution network**
- **Newly commissioned North Mindanao Import Facility (“NMIF”) and recently upgraded** Tabangao Refinery
- **Shell branded premium** product offering
- **Strong management capabilities**
- **Shell Group standards and best practices**

PSPC shareholding



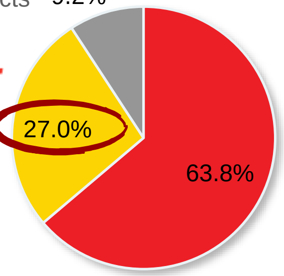
Note: [1] For more information about the Company, please visit http://pilipinas.shell.com.ph/; [2] Spathodea Campanulata Inc. is a Filipino holding company whose primary purpose is to deal in and with bonds, debentures, promissory notes, shares of capital stocks or other securities;

Significant premium product proposition and strong customer loyalty

Retail fuel offerings

Shell V-Power NITRO+

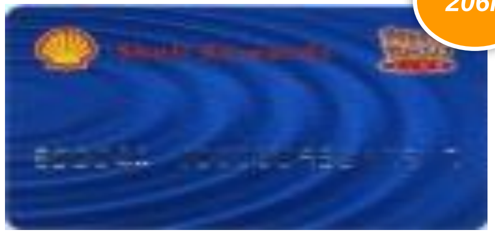
Retail fuel offering brands (by volume)



- Access to Shell fuel technology
- Higher pricing and margins from premium products

Fuel retail loyalty

of members[3]
206k



Shell PPC

SM Advantage

- Leading brand preference position
- Repeat customers from loyalty schemes and marketing programs

…providing strong margins and superior return on investment

Source: Company information

Note: [1] Sales to fleet customers and includes other products such as kerosene; [2] Gasoline RON 97 and Diesel Plus defined as Premium offerings per Philippines DOE; [3] As of Dec 31, 2016

Balanced retail portfolio

Company owned[1], dealer operated ("CODO")

45%

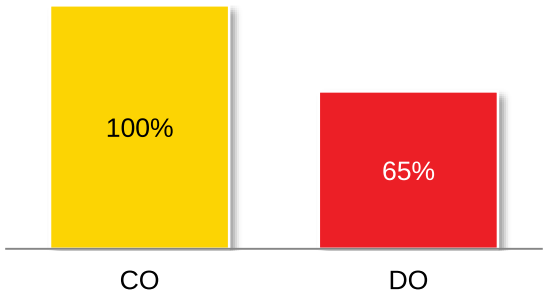
- ✓ PSPC leases site, dealer operates
- ✓ Mostly urban locations
- ✓ Capital costs borne by PSPC
- ✓ Typically larger ATP[2] as larger stations
- ✓ High margins
- ✓ Shell Select convenience store offering
- ✓ Co-locator brand QSRs[3]
- ✓ Platform for testing new services
- ✓ Set key KPIs / service performance standards

Dealer owned, dealer operated ("DODO")

55%

- ✓ Dealer owns / leases site and operates station
- ✓ Mostly rural locations
- ✓ Capital costs borne by dealer
- ✓ Margin adjustments to allow dealers to recover capital costs
- ✓ Convenience retail offering decided by dealer subject to meeting minimum core offering
- ✓ Roll out new offers, services, etc. once tested at company owned retail stations
- ✓ Dealer extension based on performance against PSPC KPIs

ATP per site (rebased to 100% of CO; 2015)



Mix of CO vs. DO retail stations based on balance between optimizing margins across the network and operating an asset-light business model

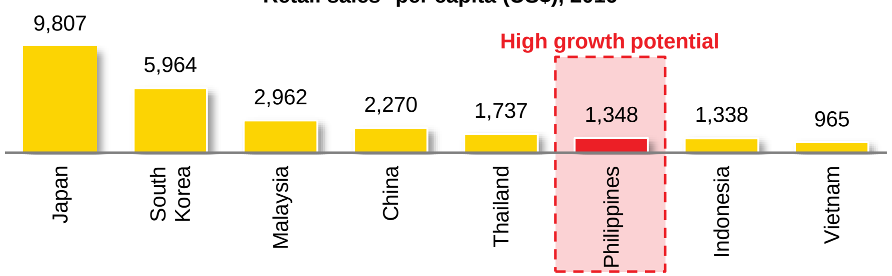
Source: Company information

Note: [1] Sites are leased;; [2] Average throughput per site ("ATP"); [3] Quick serve restaurants ("QSRs")

Significant non-fuel retail growth potential

Under penetrated retail sector and PSPC's extensive fuel retail footprint presents an attractive opportunity in non-fuel retail

Retail sales[1] per capita (US$), 2016



- **Convenience store retail sales grew at a 2010-15 CAGR of 8.6%; expected to be c.50% of total retail sales by 2020[2]**
- **Increases customer attraction**
- **Generate cross-selling opportunities**
- **Further enhance network efficiency**

Retail lubricants

- Premium lubricants and service offerings for retail customers
- Exclusive anchor brands, including Helix, Rimula and Advance

Convenience

- Currently operating 58 Shell Select and 10 Deli2Go stores[3]

Retail co-locators

- Optimization of retail space
- Fee structure: fixed lease payments + % share of sales

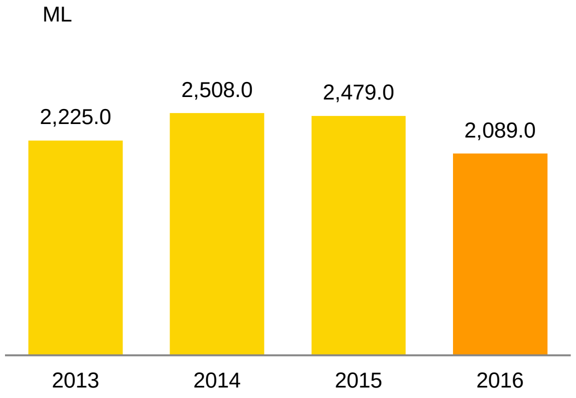
Key high growth area for PSPC – limited capex required

Source: Company information, EIU, Conlumino

Note: [1] Defined as the nationwide total sales from all retail outlets and B2C ecommerce, including warehouse clubs. Further the total market includes retailers operating in both modern and traditional channels. It excludes wholesale operations and all non-retail business such as restaurants, financial services and travel services. This data includes VAT; [2] Source Conlumino;

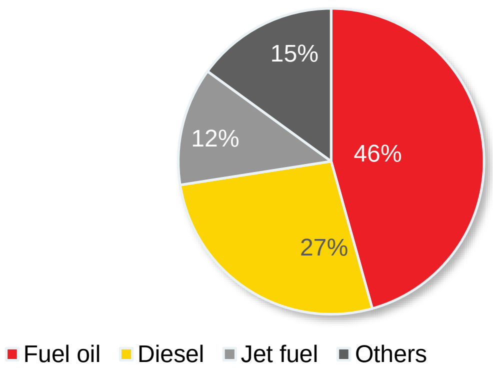
Commercial volumes impacted by lower demand from the power sector but EBITDA impact offset by Aviation, Lubricants and Bitumen growth

Commercial product volumes sold (2016)



Amongst the leading commercial fuel suppliers

Commercial portfolio



Differentiated commercial fuel portfolio with premium offerings

Main Products	Rank	PSPC Market Share
Fuel oil	#1	48%
Diesel	#2	16%
Jet fuel	#2	14%
Bitumen	#1	50%

- **Nationwide footprint**
- **One-stop shop for customers**
- **Premium fuel differentiation**
- **Technical consulting and price risk management offering**
- **Security of supply through Shell network**
- **Sole domestic producer of fuel oil**
- **Nearly 60% of principal supply relationships span over five years**
- **Strong and long-standing relationships with several conglomerates**

Exposure to manufacturing, transport, marine, and power sector customers provides sustainable growth outlook

Source: Company information
Note: All figures based on 2015 actuals unless otherwise noted; [2] Others include kerosene, lubricants, and bitumen;

Tabangao Refinery key highlights

Overview

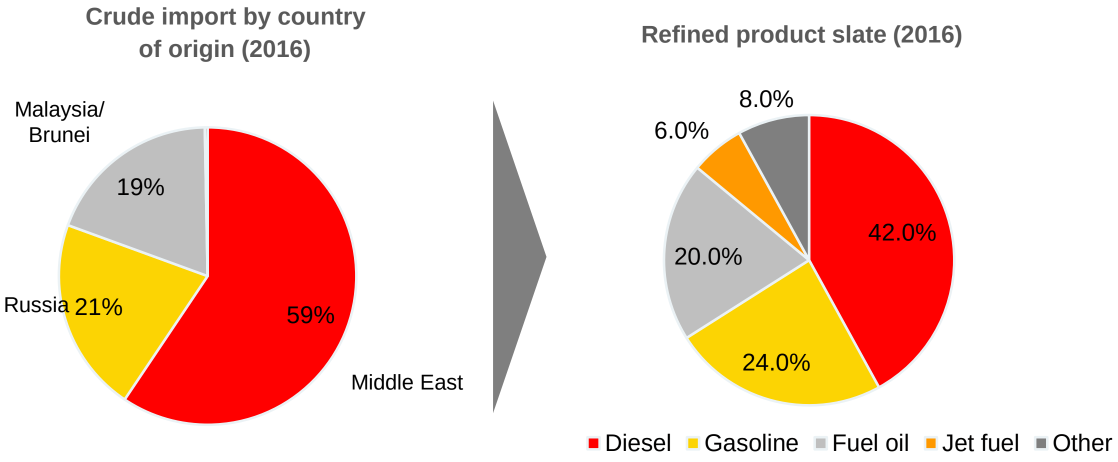
- 110 kbpd refinery complex
- Refinery powered by natural gas supplied by the Malampaya gas field
- Storage and logistics facilities: 55 product / component tanks, 11 crude tanks, 5 LPG spheres, and 4 jetties
- Completed refinery upgrade in Dec 2015

Strategically located close to demand centers

Achieves a margin uplift vs. Singapore benchmark due to import parity pricing and local product quality differentials

Flexible utilization via balancing refining vs imports to maximize profits

Crude feedstock supply and refined product slate



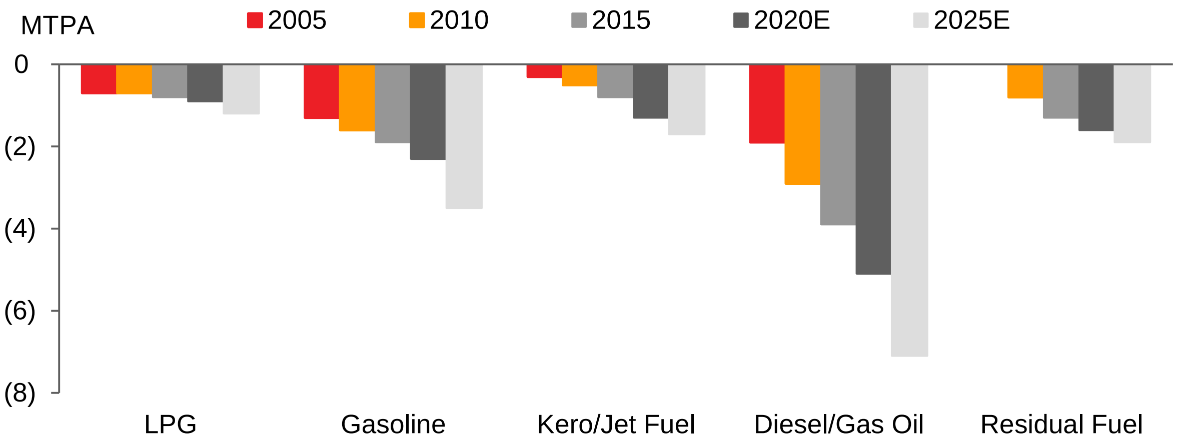
Tabangao Refinery benefits from attractive economics and optimized usage to maximize profits

Source: Company information

North Mindanao Import Facility – a game changer for the business

North Mindanao Import Facility

Philippines Refined Products Net Trade



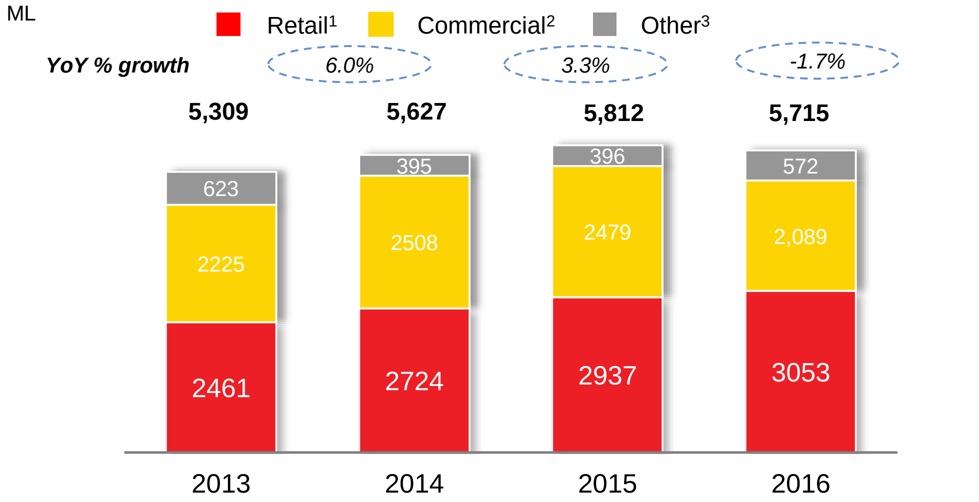
- **Strategic infrastructure enhances competitive advantage especially in the southern region of the Philippines**
- **Cost competitive logistics: c.US$5-6mm savings per year[1]**
- **Potentially capture additional fuel demand of 1.5-2.0 mmbbl / year in Visayas and Mindanao over the next 10 years[2]**
- **Alternate source of refined products supply if local refining not economical**
- **Complementary to Tabangao refinery**

Source: Company information, Philippines DOE, Nexant
Note: [1] Nexant expects that the newly commissioned NMIF enables PSPC to capture freight cost advantages and save double handling charges by importing refined products directly to the southern Philippines which are estimated to be US$5-6 million per year; [2] Nexant expects incremental gasoline and diesel annual demand growth in the Visayas / Mindanao region of a further 1.5-2.0 mmbbl per year in the next 10 years

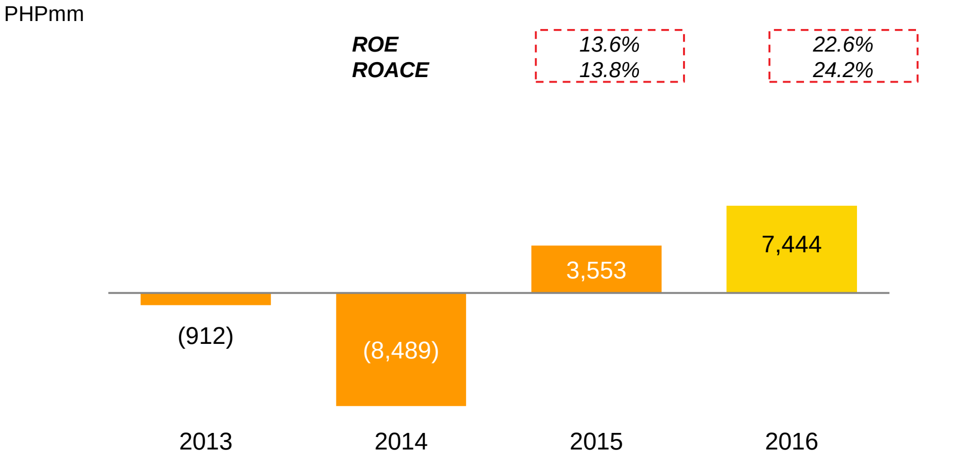
FINANCIAL SUMMARY

Summary financial highlights

Sales volume



Net income



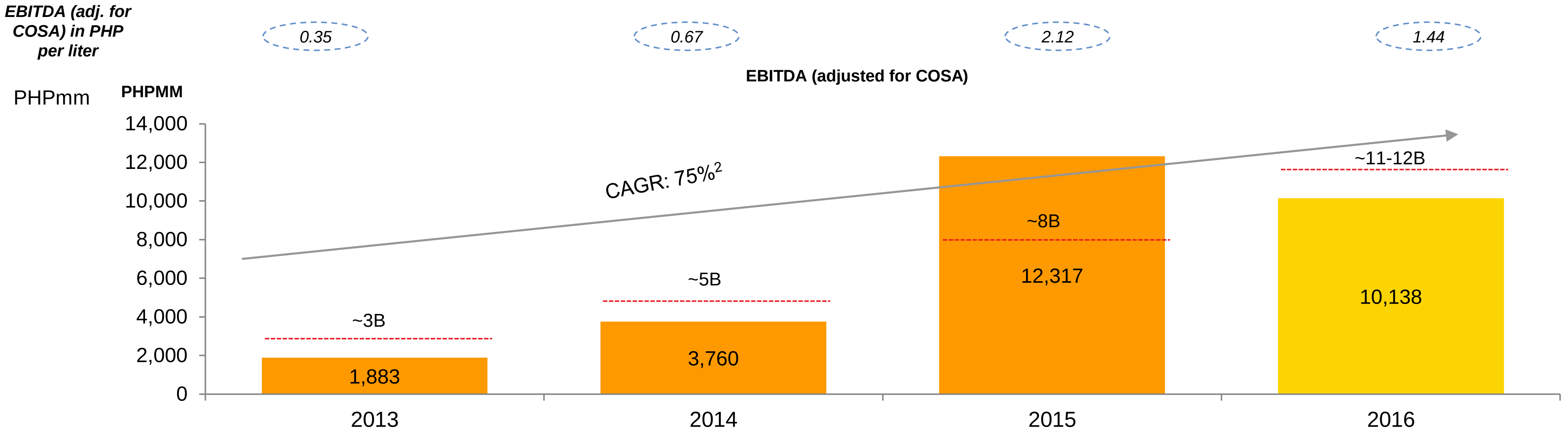
- **Reported figures include non-recurring / non-cash items such as inventory gains / losses**
  - Net income was driven mainly by increased premium fuel penetration, strong retail volume growth, successful marketing campaigns and logistics cost savings that offset the impact of lower commercial sales volumes and extended refinery downtime in Q4.
  - Inventory gain contributed Php2.1B million to net income.
  - FY2014 and 2015 financial performance severely impacted by inventory losses due to sharp decline in crude prices
- **To better understand the underlying performance of the business, PSPC also reports EBITDA adjusted for COSA[4] (see next slide)**
  - Cost of Sales Adjustment ("COSA") aims to exclude the effect of one-off inventory holding gains and losses from EBITDA
  - COSA is a non-GAAP measure used internally for assessing management performance and allocating resources, in line with Shell Group practices

Source: Company information

Note: [1] Includes retail fuels and lubricants; [2] Includes commercial fuels, lubricants, and bitumen; [3] Manufacturing and supply (sales to 3rd parties) and other; [4] Prospective investors are cautioned that COSA, EBITDA, and EBIT (and any adjustments thereto) are in all cases not measurements of financial performance under PFRS and investors should not consider them in isolation or as an alternative to profit or loss for the year, income or loss from operations, or as an indicator of the Company's operating performance, cash flow from operating, investing and financing activities, or as a measure of liquidity or any other measures of performance under PFRS. Although other oil refiners use similar measures, prospective investors are cautioned that there are various calculation methods, and the Company's presentation of COSA may not be comparable to similarly titled measures used by other companies

PSPC has demonstrated continuous COSA-adjusted EBITDA growth

EBITDA (adjusted for COSA)[1]



2013
- Refinery and supply network repairs and maintenance
- One-off costs: PHP1.2bn non-operating expense incurred due to a settlement, and PHP1.1bn FX loss

2014
- 10.7% retail sales volume growth
- 12.7% commercial sales volume growth
- Increased logistics and transshipment costs due to public infrastructure damage caused by Typhoon Glenda

2015
- 7.8% retail sales growth
- Improved margins from network rationalization
- Strong refining margins Refinery closure for Euro IV upgrade

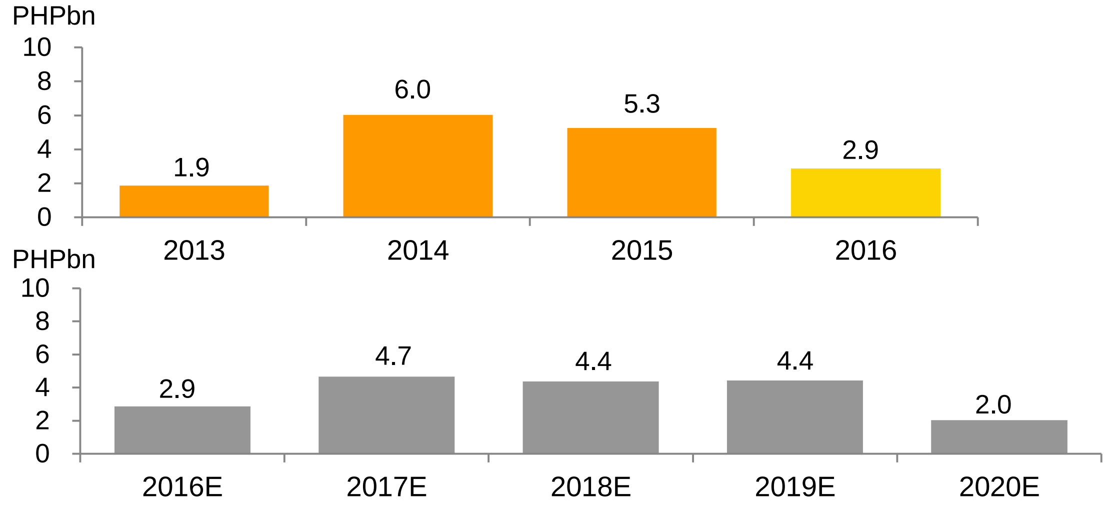
2016
- Higher margins due to increase in sales of premium products and retail network growth
- Extended refinery shutdown PHP1B
- Weaker refining margins

Source: Company information

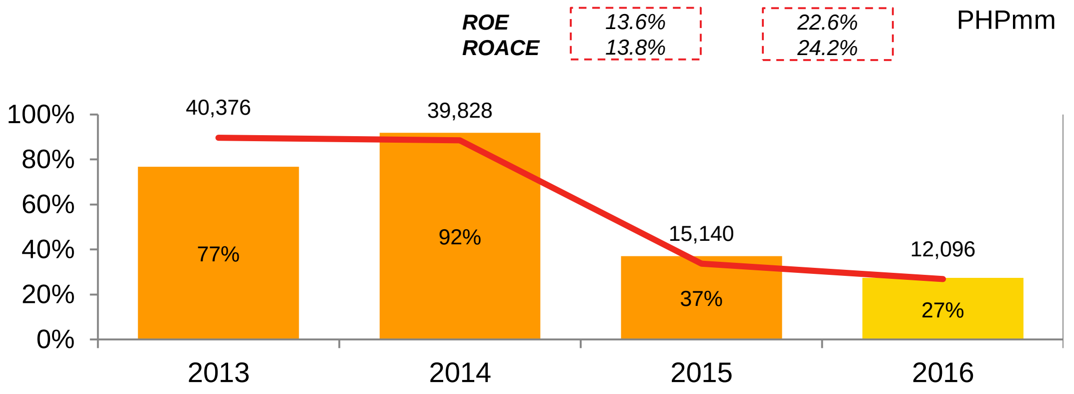
Note: [1] Prospective investors are cautioned that COSA, EBITDA, and EBIT (and any adjustments thereto) are in all cases not measurements of financial performance under PFRS and investors should not consider them in isolation or as an alternative to profit or loss for the year, income or loss from operations, or as an indicator of the Company's operating performance, cash flow from operating, investing and financing activities, or as a measure of liquidity or any other measures of performance under PFRS. Although other oil refiners use similar measures, prospective investors are cautioned that there are various calculation methods, and the Company's presentation of COSA may not be comparable to similarly titled measures used by other companies; [2] Not including for one-time settlement in 2013

Prudent balance sheet management

Historical and planned capital expenditure



Gearing[1] and net debt



- **PSPC is independently funded with strong operating cash flow generation**
- **Capex cycle completed post refinery upgrade and NMIF commissioning, with stable near term capex**
- **Strong balance sheet and liquidity position**
- **Equity rights offer in 2015 strengthened balance sheet**
- **Loans with banks at average current interest rate of 2.4%**
- **No debt covenants**
- **PHP75.3bn of undrawn credit lines available[2]**

Target dividend not less than 75% of audited net income after tax of the previous year[3] ➔ Sufficient liquidity to pay dividends

Source: Company information

Note: [1] Gearing is calculated as the ratio of Net debt to the sum of Net debt and Equity (excluding other reserves). Net debt is calculated as Debt less Cash and cash equivalents ; [2] As of Dec 30, 2016;
[3] Subject to compliance with requirements of applicable laws and regulations and subject to investment plans and financial condition

Conclusion

- **Attractive market exposure in Philippines downstream marketing –** high volume growth, high margins and deregulated sector
- **End-to-end value chain –** integrated infrastructure and logistic network, including newly built North Mindanao Import Facility
- **Superior operational and financial performance**
  - Strong volumes growth
  - Highest network efficiency
  - Superior margins
- **Strong brand preference**
- **Shell standards –** operational excellence, technical know-how, management strength, corporate governance and HSSE standards
- **Disciplined expansion and capital allocation**
- **Focus on shareholder returns –** focus on ROCE and dividend payouts

Source: Company information