

# Acquisition of Shell Argentina downstream assets

raízen

April 2018



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# Acquisition Rationale

## Downstream Assets

Refining, marketing, and distribution of oil products throughout Argentina

Potential EBITDA<sup>(1)</sup> for 1<sup>st</sup> year:  
**USD 250 mln**

## Transaction Highlights

Acquisition price of **USD 950 mln** - assuming no indebtedness and subject to adjustments of working capital variations.

Acquired companies will enter in various agreements with Shell including the license of Shell brand and supply for the import of fuels

## Timeline

**Signing in April 2018**

**Expected closing in 2<sup>nd</sup> semester 2018**,  
subject to customary regulatory approvals

**Replicate and scale up Raízen's successful business model**



**Unique downstream opportunity across Argentina**

**Growth** opportunities with synergies

**Fits** well with Raízen's strategy and expertise in fuel distribution

**Integrated** business model with accretive economics

**Attractive** operating environment

**Note**  
1. Potential EBITDA does not represent projections for the business – it merely illustrates a growth opportunity for Raízen.

# Argentina | Business Environment



Sizeable market to grow fuel consumption leveraging on GDP recovery

## Macro

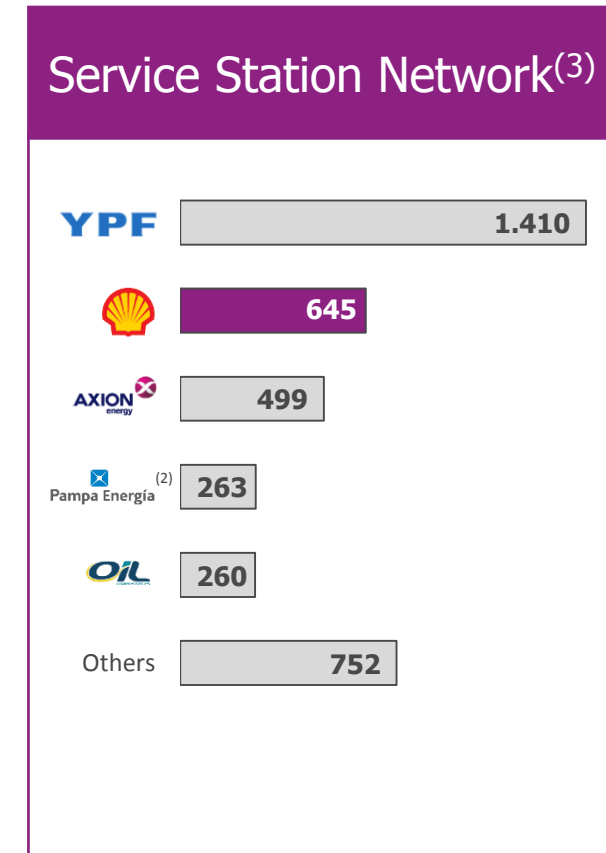
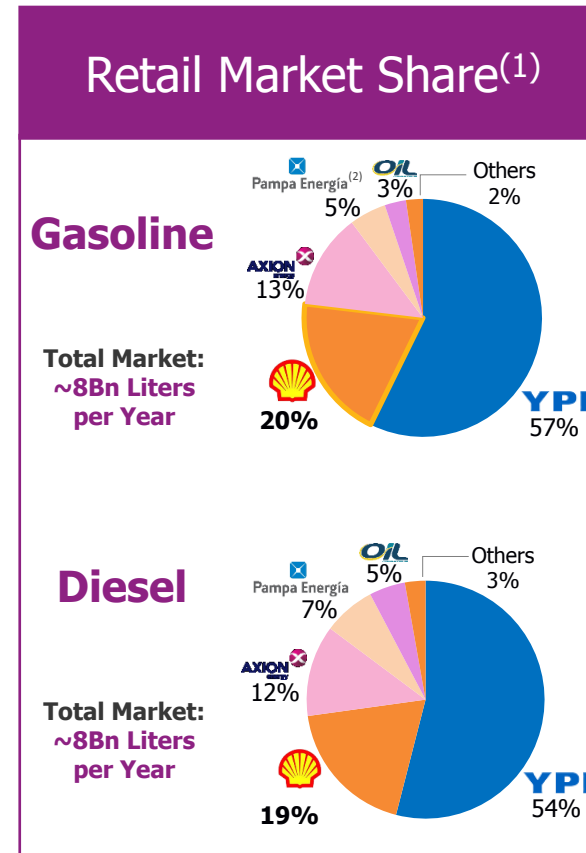
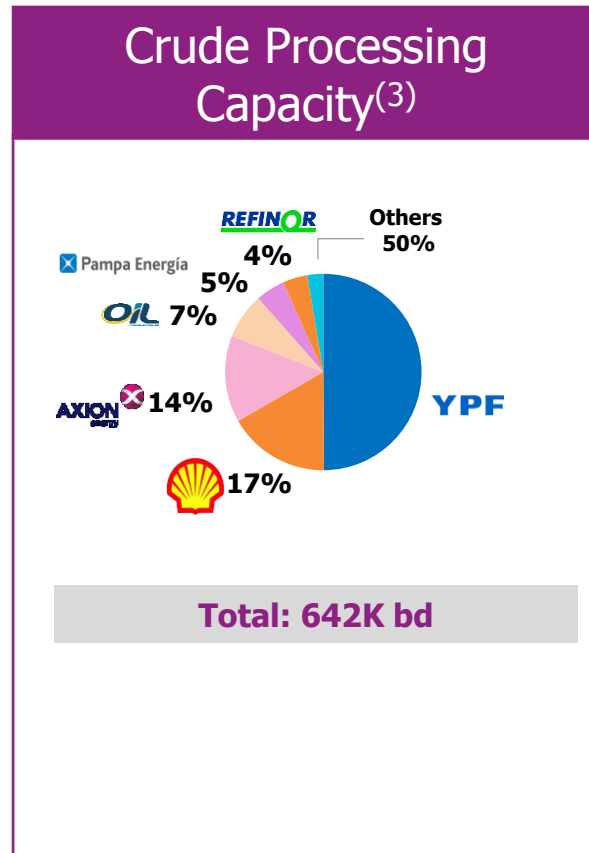
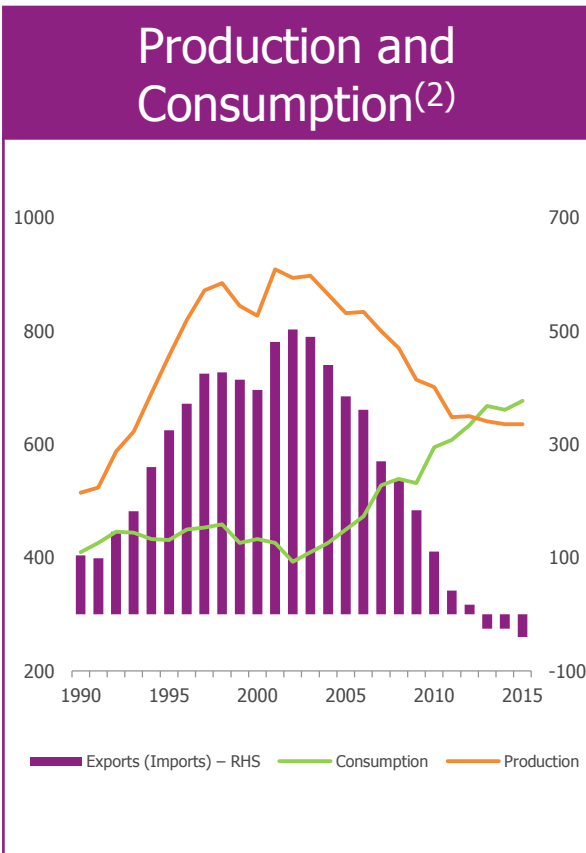
- One of the largest and most attractive economies in LatAm
- Positive reform agenda
- Recent improvements on sector's dynamics
- Remaining challenges: inflation, fiscal reforms

## Downstream Oil

- Well-developed oil & gas industry with healthy competitive environment
- Net importer of Diesel and Crude oil
- Additional upside from flexibility between integrated production/ imports
- Healthy throughput per station
- Low informality

# Argentina | Business Environment

Downstream integration supporting healthy competitive environment.  
International pricing parity.



**Notes**  
 1. Ministerio de Energía y Minería full-year 2016  
 2. Formerly Petrobras Argentina  
 3. Shell figures per Company information. Competitor information per Ministerio de Energía y Minería  
 4. Calculated as volume of premium fuels distributed as a percentage of total fuel volume distributed

# Shell Argentina | Operations

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Integrated business model with a total volumes sales of 6 bi liters / year



## Refining



- Located at Buenos Aires metro area
- **2<sup>nd</sup> largest refinery** in Argentina (17% of the country's crude distillation capacity)
  - 108k bbls/day nameplate distillation capacity
- **Strong conversion capabilities** to focus on high-value products
- One of two **Base Oil Manufacturing Plant** in Argentina



## Retail



- **645 Shell-branded service stations** covering 20 provinces
- Total volume sales **3.2 bi liters/year** with a high fuel average throughput per station (**433 thousand liters/month/per site**)
- **2<sup>nd</sup> place in market share** with approximately 20% - combined gasoline and diesel sales as of full year 2016
- Focused on **higher-margin premium fuels** segment

## Other Businesses



Lubricants



LPG



Aviation



Bitumen & Chemicals

## Trading & Supply



Commercial Fuels

Crude & Products

# Synergies potential

Potential Synergy / Upsides	Overview
<b>Logistics Optimizations</b>	Increase scale of imports (Brazil + Argentina); replicate Raízen's efficiency in road transport
<b>Increase Marketing Revenues</b>	Higher revenue of non fuels – convenience store, fleet management and methods of payment
<b>Growth</b>	Adding service stations in the network, organic and inorganic - dealer owned/dealer operate
<b>Trading &amp; Supply</b>	Trading & Supply opportunities to neighboring countries leveraging Raízen's expertise and presence in Brazil and Argentina market
<b>Opex</b>	Savings from gains in scale and best practices sharing