



# Investment Opportunity in the Brazilian Fertilizer Sector

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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 Araucária Nitrogenados S.A. ("ANSA") ("Potential Transaction")

## Transaction structure



## 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](mailto:pbr.fertilizantes@bradescobbi.com.br)

## 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")
- 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-Corruption 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-Corruption 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/>

## Next steps

- 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 October 23, 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
- Distribution of the Confidential Information Memorandum ("CIM") will be communicated to Prospective Purchasers in the due time

# KEY INVESTMENT HIGHLIGHTS



## Fertilizer focused business

### 1. 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 1.3% vs. 1.1% GDP growth, in 2019)
- Favorable perspectives 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 2019)

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

- Production capacity of urea and ammonia of 1,975 t/day and 1,303 t/day, respectively
- The urea production capacity would represent approximately 13% of the Brazilian urea apparent consumption in 2019<sup>1</sup>
- Well-positioned in the industrial urea and ARLA 32 markets, segments with higher margins

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

- ANSA: located in the State of Paraná, near (i) the main consumer markets of the region and (ii) Presidente Getulio Vargas refinery (Repar)

### 4. Potential consolidation in the sector

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

## Alternative investment purpose

### 1. Unique market potential coupled with a favorable macroeconomic environment

- Brazil is going through a singular period of low interest and inflation rates while increasing industrial and consumer confidence indexes, despite the pandemic caused from COVID-19
- Impact from e-commerce still incipient in logistics sector in Brazil, despite the acceleration trend due to COVID

### 2. Asset strategically located in the South region

- Strategically located in Araucária – Paraná, near to metropolitan region of Curitiba and its industrial area
- Easy access to the main transportation axes, including high quality roads and Paranaguá port

### 3. Wide constructive potential in the land

- Relevant potential construction area

# ANSA OVERVIEW

Nitrogen fertilizer industrial unit with urea production capacity of 1,975 t/day

## Overview

- Petrobras' wholly-owned subsidiary, ANSA started its operations in 1982
- Main raw materials used in the process:
  - 1,000 t/day of asphalt residue (RASF)
  - 430,000 m<sup>3</sup>/day of natural gas
  - 50 t/day of fuel oil
  - 60 t/h of steam
- Logistics through (i) bulk loading stations, (ii) loading platforms and packing facility (iii) railway terminal
- Current status: Hibernated since January 2020

## Geographic presence

ANSA



## Production capacity

	Urea	1,975 t/day
	Ammonia <sup>1</sup>	1,303 t/day
	ARLA 32 <sup>2</sup>	450 m <sup>3</sup> /day
	Carbon Dioxide	200 t/day
	Carbon pellets	75 t/day
	Sulphur	6 t/day



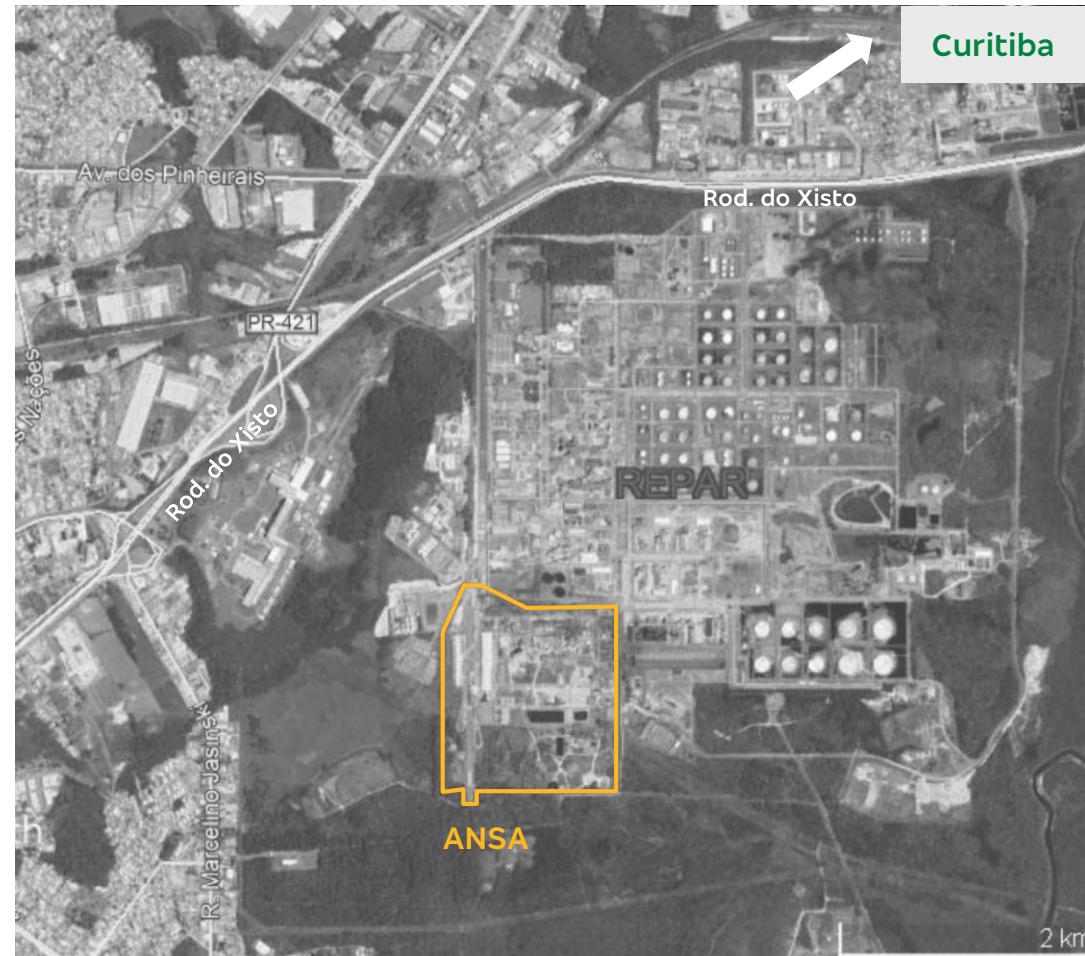
# ANSA'S LAND OVERVIEW

## Overview

Located in the southern part of REPAR

24km from the Curitiba's downtown

Area: **636,640** sqm



# 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\$24 million; and/or
  - B. In case of being a financial player, hold assets under management (AuM) of more than US\$104 million
2. In addition, the Prospective Purchaser shall not be included in the following restrictive lists:
  - A. “Cadastro de Empresas Inidôneas e Suspensas” (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, and will inform the exclusion of the Prospective Purchaser from the Process, if the case may be

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-Corruption Laws (specially the Brazilian Federal Law n. 12.846/2013) (hereinafter “Anti-Corruption 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 members of 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 members of 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 the Joint Offer Leader meets the Financial Criteria described in item 1 and all the requirements described in items 2,3,4,5,6 and 7 of the Eligibility Requirements section. In addition, each Joint Offer Member, other than the leader, must individually meet all the requirements described in items 2,3,4,5,6 and 7 of the Eligibility Requirements section
11. For the non-binding phase of the process, such Joint Offer Member(s) or any Prospective Purchaser must execute, until October 23, 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 Process Letter of the binding phase

## FURTHER CONSIDERATIONS

1. During the Process, Petrobras may perform preventive risk analysis, in compliance with Anti-Corruption 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-Corruption 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