

Petrobras releases teaser for sale of fertilizer plant

Rio de Janeiro, February 07, 2020 - Petróleo Brasileiro S.A. - Petrobras reports that it has started the opportunity disclosure stage (teaser), regarding the sale of all its equity stake in its Nitrogen Fertilizer Unit III (UFN-III).

The teasers, which contain key information about the asset, as well as the eligibility criteria for selection of potential participants, are available on the Petrobras website: <https://www.investidorpetrobras.com.br/en/results-and-notices/teasers>

The main subsequent stages of each project will be reported to the market in due course.

This disclosure complies with Petrobras' divestment guidelines and the special regime of asset divestment by federal mixed capital companies, provided for in Decree 9,188/2017.

These transactions are in line with the portfolio optimization and the improvement of Petrobras' capital allocation, aiming at maximizing value for its shareholders.

About UFN-III

UFN-III is a nitrogen fertilizer industrial unit located in Três Lagoas, in the state of Mato Grosso do Sul. The construction of UFN-III began in September 2011, but was interrupted in December 2014, with a physical advance of about 81%. After completion, the unit will have a projected urea and ammonia production capacity of 3,600 t/day and 2,200 t/day, respectively. The completion of UFN-III will be the responsibility of the potential buyer.

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Investment Opportunity in the Brazilian Fertilizer Sector

February 2020



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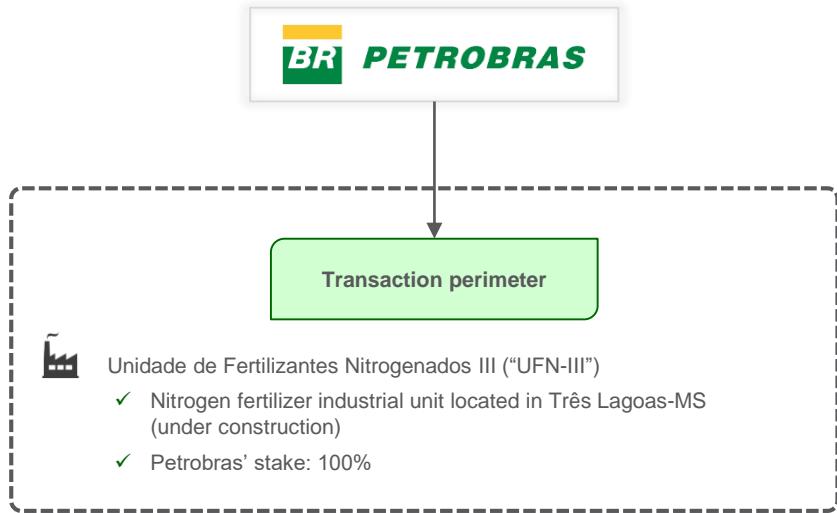
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Executive Summary

Petróleo Brasileiro S.A. - Petrobras ("Petrobras" or "Seller") has retained Banco Bradesco BBI S.A. ("Bradesco BBI" or "Advisor") as its exclusive financial advisor to pursue a transaction involving the sale of 100% of its nitrogen fertilizer industrial unit under construction located in Três Lagoas-MS ("UFN-III") ("Potential Transaction")

Transaction structure



Process

- Should any recipient/participant who meet all the Eligibility Requirements ("Prospective Purchaser") be interested in participating in the Process, it will be required to formally notify Bradesco BBI of its interest through the Contact Information, described on this page, in order to receive the required documents to participate in the Process: (i) Confidentiality Agreement ("CA") and (ii) Compliance Certificate ("CC")
- The completion of UFN-III will be of responsibility of the Prospective Purchaser
- The Prospective Purchaser may negotiate with Petrobras a natural gas contract to supply UFN-III in the Transaction scope
- Petrobras reserves the right to adjust the Process as it may deem appropriate, according to current legislation
- Petrobras may, during the Process, perform preventive risk analysis, in compliance with Anti-Bribery Law and the Petrobras Program for Preventing Corruption - PPPC, and may ask any participant to fill out a detailed questionnaire to verify the compliance of its practices and conducts with the Anti-Bribery Law
- Any general questions or inquiries not specific and directly related to the Potential Transaction should be addressed to the following website: <http://transparencia.petrobras.com.br/>

Contact information

- Any questions related to the Potential Transaction should be directed solely to Bradesco BBI
- Under no circumstances should any contact be made with the management or employees of Petrobras or any of its affiliates

Bradesco BBI
Project team
pbr.fertilizantes@bradescobbi.com.br

Next steps

- Distribution of the Confidential Information Memorandum ("CIM") will commence on February 21st, 2020, to Prospective Purchasers who have executed the CA and CC
- For the non-binding phase of the process, the deadline to execute the CA and the CC and obtain access to the CIM by the Prospective Purchasers will be March 6th, 2020
 - It is recommended that Prospective Purchasers execute the CA and CC as soon as possible, since any delays may affect its timeframe to analyze this opportunity
- Any extension of this deadline will be communicated in due time

Key Investment Highlights



Strong fundamentals in the Brazilian fertilizer sector, driven by growth in the agribusiness

- ✓ Agribusiness as the main pillar of the Brazilian economy over the last years (y/y growth of 2.1% vs. 1.2% GDP growth, in 3Q19)
- ✓ Favorable prospectives for nitrogen fertilizers production growth in Brazil
 - Fertilizers as one of the main drivers of the Brazilian agriculture yields expansion
 - Brazil still presents a production deficit in fertilizers (15 million out of 17 million tons of the NPK consumption were imported in 2019¹)



Opportunity to tap into a unique platform in the nitrogen fertilizer sector in Brazil

- ✓ Production capacity of urea and ammonia of 3,600 t/day and 2,200 t/day, respectively
- ✓ The urea production capacity would represent approximately 24% of the Brazilian urea apparent consumption in 2019¹



Industrial unit strategically located near the main Brazilian consumer markets and with favorable logistics for supply

- ✓ UFN-III: located in the State of Mato Grosso do Sul, near (i) the main consumer markets of the region and (ii) Gasbol gas pipeline (interconnection of approximately 4 km already concluded)



Potential consolidation in the sector

- ✓ Fertilizer market in consolidation process
- ✓ Brazilian market has recently attracted the attention of global players

UFN-III Overview

Nitrogen fertilizer industrial unit with projected urea production capacity of 3,600 t/day

Overview



The construction of UFN-III began on September, 2011, and 81% of it has been completed



The construction were interrupted in December 2014 and, since then, the preservation of the unit and equipment has been carried out



Raw material to be used in the process:
– 2.2 millions m³/day of natural gas



Consolidated technologies integrated in UFN-III: KBR (ammonia plant) Stamicarbon (urea plant)

Production capacity



Urea

3,600 t/day



Ammonia¹

2,200 t/day



CO₂

Carbon Dioxide²

290 t/day

Geographic presence



UFN-III



Source: Petrobras

Note: (1) Of the total ammonia produced, approximately 202 t/day are destined to the market and the remaining to urea production; (2) Of the total carbon dioxide produced, approximately 175 t/day are destined to the market and the remaining to urea production

Prospective Purchasers Eligibility Requirements

In order to participate in this Process, the Prospective Purchaser must meet the following criteria (“Eligibility Requirements”)

1. In order to participate in the Process, a Prospective Purchaser must meet at least one of the Eligibility Requirements described below:
 - A. Hold a shareholders' equity of more than US\$600 million; and/or
 - B. In case of being a publicly-held company, hold a market capitalization of more than US\$600 million; and/or
 - C. In case of being a financial player, hold assets under management (AuM) of more than US\$600 million
2. In addition, the Prospective Purchaser shall not be included in the following restrictive lists:
 - A. “Cadastro de Empresas Inidôneas, Suspensas e Punitas” (available at: <http://www.portaldatransparencia.gov.br/ceis>);
 - B. “Cadastro Nacional de Empresas Punitas” (CNEP) (available at <http://www.portaltransparencia.gov.br/sancoes/cnep>);
 - C. “Empresas impedidas de transacionar com a Petrobras” (available at: <http://transparencia.Petrobras.com.br/licitacoes-contratos>).
3. In case the Prospective Purchaser is identified in the abovementioned hypothesis or fail to meet any of the above mentioned requirements, it will be excluded from the Process at any time, in compliance with the rules applicable to Petrobras
4. In case the Prospective Purchaser or any of its subsidiaries:
 - A. Is subject, owned or controlled by a person or entity subject to (i) any economic, financial or trade sanctions, (ii) regulatory sanctions, (iii) embargoes or (iv) restrictive measures that have been administered, enacted, imposed or applied by the World Bank, the United Nations Security Council, the United States of America, the Canada, the United Kingdom, the European Union, the Netherlands, Brazil, and the respective governmental institutions and agencies of any mentioned previously (Sanctioned Person);
 - B. Is located, have been constituted, incorporated, organized or resident in a country subject to any (i) economic, financial or commercial sanctions, (ii) regulatory sanctions, (iii) embargoes or (iv) restrictive measures that were administered, enacted, imposed or executed by the World Bank, the United Nations Security Council, the United States of America, the Canada, the United Kingdom, the European Union, the Netherlands, Brazil and the respective governmental institutions and agencies of any mentioned previously (Sanctioned Country); or
 - C. Has the predominant part of its commercial affiliation or business with any Sanctioned Person or in a Sanctioned Country

Petrobras will evaluate if the relations or situations described prevent the participation of the Prospective Purchaser in the Process due to non-compliance with Sanctions applicable to Petrobras or failure to comply with restrictions established in contracts related to UFN-III, and will inform the exclusion of the Prospective Purchaser from the Process, if the case may be

Prospective Purchasers Eligibility Requirements (cont'd)

In order to participate in this Process, the Prospective Purchaser must meet the following criteria (“Eligibility Requirements”)

5. Furthermore, by participating in this Process, the Prospective Purchaser shall undertake not to take any action or omission that violates any applicable law regarding business ethics, including, but not limited to, the US Foreign Corrupt Practices Act, the UK Bribery Act, Brazilian Anti-Bribery Laws (specially the Brazilian Federal Law n. 12.846/2013) (hereinafter “Anti-Bribery Laws”)
6. In order to participate in the Process and comply with the requirements set forth above, Prospective Purchaser shall sign a Compliance Certificate (CC) and indicate, if applicable, whether it is subject to any kind of sanction, even if it considers that the sanction does not prevent its participation in the Process. If the Prospective Purchaser is subject to sanctions, it shall describe in the Compliance Certificate the relation, the nature and the details of the sanction, as well as indicate the restrictions arising from it
7. The accuracy of the declaration and the fulfillment of the requirements mentioned above will be verified by Petrobras after the acceptance, by the Prospective Purchaser, of the confidentiality obligations necessary to participate in the Process

Joint Offer Formation

8. A Prospective Purchaser will be allowed to form a consortium, association or present a joint offer (“Joint Offer”) with an independent party, or independent parties, to participate in this Process
 - A. The Joint Offer must have a leader, which is the Prospective Purchaser that will lead negotiations with Petrobras and will be the main communication channel between Petrobras and the involved parties in the Joint Offer (“Joint Offer Leader”)
 - B. In such case, the Prospective Purchaser will be required to immediately inform Petrobras of its intention to present a Joint Offer, including information such as who is the Joint Offer Leader and who are the involved parties in the Joint Offer (“Joint Offer Member(s)”) according to the deadline previously set in the Instruction Letter delivered together with the CIM
 - C. The Joint Offer must contain (i) powers of attorney granting powers to the Joint Offer Leader assigned by the other participants of the Consortium; and (ii) a statement by the Joint Offer Leader confirming that he is not acting as an intermediary in the Potential Transaction.
9. The Joint Offer might be approved at the discretion of Petrobras, in accordance with the legal criteria and the rules established herein and further detailed in the Instruction Letter. After approved by Petrobras and verified compliance with Eligibility Requirements and Joint Offer formation rules, the Prospective Purchaser will be allowed to participate in the Process
10. The formation of a Joint Offer is permitted only if all the members collectively meet the Financial Criteria described in item 1 and individually all the requirements described in items 2,3,4,5,6 and 7 of the Eligibility Requirements section
11. For the non-binding phase process, such Joint Offer Member(s) or any Prospective Purchaser must execute, until March 6th, 2020, its own CA and CC directly with Petrobras in order to access any non-public information related to the Potential Transaction or the Asset
12. The rules applicable for the modification in the composition of the Joint Offer will be further detailed in the Instruction Letter of the non-binding phase or in the Instruction Letter of the binding phase

Further Considerations

1. During the Process, Petrobras may perform preventive risk analysis, in compliance with Anti-Bribery Law and the Petrobras Program for Preventing Corruption - PPPC, and may ask any Prospective Purchaser to fill out a detailed questionnaire to verify the compliance of its practices and conducts with the Anti-Bribery Law
2. A Declaration of independent Proposal shall be submitted until the submission of each offer (non-binding and binding)
3. In order to prevent a conflict of interest, it will not be allowed the participation in the Process of any Prospective Purchaser that is considered an affiliated company of the financial advisor of Petrobras in the Process
4. The Prospective Purchaser may, under its sole responsibility and bearing all related expenses, retain financial, technical and, or legal consultants to advise on the Process, provided that such advisors are institutions with an undoubted reputation, experience and are not subject to any conflict of interests related to Petrobras whatsoever, being the existence of conflict determined in accordance with criteria specified by Petrobras