



Strategic Monitoring and Business and Management Plan 2018-2022

Rio de Janeiro, December 21, 2017 – Petróleo Brasileiro S.A. – Petrobras informs that its Board of Directors approved in a meeting held yesterday the Business and Management Plan 2018-2022 (BMP 2018-2022).

The Board also approved the Strategic Monitoring process, based on the Strategic Plan released in September 2016, which consists of the permanent evaluation of the business environment and the implementation of the plan, allowing adjustments to be made in a more agile and efficient way.

BMP 2018-2022 is based on two main top metrics, safety and financial, as defined in the BMP 2017-2021 and continue to guide the company's strategic actions:

- The security metric was anticipated in two years: Total Recordable Injury recorded per million men-hours (TRI) was reduced from 1.4 to 1.0 by 2018;
- The financial leverage target was maintained: Net debt/adjusted EBITDA of 2.5 in 2018.

Strategic Monitoring

The ongoing process of strategic monitoring is based on the company's Vision and its five crucial principles that establish what Petrobras wants to be:

"An **integrated energy company focusing on oil and gas** that **evolves with society, generating high value** and with a unique **technical ability**"; with the following values: respect for life, people and the environment; ethics and transparency; market driven; overcoming and confidence; and results.

The process generated adjustments, incorporating three new strategies: (1) the transition to a low carbon economy; (2) the preparation of the company to capture opportunities arising from digital transformation; and (3) optimization of the company's financial and risk management, resulting in a total of 20 strategies, reflected in 78 strategic initiatives. The initiatives are unfolded to the level of supervision, with systematic monitoring, to ensure discipline in their implementation.

www.petrobras.com.br/ir

Contacts:

PETRÓLEO BRASILEIRO S.A. – PETROBRAS | Investor Relations Department | e-mail: petroinvest@petrobras.com.br

Av. República do Chile, 65 – 10th floor, 1002 – B – 20031-912 – Rio de Janeiro, RJ | Phone: 55 (21) 3224-1510 / 3224-9947

FORWARD-LOOKING STATEMENTS

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The five fundamental principles are unfolded into 20 strategies, as follows:

Efficient Integration

- Reduce Petrobras' risk, adding value in E&P, Refining, Transportation, Logistics, Distribution and Sales by active portfolio management through partnerships, acquisitions and divestments.
- Restructure the Electric Energy business, seeking the alternative that maximizes value for the company.

Energy, with focus on oil and gas

- Manage the exploratory portfolio in order to maximize cost effectiveness and ensure the sustainability of oil and gas production.
- Manage the E&P portfolio projects in an integrated manner.
- Optimize the business portfolio, withdrawing entirely from biofuel production, NGL distribution, fertilizers production and petrochemical interests, preserving technological competencies in areas with development potential.
- Maximize value creation in the gas chain as a fuel of transition to the long term.

Evolves with the society

- Strengthen internal controls and governance, ensuring transparency and an effective system for preventing and combating irregularities, without prejudice to the agility in the decision-making process.
- Recover Petrobras' credibility and strengthen its relation and reputation with all its stakeholders, including control and supervisory bodies of the company, maintaining a transparent, respectful and proactive dialogue.
- Prepare the company for a future based on a low carbon economy.
- Capture the opportunities created by digital transformation, applying new technologies to the company's processes and/or generating new processes or new businesses, focusing on the aggregation of value.

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Company determined to create value

- Ensure disciplined use of capital and return to shareholders in all Petrobras projects, with high reliability and predictability in the delivery.
- Continuously maximize the productivity and the reduction of costs in accordance with the best international practices.
- Manage the process of contracting goods and services with a focus on value, aligned with international standards and metrics, meeting conformity requirements, maintaining flexibility in adverse and volatile demand scenarios and contributing to the development of the chain as a whole.
- Promote the management of our workforce in an environment of participatory culture and mutual trust, focused on results that add value, with safety, ethical conduct, responsibility, encouragement of argument, meritocracy, simplicity and conformity.
- Strengthen the reservoir management to maximize the value of E&P contracts in all the regulatory regimes, seeking opportunities to continuously incorporate reserves.
- Promote a market price policy and maximize margins in the value chain.
- Optimize the financial and risk management of the company.

Technical Ability

- Ensure the constant development of technological competencies in areas with development potential, strengthening the performance of the current business.
- Prioritize the development of deepwater production, acting primarily in strategic partnerships, bringing together technical and technological expertise.
- Enable the conception and implementation of projects with a low oil equilibrium price, with safety and compliance with environmental requirements.

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Business and Management Plan 2018-2022

The Business and Management Plan 2018-2022 focuses on safety and financial leverage reduction.

The safety target considers the Total Recordable Injury Frequency Rate (TRI), which is a widely used metric in the oil and gas industry. The target for TRI for 2018 was changed from 1.4 to 1.00 due to the implementation of the *Programa Compromisso com a Vida* (Commitment to Life Program) in 2017, which had 100% of its actions completed, contributing to the reduction of TRI by around 50%, from 2.15 in 2015 to 1.08 in October/2017. This program will have a new cycle, containing actions based on process safety and incorporated into the principles and guidelines that also cover the dimensions of environment and health.

The financial metric for 2018 remains the Net Debt/adjusted EBITDA, with the target of 2.5 in December 2018. The objective is to have a declining metric that converges, until 2022, to the global average of the main companies in the sector.

The main pillars of the Plan are competitive prices, efficiency of Capex, efficiency of Opex and the partnerships and divestments program.

The average Brent price and average exchange rate assumptions considered for planning purposes are according to the table below:

		2018	2019	2020	2021	2022
Brent	US\$/bbl	53	58	66	70	73
FX Rate	R\$/US\$	3.44	3.55	3.62	3.69	3.80

The BMP 2018-2022 investment portfolio maintains the same level of investments in relation to BMP 2017-2021 and continues to prioritize exploration and production projects of oil in Brazil. In the other business areas, investments are intended primarily to maintain operations and projects related to the outflow of oil and natural gas and are distributed according to the charts below:

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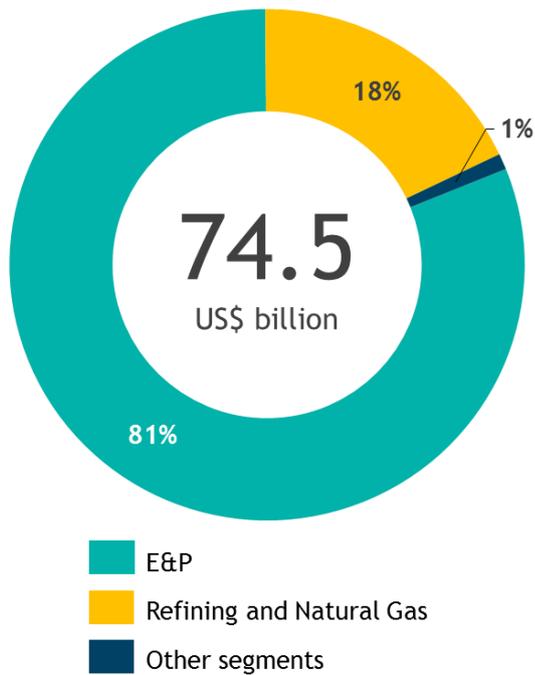
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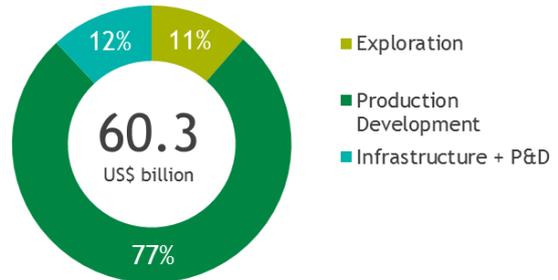
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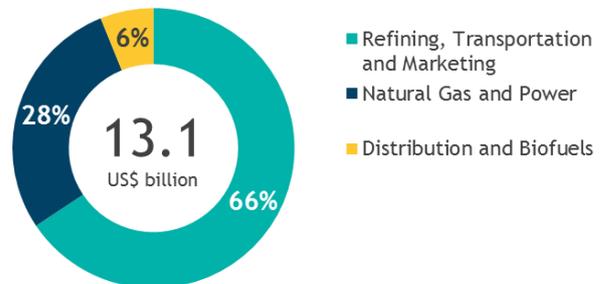
Total CAPEX



E&P



Refining and Natural Gas



In relation to operational costs, the company continues with reduction efforts, estimating an amount of US\$ 136.8 billion of manageable operating expenses in the BMP 2018-2022.

The partnership and divestments program is an important part of the Plan and its achievement reached US \$ 13.6 billion in the biennium 2015-2016, and for the biennium 2017-2018 the goal is US\$ 21 billion.

These initiatives, coupled with an operating cash generation estimated at US\$ 141.5 billion, after dividends, will allow Petrobras to invest and reduce its indebtedness, without the need for new net funding for the Plan.

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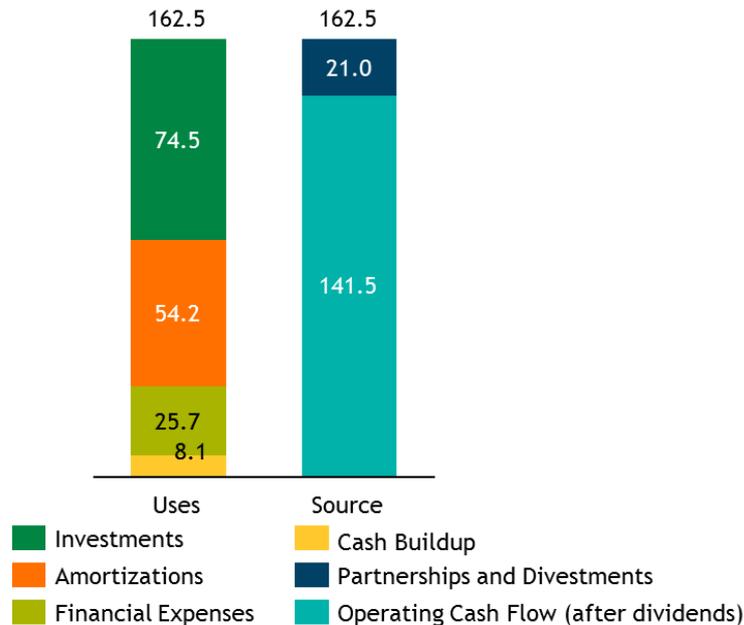
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Sources and Uses 2018-2022 (US\$ billion)



Oil, NGL and Natural Gas Production Curve

The Company expects to reach a total production of oil and gas, in Brazil and abroad, of 3.55 million barrels of oil equivalent per day (boed) in 2022, of which 2.88 million barrels per day (bpd) of oil and natural gas liquids (NGL) in Brazil, considering the new level of investments, partnerships and divestments.

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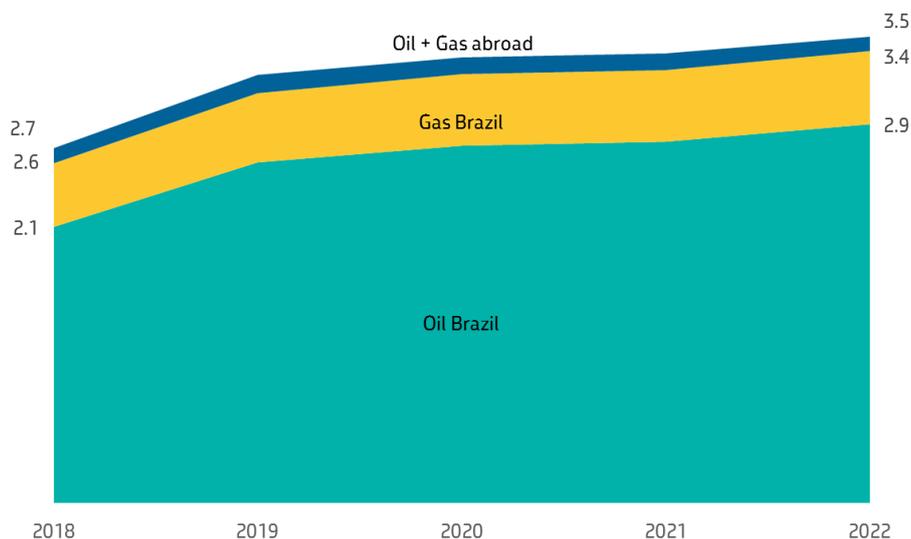
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Oil, NGL and Gas (Millions of boed)



Risk Management

Petrobras is still adopting specific initiatives to enhance its risk management, including the identification and planning of mitigation initiatives, in order to allow for a timely and adequate response under any circumstances.

Within the identified risks, the highlights are:

- Significant changes in market conditions, such as oil and natural gas price volatility, product sales and margins
- Major accidents / Integrity of assets
- Execution of partnerships and divestments
- Delay in platforms construction
- Legal disputes and contingencies

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