



# Investment Opportunity in the Brazilian Fertilizer Sector

May 2022



**PETROBRAS**



**bradesco bbi**

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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



### Transaction perimeter

**Unidade de Fertilizantes Nitrogenados III ("UFN-III")**



Nitrogen fertilizer industrial unit located in Três Lagoas-MS (under construction)

Petrobras' stake: 100%

## 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"); (ii) Compliance Certificate ("CC"); (iii) Technology Confidentiality Agreement ("TCA"); and (iv) a declaration confirming to be aware that the completion of UFN-III will be responsibility of the Purchaser ("Completion Declaration")
- The commitment with the completion of UFN-III by the Prospective Purchaser will be mandatory and non-negotiable
- Petrobras will offer a natural gas contract (GSA) to supply UFN-III. Prospective Purchaser will have the option to execute this GSA with Petrobras or search for another supply solution
- Petrobras reserves the right to adjust the Process as it may deem appropriate
- 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 not directly related to the Potential Transaction should be addressed to the following website:  
<http://transparencia.petrobras.com.br/>

## Next steps

- Access to relevant (and confidential) information will commence on June 3rd, 2022, only to Prospective Purchasers who have executed the CA, CC, TCA and Completion Declaration
- At Petrobras request, the Prospective Purchaser shall provide supporting documentation
- The deadline to execute the required documents to participate in the Process will be July 1st, 2022
- It is recommended that Prospective Purchasers execute the CA, CC, TCA and the Completion Declaration as soon as possible, in order to anticipate the access to the documents of the Potential Transaction

# KEY INVESTMENT HIGHLIGHTS



## Agribusiness sector in Brazil continues to sustain a positive investment outlook

- Land availability, appropriate weather, land supply and labor resources are the key drivers that place Brazil among the most competitive in the world
- Agribusiness as the main pillar of the Brazilian economy over the last years (approx. 27% of total Brazilian GDP<sup>1</sup>)
- Fertilizers as one of the main drivers of the Brazilian agriculture yields expansion



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

- Projected production capacity of urea and ammonia of 3,600 t/day and 2,200 t/day, respectively
- The urea production capacity would represent approximately 20% of the Brazilian urea apparent consumption in 2020



## National Fertilizer Plan to create favorable environment for investments in the Brazilian fertilizer sector

- Brazil still presents a production deficit in fertilizers (85% of its consumption was imported in 2021)
- The National Fertilizer Plan should increase the national production of fertilizers (reducing import dependency from 85% to 45% by 2050) through tax incentives, financing lines, partnerships, and regulatory changes



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

- UFN-III: Located in the State of Mato Grosso do Sul, (i) one of the largest fertilizer market in Brazil and (ii) near Gasbol gas pipeline (interconnection of approximately 4 km already concluded)

# 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 on a regular basis
- ✓ 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)

## Projected production capacity



**Urea** **3,600 t/day**



**Ammonia<sup>1</sup>** **2,200 t/day**



**Carbon Dioxide<sup>2</sup>** **290 t/day**

## Geographic presence



# 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. Shareholders' equity of more than US\$ 300 million; or
  - B. Net revenue of more than US\$ 750 million; or
  - C. In case of being a financial player, hold assets under management (AuM) of more than US\$ 300 million
  
2. In addition, the Prospective Purchaser shall not be included in the following restrictive lists, without limiting to other lists that may eventually arise after the disclosure of this Teaser:
  - A. “Cadastro de Empresas Inidôneas e Suspensas” (available at: <http://www.portaldatransparencia.gov.br/sancoes/ceis>);
  - B. “Cadastro Nacional de Empresas Punidas” (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 abovementioned requirements, it will be excluded from the Process at any time, in compliance with the rules applicable to Petrobras
  
4. Neither the Prospective Purchaser nor 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, 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, 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)") within the deadline previously set in the Process Letter delivered to Prospective Purchasers who have executed the CA, CC, TCA and Completion Declaration on the same day as of the disclosure of the confidential information
  - 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 Process 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 members collectively, as a joint group, meet the Financial Criteria described in item 1 and individually, as each company standalone, correspond all the requirements described in items 2,3,4,5,6 and 7 of the Eligibility Requirements section. Additionally, each member of such Joint Offer must execute its own CA, CC, TCA and Completion Declaration directly with Petrobras in order to access any no public information related to the Potential Transaction of the Asset
11. The rules applicable for the modification in the composition of the Joint Offer will be further detailed in the Process Letter

## 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 the binding offer
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. If the Prospective Purchaser decides to retain advisors and/or consultants who have potential conflicts of interest related to PETROBRAS, PETROBRAS may, at its own discretion, exclude this Prospective Purchaser from the Process