

NOVA TRANSPORTADORA DO SUDESTE S.A. -  
NTS

MANAGEMENT REPORT Q2'20



## MESSAGE FROM MANAGEMENT

The results achieved by NTS in the second quarter of 2020 allowed to deliver an EBITDA margin of 89.4% in the period, in line with the previous quarters. In June 2020, we distributed approximately R\$611.0 million in interim dividends and interest on equity to shareholders. We invested a total of R\$26.3 million in our operations in the quarter, including compliance with environmental conditions.

We spared no effort to adapt and remain focused on our objectives for this year, even in the uncertain scenario caused by the COVID-19 pandemic. In the past few months, the Crisis Committee, which has been installed since March 2020, has monitored the effects caused by the COVID-19 pandemic on operations. The natural gas transportation is considered an essential service and we maintained our operations without interruptions and material impacts. Revenues were not impacted since all of our gas transportation contracts have the ship-or-pay modality.

We hired around 45 new employees, mainly for the operational and technical areas, who are receiving online training and qualification through an innovative partnership with UnIBP.

As of June, some field operations were resumed as result of a new security protocol to minimize contamination risks. We maintained remote working conditions for corporate employees, with an undefined return date. We reiterate that the Company, supported by the Crisis Committee, has guided its decisions in line with sanitary and health authorities recommendations. However, we have already concluded the necessary safety protocol adaptations in our facilities to minimize contamination risks in order for our employees to return to their workstations, informing them about the required safety measures through a careful manual focused on the health and wellbeing of our teams when they return.

One of the principles of NTS is People - taking care of people. In this regard, throughout this period, we have been supported by a specialized and confidential service provider which is monitoring the physical and mental health of our employees on a weekly basis. We implemented several actions, including a 24-hour psychological support for employees and their dependents, furniture and equipment for their remote workstations, online gymnastics and yoga classes, reimbursement for influenza vaccines, a fully digital request channel for medication refund, online training and lectures, among others. Regarding the external public in the areas where we operate, we made donations for the acquisition of medical and hospital supplies, protective equipment, beds, respirators, among others, totaling R\$1.9 million to the Policlínica Ítalo Franco in the city of Japeri (RJ) and R\$2.8 million to the Hospital da Posse, in Nova Iguaçu (RJ). The entire donation process has been managed with support from the Instituto da Criança. In partnership with Transpetro, we donated another R\$0.5 million to the acquisition of 4,000 basic food baskets in São Paulo. Social projects in the cities of Ibirité, Betim and Brumadinho, all in the State of Minas Gerais, received another R\$0.6 million for the purchase of basic food baskets, personal protective equipment and other materials.

Even while working remotely, we maintained initiatives to strengthen the corporate culture in order to guarantee unity during a period in which we are increasing our headcount, including initiatives to promote inclusion and diversity.

We appreciate the trust from our shareholders and the dedication and support from our Executive Board, managers and employees, all of whom have shown great commitment and ability to adapt and maintain their responsibilities during this pandemic, which affected the second quarter of 2020.

Wong Loon

Chief Executive and  
Operations Officer

Flávio Mendonça Leal

Chief Financial and  
Investor Relations Officer

## FINANCIAL PERFORMANCE

The Management's Report of Nova Transportadora do Sudeste SA - NTS ("NTS" or "Company") for the second quarter of 2020 ("Q2'20"), considering the period ended June 30, 2020, compared to the second quarter of 2019 ("Q2'19") includes the following highlights:

### 1. NET OPERATING REVENUES

Net Operating Revenue ("NOR") reached R\$1,146.5 million in the quarter, 4.5% higher than the same period in 2019, when revenues were R\$1,097.5 million. The annual IGP-M weighted index of the 5 GTAs was approximately 4.9% and generated 100% of revenues.

Since the GTAs have an unused capacity charge clause (Ship-or-Pay), the reduction in the average volume transported during the pandemic period had immaterial impacts on billing. This contractual condition ensures us revenue predictability and stability since it is calculated according to the contracted transport capacity, regardless of the volume actually handled. Deductions on billing differ, however, since the ICMS tax is calculated based on the presumed profit regime for the Ship-or-Pay modality.

In the six-month period ended June 30, 2020, NOR totaled R\$2,295.0 million, 5.2% higher than the same period in 2019 and reflects the same inflation variation mentioned above.

The Company entered into an agreement with Petrobras for the deferral of gas transportation services receivables re billings for the period of March, April and May 2020. According to the schedule, maturities have been settled as agreed and the last installment deferred receivables is expected to be settled by Petrobras by August 2020.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Net Operating Revenue</b>	<b>1,146,524</b>	<b>1,097,477</b>	<b>4.5%</b>	<b>2,295,009</b>	<b>2,181,304</b>	<b>5.2%</b>

### 2. COSTS OF SERVICES

In Q2'20, Costs of Services totaled R\$198.5 million, corresponding to 17.3% of NOR, compared to R\$176.0 million in Q2'19. From February 2019 to April 2020, after adjusting the PIS/COFINS calculation base from November 2016 to January 2019, NTS compensated for the retroactive PIS/COFINS credits of its fixed asset base. The 12.8% increase between periods can be explained mainly by the end of the compensation of these retroactive PIS/COFINS credits on the fixed asset base, which negatively impacted depreciation expenses in Q2'20. The increase in depreciation expense was partially offset by the reduction of Mantiqueira compression station rental costs, since this compression unit was acquired by NTS in February 2020.

Costs increased by 5.2% in the six-month period ended June 30, 2020, totaling R\$385.9 million, compared to R\$366.7 million in the same period of 2019. As a percentage of NOR, Costs remained stable at 16.8% in both periods.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Cost of Services</b>	<b>(198,540)</b>	<b>(175,951)</b>	<b>12.8%</b>	<b>(385,921)</b>	<b>(366,708)</b>	<b>5.2%</b>
% on the NOR	-17.3	-16.0	- 1.3 pp	-16.8	-16.8	- 0.0 pp

### 3. GROSS PROFIT

Gross Profit in the second quarter of 2020 totaled R\$948.0 million, approximately 3.0% higher than in the second quarter of 2019. Gross margin decreased by 1.3 percentage points, due to higher cost increase than revenues increase in th period (12.8% higher, mainly impacted by the variation in revenue indexed to inflation, resulting in 5.2% increase.

In the first half of the year, ended June 30, 2020, Gross Profit totaled R\$1,909.1 million, 5.2% higher than 1H19 and in line with changes in revenue and costs. Gross margin stood at 83.2%, remaining stable in both periods.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Gross Profit</b>	<b>947,984</b>	<b>921,526</b>	<b>2.9%</b>	<b>1,909,088</b>	<b>1,814,596</b>	<b>5.2%</b>
Gross Margin %	82.7	84.0	- 1.3 pp	83.2	83.2	- 0.0 pp

### 4. OPERATING EXPENSES

In Q2'20, Operating Expenses totaled R\$17.2 million, an increase of 16.6% over Q2'19. As a percentage of NOR, they accounted for 1.5% in this quarter, increasing by 0.2 p.p. over the same period in 2019.

The variation in Operating Expenses is mainly due to the increase in General and Administrative Expenses, including approximately R\$4.1 million in expenses with donations, especially due to COVID-19, and R\$0.9 million in expenses related to recruitment and hiring for the period. The increase was partially offset by the R\$2.5 million reduction in sponsorship expenses, a R\$1.2 million reduction in office expenses and a R\$1.3 million reduction in personnel expenses, mainly justified by changes in critical NTS positions at the beginning of the year.

In the comparison with the six-month period ended June 30, 2020 versus the same period in 2019, expenses were impacted by the donations and sponsorships already mentioned, in addition to an increase in recruitment and hiring expenses, of R\$1.4 million, and license maintenances expenses of R\$1.0 million in the comparison period.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Operating Expenses</b>	<b>(17,241)</b>	<b>(14,785)</b>	<b>16.6%</b>	<b>(29,625)</b>	<b>(24,969)</b>	<b>18.6%</b>
% on the NOR	-1.5	-1.3	- 0.2 pp	-1.3	-1.1	- 0.1 pp
<b>General and Administratives expenses</b>	<b>(17,241)</b>	<b>(14,785)</b>	<b>16.6%</b>	<b>(29,625)</b>	<b>(24,969)</b>	<b>18.6%</b>
% on the NOR	-1.5	-1.3	- 0.2 pp	-1.3	-1.1	- 0.1 pp

## 5. OPERATING PROFIT

Operating Profit totaled R\$930.7 million in the quarter, corresponding to a margin of 81.2% of NOR, compared to a margin of 82.6% in the previous period. The Operating Profit in Q2'20 was 2.6% higher than in Q2'19 due to improvement in gross profit, however the operational margin retracted in 1.4 percentage point.

As of June 30, 2020, accumulated Operating Profit reached R\$1,879.5 million, representing 5.0% growth due to the improvement in gross profit, despite the 18.6% increase in operating expenses in the period.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Operating Profit</b>	<b>930,743</b>	<b>906,741</b>	<b>2.6%</b>	<b>1,879,463</b>	<b>1,789,627</b>	<b>5.0%</b>
% on the NOR	81.2	82.6	- 1.4 pp	81.9	82.0	- 0.2 pp

## 6. FINANCIAL RESULTS

Net Financial Result came in as a loss of R\$34.8 million in the second quarter of 2020, or approximately 54% better than the same period in 2019. This improvement is mainly due to the reduction in expenses with interest on debentures, which decreased by approximately 51.7% between periods following the decrease in the CDI rate (average of 3.1% in Q2'20 versus 6.4 % in Q2'19, with the cost of debentures being 109% of the CDI).

Financial income decreased by 40.7% despite the higher cash balance at the end of Q2'20 (R\$867.0 million on June 30, 2020) when compared to the same period of the previous year (R\$781.6 million on June 30, 2019), also due to the drop in the CDI rate.

In the six-month period ended June 30, 2020, Net Financial Result was negative by R\$84.0 million compared to R\$155.0 million in the six-month period ended June 30, 2019, , also reflecting the variation in the CDI rate already mentioned. As result, Net Financial Result was reduced by R\$71.0 million in the period.

NTS does not have any relevant exposure to foreign currency.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Net Financial Results</b>	<b>(34,844)</b>	<b>(75,662)</b>	<b>-53.9%</b>	<b>(83,988)</b>	<b>(155,024)</b>	<b>-45.8%</b>
Financial revenues	9,341	15,758	-40.7%	20,868	26,704	-21.9%
Financial expenses	(44,185)	(91,420)	-51.7%	(104,856)	(181,728)	-42.3%

## 7. INCOME BEFORE TAXES

Accumulated profit before taxes totaled R\$895.9 million in Q2'20, due to operating profit growth combined with financial expenses reduction in the quarter, and increased by 7.8% in relation to the profit before taxes in Q2'19, reaching 78.1% of NOR and growing by 2.4 p.p.

In the semester, the variation was 9.8%, improving by 3.3 p.p. when compared to NOR between periods.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Income Before Taxes</b>	<b>895,899</b>	<b>831,079</b>	<b>7.8%</b>	<b>1,795,475</b>	<b>1,634,603</b>	<b>9.8%</b>
% on the NOR	78.1	75.7	2.4 pp	78.2	74.9	3.3 pp

## 8. INCOME TAX AND SOCIAL CONTRIBUTION

The amount of current and deferred IRPJ/CSLL taxes in the quarter totaled R\$295.1 million, compared to R\$269.7 million in Q2'19. The effective tax rate remained stable, reaching approximately 33% in both periods.

As of June 30, 2020, current and deferred income and social contribution taxes totaled R\$592.7 million.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Total Income Tax and Social Contribution</b>	<b>(295,088)</b>	<b>(269,650)</b>	<b>9.4%</b>	<b>(592,727)</b>	<b>(535,271)</b>	<b>10.7%</b>
% on income before taxes	-32.9	-32.4	- 0.5 pp	-33.0	-32.7	- 0.3 pp
<b>Current Income Tax and Social Contribution</b>	<b>(191,139)</b>	<b>(170,373)</b>	<b>12.2%</b>	<b>(389,632)</b>	<b>(335,073)</b>	<b>16.3%</b>
% on income before taxes	-21.3	-20.5	- 0.8 pp	-21.7	-20.5	- 1.2 pp
<b>Deferred Income Tax and Social Contribution</b>	<b>(103,949)</b>	<b>(99,277)</b>	<b>4.7%</b>	<b>(203,095)</b>	<b>(200,198)</b>	<b>1.4%</b>
% on income before taxes	-11.6	-11.9	0.3 pp	-11.3	-12.2	0.9 pp

## 9. NET INCOME

NTS reported a Net Income of R\$600.8 million in Q2'20, versus R\$561.4 million in Q2'19. The increase of 7.0% was due to the operating and financial results previously mentioned.

In the six-month period ended June 30, 2020, Net Income increased by 9.4%, reaching R\$1,202.8 million, with a Net Margin of 52.4%, equivalent to a 2.0 p.p. growth in the period when compared to the same period of the previous year. This increase is explained by the operational improvement and a 42.3% reduction in financial expenses, partially offset by the 16.3% increase in current income and social contribution taxes.

In thousands of Reais	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
<b>Net Income for the period</b>	<b>600,811</b>	<b>561,429</b>	<b>7.0%</b>	<b>1,202,748</b>	<b>1,099,332</b>	<b>9.4%</b>
% on the NOR	52.4	51.2	1.2 pp	52.4	50.4	2.0 pp

## 10. EBITDA

EBITDA in the quarter ended June 2020 totaled R\$1,025.6 million, higher than the R\$988.1 million in the comparative quarter of 2019. EBTIDA Margin decreased slightly, totaling 89.4% in Q2'20 versus 90.0% in Q2'19. As in the first quarter, increased profit and reduced financial expenses favored EBITDA results.



In the six-month period, as of June 30, 2020, EBITDA increased by 4.7%, reaching R\$2,059.9 million and EBITDA margin stood at 89.8%, decreasing by 0.4 p.p. over 1H19.

EBITDA Reconciliation (In thousands of Reais)	Q2' 20	Q2' 19	Var.	6/30/2020	6/30/2019	Var.
Net Profit	600,811	561,429	7.0%	1,202,748	1,099,332	9.4%
Income Tax and Social Contribution	295,088	269,650	9.4%	592,727	535,271	10.7%
Net Financial Results	34,844	75,662	-53.9%	83,988	155,024	-45.8%
Depreciation	94,818	81,407	16.5%	180,477	177,470	1.7%
<b>EBITDA</b>	<b>1,025,561</b>	<b>988,148</b>	<b>3.8%</b>	<b>2,059,940</b>	<b>1,967,097</b>	<b>4.7%</b>
EBITDA Margin %	89.4	90.0	- 0.6 pp	89.8	90.2	- 0.4 pp

## 11. BALANCE SHEET

PP&E totaled R\$8.1 billion as of June 30, 2020, versus R\$8.3 billion as of December 31, 2019, varying according to the depreciation of assets.

Gross debt ended the quarter at R\$5.2 billion, in line with the amount recorded on December 31, 2019. Net debt also remained in line with the balance sheet at the end of 2019, totaling R\$4.4 billion as of June 30, 2020.

In the second quarter, a profit reserve on tax incentives resulting from an investment subsidy referring to the ICMS credit appropriation of the ICMS Agreement 106/96, which grants a credit of 20% of the ICMS amount due to companies providing transportation services. These credits were recorded in the income statement of the period and allocated monthly to the tax incentive reserve, being excluded from the dividend calculation base.

The cash position between periods was impacted, among other events, by the postponement of certain costs during the pandemic.

Indebtedness (In thousands of Reais)	6/30/2020	6/30/2019	Var.
Gross Debt	5,222,518	5,241,123	-0.4%
Cash	866,991	795,974	8.9%
<b>Net Debt</b>	<b>4,355,527</b>	<b>4,445,149</b>	<b>-2.0%</b>

## 12. DIVIDENDS AND INTEREST ON EQUITY

Approximately R\$611.0 million was distributed to shareholders in Q2'20, of which R\$581.5 million was in dividends (R\$0.251 per share) and R\$29.5 million in interest on equity (R\$0.013 per share), after an opinion issued by the Fiscal Board and approval by the Board of Directors in June 2020.

Year-to-date, as of June 30, 2020, R\$936.0 million were distributed as interim dividends and R\$ 51.4 million as interest on equity to shareholders. During 1H20, R\$1,246.3 million was paid to shareholders as dividends and interest on equity, including a dividend installment of R\$248.0 million proposed for the 2019 results and R\$10.5 million as interest on equity also referring to the 2019 fiscal year.



### 13. INDEPENDENT AUDITORS

The independent external auditors are hired exclusively to provide external audit services. No other services were requested from the auditors.

### 14. RATING

NTS has a "AAA (bra)" long-term national corporate rating and a rating of the Company's second issue of debentures, with a stable outlook, issued by the credit risk rating agency Fitch Ratings. The Fitch report is available on <https://ri.ntsbrasil.com>.

### 15. SUBSEQUENT EVENTS AND OTHER INFORMATION

On July 3, 2020, Petrobras informed the market about the beginning of the binding phase for the sale of its remaining 10% stake in NTS. According to the notice, potential buyers eligible for this phase will receive an invitation letter with detailed instructions on the selling process, including guidelines for carrying out due diligence and submitting binding proposals.

On July 27, 2020, the Board of Directors approved the issuance, by the Company, of a bank credit note (BCN), in favor of Banco Santander (Brasil) S.A., in the total amount of R\$60.0 million. The proceeds from the BCN issuance will be used to finance the acquisition of the Mantiqueira Compression Station (acquired in February 2020) and the construction of the Receiving Point in the Municipality of Guapimirim (RJ). The BCN will have a maximum term of 1 year, starting from the issue date, and remuneration on outstanding amounts will be equivalent to 100% of the accumulated variation of the daily average interfinancial deposits (DI) "over extra-group", plus a 1.98% spread, paid semi-annually.

On August 11<sup>st</sup>, 2020, an Extraordinary General Meeting was called for the shareholders to examine, vote and consign on the reduction of the Company's share capital. The meeting will be held on August 31<sup>st</sup>, 2020.

## **Quarterly Information - ITR**

### **Nova Transportadora do Sudeste S.A. - NTS**

June 30, 2020

Including the Independent Auditor's Report

# Nova Transportadora do Sudeste S.A. - NTS

Quarterly Information - ITR

June 30, 2020

## Contents

Report on the review of quarterly statement.....	1
Quarterly information	
Balance Sheets.....	3
Statement of profit or loss .....	5
Statement of comprehensive income .....	6
Statements of changes in equity .....	7
Statement of cash flows .....	8
Statement of added value .....	9
Explanatory Notes to the quarterly statements.....	10



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## **REPORT ON THE REVIEW OF QUARTELY STATEMENTS**

To

The Management and Shareholders of

**Nova Transportadora do Sudeste S.A. - NTS**

Rio de Janeiro - RJ

### **Introduction**

We have reviewed the accompanying interim financial information, contained in the Quarterly Information Form (ITR) of Nova Transportadora do Sudeste S.A. ("Company") for the quarter ended June 30, 2020, comprising the statement of financial position as of June 30, 2020 and the related statements of profit or loss and of comprehensive income for the three and six months periods then ended, and of changes in equity and of cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for preparation of the interim financial information in accordance with Accounting Pronouncement NBC TG 21 – Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

## **Other matters**

### *Statements of value added*

The abovementioned quarterly information includes the statement of value added (SVA) for the six month period ended June 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

RIO DE JANEIRO, August 13, 2020.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6

A handwritten signature in blue ink that reads 'Daniel de Araujo Peixoto'. The signature is written in a cursive style with a diagonal slash through the first few letters.

Daniel de Araujo Peixoto

Accountant CRC-1BA025.348/O-9

## Nova Transportadora do Sudeste S.A - NTS

### Balance Sheets

June 30, 2020 and December 31, 2019

(In thousands of reais)

<b>Assets</b>	<b>Note</b>	<b>6/30/2020</b>	<b>12/31/2019</b>
<b>Current</b>			
Cash and cash equivalents	5	866,991	795,974
Trade receivables	6	981,421	861,142
Recoverable taxes	12.1	72	3
Other accounts receivable	13	90,949	76,793
Prepaid expenses		4,782	10,707
Advances		7,039	2,594
Other		2,857	52
		<b>1,954,111</b>	<b>1,747,265</b>
<b>Non-current</b>			
Restricted bank deposits	7	15,283	15,096
Judicial deposits	20.2	18,149	17,716
Recoverable taxes	12.1	8,690	8,622
Other		2,195	-
Property, Plant and Equipment - PP&E	8	8,118,782	8,262,072
		<b>8,163,099</b>	<b>8,303,506</b>
<b>Total Assets</b>		<b>10,117,210</b>	<b>10,050,771</b>

The explanatory notes as they are an integral part of the quarterly statements.

## Nova Transportadora do Sudeste S.A - NTS

<b>Liabilities</b>	<b>Note</b>	<b>6/30/2020</b>	<b>12/31/2019</b>
<b>Current</b>			
Trade accounts payable	9	244,894	256,471
Taxes payable	12.1	141,701	54,708
Payroll and charges payable		18,104	20,174
Debentures payable	10	26,250	45,828
Interest on equity	15.3	-	10,546
Income tax and social contribution payable	12.1	258,283	414,949
		<b>689,232</b>	<b>802,676</b>
<b>Non-current</b>			
Debentures payable	10	5,196,268	5,195,295
Provisions for environmental compensation	14.1	31,159	31,543
Provision for environmental constraints	14.2	51,320	55,018
Provision for legal contingencies	20.1	6,336	6,336
Provision for intersection crossings		11,815	-
Deferred taxes	12.2	1,522,128	1,319,032
Other liabilities		754	-
		<b>6,819,780</b>	<b>6,607,224</b>
<b>Equity</b>			
Share capital	15.1	994,301	994,301
Capital reserve	15.2	1,360,199	1,360,199
Profit reserve	15.3	253,698	286,371
		<b>2,608,198</b>	<b>2,640,871</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>10,117,210</b>	<b>10,050,771</b>

The explanatory notes as they are an integral part of the quarterly statements.



## Nova Transportadora do Sudeste S.A - NTS

Statement of profit or loss

Three and six-month period ended June 30, 2020 and 2019

(In thousands of reais, except when indicated otherwise)

	Note	Three-month period ended		Six-month period ended	
		6/30/2020	6/30/2019	6/30/2020	6/30/2019
<b>Revenue</b>	<b>16</b>	<b>1,146,524</b>	1,097,477	<b>2,295,009</b>	2,181,304
<b>Cost of services</b>	<b>17</b>	<b>(198,540)</b>	(175,951)	<b>(385,921)</b>	(366,708)
General and administrative expenses	18	<b>(17,241)</b>	(14,785)	<b>(29,625)</b>	(24,969)
<b>Operating expenses</b>		<b>(17,241)</b>	(14,785)	<b>(29,625)</b>	(24,969)
<b>Operating profit</b>		<b>930,743</b>	906,741	<b>1,879,463</b>	1,789,627
Financial revenue	19	<b>9,341</b>	15,758	<b>20,868</b>	26,704
Financial expenses	19	<b>(44,185)</b>	(91,420)	<b>(104,856)</b>	(181,728)
<b>Net financial result</b>		<b>(34,844)</b>	(75,662)	<b>(83,988)</b>	(155,024)
<b>Profit before income tax and social contribution</b>		<b>895,899</b>	831,079	<b>1,795,475</b>	1,634,603
Current income tax and social contribution	12.3	<b>(191,139)</b>	(170,373)	<b>(389,632)</b>	(335,073)
Deferred income tax and social contribution	12.3	<b>(103,949)</b>	(99,277)	<b>(203,095)</b>	(200,198)
<b>Net income for the period</b>		<b>600,811</b>	561,429	<b>1,202,748</b>	1,099,332
<b>Basic and diluted earnings per share (in R\$)</b>		<b>0.26</b>	0.24	<b>0.52</b>	0.48

The explanatory notes as they are an integral part of the quarterly statements.

## Nova Transportadora do Sudeste S.A - NTS

### Statement of comprehensive income

Three and six-month period ended June 30, 2020 and 2019

(In thousands of reais)

	Three-month period ended		Six-month period ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Net income for the period	600,811	561,429	1,202,748	1,099,332
Other comprehensive results		-	-	-
<b>Comprehensive income for the period</b>	<b>600,811</b>	<b>561,429</b>	<b>1,202,748</b>	<b>1,099,332</b>

The explanatory notes as they are an integral part of the quarterly statements.

## Nova Transportadora do Sudeste S.A - NTS

Statement of changes in equity  
Six-month period ended June 30, 2020 and 2019  
(In thousands of reais)

	Share Capital	Capital Reserve	Profit Reserve			Total
		Capital Transaction	Legal	Proposed Dividends	Accumulated Profit (Loss)	
<b>Balance on December 31, 2018</b>	<b>1,618,630</b>	<b>1,360,199</b>	<b>38,368</b>	<b>190,432</b>	<b>-</b>	<b>3,207,629</b>
Net income for the period	-	-	-	-	1,099,332	1,099,332
Interest on equity	-	-	-	-	(84,496)	(84,496)
Dividends paid	-	-	-	(190,432)	(808,710)	(999,142)
<b>Balance on June 30, 2019</b>	<b>1,618,630</b>	<b>1,360,199</b>	<b>38,368</b>	<b>-</b>	<b>206,126</b>	<b>3,223,323</b>

	Share Capital	Capital Reserve	Profit Reserve			Total	
		Capital Transaction	Legal	Tax Incentive Reserve	Proposed Dividends		Accumulated Profit (Loss)
<b>Balance on December 31, 2019</b>	<b>994,301</b>	<b>1,360,199</b>	<b>38,368</b>	<b>-</b>	<b>248,003</b>	<b>-</b>	<b>2,640,871</b>
Net income for the period	-	-	-	-	-	1,202,748	1,202,748
Interest on equity	-	-	-	-	-	(51,377)	(51,377)
Dividends paid	-	-	-	-	(248,003)	(936,041)	(1,184,044)
Grants - Tax incentives	-	-	-	26,743	-	(26,743)	-
<b>Balance on June 30, 2020</b>	<b>994,301</b>	<b>1,360,199</b>	<b>38,368</b>	<b>26,743</b>	<b>-</b>	<b>188,587</b>	<b>2,608,198</b>

The explanatory notes as they are an integral part of the quarterly statements.

## Nova Transportadora do Sudeste S.A - NTS

### Statement of cash flows

Six-month period ended June 30, 2020 and 2019

(In thousands of reais)

	<u>6/30/2020</u>	<u>6/30/2019</u>
Operating activities		
Net income for the period	<b>1,202,748</b>	1,099,332
Adjustments to expenses and income, non-cash:		
Deferred income tax and social contribution taxes	203,095	200,198
Insurance amortization	6,951	236
Interest expense on debentures and financing	101,258	175,456
Depreciation and amortization	218,160	215,823
Provision for bonus	8,078	7,814
Other	(854)	755
	<u><b>1,739,436</b></u>	<u><b>1,699,614</b></u>
Changes in assets and liabilities		
Trade accounts receivable	(120,279)	(61,353)
Recoverable taxes	(137)	(704)
Other accounts receivable	(14,156)	(19,674)
Judicial deposits	(1)	(100)
Other assets	(10,469)	6,128
Trade accounts and other accounts payable	(11,577)	15,807
Payments and charges payable	(10,148)	(7,844)
Taxes payable	476,912	335,087
Income tax and social contribution paid	(546,298)	(237,947)
Expenses with environmental provisions	(3,847)	(7,932)
Other liabilities	12,566	(9)
Net cash flow generated by operating activities	<u><b>1,512,002</b></u>	<u><b>1,721,073</b></u>
Investment activities		
Acquisition of PP&E	(74,870)	(26,424)
Cash flow used in investment activities	<u><b>(74,870)</b></u>	<u><b>(26,424)</b></u>
Financing activities		
Payment of interest on debentures	(119,864)	(174,482)
Payment of dividends and interest on equity	(1,246,251)	(1,100,649)
Cash flow used in financing activities	<u><b>(1,366,115)</b></u>	<u><b>(1,275,131)</b></u>
Increase in cash and cash equivalents	<u><b>71,017</b></u>	<u><b>419,518</b></u>
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	795,974	362,083
Cash and cash equivalents at the end of the period	<u><b>866,991</b></u>	<u><b>781,601</b></u>
	<u><b>71,017</b></u>	<u><b>419,518</b></u>

The explanatory notes as they are an integral part of the quarterly statements.

## Nova Transportadora do Sudeste S.A - NTS

Statements of value added

Six-month period ended June 30, 2020 and 2019

(In thousands of reais)

	<u>6/30/2020</u>	<u>6/30/2019</u>
Added value to be distributed		
Revenue	<u>2,670,104</u>	2,559,740
Services and other revenues	<u>2,670,104</u>	<u>2,559,740</u>
Inputs purchased from third parties	<u>(189,567)</u>	<u>(182,296)</u>
Services provided, energy, third party services and others	<u>(189,567)</u>	<u>(182,296)</u>
Gross added value	<u>2,480,537</u>	<u>2,377,444</u>
Depreciation and amortization	(180,477)	(177,470)
Net added value by the company	<u>2,300,060</u>	<u>2,199,974</u>
Added value received in transfer	<u>20,868</u>	<u>26,704</u>
Investment income - includes monetary and exchange variations	<u>20,868</u>	<u>26,704</u>
Total added value to be distributed	<u>2,320,928</u>	<u>2,226,678</u>
Added value distribution		
Personnel	<u>22,362</u>	<u>15,697</u>
Direct compensation	17,869	12,559
Benefits	3,367	2,127
FGTS	1,126	1,011
Taxes, fees and contributions	<u>972,340</u>	<u>918,536</u>
Federal	855,945	787,269
State	108,060	122,840
Municipal	8,335	8,427
Remuneration on third-party capital	<u>123,478</u>	<u>193,112</u>
Interest, fines, monetary and exchange variations	103,643	180,303
Donations and sponsorships	8,080	6,490
Trade accounts – non-operating services	14,590	6,319
Other third-party capital remuneration	(2,835)	
Remuneration on equity	<u>1,202,748</u>	<u>1,099,332</u>
Interest on loans and financing with related parties		
Interest on equity	51,377	84,496
Distributed dividends	936,041	808,710
Proposed dividends	215,330	206,126
Total added value distributed	<u>2,320,928</u>	<u>2,226,677</u>

The explanatory notes as they are an integral part of the quarterly statements.

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **1. The Company and its operating context**

Nova Transportadora do Sudeste S.A. ("NTS" or "Company") was incorporated on January 15, 2002, and its business purpose is the construction, installation, operation and maintenance of gas pipelines in the southeast region of Brazil, including gas pipeline networks that interconnect the states of São Paulo, Minas Gerais and Rio de Janeiro.

In September 2016, Petrobras announced to the market the sale of 90% of the shares it held in NTS to Nova Infraestrutura Fundo de Investimentos em Participações Multiestratégia ("FIP"), managed by Brookfield Brasil Asset Management Investimentos Ltda., a company affiliated to Brookfield Asset Management.

On April 4, 2017, the sale of 90% of NTS's shares to FIP was concluded with the subsequent sale, by FIP, of 7.65% of NTS's shares to ITAÚSA (Itaú Investimentos S.A.) on the same day.

Therefore, the current shareholder structure of the Company is as follows: FIP owns 82.35%, Petrobras owns 10% and ITAÚSA owns 7.65% of the total shares.

On October 24, 2017, ANP issued NTS permanent operating authorizations for all its gas pipelines.

The Company operates in a single segment, the transportation of natural gas, which is not subject to seasonality.

### **2. Basis of presentation of the financial statements**

The quarterly information has been prepared and is being presented in accordance with NBC TG 21 Interim Statements, which were approved by the Federal Accounting Council (CFC) and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB. The quarterly information was prepared based on historical cost.

This quarterly information is presented with the relevant changes that occurred in the period, without the repetition of certain previously disclosed explanatory notes, which, according to the management's opinion, provide a comprehensive view of the Company's equity and financial position and the performance of its operations. Therefore, the accounting information should be read jointly with the Company's annual financial statements for the year ended December 31, 2019.

Additionally, the Company considered the guidelines issued by OCPC 07 Technical Guidance when preparing this quarterly information.

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **2. Basis of presentation of the financial statements--continuation**

Therefore, relevant information disclosed for the quarterly information corresponds to the information used by Management when carrying out their daily attributions.

This quarterly information was approved by the Fiscal Council on August 7, 2020 and by the Board of Directors on August 12, 2020.

NTS's functional currency is the Brazilian real (R\$) as it is the currency of the economic environment in which the Company operates.

### **3. Summary of significant accounting practices**

The accounting policies and calculation methods used in the preparation of this quarterly information are the same as those used in the preparation of the Company's annual financial statements for the fiscal year ended December 31, 2019.

### **4. Significant estimates and judgments**

The quarterly financial statements herein presented were prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of these quarterly statements were based on objective and subjective factors, considering management's judgment for determining the adequate amounts to be recorded in the quarterly statements. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant, and equipment, measurement of financial assets and liabilities at fair value and present value adjustment, as well as analysis of other risks in determining other provisions, including provision for contingencies.

The settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial statements due to the uncertainties inherent in the estimation process. The Company reviews its estimates periodically throughout the year.

For more information on relevant estimates, see note 5 to the financial statements of December 31, 2019.



## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 5. Cash and cash equivalents

	<u>6/30/2020</u>	<u>12/31/2019</u>
Cash and banks	461	614
Short term investments	866,530	795,360
	<u>866,991</u>	<u>795,974</u>

Short-term investments are highly liquid and readily convertible into a known cash amount.

The current remuneration of Company's short-term investments is equivalent to approximately 100% of CDI. The Company investments were allocated to Bank Deposit Certificates (CDBs) remunerated by reference to the Interbank Deposit Certificate (CDI).

### 6. Trade accounts receivable

	<u>6/30/2020</u>	<u>12/31/2019</u>
Petróleo Brasileiro S.A - Petrobras	981,421	861,142
	<u>981,421</u>	<u>861,142</u>

The Company's receivables arise from Gas Transportation Agreements (GTAs) entered into with Petrobras. There were no overdue amounts receivable on June 30, 2020 and December 31, 2019, just as we have no expected losses associated with these receivables. The Company signed an agreement with Petrobras for the deferral of receivables for gas transportation services, maturities have been settled and the last installment of deferred receivables is expected to be paid by Petrobras by August 2020.

### 7. Restricted bank deposits

The balance of R\$15,283 on June 30, 2020 (R\$15,096 on December 31, 2019), refers to savings account held with Banco do Brasil to cover environmental compensations related to the construction of gas pipelines GASAN II, GASPAL II and ECOMP in Guararema, in the State of São Paulo, and will be used as required by environmental bodies. Such deposits should be linked to savings accounts and follow the provisions of Federal Law 9,985/2000, which constituted the National System of Units of Conservation – SNUC.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 8. Property, Plant, and Equipment (PP&E)

Description	12/31/2019	Changes in 2020				6/30/2020
		Additions	Write-offs	Transfers	Depreciation	
Construction in progress	111,035	28,816	-	(3,348)		136,503
Improvement in third-party assets	4,079	-	-	-	(242)	3,837
Environmental constraints	118,110	-	-	-	(2,800)	115,310
Equipment and other assets	8,028,848	46,054	-	3,348	(215,118)	7,863,132
	<b>8,262,072</b>	<b>74,870</b>	<b>-</b>	<b>-</b>	<b>(218,160)</b>	<b>8,118,782</b>

Description	12/31/2018	Changes in 2019				12/31/2019
		Additions	Write-offs	Transfers	Depreciation	
Construction in progress	78,676	103,996	-	(71,637)	-	111,035
Improvement in third-party assets	4,217	381	-	(40)	(478)	4,079
Environmental constraints	123,361	-	-	-	(5,251)	118,110
Equipment and other assets	8,401,176	5,221	(23,493)	71,677	(425,733)	8,028,848
	<b>8,607,430</b>	<b>109,598</b>	<b>(23,493)</b>	<b>-</b>	<b>(431,462)</b>	<b>8,262,072</b>

The balance of construction in progress comprises costs with construction, maintenance and repair of gas pipelines (provided these are related to the replacement of parts and equipment or to meeting

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **8. Property, Plant and Equipment--Continuation**

regulatory requirements that increase the asset's useful life), compressor stations/services, points of delivery and Stress Corrosion Cracking (SCC) Integrity Management Plan for Gas Pipelines.

#### Capitalized borrowing costs

During the six-month period ended June 30, 2020 and the fiscal year ended December 31, 2019 there was no capitalization of interest on financing for construction projects in the Company's PP&E.

#### Useful life of assets

Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Buildings and improvements – from 16 to 30 years

Leasehold improvements – 10 to 30 years

Gas pipelines, equipment and other items – up to 30 years

Environmental constraints – up to 30 years

The residual value and useful life of the assets as well as the depreciation methods used are reviewed at year-end, and adjusted prospectively, when applicable.

NTS's gas pipelines network comprises the following extensions:

#### GASTAU

Gas Pipeline Caraguatatuba-Taubaté (GASTAU), which is 98 km long and 28 inches in diameter, interconnects the Monteiro Lobato Gas Processing Unit (UTGCA), in Caraguatatuba, on the north coast of São Paulo, to Taubaté, a city in the Médio Paraíba Region, to Campinas-Rio Gas Pipeline and the rest of the Southeast network.

#### GASDUC III

Cabiúnas-REDUC Gas Pipeline (GASDUC III), which is 180 km long and 38 inches in diameter, is the gas pipeline with the greatest diameter in South America and has the highest transportation capacity (40 million cbm/day) among the Brazilian gas pipelines.

#### GASPAJ

Paulínia-Jacutinga Gas Pipeline (GASPAJ), which is 93 km long and 14 inches in diameter, has the purpose to meet the natural gas demand of the South region of the State of Minas Gerais. The gas pipeline originates in the city of Paulínia/SP, where gas pipelines Paulínia-Jacutinga, Campinas-

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### **8. Property, Plant and Equipment—Continuation**

Rio (GASCAR), REPLAN-Guararema of Gas Pipeline Bolívia Brasil (GASBOL) interconnect and where the Ponto de Entrega REPLAN is located.

#### SOUTHEAST NETWORK

The Southeast Network comprises five gas pipelines and two branches:

##### *GASAN*

RECAP-RPBC Gas Pipeline (GASAN), which is 41.6 km long and 12 inches in diameter interconnects the municipality of Capuava/SP to the municipality of Cubatão/SP.

##### *GASCAR*

Campinas-Rio Gas Pipeline (GASCAR), which is 453 km long and 28 inches in diameter, has the purpose of increasing the capacity of Bolivian gas flow to Rio de Janeiro. The gas pipeline starts in the Planalto Refinery (REPLAN), in the city of Paulínia/SP, and goes through the municipality of Japeri/RJ, where it interconnects the gas pipelines GASVOL and GASJAP, both in the state of Rio de Janeiro.

##### *GASPAL*

ESVOL-RECAP Gas Pipeline (GASPAL), which is 325.5 km long and 22 inches in diameter, starts in the municipality of Piraí/RJ and ends in the municipality of Mauá/SP.

##### *GASVOL*

REDUC-ESVOL Gas Pipeline (GASVOL), which is 95 km long and 18 inches in diameter, starts in the municipality of Duque de Caxias/RJ and ends in the municipality of Volta Redonda/RJ and also has a 5.5 km-long branch within the municipality of Volta Redonda/RJ.

##### *GASBEL I*

Rio de Janeiro-Belo Horizonte I Gas Pipeline (GASBEL I), which is 357 km long and 16 inches in diameter, starts in the municipality of Duque de Caxias/RJ and ends in Gabriel Passos Refinery, in the city of Betim/MG.

*Campos Elíseos Branch (16 inches)*

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **8. Property, Plant and Equipment—Continuation**

The Campos Elíseos Branch, which is 2.7 km long and 16 inches in diameter, is located in the municipality of Duque de Caxias/RJ.

#### SOUTHEAST NETWORK II

The Southeast Network II comprises the following gas pipelines:

##### *GASJAP*

JAPERI-REDUC Gas Pipeline (GASJAP), which is 45 km long and 28 inches in diameter, starts in the municipality of Japeri/RJ and ends in the municipality of Duque de Caxias/RJ, interconnecting the Caxias Hub to the Campinas-Rio Gas Pipeline (GASCAR). The Gas Pipeline has a Compressor Station in Campos Elíseos.

##### *GASAN II*

RECAP-RPBC Gas Pipeline (GASAN II), which is 39 km long and 22 inches in diameter, starts in the municipality of Mauá/SP and ends in the municipality of São Bernardo do Campo, and can extend, along with GASPAL II, the natural gas transportation capacity from the Guararema-RPBC system.

##### *GASPAL II*

Guararema-Mauá Gas Pipeline (GASPAL II), which is 54 km long and 22 inches in diameter, starts in the municipality of Guararema/SP and ends in the municipality of Mauá, and can extend, along with GASAN II, the natural gas transportation capacity from the Guararema-RPBC system.

##### *GASBEL II*

Rio de Janeiro-Belo Horizonte II Gas Pipeline (GASBEL II), which is 267 km long and 18 inches in diameter, starts in the municipality of Volta Redonda/RJ and ends in the municipality of Queluzito/MG, extended the natural gas offer to the state of Minas Gerais, especially in the metropolitan area of Belo Horizonte and Vale do Aço.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 8. Property, Plant and Equipment—Continuation

#### Impairment of assets

Management annually reviews events or changes in economic, operating, or technological circumstances of its assets to assess whether there are any preliminary indications of deterioration or impairment. No PP&E impairment indicators were identified for the six-month period ended June 30, 2020 and the fiscal year ended December 31, 2019.

### 9. Trade accounts payable

	<u>6/30/2020</u>	<u>12/31/2019</u>
Petróleo Brasileiro S.A – Petrobrás	181,248	162,538
Petróleo Transportes S.A – Transpetro	43,150	39,130
Rosenbra Engenharia Brasil Ltda	1,073	1,878
Enerflex/Geogás	1,039	1,314
Worley Engenharia	894	-
Emerson Process	880	-
Mirow & CO	531	-
Exterran	388	933
Intech Engenharia Ltda	310	1,980
EGD Engenharia Ltda.	0	1,022
AIG Seguros Brasil	-	890
Chubb Seguros Brasil SA	-	1,635
Schneider	-	1,613
Solar Turbines International	-	6,402
Tokio Marine Seguradora	-	4,506
XL Seguros Brasil	-	512
Consultants and other contracted services	6,112	11,236
Other trade accounts	9,269	20,882
	<u>244.894</u>	<u>256,471</u>

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 10. Debentures payable

	Interest	Maturity	6/30/2020	12/31/2019
Current				
Charges - 2nd issue debentures	109% CDI	2023	<b>28,197</b>	47,775
Funding costs	-	-	<b>(1,947)</b>	(1,947)
<b>Total current</b>			<b>26,250</b>	45,828
Non-current				
Principal - 2nd issue debentures	109% CDI	2023	<b>5,200,000</b>	5,200,000
Funding costs	-	-	<b>(3,732)</b>	(4,705)
<b>Total non-current</b>			<b>5,196,268</b>	5,195,295
<b>Total</b>			<b>5,222,516</b>	5,241,123

On April 20, 2018, the Company's Extraordinary Shareholders Meeting (ESM) approved the second issue of unprivileged unsecured non-convertible debentures in a single series, subject to a public distribution offering and restricted placement efforts, under the terms of CVM Instruction 476 and other legal and regulatory provisions, in the total amount of R\$5,200,000 at the nominal unit value of R\$10,000.00.

The Second Debentures Issue was subject to a firm guarantee Banco Itaú BBA S.A, BB – Banco de Investimento S.A and Banco Bradesco BBI S.A.

On April 25, 2018, debentures were issued at the amount approved at the Extraordinary Shareholders Meeting (ESM) held on April 20, 2018 and paid in on May 15, 2018. The debentures bear interest of 109.00% of the accumulated variation of the CDI Rate, with payment of interest every six months, in April and October. They do not have interim amortizations and mature on April 25, 2023, without debt rescheduling clauses or automatic renewal.

The debentures have covenants that require the Company to comply with the following financial ratios, calculated on a quarterly basis:



## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 10. Debentures payable -- Continuation

- (a) Financial ratio resulting from the division of the Net Financial Debt by the EBITDA shall be equal to or less than 3.0 times; or
- (b) Financial ratio resulting from the division of the EBITDA by the Net Financial expenses shall be equal to or more than 1.5 times.

At the reporting date of the quarterly information on June 30, 2020, the Company verified both indices and concluded that the covenants were complied with.

#### Payments and amortization of funding costs

<u>Year</u>	<u>Principal</u>	<u>Funding Costs</u>
2020	-	973
2021	-	1,947
2022	-	1,947
2023	5,200,000	811
	<u>5,200,000</u>	<u>5,678</u>

### 11. Transactions with related parties

- a) Transactions between legal entities

	<u>Petrobras</u>	<u>Transpetro</u>	<u>6/30/2020</u>
<b>Results</b>			
Gross revenue from services	2,670,104		2,670,104
Cost with operation and maintenance of gas pipes		(130,077)	(130,077)
Other operating costs/expenses	(35,428)		(35,428)
	<u>2,634,676</u>	<u>(130,077)</u>	<u>2,504,599</u>
<b>Assets</b>			
Trade accounts receivable	981,421		981,421
Other accounts receivable	93,565		93,565
	<u>1,074,986</u>		<u>1,074,986</u>

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### Liabilities

Trade accounts	(181,248)	(43,150)	(224,398)
	<u>(181,248)</u>	<u>(43,150)</u>	<u>(224,398)</u>

	Petrobras	Transpetro	6/30/2019
<b>Results</b>			
Gross revenue from services	2,672,774	-	2,672,774
Cost with operation and maintenance of gas pipes	-	(120,546)	(120,546)
Other operating costs/expenses	(113,035)	-	(113,035)
	<u>2,559,739</u>	<u>(120,546)</u>	<u>2,439,193</u>

	Petrobrás	Transpetro	TAG	12/31/2019
<b>Assets</b>				
Trade accounts receivable	861,142			861,142
Other accounts receivable	76,793			76,793
	<u>937,935</u>			<u>937,935</u>
<b>Liabilities</b>				
Trade accounts	(162,538)	(39,130)	195	(201,473)
	<u>(162,538)</u>	<u>(39,130)</u>	<u>195</u>	<u>(201,473)</u>

For the six-month period ended June 30, 2020 and 2019, the Company entered into transactions with shareholders and other related parties, as described below:

- I) Petrobras – On June 30, 2020 and 2019, the transactions with Petrobras referred to Company's revenues arising from Natural Gas Transportation Agreements, whose object is the transportation of natural gas, as well as to the receivables maturing in 2019 and 2020. The terms of the agreements were defined by the parties involved, billing occurs up to the 7<sup>th</sup> business day of the month following the date when the service was provided and the due date will be the 10<sup>th</sup> day of the second month, also after services were provided. Payment must be made by bank transfer, in case of delay or non-payment, there will be (i) a 2% late payment fine, (ii) monetary restatement calculated in accordance with the General Market Price Index (IGPM/FGV), and (iii) simple late payment interest (100% CDI), calculated from the day

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

following the due date. It is worth mentioning that transportation tariffs are adjusted every twelve months by reference to the IGPM/FGV. In 2020 and 2019, the Company recognized provisions for payment for the use and sharing of gas pipeline strips, payments related to: i) acquisition of electricity as an input to operate the Guararema Compression Station; ii) rental of equipment for the RPBC Delivery Point; and iii) difference between the revenue resulting from the transportation tariffs provided for in the Firm Gas Transportation Contracts and the revenue from such contracts taken into account for the purposes of the NTS sale operation. Still in relation to Petrobras, the Company recognized accounts payables referring to the expenses within the scope of the Management and Remediation of Cracks by Corrosion Under Tension (SCC), in the amount of R\$88,586 (R\$74,566 in December 2019); and ii) Rentals, in the amount of R\$2,363. These amounts must be reimbursed by Petróleo Brasileiro

### a) Transaction between legal entities

S.A. – Petrobras during 2020, as part of the remaining obligations agreed between buyer and seller for the sale of the Company.

- II) Transpetro – On June 30, 2020 and 2019, the transaction with Transpetro referred to the services for the operation and maintenance of the gas pipeline network and other Company's operating facilities, under the Service Agreement for Gas Transportation Technical Support signed between the parties. The terms of these agreements were defined by the parties involved payments will be made monthly up to 30 days from the date the service was provided. There will be fines of 4% per month on the billed amount in case of late payment. It is worth mentioning that the price is adjusted every 12 months and is based on the adjustment of the IGPM and IPCA. The portion recorded under liabilities arises from the obligations of payments maturing in 2020, due by the Company to Transpetro for the services performed.

### b) Operations with key management personnel

The Company offers its managers the following benefits: health care, life insurance, private pension plans and meal allowance, presented in short-term benefits account. The benefits are partially paid for by their managers and are recorded as expenses when incurred.

The amounts related to the compensation and benefits of key management personnel, represented by its officers, are as follows:

	<u>6/30/2020</u>	<u>12/31/2019</u>
Administration fees	3,573	6,458
Short-term benefits	122	3,851
	<u>3,695</u>	<u>10,309</u>

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 12. Taxes

#### 12.1. Current taxes

	Current Assets		Non-Current Assets		Current Liabilities	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Income tax		2		-	(179,693)	(290,229)
Social contributions		1		-	(78,590)	(124,720)
PIS/COFINS (a) / (b)		-	8,690	8,622	(117,560)	(30,025)
ICMS		-		-	(17,892)	(17,111)
ISS		-		-	(3,004)	(3,896)
IRRF		-		-	(637)	(1,360)
Other	72	-		-	(2,608)	(2,316)
	<u>72</u>	<u>3</u>	<u>8,690</u>	<u>8,622</u>	<u>399,984</u>	<u>(469,657)</u>

- a) The amounts recorded under non-current assets refer to the Social Integration Program (PIS) and for Social Security Financing (COFINS) tax credits which have been the subject of requests for refund filed with the Brazilian IRS and await approval. These are presented in the long term in view of the lack of present facts that indicate receipt of these funds over the next 12 months.
- b) The increase in balances of PIS and COFINS in current liabilities, results from the issue of the ordinances ME 139/2020 and 245/2020, which extended the deadline for the payment of these taxes in relation to the months of March, April and May to the months of August, October and November of 2020, respectively.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 12.2. Deferred taxes

#### a) Breakdown of deferred income and social contribution taxes

	<b>Base date 6/30/2020</b>	<b>Deferred IR and CSLL Balance (34%)</b>	<b>Base date 12/31/2019</b>	<b>Deferred IR and CSLL Balance (34%)</b>
Deferred tax assets				
Provision for contingencies and other	16,167	5,497	16,226	5,517
Provision - expenses with environmental compensation	31,159	10,594	31,543	10,725
Provision for bonus	10,258	3,488	17,117	5,820
		<u>19,579</u>		<u>22,062</u>
Deferred tax liabilities				
PP&E – Difference in corporate x tax depreciation	<u>(4,534,431)</u>	<u>(1,541,707)</u>	<u>(3,944,394)</u>	<u>(1,341,094)</u>
	<u>(4,534,431)</u>	<u>(1,541,707)</u>	<u>(3,944,394)</u>	<u>(1,341,094)</u>
Net deferred tax balance	<u>(4,476,847)</u>	<b><u>(1,522,128)</u></b>	<u>(3,879,508)</u>	<u>(1,319,032)</u>

The amounts of deferred tax liabilities on PP&E refer to tax depreciation of the gas pipelines network and other Company facilities.

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Recoverability of deferred tax assets	1,744	7,041	5,297	5,497	19,579

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 12. Taxes—Continuation

#### 12.3. Reconciliation of income and social contribution taxes

	<u>6/30/2020</u>	<u>6/30/2019</u>
Income before income tax and social contribution	1,795,475	1,634,603
Income tax and social contribution - nominal rate (34%)	<u>(610,462)</u>	<u>(555,765)</u>
	1,185,013	1,078,838
Adjustments for calculating the effective rate:		
Permanent net exclusions	(38,477)	(43,305)
Temporary net exclusions	(596,627)	(588,819)
Additions	9,605	10,743
(+ Provision for bonus)	5,180	5,551
(+ Provision for environment)	1,449	1,174
(+ Other)	2,976	4,018
Exclusions	(606,233)	(599,562)
(-) Depreciation (tax x corporate)	(590,037)	(584,607)
(-) Bonus	(12,038)	(7,023)
(-) Provision for environment	(3,698)	(7,932)
(-) Other	(460)	-
Basis for calculating adjusted income tax and social contribution	<u>1,160,371</u>	<u>1,002,479</u>
Income tax and social contribution	(385,629)	(340,572)
Sponsorships (Lei Rouanet)	(4,003)	5,499
Current income and social contribution taxes	(389,632)	(335,073)
Deferred income and social contribution taxes	<u>(203,095)</u>	<u>(200,198)</u>
	<b>(592,727)</b>	<b>(535,271)</b>
Effective IR and CS rates	<b>33.01%</b>	<b>32.75%</b>

### 13. Other accounts receivable

The balance of R\$90,949 on June 30, 2020 refers to: i) expenses incurred by the Company within the scope of the Management and Remediation of Cracks by Corrosion Under Tension (SCC), in the amount of R\$88,586 (R\$74,567 in December 2019); and ii) Rentals, in the amount of R\$2,363. These amounts must be reimbursed by Petróleo Brasileiro S.A. – Petrobras during 2020, as part of the remaining obligations agreed between buyer and seller for the sale of the Company. This balance is not being monetarily restated.

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **14. Provision for environmental compensation and environmental constraints**

#### **14.1 Provision for environmental compensation**

Refers to provisions, in the amount of R\$31,159 (R\$31,543 on December 31, 2019), based on Federal Law 9,985/2000, which constituted the National System of Units of Conservation – SNUC, which aims to ensure the preservation of nature and sustainable development of natural resources and will be spent as established by the Environment Foundation - FATMA and the Public Ministry.

#### **14.2 Provision for environmental constraints**

The balance, in the amount of R\$51,320 (R\$55,018 on December 31, 2019), refers to environmental constraints required by environmental control, monitoring and inspection bodies, at the federal and state levels, due to the issuance of preliminary licenses for the installation and operation of ventures and construction of the Company's gas pipelines network, under the terms of Resolution 237/1997 of the National Environment Council – CONAMA.

The Company treats the events related to these constraints in accordance with the principles of ICPC 12 – Changes in Existing Decommissioning, Restoration and Similar Liabilities - and recognizes in the fixed asset the corresponding portion (initial measurement and future remeasurement). Expenses incurred to comply with the constraints are deducted from the accrued amount and the corresponding fixed asset is being amortized under the straight-line method, due to the expiration of authorizations for the operation of gas pipelines linked to such constraints.

### **15. Equity**

#### **15.1 Share capital**

At the Extraordinary Shareholders Meeting held on July 16, 2019, was attended by the Company's shareholders representing the majority of the share capital, who unanimously and unreservedly approved the reduction of the Company's share capital in the amount of R\$624,329, as deemed excessive, and the Fiscal Council has previously expressed a favorable opinion. On September 15, 2019, after 60 (sixty) days from the publication of the minutes of this meeting without the opposition of creditors, the Company's share capital was reduced from R\$1,618,630 to R\$994,301, with decrease of the nominal value of the share from R\$0.70 (seventy centavos) to R\$0.43 (forty-three centavos) and upon capital restitution to the shareholders, proportionally to their respective interests in the Company's share capital.

## **Nova Transportadora do Sudeste S.A. - NTS**

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### **15. Equity—Continuation**

Due to the aforementioned capital reduction, the Company's fully subscribed and paid-up capital on June 30, 2020 was 2,312,328,578 common registered shares with a par value of R\$0.43 each (2,312,328,578 registered common shares on December 31, 2019, with a par value of R\$0.43 each). The Company does not have authorized capital.

#### **15.2 Capital transactions**

Refers to the transactions with shareholders in their capacity as owners and the recognition of gains arising from unusual transactions regarding the termination of the finance lease between companies in the same economic group.

In October 2016, due to the corporate restructuring of companies Transportadora Associada de Gás (TAG), Nova Transportadora do Nordeste (NTN) the Company's corporate restructuring and the termination of the Malhas Consortium, Petrobras Leasing with NTS was reversed on October 25, 2016, generating gains of R\$1,360,199, recorded as capital transaction in Equity.

#### **15.3 Income reserves**

##### a) Legal Reserve

The legal reserve is set up considering the limit of 20% of share capital, through the allocation of 5% of net income for the year, in compliance with article 193 of the Brazilian Corporation Law. This reserve can only be used to absorb losses or capital increases.

The Company may be exempt from setting up this reserve if it achieves the limit of 20% of share capital mentioned in the previous paragraph or the sum of its balance and the capital reserve exceeds 30% of the share capital.

##### b) Interim dividends

During the quarter ended June 30, 2020, NTS distributed a total of R\$936,041 in dividends for the current period (R\$1,795,038 on December 31, 2019) and a total of R\$51,377 in interest on equity (R\$163,654 on December 31, 2019). Both the payment of dividends and interest on equity were approved by the Fiscal Council and the Board of Directors.



## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 15. Equity—Continuation

#### 15.3 Income reserves - Continued

c) Dividends paid

On December 31, 2019, the Company's management proposed the distribution of additional dividends in the amount of R\$248,003. This amount was paid in the first quarter of 2020 together with the anticipated dividends for 2020, after the resolution and approval of the Board of Directors.

d) Tax incentive reserve

NTS constituted a profit reserve on tax incentives in the amount of R\$26.743 resulting from an investment subsidy referring to the ICMS credit appropriation of the ICMS Agreement 106/96, which grants a credit of 20% of the ICMS amount due to companies providing transportation services. These credits were recorded in the income statement of the period and allocated monthly to the tax incentive reserve, being excluded from the calculation of the dividend calculation base.

e) Earnings per share

The calculation of basic and diluted earnings per share for the three and six-month periods ended on June 30, 2020 and 2019, were as follows:

	<u>Three-month period ended</u>		<u>Six-month period ended</u>	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Net income for the period (in thousands of Reais)	<b>600,811</b>	561,429	<b>1,202,748</b>	1,099,332
Total shares issued	<u>2,312,328,578</u>	<u>2,312,328,578</u>	<u>2,312,328,578</u>	<u>2,312,328,578</u>
<b>Basic and diluted earnings per share in Reais</b>	<b>0.26</b>	<b>0.24</b>	<b>0.52</b>	<b>0.48</b>

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 16. Net revenue

	Three-month period ended		Six-month period ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Gross revenue	1,396,706	1,348,256	2,796,751	2,672,774
Service charges	(182,637)	(193,949)	(375,095)	(378,436)
Tariff adjustments	(67,545)	(56,830)	(126,647)	(113,034)
	<u>1,146,524</u>	<u>1,097,477</u>	<u>2,295,009</u>	<u>2,181,304</u>

### 17. Costs of services

	Three-month period ended		Six-month period ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Depreciation and amortization	(94,818)	(81,407)	(180,477)	(177,470)
Contracted services, freight, rentals, and general charges	(4,017)	(6,019)	(8,815)	(11,904)
Operation and maintenance	(64,237)	(60,286)	(130,077)	(120,546)
Right of passage	(15,010)	(13,767)	(29,535)	(27,533)
Electric energy	(4,620)	(4,827)	(8,986)	(9,633)
Insurance	(3,438)	(3,395)	(6,951)	(6,588)
ICMS on the gas used in the system	(828)	(2,343)	(2,555)	(5,399)
Environmental costs	(15)	(18)	(15)	(181)
Personnel costs	(6,356)	(6,942)	(10,724)	(6,942)
Other costs (*)	(5,201)	3,053	(7,786)	(512)
	<u>(198,540)</u>	<u>(175,951)</u>	<u>(385,921)</u>	<u>(366,708)</u>

(\*) Due to personnel costs have become more significant since the 2nd quarter of 2019, for purposes of disclosing the corresponding ITR, these costs were presented according to their nature (personnel costs) and not as "Other Costs", as disclosed in the 1st quarter of 2019. This situation resulted in a positive movement in the line of "Other Costs" for the period of 3 months between March and June of 2019.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 18. General and administrative expenses

	Three-month period ended		Six-month period ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Personnel expenses	(5,265)	(6,541)	(11,748)	(12,068)
Legal advice	(566)	(265)	(849)	(384)
Audit	(178)	(246)	(178)	(246)
Accounting advice	(430)	(326)	(691)	(632)
Consulting	(737)	(208)	(891)	(287)
Sponsorships	(2,000)	(4,510)	(4,000)	(6,490)
Donation	(4,080)	-	(4,080)	-
License maintenance	(662)	(156)	(1,212)	(209)
Recruitment and hires	(1,245)	(309)	(1,726)	(355)
Rentals and charges	(339)	(205)	(900)	(439)
Services hired	(1,025)	(103)	(1,025)	(192)
Office and other expenses	(711)	(1,916)	(2,325)	(3,667)
	<u>(17,238)</u>	<u>(14,785)</u>	<u>(29,625)</u>	<u>(24,969)</u>

### 19. Net financial result

	Three-month period ended		Six-month period ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Financial income	6,927	14,235	16,115	24,881
Other financial income	2,414	1,523	4,753	1,823
Total financial income	<u>9,341</u>	<u>15,758</u>	<u>20,868</u>	<u>26,704</u>
Interest on financing	(42,935)	(88,398)	(101,783)	(176,057)
Fines and interest	(621)	(780)	(1,213)	(1,425)
Taxes on financial result	(37)	(36)	(90)	(68)
Other financial expenses	(592)	(2,206)	(1,770)	(4,178)
Total financial expenses	<u>(44,185)</u>	<u>(91,420)</u>	<u>(104,856)</u>	<u>(181,728)</u>
Net financial result	<u><b>(34,844)</b></u>	<u><b>(75,662)</b></u>	<u><b>(83,988)</b></u>	<u><b>(155,024)</b></u>

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 20. Legal proceedings and contingencies

#### 20.1 Accrued legal proceedings

The Company recorded provisions in amounts deemed sufficient to cover any losses considered probable for which a reliable estimate can be made.

The amounts accrued are as follows:

	<u>6/30/2020</u>	<u>12/31/2019</u>
Non-current liabilities		
Labor	(2,996)	(2,996)
Tax	(3,340)	(3,340)
	<u><b>(6,336)</b></u>	<u><b>(6,336)</b></u>

#### 20.2 Judicial deposits

	<u>6/30/2020</u>	<u>12/31/2019</u>
Non-current assets		
Labor	17	17
Tax	18,113	17,681
Other	19	18
	<u><b>18,149</b></u>	<u><b>17,716</b></u>

#### 20.3 Non-accrued legal proceedings

Legal proceedings that constitute present obligations whose outflow of resources is not probable or whose amounts cannot be reliably estimated are not recognized, however, they are disclosed. Cases classified as remote are not the subject of any disclosures in these quarterly statements.

Contingent liabilities estimated for legal proceedings on June 30, 2020 and December 31, 2019 in which the probability of loss of which is considered possible, are presented below:

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 20. Legal proceedings and contingencies (Continuation)

#### 20.4 Non-accrued legal proceedings

	Civil	Labor		Total
	Judicial	Administrative	Judicial	
Balance on December 31, 2019	44	96,845	13,033	109,922
New lawsuits	1,083	32,075	-	33,158
Monetary restatements	2	2,178	-	2,180
Write-offs		(415)	-	(415)
Balance on June 30, 2020	1,129	131,098	13,033	144,845

The main administrative tax causes refer to several administrative proceedings initiated by the Brazilian Federal Revenue (RFB) and are related to tax credits used by NTS and not approved by the tax authority. Additionally, in this quarter, a new lawsuit was added concerning a decision that partially disapproved the negative balance credits of the IRPJ and CSLL taxes, respectively, for the 2015 fiscal year, totaling R\$111,974 (R\$84,474 in December 2019).

#### 20.5 Legal proceedings with final rulings

On June 6, 2020, the Company obtained a favorable and definitive decision at the Federal Regional Court of the 2nd Region in a process that seeks to guarantee the right to exclude ICMS from the PIS and COFINS tax basis prospectively and recover the excess contributions made of these taxes due to the inclusion of ICMS in the respective calculation bases. The Company is currently analyzing the effects of these amendments, but does not expect significant impacts on its operations.

### 21. Financial instruments

The Company is engaged in transactions involving financial instruments. These instruments are managed through operational strategies and internal control to ensure liquidity, profitability, and safety. Control policy consists of permanent monitoring of contracted conditions versus current market conditions.

On June 30, 2020, the Company did not have any derivative financial instruments to mitigate risks associated to its financial instruments and, during the periods, did not make speculative investments. The results are consistent with the policies and strategies defined by the Company's management.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 21. Financial instruments—Continuation

#### a) Liquidity risk

The Company uses its funds to cover operating liabilities and to pay creditors. The sources of funds plus the Company's financial position on June 30, 2020 are sufficient for the settlement of its short-term liabilities. Liquidity risk is managed by the Company by investing its cash in CDBs and investment funds with daily liquidity and renegotiating (when necessary) the maturity date of its debts.

	2020	2021	2022	2023	Total
<b>Debentures</b>	64,496	126,374	126,884	5,239,859	5,557,613
<b>Trade accounts</b>	244.894	-	-	-	244.894

#### b) Currency risk

Currency risk arises from the possibility of fluctuations in foreign exchange rates used by the Company for acquiring equipment or services and entering into financial instruments. On June 30, 2020, the Company did not have any financial assets or liabilities denominated in foreign currency or exposed to other currencies.

The Company adopts the policy of eliminating market risks, thus avoiding exposure to market value fluctuations, and operate only with instruments that enable risk control. On June 30, 2020, the Company did not have any outstanding derivative financial instruments.

#### c) Credit risk

As part of the Share Purchase and Sale Agreement entered into with the Company shareholders, described in Note 2.1, Petrobras and NTS signed a Restricted Accounts Management Agreement with Banco Bradesco S.A. aiming to diversify NTS's credit risk in relation to the Gas Transportation Agreements (GTAs) with Petrobras and so that the Company does not depend exclusively on its only customer to obtain its revenues.

Receivables pledged as collateral by Petrobrás to NTS refer to deposits made in the restricted account by Petrobrás' low-credit risk clients, arising from the Natural Gas Purchase and Sale Agreement (GSAs) in which Petrobras acts as the seller. Deposits made in this account are intended to guarantee coverage of at least 120% of the Company's expected monthly invoices, due by Petrobras under the GTAs, in addition to any taxes and charges that may be deducted by Banco Bradesco every month.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 21. Financial instruments—Continuation

#### d) Sensitivity analysis

On June 30, 2020, the Company's management carried out a sensitivity analysis for financial instruments subject to interest rate risk, considering that the exposure is the value of the debentures, as described in Note 10, and financial investments exposed to the CDI variation. The possible and remote scenarios consider a 25% and 50% variation in the expected interest rates on loan balances, net of financial investments, respectively, in relation to this same date.

Instruments	Exposure	Risk	Probable (*)	Possible (25% Variation)	Remote (50% Variation)
<b><u>Financial liabilities</u></b>					
Debentures (**)	5,222,516	Increase in CDI	(126,418)	(126,418)	(189,020)
<b><u>Financial assets</u></b>					
Cash equivalents	866,530	Decrease in CDI	19,507	14,630	9,754

(\*) 12-months scenario.

(\*\*) Debenture amount and interest to be incurred/projected financial charges do not include funding expenses.

(a) The probable scenario was calculated considering a CDI rate of 2.25%, applicable to the floating interest rate portion of the debentures net of cash and cash equivalents as of June 30, 2020. The possible and remote scenarios considered variations of 25% and 50% respectively, in the CDI rate applied to the floating portion of the debentures (increase in CDI), net of the cash balance and cash equivalents for the next 12 months.

#### e) Estimate at fair value:

The table below sets forth the book values and fair values of the Company's financial instruments and other assets and liabilities, as well as its measurement level on June 30, 2020 and December 31, 2019.

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation  
Six-month period ended June 30, 2020  
(In thousands of reais, except when indicated otherwise)

### 21. Financial instruments—Continuation

Financial assets (current and non-current)	Classification after adoption of IFRS 9	Level	6/30/2020		12/31/2019	
			Book Value	Fair Value	Book Value	Fair Value
			<b>1,954,644</b>	<b>1,954,644</b>	1,749,005	1,749,005
Cash and cash equivalents	Fair value through profit or loss	2	866,991	866,991	795,974	795,974
Trade accounts receivable	Amortized cost		981,421	981,421	861,142	861,142
Other accounts receivable	Amortized cost		90,949	90,949	76,793	76,793
Restricted bank deposits	Amortized cost		15,283	15,283	15,096	15,096
<b>Financial liabilities (current and non-current)</b>			<b>5,555,018</b>	<b>5,555,018</b>	5,497,594	5,497,594
Trade accounts	Amortized cost		244,894	244,894	256,471	256,471
Debentures	Amortized cost		5,222,516	5,222,516	5,241,123	5,241,123

#### e) Estimate at fair value:

The measurement level of each financial instrument corresponds to the following fair value hierarchy:

Level 1 - unadjusted prices in active markets for instruments identical to those held by the Company;

- Level 2 - observable information on assets or liabilities, whether directly or indirectly, except for prices included in the previous level;
- Level 3 – for non-observable data for the instrument in question.

The Company understands that the fair value of trade accounts receivable is already reflected in their book value, since most of them mature in the short-term.

For financing classified and measured at amortized cost, the Company understands that since these are bilateral transactions and do not have an active market, or other similar source with conditions comparable to those already presented that may be used as a benchmark to determine their fair values, its book values reflect the fair value of the transaction.



## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 21. Financial instruments—Continuation

#### f) Changes in the cash flow liabilities of financing activities

As required by CPC 03, the Company states below the changes in the cash flow liabilities of financing activities, as recorded in its Statement of Cash Flows:

Debentures & Financing	Balance on December 31, 2019	Cash Changes			Non-Cash Changes			Balance on December 31, 2020
		Financing activities received (paid)	Interest payment	Funding costs	Approved dividends & interest on equity	Interest expenses	Amortized funding costs	
Debentures - 2nd issue	5,241,123	-	(119,864)	-	-	100,285	973	5,222,518
Dividends & Interest on Equity	10,546	(1,245,967)	-	-	1,235,421	-	-	-
	5,251,669	(997,964)	(119,864)	-	987,418	100,285	973	5,222,518

### 22. Commitments

#### a) Contractual obligations

The following table sets forth the annual minimum required, and non-cancelable future payments related to the contractual obligations assumed by the Company as of June 30, 2020:

Type of Contract	2020	2021	2022	2023	2024	Total
Office rental	708	1,024	512	45	48	2,337
Telecom & printers	4	-	-	-	-	4
Compression services	6,302	9,761	10,475	11,241	12,064	49,843
Operation and maintenance	139,154	278,309	278,309	278,309	278,309	1,252,390
Use and sharing of gas pipelines	27,535	55,069	59,099	63,424	68,066	273,193
<b>Total</b>	<b>173,703</b>	<b>344,163</b>	<b>348,395</b>	<b>353,019</b>	<b>358,487</b>	<b>1,577,767</b>

#### b) Guarantees

On June 30, 2020, the Company had a guarantee of R\$1,251 with Banco Bradesco to cover the guarantees required in the lease agreement of the Company's head office located at Praia do Flamengo 200/23rd floor, Rio de Janeiro, RJ. The Company also had a rent guarantee insurance contract in the amount of R\$902 with Potencial Seguradora S.A. as security in compliance with

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 22. Commitments—Continuation

the lease agreement of part of the office located at Praia do Flamengo 200/19th floor, Rio de Janeiro, RJ.

### 23. Insurance coverage

The Company has a policy of taking out insurance coverage for the assets subject to risks in amounts considered sufficient to cover possible losses, considering the nature of their activities.

The Company has several insurance policies, including operational risks and business interruption, general civil liability, environmental risks, D&O civil liability, engineering risks, civil liability works and property liability.

The table below summarizes the insurance coverage types and their effective terms as contracted by the Company:

Type of Insurance	Start of coverage period	End of coverage period	Coverage amount
Operational risks and business interruption	10/03/2019	10/03/2020	1,500,000,000
General civil liability	10/03/2019	10/03/2020	400,000,000
Environmental risk	10/03/2019	10/03/2020	300,000,000
D&O civil liability	10/03/2019	10/03/2020	300,000,000
Professional civil liability (E&O)	10/03/2019	10/03/2020	10,000,000
Data protection and resp. cybernetics (Cyber)	10/03/2019	10/03/2020	10,000,000
Corporate fraud (Crime)	10/03/2019	10/03/2020	5,000,000
Property (office)	11/27/2019	11/27/2020	10,000,000
Engineering risk (CCO)	9/15/2019	1/31/2021	9,986,530
<b>Total</b>			<b>2,544,986,530</b>

Insurance premiums paid related to the insurance policies are recorded under assets as prepaid expenses and are recorded proportionally to P&L as a result of the policies' effective terms.

The table below summarizes the amounts recorded on June 30, 2020 as prepaid expenses:

## Nova Transportadora do Sudeste S.A. - NTS

Notes to the financial statements - Continuation

Six-month period ended June 30, 2020

(In thousands of reais, except when indicated otherwise)

### 23. Insurance coverage—Continuation

Description	06/30/2020	12/31/2019
Operating risks and business interruption	2,240	6,719
General civil liability	578	1,477
Environmental risks	324	974
D&O civil liability	274	647
Corporate insurance	95	573
<b>Total</b>	<b>3,511</b>	<b>10,390</b>
Other prepaid expenses	1,271	317
<b>Total</b>	<b>4,782</b>	<b>10,707</b>

### 24. Impacts from COVID-19

We spared no effort to adapt and remain focused on our objectives for this year, even in the uncertain scenario caused by the COVID-19 pandemic. In the past few months, the Crisis Committee, which has been installed since March 2020, has monitored the effects caused by the COVID-19 pandemic on operations. The transportation of natural gas is considered an essential service and we maintained our operations without interruptions and material impacts. Our revenues were not impacted since all of our gas transportation contracts are conducted in the ship-or-pay modality.

As of June, some field operations were resumed as a result of a new security protocol to minimize contamination risks. We maintained remote working conditions for corporate employees, with an undefined return date. We reiterate that the Company, supported by the Crisis Committee, has guided its decisions in line with the recommendations of the sanitary and health authorities. However, we have already concluded the necessary safety protocol adaptations in our facilities to minimize contamination risks in order for our employees to return to their workstations, informing them about the required safety measures through a carefully prepared manual focused on the health and wellbeing of our teams when they return.

### 25. Subsequent event

At the Board of Directors' Meeting held on July 27, 2020, the hiring of a new debt with Banco Santander, in the total amount of R\$60,000,000.00, was approved with the following characteristics: bank loan with remuneration interest corresponding to the accumulated variation of the CDI rate plus a spread of 1.98%, with semiannual interest payments, no interim amortizations, a 1-year maturity and without debt renegotiation or automatic renewal clauses.