



**Petrobras Distribuidora S.A.**  
**Webcast/Conference Call**  
**4Q19 Results**  
**March 12, 2020**

**Operator:**

Good afternoon, ladies and gentlemen. Welcome to the BR Distribuidora webcast and conference call with analysts and investors to present the results of the 4Q19.

We would like to inform that participants will participate in the conference call on listen-only mode. The presentation will be followed by a Q&A session, when further instructions will be provided. Should you require assistance during the transmission, please, request help from the operator by dialing \*0.

Today, we are joined by Mr. Rafael Grisolia, CEO; and Mr. Andre Natal, CFO of the Company.

And we would like to remind you that this meeting is being recorded, and this presentation may contain forward-looking statements. These statements represent the expectations of the Company's executives about future economic conditions, in addition to the sector we operate in, the performance and financial results of the Company, amongst others. The terms 'predict', 'believe', 'expect', 'forecast', 'intend', 'plan', 'project', 'objective', 'should' and other such terms are used to identify such forecasts, which evidently involve risks and uncertainties seen or not seen by the Company, and as a consequence, they do not provide assurance to the Company's future results. The future results of the Company's operations may, therefore, differ from current expectations, and readers should not solely rely on the information set out herein. The Company undertakes no obligation to update the projections in the light of new information or future development. The figures informed for 2019 onwards are estimates or targets.

Now we will give the floor to Mr. Rafael Grisolia that will make his comments. Mr. Rafael Grisolia, you have the floor.

**Rafael Grisolia:**

Good afternoon, everyone. We are here for an additional BR result. We continue here with a lot of enthusiasm, with a lot of pride. This is very important since our IPO in July, our targets that were established since our privatization were already challenging targets. And now, in the last stage, with the environment and everything that is happening throughout the worldwide market, this is creating other variables regarding our challenges.

But once again, I believe that for each threat, we always have to see the opportunity because we are very responsible regarding what we represent to society.

We would also like to remind you that we will talk about our projects. And this is a marathon, this is not 100-meter sprint. So we are working with all of the initiatives. Our entire team is engaged, and we are also making progress in all of our projects, in all of our targets and all of the plans of each one of our initiatives.



We do have a very strong corporate governance. Our Board is totally independent with strong performance that are working with us. We also carried out in 2019, organizational transformation plan in the beginning with the new structure of management that also will provide support, so that we can continue on the right path regarding our initiatives, and taking our vision to continue being the biggest fuel and energy distributor in Brazil.

That will be more profitable, and we want to serve the entire Brazilian society, also in energy and convenience. And we know that in the Brazilian society, part of its energy is connected to fuel byproducts. So we continue with this view, and all the structure that we have created, an organizational structure will deliver this.

We continue very strong in expenses. We have created a plan that is a very good plan of logistic transformation regarding the optimization and the way we hire our freight, the transporting companies. We also have the sourcing activity. We continue also stronger focus on lubricants with our brand Lubrax. Lubricants we are strongly focused on our initiatives with our convenient problem, with our loyalty program and our portfolio management.

We optimized within our strategic view between investments that are aligned with our strategies, and we are also looking for other strategies and other way of investments that will allow us to better serve society.

When it comes and seeing how they are going to use energy. It is important to see that last year, regarding our customer positioning, we launched the new image of our service stations with Petrobras brand. It is a very important moment for BR Company. This is a better image that we are conveying with the colors of Brazil, with the colors that we value as a Company, this symbols energy. And within our gasoline stations with the brand Petrobras, this is very positive for the Company. It is important for resellers, for stakeholders, for employees. Everybody is highly reassured because this is showing our brand to the market, and our gasoline stations have the brand Petrobras.

In terms of results, we will talk about this in detail during the Q&A. The 2019 results are within the expectations when we see earnings, and we are always focused on results that are connected to the adjusted EBITDA and the return over employed capital.

Our earnings rate, although 2019 was better than 2018, we know, and we have mentioned since our privatization that we have an important gap in terms of profitability. And we are working on this on 2020, to solidify this in 2021.

We also continue trimming on financial discipline. Very recently, we were able to roll out our gross debt that would mature during April. We just rolled out this debt very successfully before the crisis that has just emerged in the market. Therefore, this is very positive for the company because this provides financial strength to BR that will work with its own cash flow.

Of course, our level of leverage is very low, and this shows our financial strength as a Company.

Now in terms of volume in market share and market presence, we continue strong, BR has size, scale and national presence. And we pay attention to the scale of BR. There are new policies to reduce our market share. Our brand is present, and one of our strengths is our logistics presence.



Therefore, BR always has to focus on scale, and we will continue working this way. Now, of course, we have to pay attention to our profitability position and also our alignment. And better solutions for our customers regarding our resellers with our customers, with our B2B customers and our industrial customers, aviation customers and all our customers. We always want to provide them the best solutions, balancing our pricing.

We have to remember the net profit of R\$2 billion. This is a very good profit level when we consider the impact, the problem of our organizational restructure, and considering nonrecurrent facts because we have receivables and taxes. We believe in an increase of R\$300 million of 2019 vis-à-vis 2018 regarding net income.

We have to remind you, though, we are highly enthusiastic, very happy with the project, and all the challenges ahead of us, it will give us more strength. I would like to remind you, this is a marathon. Our entire team is highly encouraged, especially now with the brand Petrobras, the new brand that we have in our gas station.

Now we will go to Q&A. André is here with us, and we have distributed material to you. So you also have information in this material.

**Vicente Falanga, Bradesco BBI:**

Good afternoon. Congratulations for all the progress that you have made in your management. I have two questions here. One, if you are already seeing the impact in the aviation volume because of coronavirus. If you know what this impact will be like.

And number two, if you see an opportunity in terms of the oil crisis, in terms of imports and margins. Because I believe that you import a great deal of fuel.

**Rafael Grisolia:**

Thank you for your question. Our aviation customers, we are monitoring their activities and working together with them in a very difficult moment for the world. And therefore, it is too early to assess any type of significant impact on our volumes.

The aviation market, it is 100% hedged. And it is very important to clarify this regarding the impact, by and large, it is still too early, but just what is going to happen.

Of course, the dynamic of Brent introduces volume. But when we see our market of fuel distribution in Brazil, the dynamic is different from what we see from importers and Petrobras when it comes to defining the price in the refinery. We are paying close attention and participating in everything that has happened.

We do not have a conclusion. It is too early. But what we do know is that we will continue working with all of our initiatives. And as we are doing this, we are very firm in terms of alternatives, especially when we see sourcing because of our trading and negotiation sectors. And we also have better ways of purchasing products. Therefore, this provides us safety. We do know that we have the proper tools to work with what will happen in the market.



**Vicente Falanga:**

OK. Thank you very much, Rafael.

**Regis Cardoso, Credit Suisse:**

Good afternoon. Congratulations for your results. Two questions. The first question would be on your gain. The organizational structure, you believe this will be a lower cost than the R\$780 million that were budgeted in the first place. I believe that most of these gains will be materialized in 2020 because most people that were part of the Optional Dismissal Program have already left the Company. And I would like to know how much is cash and how much do you still have to pay out.

The second question would be how to balance market share and margin, because the 4Q was very weak in terms of market share, as well as January. My question is the following, if you do have a diagnosis regarding the weak margin in January. If this is a reminiscence effect from the 4Q, of the high-margin that was realized, or if you already expect something and you will try to offset the losses of stock by the replacement margins.

**André Natal:**

Regis, thank you very much for your questions. Regarding Optional Dismissal Program, when we communicated the PDO, that was not only the PDO. We would like to clarify. The Optional Dismissal Program was a part of the equation of the structural organizational restructuring program.

In 2019, when we were launching this program, we, obviously, we calculated the cost as well as the savings that we expected. Now obviously, we clarified during this period. In fact, this was just an expectation. And of course, we adopted certain assumptions. And afterwards, after the end of the program, everything that happened throughout the program throughout its execution, well, as a matter of fact, we can verify that when you see 2021, we believe we can verify a drop of R\$650 million vis-à-vis 2019.

This is why today, with all the information that we have, we are confirming our expectation. It has not changed after everything that we have executed.

When we see the cost of implementation of this transformation program, yes, this cost was lower. And it was lower due to a number of reasons, because of a matter of fact. And there are a number of aspects that complement everything to reach this result.

But at the end, answering your question here, the trend, the drop level of the savings, what we observe is the following: we are going to see the benefits in 2021. And why not 2020? For a number of reasons. Because part of the people that participate in these programs, the Optional Dismissal Program, these personnel will leave throughout the year 2020. Therefore, we will not have the whole benefit throughout this year. We will not be able to see the savings of these dismissals.

Another important thing, as this calculation of R\$650 is not only PDO, but all the transformation program, there is still a part that is not the PDO, that would be third parties. That are regarding





other contracts and is something that we did not observe in 2019, and we will see it towards 2020.

And one of the main important reasons, is that throughout this transformational construction, we have a deferred bonus. So the benefit of the savings will not be seen during the first year because of this initiative that was very important within our transformation process.

So when you add all of these factors, the gradual exit of the people and the transformation plan of 2020, I believe that 2020 benefits will not be seen. How much benefits will we have in 2020? We not announced it to the market, but this transitional result is very relevant.

And as Rafael said, we are analyzing the long-term. We are in a marathon, so what is important is that in 2021, we will achieve this total savings with everything working as expected.

And the last part of your question, before Rafael talks about the market share, it would be cash flow. We announced a provisional figure that was around R\$560 million, the cash flow that in 2019 was slightly above R\$300 million, R\$320 million, R\$330 million. Now the rest is cash flow for 2020.

And now Rafael can talk about market share.

#### **Rafael Grisolia:**

Regis, thank you very much for your question. Just to finish André's line of thought, I would just like to clarify, this is a cultural transformation plan. It is cultural and organization, and now we are in the stage of solidifying our culture. And this is very important, and these type of plans are very specific. So all the actions regarding this Optional Dismissal Programs, restructuring, they come to an end.

There is no continuity. The people that decided to remain in the company. They are very happy. We have a complete team. The people that decided to exit, they left as well. And as André said, this is a gradual process. So we will see all the evolutions in terms of figures quarter-on-quarter. But now we have a complete team, and we have a team that is highly encouraged, and they are part of this process. So we are turning today to a new page, and this is a symbol of our new brand.

Now your second point, you were talking about volumes. During the month of January, we continued firm, regarding the optimum points of volume and price, and our brands' margins, and also with our partners and with our industrial customers as well.

January is a month where the price of the molecule suffers an adjustment, and this causes these dynamics in more sensitive markets, like B2B markets. Therefore, we are still feeling the impact of January, but I believe that in February, we have been able to find better solutions.

I would like to go back to the main point. BR has an aspiration of continue working its scale to remunerate, for example, the assets that it has. Therefore, a breakeven point of market share is sufficiently large in order to accommodate what we have in terms of the asset, and we will continue working as a leader in the market that we are working in.



**Regis Cardoso:**

Thank you very much for your answer.

**Christian Audi, Santander:**

Thank you. Congratulations for the results that you have presented. And also, congratulations for the process and the initiative. I would like to ask you about a dynamic that you have that is an initiative ongoing, the pricing dynamic. Can you tell us how this is evolving and when will this be reflected on your results?

My second question, going back to B2B, you already explained this, and now you are going to focus more on what is really valid in terms of customer. How much of this process has been done and how much is still missing? And what could be the impact?

Of course, we are in a market that is difficult. I would like to see how you see it. And I believe that all of this should not radically impact the way you cut costs. Correct me if I am wrong. But any clarification regarding this point would allow me to better understand the situation.

**Rafael Grisolia:**

Christian, thank you for the questions. On your first question, regarding pricing, I believe that we are in a stage where we systematized our structure to work with the best point of pricing when they come to resale and B2B.

I believe that last year, we made great progress together with the management and all the team that is working with us in the market. When you adjust, visibly, always maintaining the spirit of having a great relationship with our customers with our resellers, with our TRR customers, our B2B customers.

We have a strong foundation in terms of relationship. We like to have a good relationship with our customer. We knew that the resellers are an excellent franchise system. So we do follow this principle, but yes, there were certain balances in the moment, and these were points that we had to align a number of solutions to provide profitability to everyone.

Now what we need is to maintain this. And how do we maintain this is through systematization. We need continuous flow of information. The market dynamics are changing. We know that there is a dynamic of markets. We have special managers for highways, and everything has been followed up systematically, aligned with all our department of costs in the entire Company, so that we can provide the best solutions to everyone, and always thinking about our final customer, our reseller and also society.

So I believe the pricing evolution is taking place this way. And also, as Andre already strengthened, and we have talked about privatization, we are not giving guidance from promising more than what we announced during those moments.

Because all the expectations continue in 2020. And we believe that the conclusion of all of these expectations will be felt at the end of 2021. But we have to see when we are going to announce these expectations because these are expectations that have to reflect on our results and on the value proposal of our customer.



Now, B2B, there is no customer that is worthwhile and customer that is worthwhile. All customers are customers. We see the TRR market because this is a differential market because their purchase decision is different than in retail. So it is not that you have customers that are worthwhile and others that are not worthwhile, but they have different profit positioning points.

But we continuously are analyzing these points. And once again, I believe that when we see the market share, we will see what our balance will be throughout the year. We monitor everything on a daily basis. This is part of our homework.

Now regarding the market, as I mentioned in the beginning, we already have all the value delivery after the privatization, and after the first valuation of the IPO. We know that we need to carry out internal exercises. This goes through the cultural transformation, organizational transformation; I believe that the order of expenses.

Regarding your first question, everything is reflected in our initiatives. We will continue this way. And this is why I feel so reassured, and I feel firm that we have the correct tools in order to control this external variable that will result in a lower economic activity.

This does not discourage us, it encourages us. This encourages us because we know that we are going on the right track.

**Christian Audi:**

Thank you very much, Rafael.

**Pedro Medeiros, Citibank:**

Good morning. Thank you for taking my questions, and congratulations for your results, for all the work that you have done. Your results are excellent. I do have a number of questions. Number one would be due to the market and the events of the 4Q regarding gains of stock and gain in fuel. What can you say about maintenance strength of these margins?

Number two, in the past, the Company said that there was a gap regarding the margin of ethanol between BR and its competitors. I would like to understand how the ethanol margin has evolved throughout the quarter. And, in your opinion, is there still a gap in the margin?

And my last question would be, when we add the dividend, there will be a payout of 75% to you. Have you already defined what the dividend policy will be like from here on? And will there be a growth in dividend payout?

**André Natal:**

Pedro, thank you very much for your comments and for your questions. Speaking about margins and the maintenance, I believe this result presented a number of important effect for the quarter where it was very positive for the sector, by and large, because the gain of stock, because the upper variation of prices and also because of the arbitrages that we captured.



And this also contributed with the quarterly margin. And on the other side, we had all the effects of the transformation plan. So therefore, we were very careful, and we tried to help the market to navigate and to realize where we were before all of these positive and negative effects that were present during the quarter.

So obviously, we have already published an adjusted EBITDA including transformation to facilitate the interpretation. Because otherwise, it would be a figure without meaning. We tried to help the market showing other effects that, according to our assessment, seem to be nonrecurrent, but they are not adjusted in the EBITDA. This is why you see a difference between R\$96 and R\$104. But we also insist in highlighting that this R\$104, within it, it includes a strong contribution with the gains of stock, and this is part of the business.

But obviously, these are things that fluctuate, and they can present contrary signals. So it is very important to be aware that this level of R\$104, it is not a recurrent level currently. As a matter of fact, it will have a positive effect when we see the inventory effects. When you see the 1Q, the price trajectory went the other way around, the prices dropped, I believe.

So naturally, and here, we have to be very careful, I do not want to anticipate anything regarding future results, but thinking qualitatively, you can see that the prices are dropping, and we expect the inventory levels to be different than the 4Q.

Of course, when we see domestic and international prices, this opens to possibilities of new arbitrages, and also to be able to save in our sourcing. After our privatization, we had a much more active sourcing in terms of trading.

Obviously, when we see savings, perhaps we have further possibilities in terms of inventory? I do not think so. Naturally, what I can say right now is that, obviously, this R\$104 is not a stable figure. It is not where we will remain.

So we are building to reach levels of profitability that are high. All of this will depend on a number of expectations and this marathon that we are running right now. But this is not a recurrent result, according to the current situation.

Regarding your ethanol question, we have seen from the 3Q to the 4Q, a recovery that was very important in our replacement margins. So ethanol has also benefited from the gains of the inventory.

We have also the contribution of the product that we launched last year, that is ethanol grid, that is a premium product line of ethanol and our resale area placed this product in the market. And it has been positively accepted, and it is repositioning our brand. And not only because of the price repositioning, but also what Rafael mentioned, our selectivity, our balance and market share.

Therefore, we are also working to restructure ourselves for the future. We always update our direction regarding ethanol. And this is part of our sourcing strategy, and we are making progress on this point.

There are other things that will drive our ethanol brand, but I believe that our ethanol margin is stronger from the accounting, and also regarding the replacement margin.





Now, at last, Pedro, it is that it is important to highlight something that is very important in terms of dividends. Just to clarify to you, the dividend that we announced, of R\$1.124 billion, but within this dividend, we are including the R\$540 million that had already been announced during the end of last year. This is just to clarify that our position of R\$1-point-something, we will have already the R\$540 million included and they will be paid out until June of 2010 -- 2020.

The rest of the dividend still do not have a date, and we will see when this will take place. It will have to be a very good moment of cash flow. We will have to see what the best moment is. So this is our current situation.

**Rafael Grisolia:**

Thank you very much for your questions, Pedro. I just like to add something. We do not have a dividend policy, but we have to see our financial management. So we are generating a strong cash flow, this is perennial. We are going to maximize the amount of the investments that are needed for it to be long lasting.

And our net debt, 1x to 1.5x of the EBITDA, we want to fulfill this. Our objective is not to be sub-leverage. There is no guidance here about payout numbers, but as we are a strong cash generator, our need for investments that have already been done is slow, but there are specific things that we have to focus on, logistics, for example. But we still have a strong policy.

After all of this, we have 1.5x. Last year, we paid out around R\$3 billion in dividend payout. Now, we also want to pay out these type of dividends. Of course, if our financial situation continues sound.

**Pedro Medeiros:**

Thank you very much.

**Gabriel Barra, UBS:**

Thank you very much. Regarding your margin change, could you talk about the new visual of the brand? This was an investment of R\$1 billion, and throughout five years, there will be a change of identity. I would like to know how you are doing this with the resellers. You said that this is going to be divided between the brand and the reseller. Could you give us details on how you are going to do this, especially the reseller that is part of the BR network?

Two, could please talk about convenience and your competitors? Will you adopt an in-house measure in order to develop the convenience business. We know that BR signed an agreement with LASA. I believe that we have had and no updates regarding this memorandum of understanding, what your current conveniences will be when we see highway convenience stores and local convenience. Could you give us some details on how this process is being developed?



**Rafael Grisolia:**

Regarding the margin, we are undergoing a very positive moment. We have been able to bring to the market a new image of our gas stations with the Petrobras brand. I believe that the look and feel is very good.

All our stakeholders are complemented, they are very happy with the new image. We have had very positive perceptions regarding the new design of the gas stations. In Rio de Janeiro, it is in the middle of the Lagoa and who goes to our gas station has an excellent visual experience and a service experience, but not only with Petrobras brand, but also Lubrax, our lubricant, and also our convenience store, a brand that is BR Mania. And the colors are green and yellow. These are colors that represent a lot of energy, and we are very enthusiastic with this.

What we have here, we have to see the business, we cannot give you a guidance, but we believe that our gas stations that will be part of our network and follow our values, these are the gas stations that will present our image. And in the normal renegotiations with our current resellers, when we renew the contracts, sometimes the contracts vary five years. And when they mature, these contracts will be renegotiated, and both sides have to be consensual when it comes to changing to a new image.

This is a new negotiation, business as usual, everything that you do with resell. It is important that with all our customers, resellers, all our stakeholders, the image, I believe, is causing great acceptance because we can add value to our resellers. And I believe, and this has positively conveyed to our resellers, this is conveyed to society. Our BR Mania convenience is very important.

We always have two paths. One, you have to touch the business. We have a good experience with the convenience stores. And what we want to do is we want to grow the number of stores in our network.

And of course, we have to see our potential here. And we have the new structure, the new transformation restructuring. We have a new management that is here headed by Leo, which is marketing and convenience. We also have people with a lot of experience from the market that know a lot about convenience, and they are helping us to develop this in-house.

Of course, we have to solidify this, so that we can think about a second pathway, that we believe that this is a business with great potential. And we also believe that we add a lot when we work with a partner that has elements that are not present in a company that works with fuel, like BR.

When you analyze this business, and you see how you calculate everything according to the square meter, the cost structure. So how do you think as a reseller, how do you think about the front of this that office? What the level of decisions are? That is very important.

So we believe that this pathway is also possible. And also, as a matter of fact, we have announced to the market, and we have talked a lot to partners. But this, we have been dialoguing with other candidates, and we are explaining our joint view that involve our brands.

There are two exercises. One would be to solidify our relationship with BR Mania, and to find a joint solution with other candidates that want to share the future view with BR.



**Gabriel Barra:**

Thank you very much.

**Bruno Montanari, Morgan Stanley:**

Thank you for taking my question. Regarding your stock, I know that this figure was significant, and this is part of the business. Due to the relevant leaning of this quarter, I would like to know what the trade margin of the Company without this effect is.

Number two, I would like to know from you, what would be the middle long term CAPEX? Would it be around R\$630 million that we observed in 2019, or the idea would be to increase slightly the level of investments?

And the third quick question, I would like you to talk about your partnership with Golar, what kind of investments would you make in this part of the chain?

**André Natal:**

Okay. Bruno, thank you for your question. Regarding stock, we have never disclosed our stock. This is something that the sector does, this part of the business. We always clarify qualitatively when it helps us, when it was an obstacle. Nonetheless, in the middle and long-term window – and we always like to see this window in the middle and long term, so there is no wrong interpretation regarding the level of stock that we have currently because of volatile effects.

What is interesting of our sector is that our margin is not very sensitive. So throughout the decades, we have had stability. It has been long-lasting. We have been able to increase our margins regarding any type of volatility in the oil market.

When you see the long term, perhaps this will make a difference in your figures. With the figures that have been made public, the level of stock exchange rate and public information, I believe that with this you can calculate properly.

Nonetheless, but the figure because we want to also protect our sourcing strategy that is part of the margin gain. Our option here is not to disclose these types of details. And what we could say about the CAPEX is that we just reviewed our five-year business plan.

And our assumption continues fairly. So we have a major installed base as a result of the volume trajectory and the demand of Brazil in the last year. So we have a possibility of growth here.

During the next years, our CAPEX levels will be very similar to the CAPEX levels of the past years, but we do not disclose these details in our plan. But yes, we can say that the trajectory of our CAPEX presents a number of things that will be concentrated during this first year because it is the first year of the plan, because we have a transformation plan, and there are other digital transformation actions. And we believe that all of this will contribute with our Company.



If you see a five-year window, our CAPEX will not be different from what it has been during the past year, and this is something very positive. And I believe that this will provide us an opportunity of growth without major capital allocations.

Now, Rafael will answer your question.

**Rafael Grisolia:**

Bruno, thank you very much for your question regarding the partnership that was announced. The LNG, this is within our vision, to pay attention to the decisions regarding the use of energy and how mobility works.

Golar has the experience, and has knowledge with LNG in the world and in Brazil, and I believe that this represents an excellent opportunity for both companies. When we see solutions that we can deliver to the Brazilian market into the Brazilian society.

We are just starting this partnership. I believe that in brief we will communicate the solutions that we are going to create.

**Bruno Montanari:**

Thank you very much.

**Thiago Duarte, BTG Pactual:**

Good afternoon. Thank you for taking my questions. I have three questions. The first one would be the quarterly margin. I remember that last year, if I am not wrong during the 2Q, you shared with us an average quarter of the 1st semester, around R\$70/m<sup>3</sup>, and this was the cruise speed, this was going to stay stable. And how do you believe this evolved between the 2Q18 and the 4Q19? Are you still on cruise speed, and capturing perhaps the first gain of 2020, regarding the turnaround?

Now second question, market share. It is very clear when we see the Sindicom in the segment that that there has been improvement in you commercial policy. But when we see the Company share, it has declined, not in diesel. I would like you to talk about this. Members of the Sindicom said there has been informality with ethanol, and this can affect you. Could you tell us if there has been a loss of share?

And I would like to know if you could share with us a piece of data, one would be about the new gasoline stations. Last year, you had more or less 200 gas stations. Can you tell us what is the addition or the loss of gas stations in order to reach this net figure? And also, Grid fuel, could you share with us how it has evolved in terms of sales percentage?

**Rafael Grisolia:**

Thank you for your questions, and thank you for your participation. I will approach the three points. As I said in my opening speech, and this is something that is very important, we do understand, professionally, when we analyze 2018, and this is how we privatized BR, the EBITDA margin during the moment of 2018 was R\$60/m<sup>3</sup>R\$62/m<sup>3</sup>. This was 2018.





At the end of 2019, I believe that we can understand that here we have a recurrent margin that is R\$60/m<sup>3</sup>. And everything that we have done to sustain this recurring margin, because we have been trying to optimize price and volume, so what we want to show you that in 2019, we had a recurring rate of R\$78/m<sup>3</sup>. This is what we are starting from.

And we have a long path to pave, because this is a marathon, and we believe that BR has the potential to deliver the figures that we see in the market. And this is regarding a potential profit, because we do aspire to this. This is something that we commented during our privatization.

This is on our radar, and this is part of our ten initiatives. The ten initiatives are a way to see how BR can deliver a proposal value to its customers, to society. And the great drivers here of our business that are our retail area, the B2B. The whole of these initiatives represents a value proposal that will allow us to have proper expenses, to have proper pricing, and also to have very good logistics. This is everything that we are bringing to the value side.

We have internal homework to deliver, the value proposal. And we are making the best of everything that BR has done until the date. Like, for example, the new images of our gas stations, and we have to see how we deliver this value proposal. And this is highly connected with our history and with our future and everything that we see here is being consolidated for our resellers. We do want to have a partnership. We want to have this joint strength with our resellers.

Of course, we see market share numbers, and I believe that they are highly connected with what I have mentioned. And also, when you go to a highway, we need the presence of diesel. So this is something that we have in BR.

This strength is that we are encouraged that we are inspired, and we are thrilled to run this marathon. Everything that we see in the Brazilian market, and the stress, there is no doubt that this concerns the industry, and this is concerning for Brazil, because we still have a great level of informality. So this is something that concerns us, and this affects everyone. This affects the country and society.

And the industry is organizing itself, so it can become stronger, because we want competition. And BR is holding the flag of competition in all the levels of the market within the legal terms. Because we do not work illegally, and, as a Brazilian, I do not want to give a country to my children that has these types of illegal activities. So a lower base, this is something that need an internal exercise. So we have to see what happens in the industry, by and large.

What was your third question?

**Thiago Duarte:**

New gas stations and the percentage of bridge sales.

**Rafael Grisolia:**

We generally do not disclose this type of information. We see the net value. And of course, we know that the network has to grow. We expect our value proposal to be accepted by our resellers; old resellers and new resellers. And we still do not disclose more data.



Regarding the penetration of our Grid products. I can disclose that it is a strategy to work with our premium products. We have Podium, a premium gasoline. We are number one with this type of premium product. We also have our Lubrax product from BR Lubricants that is also a premium product. Therefore, we have a vocation and aspiration to work more with premium products.

And ethanol, we have ethanol Grid in the market. This product is part of our network. This is a very important action that we have carried out. So this is part of our strategy that allows us to focus on premium products.

**Thiago Duarte:**

Thank you very much, Rafael.

**Operator:**

Thank you to all. We are bringing our Q&A session to an end. Mr. Rafael Grisolia will make his final comments.

**Rafael Grisolia:**

I would like to thank everyone. Good afternoon. And I would like to strengthen that we continue in our marathon, although we are facing very challenging moments, but we are very happy with what we have achieved until today.

Thank you very much for participating.

**Operator:**

Ladies and gentlemen, the audio version and the slides will be available through [ri.br.com.br](http://ri.br.com.br). Thank you very much for your participation.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript"