



## Investment Opportunity in the Brazilian Fertilizer Sector



September, 2017

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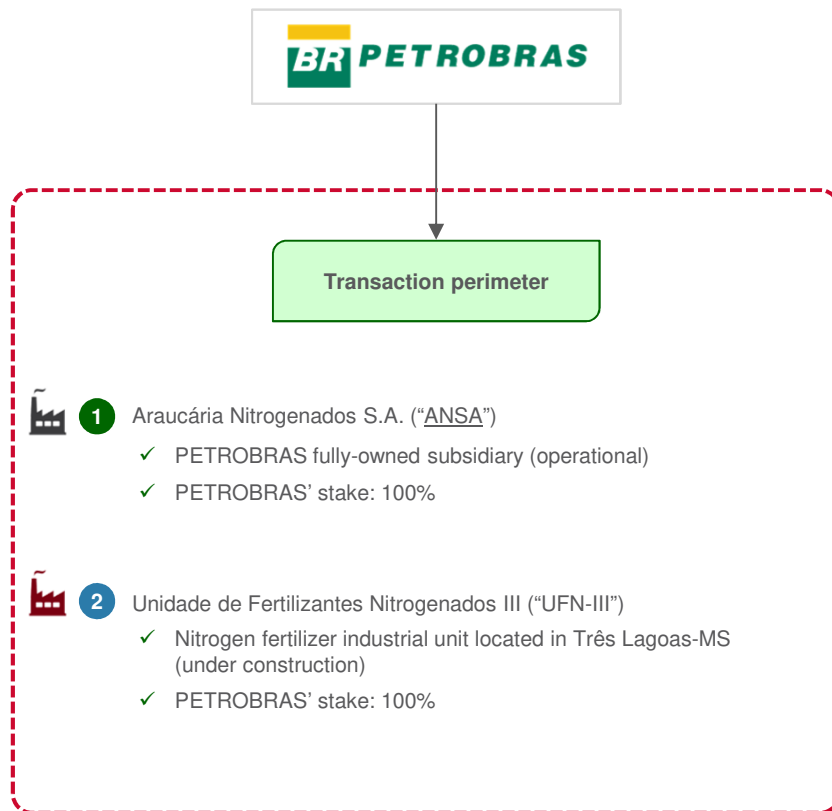
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# Executive summary

**Petróleo Brasileiro SA - PETROBRAS ("PETROBRAS" or "Seller"), with the assistance of Banco Bradesco BBI S.A. ("Bradesco BBI" or "Advisor") as its exclusive financial advisor in the process, is pursuing the selling of 100% of the assets contemplated by the transaction perimeter: (i) Araucária Nitrogenados S.A, located in Araucária-PR and (ii) nitrogen fertilizer industrial unit under construction located in Três Lagoas-MS**

## Transaction structure



## Process

- The potential investors interested in the Potential Transaction are required to submit a letter of declaration to PETROBRAS confirming that the Eligibility Criteria have been fulfilled. On PETROBRAS request, the potential investor shall provide supporting documentation for the process
- PETROBRAS will not offer a long-term natural gas supply contract. The supply of natural gas is sole responsibility of the potential investor
- The completion of UFN-III will be of responsibility of the potential investor
- In order to have access to relevant (and confidential) technical, legal and financial information, including the process letter, the potential investor is required to sign, by 09/29/2017, a Confidentiality Agreement, Compliance Certificate and a declaration confirming to be aware that the long-term natural gas supply will be of responsibility of the potential investor. Any extension of this deadline will be communicated in due time
- PETROBRAS reserves the right to adjust the Process as it may deem appropriate, provided any change is equally informed to all interested parties
- 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
- PETROBRAS has retained Bradesco BBI as its exclusive financial advisor for the Potential Transaction
- All questions regarding the Potential Transaction should be addressed exclusively to the emails address set forth below. PETROBRAS' employees shall not be directed contacted under any circumstance:
  - [rodrigo.portulan@bradescobbi.com.br](mailto:rodrigo.portulan@bradescobbi.com.br)
  - [pedro.quintao@bradescobbi.com.br](mailto:pedro.quintao@bradescobbi.com.br)
- The e-mails above shall be contacted only for Potential Transaction purposes. For general questions or non specific enquiries, non directed related to the Potential Transaction, please access the internet site below:
  - <http://transparencia.petrobras.com.br>

# Investment Highlights



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

- ✓ Agribusiness as the main pillar of the Brazilian economy in the last 2 years (growth of 4.5% vs. -3.6% GDP growth, in 2016)
- ✓ 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 (24 million out of 34 million tons of the NPK consumption were imported in 2016)



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

- ✓ Industrial units combined production capacity of urea and ammonia of 5,575 t/day and 3,503 t/day, respectively
- ✓ The urea production capacity of the two industrial units would represent approximately 40% of the Brazilian urea apparent consumption in 2016
- ✓ Well-positioned in the industrial urea and ARLA 32 markets, segments with higher margins



## Industrial units 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 Getúlio Vargas refinery (Repar)
- ✓ 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

# 1 Araucária Nitrogenados S.A. (“ANSA”)

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





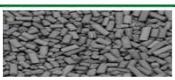

## Overview

- ✓ 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 thousand 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

## Geographic presence



## 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



## 2 Unidade de Fertilizantes Nitrogenados III (“UFN-III”)

*Under construction nitrogen fertilizer industrial unit with urea production capacity of 3,600 t/day*




### Overview

- ✓ The project is under construction since September, 2011, and currently has 81% of its construction completed
- ✓ Raw material to be used in the process:
  - 2,2 millions m<sup>3</sup>/day of natural gas
- ✓ Consolidated technologies integrated in UFN-III: KBR (ammonia plant) Stamicarbon (urea plant)

### Geographic presence



### Production capacity

	• Urea	• 3,600 t/day
	• Ammonia <sup>1</sup>	• 2,200 t/day
	• Carbon Dioxide <sup>2</sup>	• 290 t/day

# Potential investors eligibility criteria

*In order to participate in this Process, the potential investor must meet the following criteria (“Eligibility Criteria”)*

1. The potential investor interested to participate in the Process is required to fulfill the criteria (“Eligibility Criteria”) below:

- 1.1 Operate, as a producer, in the Nitrogen Fertilizer segment;
- 1.2 Hold a shareholders equity over US\$1 billion;

Financial Investors: financial investors must necessarily be in consortiums formed with producing companies in the Nitrogen Fertilizer sector and must hold at least US\$ 1 billion in assets under management.

2. Consortiums formation will be permitted by the potential investors with independent parties or parties that are participating in the Process:

- 2.1 In such case, the potential investor will need to inform PETROBRAS, by written, regarding the intention and the independent party should sign separately a Confidentiality Agreement and a Compliance Certificate as established in item 7, as well as to fulfil the requirements in the items 3 and 4 below;
- 2.2 One or more independent parties can participate in the Process alongside with an original potential investor, considering that for all manners and intentions in this Process, the original potential investor and the party or independent parties should be treated as an unique potential investor;
- 2.3 To the purpose of this Process, the parties should indicate which member in the consortium would be the leader in such consortium;
- 2.4 The participation of such parties / consortiums is subject to the admissibility assessment by PETROBRAS, which will consider the such parties jointly and according to the criteria established in this Teaser

3. Neither the potential investor nor any of its affiliates can:

- A. Be subject to (or be owned or controlled by a person or entity subject to any economic, financial or trade (i) sanctions, (ii) regulations, (iii) embargoes or (iv) restrictive measures (“Sanctioned Person”) all related to fertilizer production, and that were administered, enacted, imposed or enforced by the World Bank, the United Nations Security Council, the United States of America, the United Kingdom, the European Union, France, Italy, Austria, the Netherlands, Brazil, and the respective governmental institutions and agencies of any of the foregoing;
- B. Be located, incorporated, organized, or resident in a country subject to any economic, financial or trade (i) sanctions, (ii) regulations, (iii) embargoes or (iv) restrictive measures (“Sanctioned Country”) all related to fertilizer production, and that were administered, enacted, imposed or enforced by the World Bank, the United Nations Security Council, the United States of America, the United Kingdom, the European Union, France, Italy, Austria, the Netherlands, Brazil and the respective governmental institutions and agencies of any of the foregoing;
- C. Have any business affiliation or commercial dealings with, or investments in, any Sanctioned Country or Sanctioned Person.

# Potential investors eligibility criteria (cont'd)

*In order to participate in this Process, the potential investor must meet the following criteria (“Eligibility Criteria”)*

4. In addition, the potential investor should not be included in the following restrictive lists:
  - A. “Cadastro Nacional de Empresas Inidôneas, Suspensas e Punidas” (available at: <http://www.portaldatransparencia.gov.br/ceis>);
  - B. “Empresas impedidas de transacionar com a PETROBRAS” (available at: <http://transparencia.petrobras.com.br/licitacoes-contratos>).
  
5. The subsequent fitting of the potential investor, or any of its affiliates, in the abovementioned situations will result in its elimination from the Potential Transaction process
  
6. Furthermore, by participating in this Potential Transaction process, the potential investor shall undertake not to take any action, or omit to take any action that would violate any applicable law related to business ethics, including but not limited to the US Foreign Corrupt Practices Act, Brazilian anti-bribery laws (specially the Brazilian Federal Act n. 12.846/2013) and the principles described in the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (hereinafter “Anti-Bribery Law”).
  
7. In order to assume that it meets the requirements above, to participate in the Potential Transaction process, the potential investor shall sign a Compliance Certificate, in the strict terms of the model to be supplied by PETROBRAS, and must 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. In case the potential investor is subject to sanctions, it must describe in the Compliance Certificate the nature and details of the sanction, as well as indicate the restrictions arising therefrom.
  - 7.1 The accuracy of this statement and the fulfillment of the requirements above will be verified by PETROBRAS after the assumption of the confidentiality obligations required to participate in this Process.