



Investment opportunity in the Brazilian natural gas midstream sector



Executive Summary

1. Opportunity Description

- i. Petróleo Brasileiro S.A. – Petrobras (“PETROBRAS” or “Seller”), with the assistance of Banco Santander (Brasil) S.A. (“Santander”) as its exclusive financial advisor in the process, is pursuing the divestment of its 10% equity stake in Nova Transportadora do Sudeste S.A (“NTS”) (the “Potential Transaction”).
- ii. NTS is a company with proven track record that holds long-term authorizations of natural gas pipelines with total length of circa 2.0 thousand km located in the Southeast of Brazil. The assets are regulated by the Brazilian oil and gas regulatory agency, ANP¹.

2. Process Overview

- i. Should any recipient/participant who meet all the Eligibility Requirements (“Prospective Purchaser”) be interested in participating in the competitive process (“Process”), it will be required to formally notify Santander of its interest through the Contact Information, described on page 6, in order to receive the required documents to participate in the Process: (i) Confidentiality Agreement (“CA”) and Compliance Certificate (“CC”).
- ii. For the non-binding phase of the process, the deadline to sign the CA and the CC by the Prospective Purchasers will be on May 15th, 2020.

Executive Summary (cont'd)

3. Eligibility Requirements

In order to participate in the Process, a Prospective Purchaser must meet the criteria described below (“Eligibility Requirements”):

i. Financial Requirements:

- a. Strategic investors: Prospective Purchaser, both publicly and privately held, must have book net equity value of at least US\$ 400 million.
- b. Financial investors: Prospective Purchaser must have at least US\$ 1 billion worth of assets under management

ii. Anti-trust requirements:

Restriction on activity in other segments of the natural gas sector in Brazil: Prospective Purchaser must be independent in relation to players that operate in other segments of the natural gas sector in Brazil as defined under clause five of Termo de Compromisso de Cessação de Prática number 08700.003133/2019-71 from July 8th, 2019, signed between CADE¹ and Petrobras

iii. Compliance requirements: Neither the Prospective Purchaser or any of its subsidiaries may:

- a. Be subject, be 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. Be 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).

Executive Summary (cont'd)

3. Eligibility Requirements (cont'd)

- c. Have the predominant part of its commercial affiliation or business with any Sanctioned Person or in a Sanctioned Country.
- d. The Prospective Purchaser shall not be listed in the following restrictive lists:
 - “Cadastro de Empresas Inidôneas e Suspensas” (CEIS), available at: <http://www.portaldatransparencia.gov.br/sancoes/ceis>
 - “Cadastro Nacional de Empresas Punidas” (CNEP), available at: <http://www.portaltransparencia.gov.br/sancoes/cnep>
 - “Empresas impedidas de transacionar com a PETROBRAS”, available at: <http://transparencia.petrobras.com.br/licitacoes-contratos>
- e. In case the Prospective Purchaser, or any of its subsidiaries, 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.
- f. 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 and Brazilian Anti-Corruption Laws (specially the Brazilian Federal Law n. 12.846/2013) (hereinafter “Anti-Corruption Laws”).
- g. 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.
- h. 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.

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.

Executive Summary (cont'd)

4. Joint Offer Formation

- i. A Prospective Purchaser will be allowed to form a consortium, association or present a joint offer (“Joint Offer”) with an independent party, or 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 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 parties involved 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.
- ii. The Joint Offer must be approved at Petrobras convenience, 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.
- iii. The formation of a Joint Offer is permitted only if all the members collectively meet the Financial Criteria described in item 3.i and individually all the requirements described in items 3.ii and 3.iii.
- iv. Such Joint Offer Member(s) or any Prospective Purchaser must execute its own CA and CC directly with Petrobras in order to access any non-public information related to the Potential Transaction or the Assets.
- v. 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.

Executive Summary (cont'd)

5. Further Considerations

- i. During the Process, Petrobras may perform preventive risk analysis, in compliance with Anti-Corruption Laws 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 Laws.
- ii. A Declaration of Independent Proposal shall be submitted together with the offer to be presented in each phase of the Process (non-binding and binding).
- iii. 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 (Santander).
- iv. 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.

6. Contact Information

- i. Queries from Prospective Purchasers which meet the abovementioned Eligibility Requirements should be addressed exclusively to Santander through one of the individuals highlighted below

Gustavo Miranda
Managing Director
Head of Oil & Gas
Head of Investment Banking Brazil
T: +55 (11) 3553 0834
gustavo.miranda@santander.com.br



Adrien Delmotte
Vice President
Mergers & Acquisitions - Investment Banking Brazil
T: +55 (11) 3553 6669
adelmotte@santander.com.br



Wang Lijie
Associate - Investment Banking Brazil
T: +55 (11) 3553 3743
wljije@santander.com.br



- a. Under no circumstances should any contact be made with the management or employees of Petrobras or any of its affiliates.
- ii. 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/>

Brief Overview of NTS

NTS operates in the market in Brazil with the largest demand for natural gas

Its network, comprised of five pipelines, each regulated by a different authorization, spans over three of the largest metropolitan areas in the country

Each pipeline has 100% of its capacity contracted under a gas transportation agreement

By the end of the current agreements, the same capacity will be recontracted through a public hiring process

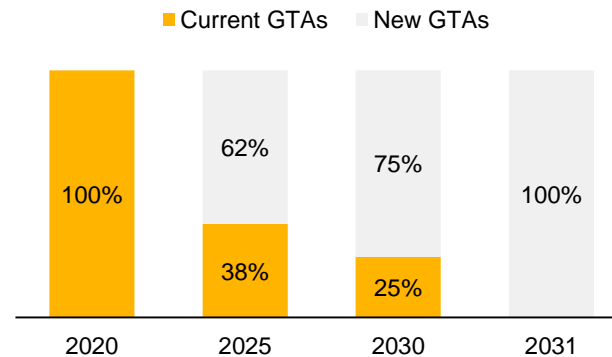
Highlights of the GTAs¹

As of December, 2019

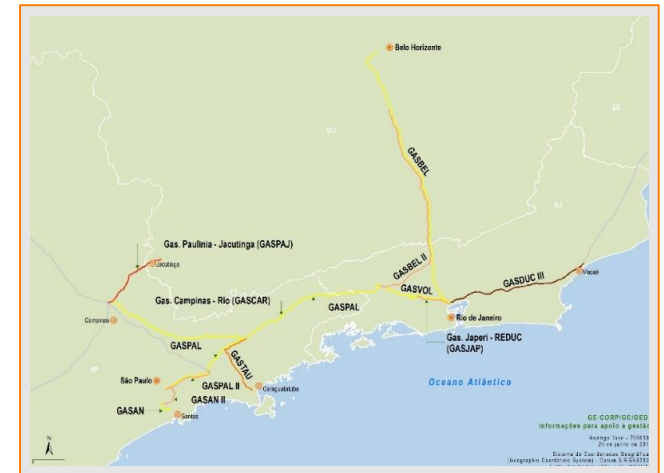
GTA	GTA maturity	Length (km)	Authorization end date	Contracted volume (million m ³ / day)
Malha SE II	Oct-31	404	Nov-39	49.4
Malha SE	Dec-25	1,275	Mar-39	43.8
Gasduc III	Nov-30	178	Nov-40	40.0
Gastau	Nov-31	98	Nov-41	20.0
Paulínia-Jacutinga	Jan-30	93	Jan-40	5.0
NTS total		2,048		158.2

Evolution of Contracted Volume

As of December, 2019



NTS Pipeline Network

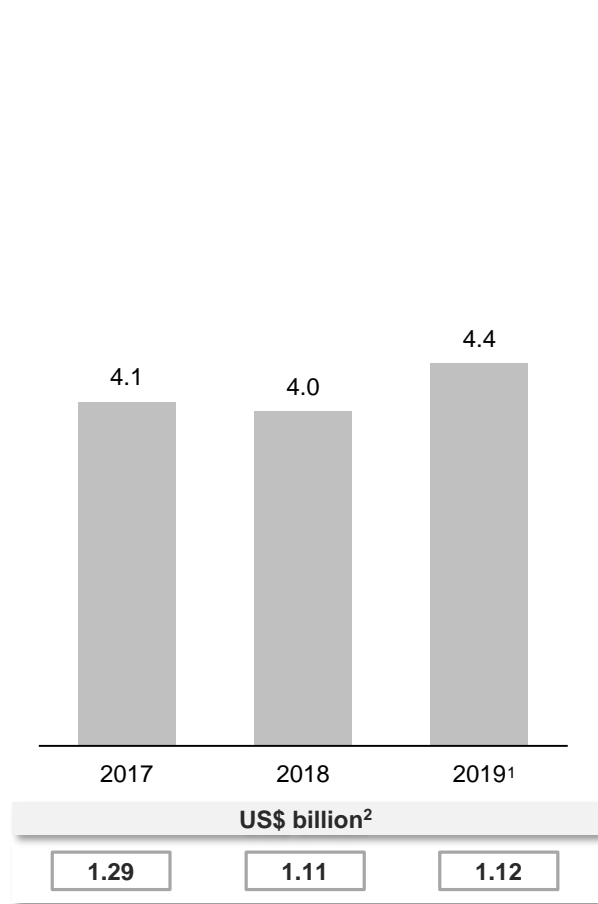


Brief Overview of NTS (cont'd)

Solid and predictable financial performance backed by robust contractual framework and high profitability margins

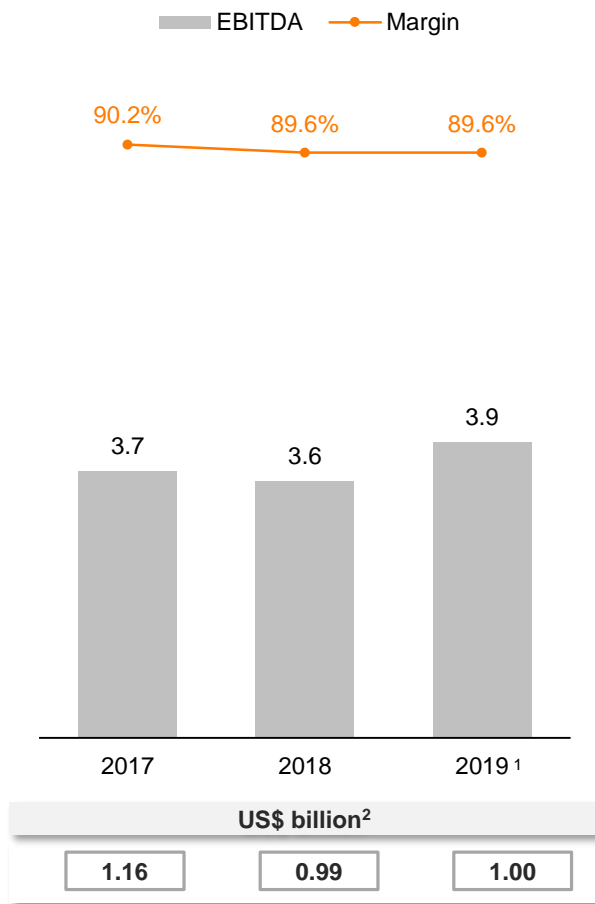
Net Revenue

In R\$ billion



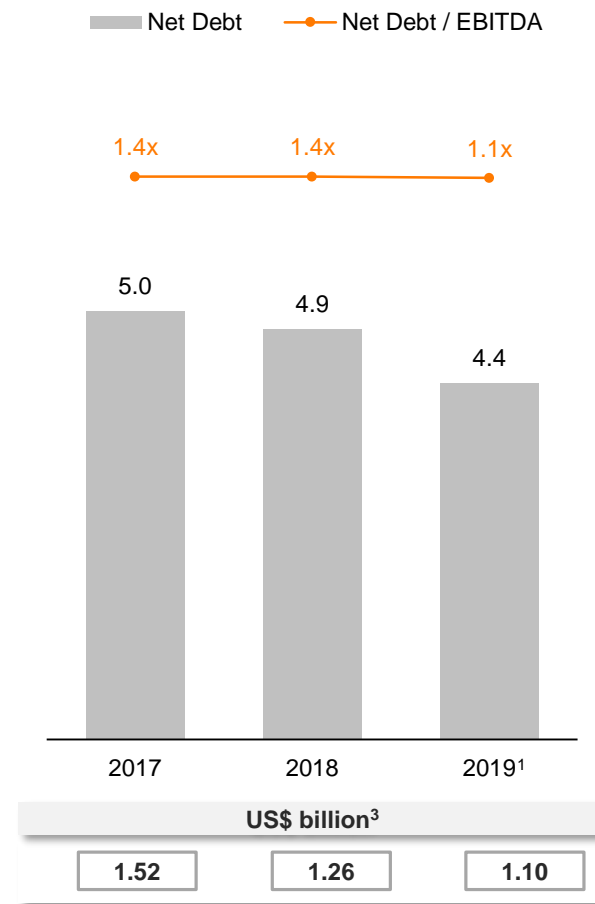
EBITDA and Margin

In R\$ billion and %



Net Debt

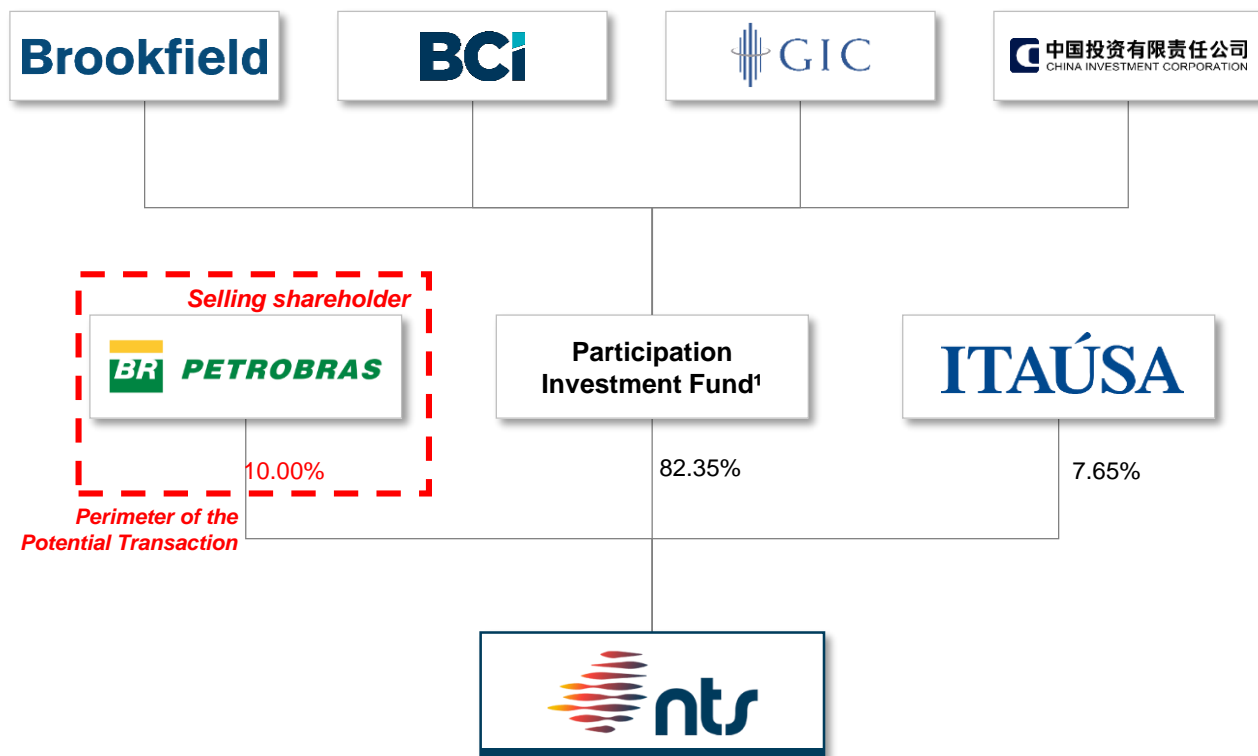
In R\$ billion



Brief Overview of NTS (cont'd)

NTS is controlled by best-in-class global investors with extensive expertise in the sector

Current Shareholders Structure



- As per the shareholders' agreement, the other shareholders of NTS, comprised of the FIP and Itaúsa, are entitled to execute the right of first refusal for Petrobras' stake in an eventual transaction with third parties.

Brief Description of the Other Shareholders

Brookfield

- One of the largest global asset managers with \$ 540 billion of assets under management ("AuM"), Brookfield has an extensive track-record of investments in infrastructure in Brazil and worldwide.

British Columbia Investment Management Corp.

- Investment firm for the pension fund of the British Columbia province in Canada, British Columbia Investment Management Corporation ("BCI") has c. \$ 153.4 billion of AuM.

Government of Singapore Investment Corporation

- Investment firm controlled by the Government of Singapore, GIC has more than \$ 100 billion of AuM invested in over 40 countries.

China Investment Corporation

- Sovereign wealth fund responsible for managing part of the China's foreign exchange reserves, China Investment Corporation ("CIC") has approx. \$ 940 billion of AUM in different sectors globally.

Itaúsa

- Brazilian holding company with equity investments in over 300 companies in 30 countries, covering a number of sectors of the economy.

Investment Highlights

Premium asset that combines strategic location, GTA with ship-or-pay clause and robust financial and operational performances



1 Unique asset base

- NTS' network is strategically located in the Southeast region, the most economically prominent in Brazil and Latin America's most relevant market. Its capacity of 158.2 million m³ / day represents c. 54% of the national total
- Solid operational track-record of the country's second largest pipeline network in terms of extension, totaling 2.0 thousand km
- Long term outlook for its assets with an average of 20 remaining years of authorization, regulated by ANP
- Fully operational pipelines

2 Operations backed by regulated contracts

- Stable regulatory framework with ANP as the mediator for contract regulation between NTS and off-takers (currently, Petrobras is the off-taker for the entirety of NTS' capacity)
- Revenue from all GTAs are protected against volume volatility under ship-or-pay clause for 100% of each installed capacity
- All prices are yearly adjusted by inflation, hedging the generated cash flows against local inflation and proving NTS with stable cash flows

3 Strong financial performance and profile

- Consistent high EBITDA margins, averaging 90% from 2017 to 2019, reflecting low opex requirements
- Low maintenance capex required for the high quality and recently built assets
- Low financial leverage (average of net debt to EBITDA ratio of 1.3x in the past three years), granting flexibility to tap into the expected future growth of the Brazilian natural gas industry
- Sound financial profile with AAA(bra) corporate rating reaffirmed in January, 2020, by Fitch

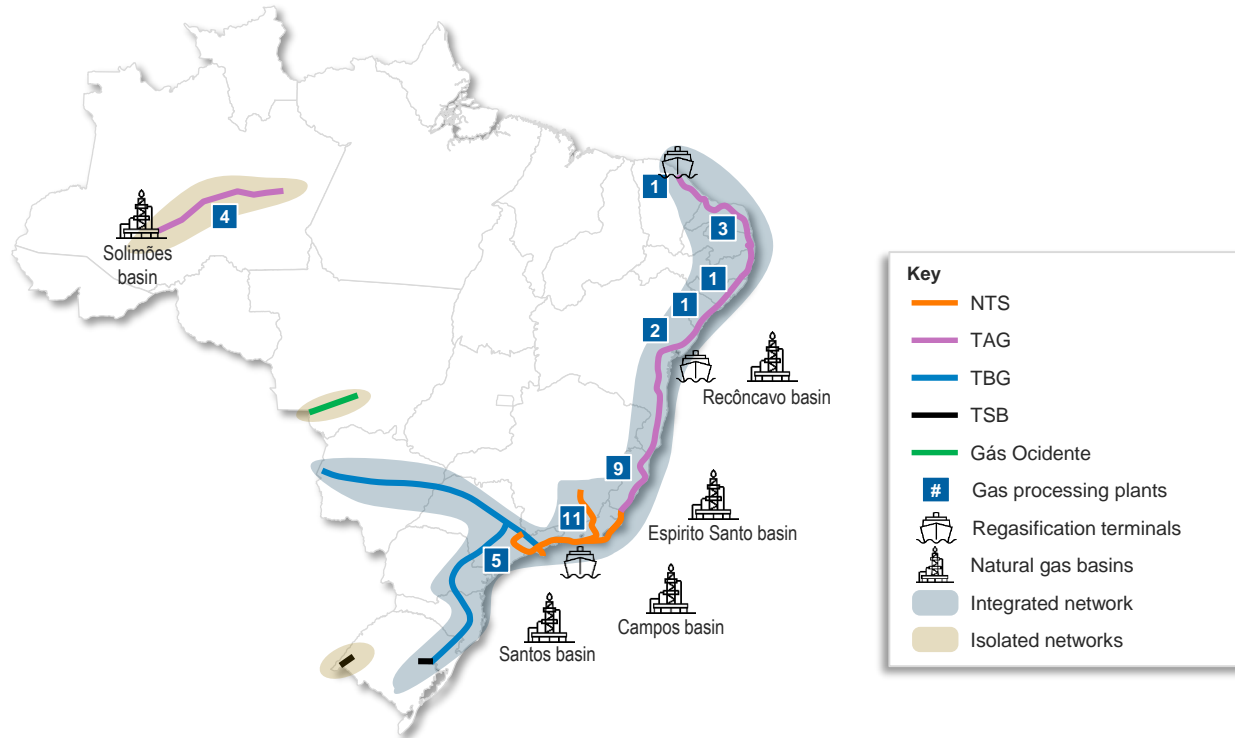
4 Institutionalized corporate governance practices

- Sponsorship from solid shareholder base, comprised of best-in-class global investors with extensive expertise in the sector
- Compliance with CVM¹ rules as a listed company and categorized as a Category B² issuer
- Corporate governance bodies in place, notably, board of directors (composed of 10 members) and fiscal council (from 3 to 5 members). Currently, Petrobras is entitled to name 1 board member
- NTS is also ruled by bylaws, code of professional ethics conduct and anti-bribery and information disclosure policies

Brazilian Natural Gas Midstream Infrastructure at a Glance




Current infrastructure for natural gas transport in Brazil sum approx. 9.5 thousand km, of which circa 8.3 thousand km is comprised of pipelines that form the integrated network.

Overview of the Current Natural Gas Transportation Infrastructure





Transportation company	Length (thousand km)	Transportation capacity (million m ³ / day)
NTS	2.0	158.2
TAG	4.5	74.3
TBG	2.6	30.1
TSB	0.1	27.2
Gás Ocidente	0.3	4.0
Total	9.5	293.8

Expected Investments

- 
 - 1 gas pipeline project
 - Estimated investment of R\$ 130 million
 - Extension of 11 km and capacity of 18 million m³ / day
 - Currently under evaluation for bidding
- 
 - 2 regasification terminal projects
 - Estimated investment of R\$ 800 million
 - Combined capacity of 42 million m³ / day
 - To be connected to new thermal power plants in the states of Sergipe and Rio de Janeiro
- 
 - 2 gas processing plant projects
 - Estimated investment of R\$ 2,390 million
 - Both plants are to be installed at COMPERJ²

Indicative Future Investments

- 
 - 6 regasification terminal projects
 - Estimated investment of R\$ 2,400 million
 - Combined capacity of 84 million m³ / day
 - To be connected to new thermal power plants
- 
 - 1 gas processing plant expansion project
 - Estimated investment of R\$ 2,300 million
 - Capacity increase of 20 million m³ / day
 - Processing for the production from SEAL¹ basin

Important Notice

- This document (“Teaser”) is being furnished to Prospective Purchasers and published in PETROBRAS site (“<http://www.investidorpetrobras.com.br/en>”) with the purpose to present the process for the divestment of its 10% equity stake in Nova Transportadora do Sudeste S.A (“NTS”) (“Potential Transaction”).
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