

REPSOL TEAMS UP WITH A LOCAL PARTNER TO PRODUCE AND DISTRIBUTE LUBRICANTS IN MEXICO

- Repsol has reached an agreement with Mexican lubricants company Bardahl to acquire 40% of its share capital. This is Repsol's biggest purchase in this business and will bolster the internationalization strategy of the company's Downstream unit.
- The company will manufacture and sell its lubricants in Mexico through Bardahl, a brand with widespread recognition and extensive experience. Bardahl operates one of Latin America's most modern production plants and has an extensive distribution network throughout the country.
- This agreement is part of the growth plan of Repsol's Lubricants unit, which aims to double its sales volume to reach 300,000 metric tons in 2021, 70% of them from international business.
- México will become one of Repsol's main lubricants markets and a production center for the company's lubricants in Latin America. This operation is supported by an ambitious plan to open Repsol service stations across the country.
- The acquisition is in line with Repsol's Strategic Plan, with planned investment of 1.5 billion euros by 2020 for the international expansion of the petrochemicals, service stations, lubricants, and trading businesses.

40%

in Mexican company
Bardahl

+80

Countries that offer
Repsol lubricants

300

thousand
metric tons

Lubricants sales target
For 2021

Repsol has reached an agreement to acquire 40% of the Mexican automotive fluids and lubricants company Bardahl. This is the largest transaction to date for Repsol's Lubricants unit, the company's most global business unit, whose internationalization strategy will be significantly bolstered by this operation.

The alliance will allow Repsol to manufacture and sell its lubricants in Mexico through Bardahl, a company with extensive experience and recognition that operates one of Latin America's most modern production plants, located in Toluca.

Bardahl has a 6% market share in Mexico and sells its products through its own network—the country's broadest—consisting of 40 branches with more than 700 sales representatives and 10 exclusive distributors. The partnership with Repsol guarantees growth and value creation, driven by the Spanish company's knowledge, experience, and technological capacity.

With this transaction, Mexico will become one of Repsol's main lubricants markets and a production center for these products in Latin America. This investment is supported by the company's plan to open service stations across the country. Repsol plans to invest about 400 million euros to open between 200 and 250 service stations per year in Mexico through 2022, aiming to achieve a market share between 8 and 10%. Repsol's current network already includes 60 service stations in nine states: Mexico City, the State of Mexico, Veracruz, Baja California Sur, Jalisco, Oaxaca, Puebla, Hidalgo, and Tlaxcala.

Repsol's Lubricants unit is present in over 80 countries, with more than 70 distribution contracts, 11 manufacturing license agreements

This is a market with great growth potential, a booming economy, a population of more than 120 million people, and a fleet of 41 million vehicles with a high renewal rate. Mexico is currently second in Latin America and ninth in the world in terms of lubricants sales volume (725,000 metric tons/year, surpassed only by Brazil).

The transaction will create a joint venture—60% Bardahl, 40% Repsol—and is expected to be completed in the third quarter of 2018, once the necessary regulatory authorizations have been granted.

The new joint enterprise will sell Bardahl- and Repsol-brand lubricants in Mexico, given the complementarity of the two companies in terms of both positioning and distribution channels.

The growth plan of Repsol's Lubricants unit aims to double its sales volume to 300,000 metric tons by 2021

The purchase of 40% of Bardahl is part of the growth plan of Repsol's Lubricants business unit, which aims to double its sales volume to reach 300,000 metric tons by 2021, 70% of them from international business. To achieve this objective, it will invest up to 100 million euros to acquire stakes in lubricant plants, particularly in Latin America and Asia, in countries such as China, Indonesia, and India.

Currently, Spain represents approximately 55% of Repsol's lubricants sales, while international business accounts for the remaining 45%. The company's objective is for sales outside Spain to account for 70% of the total in 2021.

The Lubricants business unit is Repsol's most international, with a presence in 80 countries and more than 70 distribution contracts, 11 manufacturing license agreements (covering the main areas of global growth, such as Brazil, China, Japan, India, Indonesia, and Malaysia), and eight commercial offices.

The transaction is in line with Repsol's Strategic Plan, which aims to invest 15 billion euros through 2020. Of this investment, a total of four billion euros will be allocated to new initiatives, especially in the Downstream unit, both for the expansion of the petrochemicals, service stations, lubricants and trading businesses (1.5 billion euros) and for low carbon emissions projects (2.5 billion euros).

Repsol in Mexico

This agreement strengthens the position of Repsol's Downstream unit in Mexico, where it operates in various areas. Last March, the company opened its first Mexican service stations, marking the beginning of a long-term project.

In March, Repsol launched a project that aims to reach an 8-10% market share in the Mexican service station

The company also maintains a partnership with Grupo Kuo, with whom it founded Dynasol in 1999. Dynasol is one of the top 10 synthetic rubber manufacturers in the world, with plants in Altamira, Mexico; Santander, Spain; and China.

Additionally, in hydrocarbons exploration and production, Repsol has been awarded six exploration blocks in Mexican bidding rounds (one block in the 2.1 round together with Sierra Oil & Gas, in September 2017; three blocks in the 2.4 round, in January 2018; and two blocks in the 3.1 round, in March 2018).