

Philadelphia Energy Solutions



Presentation Organization

Transaction Description

Vision & Key Drivers

Future of the Refineries

Future of Philadelphia Energy Solutions

Q & A

History of the Transaction

Sunoco, Inc. makes corporate Decision to exit production sector

- Chemicals Businesses Sold to Braskem, Honeywell & Goradia
- Tulsa & Toledo Refineries Sold to Holly Frontier & PBF
- Eagle Point and Marcus Hook Converted to Terminal Operations
- SunCoke Spun Off

Carlyle and Sunoco evaluate many different types of transaction

- Corporate transactions involving many Sunoco businesses
- Marcus Hook alone and in combination with Philadelphia
- Final Focus on the Philadelphia Site

What Drives the Vision?

The Regional Refining Business ...

- 330,000 BPD Refining Complex is the Largest on the Eastern Seaboard
- Over \$1 Billion recently invested in upgrades
- The Complex supplies 26% of the regional fuel requirements
- The Refineries are fully compliant with all regulatory Requirements

The Philadelphia Site Itself ...

- The 1,400 acre site spans the Schuylkill, 10 Minutes from Center City
- Rivers, Docks, Power, Natural Gas, Permits – Industrial Infrastructure
- Substantial room for new business facilities development

Abundant, Inexpensive Marcellus Shale Gas ...

- Exploiting its energy content for fuel uses
- Exploiting its building block molecules as chemical feedstock

Structure of Philadelphia Energy Solutions

Joint Venture ownership structure

- 2/3 Carlyle Group Investment Funds & Co-investors
- 1/3 Sunoco Inc (Now owned by Energy Transfer Partners)

Synergistic Partners Suited to the JV

- Transaction principals have successful refinery acquisition history
- Carlyle ideally suited for Aggressive Capital Growth Businesses
- Sunoco Professionals know present assets and business thoroughly
- Transaction itself becomes the agent for change

Advantages of the JV Structure

1. Created An “Acquisition” in a friendly environment
2. Preserved Investment Capital for betterments & new business
3. Sunoco repatriated 100% of its working capital
4. Sunoco’s asset realization deferred to success of JV
5. Created optimum balance of new ideas and historic knowledge

Coalition Building Key to Transaction Success

The Philadelphia site was on the way to closure

- 850 employees facing loss of employment
- The largest fuel supplier in Northeast market on verge of shutting down
- Core regional industrial facility slated for “Gentrification”

Support obtained from many constituencies

- Federal Government
- State Government
- Local Government
- Philadelphia Business Community
- United Steel Workers

Financial Structure

J P Morgan intermediates both Crude and Product

- Keeps \$1.5 Billion off PES balance sheet
- Eliminates “Trading Risk” – PES focused on refining value-added

Massive Scale/Complexity of intermediation forces attention to detail

- Highly integrated JPM and PES commercial teams
- 385 different tanks factor into business every day

Crude Slate Change is Pivotal

Building Proprietary High Speed Unit Train Unloading Facility

- On PES's Philadelphia Site
- 2 Unit Trains a day, 120 cars per train, 7800 feet long
- 140,000 BPD Capacity

Already Bringing Stranded Midcontinent Crude to Philadelphia Complex

- Bakken By Rail
- GCC By Water

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Other Business Improvement Plans

For the refining business:

- Improvement made to resid cracking capability
- Mild Hydrocracking to improve overall yields and diesel quality
- Low sulfur bunker fuel

For new businesses:

- Natural Gas is the driving force
- Electric Power
- Hydrogen
- Agrichemicals

In Conclusion

- It Has Been A Pleasure To Talk to You a Bit About Our Deal
- I Have a Few Minutes Left to Take Some Questions