International Conference Call
Petrobras
2018-2022 Business and Management Plan
December 22, 2017

Operator: Good day, ladies and gentlemen. Welcome to Petrobras conference call with analysts and investors for the presentation of the business and management plan 2018-2022.

We would like to inform you that participants will be in listen-only mode during the company's presentation, which will be conducted in Portuguese with simultaneous translation into English. Following the presentation, a Q&A Session will begin, when further instructions will be provided.

Should you need assistance during the conference call, please call the operator by dialing start 0.

Present with us today are:

- **Mr. Ivan de Souza Monteiro, CFO and IRO;**
- **Ms. Solange da Silva Guedes, Chief Exploration and Production Officer;**
- **Mr. Jorge Celestino Ramos, Chief Refining and Natural Gas Officer;**
- **Mr. Nelson Luis Costa Silva, Chief Strategy and Performance Officer;**
- **Mr. Hugo Repsold Junior, Chief Human Resources, HSE and Services Officer;**
- **Mr. João Adalberto Elek Junior, Chief Governance, Risk and Compliance Officer;**
- As well as other company executives.

I would like to remind you that this meeting is being recorded and please be mindful of slide 2, which contains a notice to shareholders and investors. The words "believe", "expect" and similar ones relative to projections and targets are mere forecasts based on the expectations of executives regarding the future of Petrobras.

To begin, we will hear Ms. Isabela Carneiro da Rocha, Executive Manager of Investor Relations, who will make a presentation about the business and management plan 2018-2022. Subsequently, the questions form participants will be answered.

Please, Ms. Rocha, you may begin.

Ms. Rocha: Good afternoon, thank you for your attention and participation in our webcast to announce strategic monitoring and the business and management plan 2018-2022.

The process of strategic monitoring, which is now continuous, identified the need to adjust our strategies. We added 3 new strategies with a long-term view, they are: the preparation of the company for a low-carbon economy; digital transformation; and optimization of financial and risk management.

The first strategy is the preparation of the company for a low-carbon economy. In it we intend to continue to reduce carbon emissions in our productive processes. It is important to highlight that our effort has resulted in a 15% reduction of absolute emissions of greenhouse gases in 2016 in relation to 2015. We also want to develop new technologies to reduce the impact of climate change and to resume investing in renewable energy in high-value projects.

The second strategy is to capture opportunities created by the digital transformation. The company will start approaching this theme in a more structured way as of now.

The third is the strategy that is already being executed, but we identified that we needed to clarify it explicitly. The goal is to optimize the company's cash management in terms of predictability, size and allocation, as well as to reduce the risk associated with cash flow.

With regards to the business and management plan, the keywords are: persistence; consistency and predictability. Thus, we are maintaining or bringing forward goals and confirming the main variables and the main pillars of the prior plan.

As for the safety metric, the results obtained so far were a lot better than expected and we were able to reduce by half the total recordable injury frequency rate. With this result, we are reaching 1 injury per million man/hour in 2 years; it was initially planned for 2018 and it's now in 2018.

As for the financial metric, we are confirming the goal of net debt over Ebitda of 2.5 in 2018, and we will continue to reduce our leverage until we reach the same level of the main peer companies rated as Investment Grade.

In the following slide, we see the progress of our safety goal, we are the range of our peers. In terms of the financial goal, we aim to get 2.5 in 2018 and reduce this ratio even more.

The assumptions adopted for this BMP is using a conservative scenario of a Brent price of US$53 per barrel in 2018, and an exchange rate of R$3.44 per dollar. It considers a gradual recovery for the Brent price until it reaches 73 by 2022.

We know that our Ebitda is very much dependent on the Brent price and this price was shown to be very volatile this year of 2017. The fact is that now we indicate that at current levels of the Brent price we will reach the ratio of 2.5 and even lower than that, 2.4, considering spot prices. However, if the price of the Brent remains at around 53, we will have to adopt additional actions to achieve the goal proposed.

It is important to highlight that whatever the scenario we will continue to reduce our debt, which currently has a much better profile. We were able to extend the average maturity to more than 8 years and simultaneously reduce the average cost to 5.9% at the same time that we reduced by more than 40% the maturities in the next 3 years, it's now US$27 billion. We intend to end 2018 with a net debt of US$77 billion.

In terms of a lower Brent price, the complementary actions that we mentioned that we would need to adopt follow the same pillars mentioned in the plan. In other words, we will work to increase the market share via an active pricing policy, via the additional reduction of Opex and Capex, and the acceleration of the partnership and divestment program with new assets to be added to the portfolio amounting to approximately US$5 billion additional.

Our continuous monitoring process of the plan will define if and when these actions will be necessary.

By 2020, we will have 19 new production systems starting to operate. Special highlight for the year 2018: this will be a year with the startup of the Búzios field with the transfer of rights with 3 units; the competition of the Lula field with 2 new units, totaling 9 systems that this field; and a new system in the post-salt area of the Campos basin, Tartaruga Verde and Mestiça; then, we will have the Mero field in the production sharing system starting up in 2021 and 1 new project, which is the Sergipe deep waters project.

Búzios should have, along with the plant, 5 units with investments amounting to US$11.4 billion. Mero will have 2 units during the period of the plan, expected investments of US$2.3 billion, and Lula will have another 2 units with investments amounting to US$4.5 billion.

It is important to highlight that Lula with 7 units in operation has reached 1 million barrels of oil equivalent per day of operated production, and 800 million barrels of oil equivalent of accumulated production. In this field, we have more than 40 wells in production and more than 120 wells drilled.

With these systems, our production will grow by 30%, reaching 3.5 million barrels of oil equivalent per day by 2022.

Capex for the plan amount to US$74.5 billion along the five-year plan, with 81% or US $60.3 billion invested in exploration and production (E&P). In ENP, we will continue to focus on the pre-salt with 58% of the Capex invested in this layer, but 42% in the post-salt, particularly in the Campos basin, which accounts for 50% of our production.

Investments in the basin of Campos add US$18.9 billion during the period of the plan with 4 new production systems: Tartaruga Verde and Mestiça, Parque das Baleias and 2 revitalization systems at Marlim, in addition to a project to increase the recovery factor of matured fields and investments in the new blocks acquired in the 14th bidding round in partnership with Exxon.

In refining and natural gas, Capex amounts to US$13.1 billion, most of it focused on operational continuity, but highlights going to investment in the Route 3 project, which is a logistics to offload gas from the pre-salt. There were also the investments to improve the quality of diesel and in the second refining train at RNEST.

In terms of divestment, we are confirming the goal of US$21 billion in the biennium 2017-18. Of these, we have realized 4.5 billion with the IPO of BR Distribuidora, the offering was ended today raising R$5 billion. The partnership with Statoil at Roncador field, where we intend to increase the recovery factor by 5%, and the sale of Azulão field.

We would like to highlight the strategic partnerships with the biggest oil and gas companies of the world with documents signed with all of them for cooperation in upstream, downstream, trading, technology, among others. The partnership with Total resulted in transactions amounting to US$2.2 billion still as part of the 2015-16 divestment program, and the partnership with Statoil in the 2017-18 program resulted in deals amounting to US$2.9 billion.

We also show you on slide 21 that divestment processes are progressing, each at different stages, as mentioned on the slide.

To move on, we will continue with our active pricing policy for gasoline and diesel, we show you that our average price in Brazil for diesel and gasoline has been always above the international parity in the Brazil average, and we will continue to implement this policy.

In terms of operating expenses, they totaled US$394 billion during the horizon of the plan, with US$137 billion in expenses that we call “manageable”, because they are more related to activities with the reduction of both in the lifting cost that we expect to be US$9.09 per barrel as an average for the plan, lower than what we have achieved in 2017, and also a reduction in refining cost of US$2.06 per barrel compared to 3, which is what we had in 2017.

And here we have the schema sources and uses, what we expect a generation of US$141.5 billion, a little down compared to the prior plan given the new assumptions of Brent price and margin for the new plan. But, on the other hand, in terms of uses, we see a significant reduction in terms of debt, either through amortizations or interest rates. A reduction of more than 20% compared to the prior plan.

On the following slide we see our main projects from slides 27 to 32, we bring you more color on the main projects during the horizon of the plan. I’ve talked a little about this, I will let officer Solange and Jorge Celestino give you more details on that during the Q&A.

But the projects highlighted here are: Lula, Mero, Búzios, new projects to maximize value in the Campos basin and the integrated Route 3 project.

And getting close to the end, we have to highlight here the future of the company through the recomposition of its exploration portfolio; fundamental for an energy industry with the focus on oil and gas, either through the acquisition of areas in auctions or through new discoveries, as we have had in the pre-salt of the Campos basin.

We see an increase in the exploration activity, we intend to increase from an average of 29 exploration… to about 29 exploration wells.

In terms of strengthening governance, we highlight a number of initiatives that have been adopted: the global compact, Ethos Institute, strengthening of our compliance culture at the company, management of consequences and a totally independent whistleblowing channel.

It is important to highlight that we got the certification in the governance program for stated-owned companies at B3. Also, the recognition we have achieved through some awards that value the governance, and I would like to highlight the request to join level 2 governance of B3, that takes Petrobras to a level comparable to companies that seek to have greater rights for the minority shareholders, greater transparency in decision-making and information to market, and I would like to say that the company's management considers joining level 2 a transforming step for Petrobras.

Finally, an intense cultural transformation process that we are going through, we highlight: meritocracy, a new process for managerial succession, mobility, modernization in the model of career and compensation, and better relationship with all our stakeholders.

I would like to thank you for your attention and we can now begin the Q&A.

Question & Answer Session

Operator: We will now begin the question-and-answer session. We would like to ask each participant to limit themselves to at most 2 questions. Please ask your questions consecutively and clearly.

Please do not use the speakerphone.

Questions asked in English will be heard by all participants in the original language and will be answered by the executives of Petrobras in Portuguese with simultaneous translation into English.

If you want to ask a question, please, press start one. To remove your question from the queue, please, press start 2.

Our first question comes from Felipe Gouveia, with Bradesco.

Mr. Gouveia: Good afternoon everyone. Thank you for taking my question. But prior to that, I would just like to clarify something. A question by the media yesterday when we had the presentation of the plan, Bradesco's numbers they said its estimate of Petrobras paying US$8 billion as the final transfer of rights agreement. So, it's the opposite of our view. Bradesco vision is the opposite: we believe Petrobras would receive, have a credit of US$8 billion about the transfer of right.

So just wanted to clarify the official vision of Bradesco about this topic.

Now, coming back to the questions, we have 2 questions. Firstly, about Capex, we saw this curve going down – I think it was cool to have the breakdown per year –, could you clarify, please, the reason why you went down for the next 2 years from 17 to 10, and then from 10 to 16 billion 2022? What is the reason behind this twist in the curve? Does it have to do with the fact that perhaps you have 8 systems starting up in 2018 or another mean reason?

My second question has to do with the price policy. In light of this more flexible policy, and now even reducing the safety margin of diesel, could we assume that we have the ideal point? The company is comfortable with this level of market share? Thank you.

Mr. Ivan Monteiro: Felipe, good afternoon. Thank you for clarifying before asking your questions. About Capex, Solange Guedes is going to answer your question – Ivan Monteiro speaking –, and then Jorge Celesino is going to talk about the price policy.

Solange, over to you.

Ms. Solange Guedes: Good afternoon. Solange speaking. The event you mentioned is something that we had already discussed before in previous events, and basically it has to do with the fact … well, basically to 2 specific events which were in the previous year and they are also present again in this coming version.

The first thing is that we've been sharing with you the level of promptness of our projects over all speaking, remarkably these major projects, which are listed in the sequence of big production systems that will be starting up in the life of the plan and the level is very significant right now. So, this is one of the reasons, and this is why we had the event of having a large number of systems starting up in 2018.

So, the continued of such projects… by the way, it is the first oil, but investment curve still remains… well, it's very mature so to speak considering the level and the increase for startup.

The other event that is shown on the same slide is that for after 2020, which is year 2021 and 2022, basically we have chartered units, so if it were the opposite, if the option of the company had been different than we would have to be working on a reasonable level of expenses related to these projects for 2021 and 2022. We would already be working on these amounts from 2018 to 2020, which doesn't happen.

So, it has to do with the strategy. This is why we can work on the business plan, we can have such a big sequence of projects with this profile of expenses, lower expenses.

Mr. Jorge Celestino Ramos: Okay Felipe, Jorge Celestino speaking. Thank you for your question. With regards to the price policy, it is right, it brings more dynamism to management, not only about the company's profitability and yield, but also if you consider the market share and the factor of utilization of units, and also seasonality, the seasonality of commodities in general.

So, you have seasonality for diesel and gasoline, they are different seasonalities, but the goal will always be to maximize results, always operating with the maximum yield by using our facilities and always trying to keep an eye on profitability, and naturally, as we addressed before in our plan, we will search for a more active market share in Brazil.

Mr. Gouveia: Perfect, thank you very much.

Operator: The next question is from Bruno Montanari, with Morgan Stanley.

Mr. Montanari: Good afternoon, thank you for taking my question. I would like to talk more about the source of use. It seems to me that average oil price is slightly lower in this plan vis-à-vis the previous plan. However, operating generation goes down more than the oil price.

So, does it reflect some kind of increase in cost, or you are considering higher dividend payout over this timeframe that is included in this bar?

My second question is about the sensitivity of leverage with the oil price and maybe having additional measures should oil go back to 50. So, what kinds of measures should we expect to see? Is it more focused on sale of assets, divestments or any other kind of initiative that you might make?

And if I may, a question to Solange: what kind of initiative should we expect to see in mature yields to increase the factor of reutilization similar to what you see in Roncador? Should we consider new technologies and may be separation from subsea or a new remodeling and investment to improve uptime and platforms? I would like to better understand your mindset in order to capture this interesting upside in Campos basin. Thank you very much.

Mr. Monteiro: Bruno, Ivan Monteiro. Let me start with the last question. Solange is going to answer your last question.

Ms. Guedes: Good afternoon, Bruno. Your question is very interesting, we are very excited about this partnership, we can see or we envisage a very strong value right in the beginning of these activities with Statoil in Roncador field.

Just to give an example about the kind of initiative that we are embarking on of things that will be achieved in order to deliver the increase in this factor, we already had several discussions and conversations even prior to close the agreement. We wanted to understand where these new ideas would come from.

Essentially, what you see – and by the way, I can see you use very proper terms –, it will all start with a remodeling of the field. Remodeling, we want to the remaining oil on the field, geological remodeling, and it entails a process maybe in our new business plan at the company this is going to be picked it, but we have in mind the opportunity of additional wells in field drilling. So technically, we are referring to wells within the draining network or grid that may precisely work with the remaining oil using subsea systems that are very innovative in order to aggregate or collection centers under the sea and bringing this to the idle capacity that we see in Roncador platforms today.

So, it all goes through projects that are already under way or being considered and they will be further discussed over the year generating investment over the years for this additional recovery of Roncador field.

Mr. Monteiro: Bruno, about the deleverage target, the 3 main measures that will be managed by Petrobras according to the commodity behavior are: first, the divestment program per se; next, our cost management, additional cost reduction at the company level; and even more intense follow-up about the price policy, particularly for diesel and gasoline.

So, these 3 drivers are absolutely key and we will be following them up, actually, already following them up very closely, and they will be addressed when it comes to meeting our deleverage target.

Answering your first question, we have a question by the way, could you repeat your question?

Mr. Monteiro: Thank you for clarifying, excellent. Let me repeat my question. My first question was: when you compare the bar about operating sources, it fits into the plan at 11% vis-à-vis the previous plan. If I work on the average oil price it goes down 7%. So, I would like to understand if there was any review upwards and if the delta between the price and operating generation would include dividends that are potentially higher.

Mr. Nelson Silva: Bruno, Nelson speaking. The explanation is basically market share and also premium below the expectation, and also Brent oil also below the initially considered Brent oil.

Mr. Montanari: Okay. Clear. So, it has more to do with refining, right?

Mr. Silva: You are right.

Mr. Montanari: Perfect. Thank you very much again.

Operator: The next question is from André Natal, Credit Suisse.

Mr. Natal: Hello, good afternoon. Thank you for taking my questions. Basically, I'd like to have a follow-up of some topics you have already addressed.

Firstly, about the target, the deleverage goal or target. In the base case, the target would not be achieved, in other words, if I understood it correctly, the oil assumed in the first year is more conservative than effectually happened, so you were confirming the target because you believe or you're assuming the goal and the target will be based on 63-oil, which is the current position along the curve. And if you have evidence over the year that is closer to 53 than 63, then you'd work on additional measure, right?

So, I would like to better understand what does it mean? I mean, what about the price policy? What does that mean? You are not running the policy searching for better use or a better combination or match of premium/market share? Is there anything that could be done halfway through the year onwards?

Mr. Monteiro: André...

Mr. Natal: Can you hear me?

Mr. Silva: Yes, we can hear you.

Mr. Natal: I'm sorry. Did you hear everything I said, or do I need to repeat anything?

Mr. Monteiro: I think we could.

Mr. Natal: Well, just to summarize, I would like to better understand what you mean, for instance, about the price policy, what can be done over time in order to generate more… I mean, does it mean having a higher price? I understand that theoretically you are searching for the best premium/market share match possible. So, I would like to understand more about the dynamics over the year. What do you expect to do? Is it possible that halfway through you sell an asset and still have 2.5 times even with oil at 63?

Mr. Silva: Nelson speaking. Let me talk about Brent oil and then Jorge's going to talk about price policy, okay.

Mr. Natal: Okay. Nelson, just one last thing. If possible, I had an additional question if I may, and then you can answer everything. Is that possible?

Mr. Silva: Okay.

Mr. Natal: So, I would like to understand something else. If possible, Solange, you mentioned several projects, 91 projects to increase the factor, you already mentioned the line of actions, but I would like to better understand if there is an estimate how much you think when you thought about this projects, what is the potential to expand the recovery factor and if this route of divestment or sale of assets or partnering with experience companies in more mature fields searching for this type of vision to increase the recovery via Capex, cash call or combined with your share. Could we expect to see new initiatives? I mean, is this on your radar to explore, further explore this in Campos basin?

And perhaps you could also let us know if this production curve already includes partnerships, for instance, how much the production curve would be excluding these partnerships, is Roncador already included? If it is, how would it be excluding it?

Mr. Monteiro: André, let me break down the answer into 3 parts. Solange is going to answer your last question, followed by Nelson and Jorge will answer the last part.

Mr. Natal: Thank you.

Ms. Guedes: Good afternoon, André, Solange speaking. When we shared this vision that is very strong about opportunities for Campos basin value, we reported 91 projects already existing in our portfolio of recovery units, and basically these are projects involving Capex and they don't demand new units, these are the 4 big systems that will expand and be in the basin by 2022.

They are very mature in the design phase and they are being included in the business plan to be carried out in the following years.

The strategic partnership that we closed with Statoil does not bring yet any opportunities to increase the recovery factor. So, this is why in the previous answer when I gave more detail to Bruno, if I'm not mistaken, about opportunities and the projects in question, well, we are working on several plans, several projects, specifically for Roncador with different wells.

There is a number of initiatives that might deliver many more projects for recovery units to the company, and breakeven Brent oil prices, well, the breakeven Brent is really low because they are on top of existing infrastructures. So, in Roncador, for instance, there is idle capacity.

So, André, we have a big opportunity to be better explained later on and very clearly in the plan substantially improving our portfolio, and you mentioned active portfolio management, so we will be addressing this, this will happen to Roncador, but certainly we are also check the sharing of this technology with other fields, and I am referring to Marlim Sul, Marlim Leste, Barracuda, Caratinga, many others.

So, on the horizon, we expect to see – and by the way, this is also part of our concept of revitalization – we expect to see a better use of the installed infrastructure, our big infrastructure in Campos basin, which is one of the key strategies of our business plan.

So, to summarize, the project you mentioned is not yet fruit of this action. We still have more things to come, mature projects that are still in the phase of design, we are working on the detail, and once everything is ready I am confident that we are going to have benefits in the quality and deliverables of our portfolios.

Mr. Natal: So, if I understood it correctly, at first you intend to do it on your own, right, and not considering new partnerships?

Ms. Guedes: No, that's something that we will be assessing over time because active portfolio management is not something static, it is dynamic, and we will be analyzing all the time, we are going to have this case study for Statoil and Roncador, we are going to see how this can be shared with other areas and only then can we tell whether we will focus… well, if this is going to be with Petrobras alone or if other partners will add more value.

But that's always a strategic vision. But this will be assessed in a timely manner.

Mr. Silva: André, Nelson speaking. About Brent, as an assumption we adopted a Brent value, I think you remember for 2018 it was US$56, so we revisited in mid-year for 53, and our assumption is not something that will vary very often, so we understand that even though there is a fluctuation over 60 today, it was not the right time to go for changes to the assumption. The assumption is a baseline to our internal models, which doesn't mean that what is really reflected in the final result of the company is the effectively realized value for Brent.

We wanted to be very transparent, and on this slide we show this table of Brent variation of net debt over Ebitda just to show that although the plan uses a value at current levels that are very conservative or even more conservative, we all know that based on the average market conditions today we have 2.5 by the end of 2018, which doesn't mean that we won't change Brent.

Like Ivan said… well, Jorge is going to talk about the revenue at the end, but we have divestments, we have the effective use of capital and Capex and continuous effort to reduce costs.

Just to give you an idea, our goal as far as cost reduction is for 2017 will be reduced by 10%, it will be even higher than expected. And this effort will continue in 2018, so acceleration of divestments, more reduction in expenses and Jorge is now going to talk about revenues.

Mr. Ramos: Okay, André, thank you for your question. With regards to the price policy, in reality we are working in the optimum point considering the commercial, the existing commercial policy, but we are also adding a set of tools to have market share and more margin under commercial conditions, level of service, exploring the capillarity of Petrobras' logistics.

So, we will be implementing new commercial conditions in order to capture market share and at the same time have more margin. So, these conditions are already under way and we intend to have this new model implemented with new partner conditions by May 2018.

Mr. Natal: Great, thank you very much. Good afternoon.

Operator: Our next question comes from Gustavo Alevato, with Santander.

Mr. Alevato: Good afternoon. I have 3 questions. One is a follow-up about this leverage slide. The basic assumption of the plan is the price of 53 for 2018, but looking at the table it will give us a margin of 3.3.

In this scenario of 53, does this consider a divestment plan of US$21 billion or not? What exactly is being considered in terms of sale of asset? How do you intend to get this 3.3?

My second question is related to cost reduction. You showed a slide showing that refining cost should fall to US$2.6 per barrel. Where does this reduction in cost come from, and how fast can it be achieved in 2018, 19?

And, finally, regarding production, you have 8 new systems starting up in 2018, an average of one every month and a half. So, I would like to know the challenges starting up 8 new systems. I don't think that in the history of Petrobras you have ever achieved 8 new systems starting up in the same year. How exactly do you intend to implement this along 2018?

Mr. Monteiro: Thank you Gustavo. Let us begin with officer Repsold regarding the startup of the 8 new systems.

Mr. Hugo Repsold: Gustavo, hello and thank you for the question. Indeed, this will be a very special year with a higher number of new production units starting up, and there are also smaller projects that are unfolding simultaneously, and that's why 2018 is such an important year and that's why it will have an impact on the business and management plan.

I'd like to remind you that many of these units have started to be built a while ago, and then they were completed in other industrial units, and that favored the completion of the sub water part, the subsea part, and so we are concentrated now on bringing these units that are practicably ready, we want to bring them to location, we want to get the permits and approvals and start having the startup production.

So, it is feasible, it is an important challenge, but it's quite doable, and it's under control.

Mr. Monteiro: Now, Gustavo, officer Nelson.

Mr. Silva: Hello Gustavo. I just want to say that the commitment of divestments until 2021 continues. It doesn't mean that we will have cash flowing in 2021. It will come before.

What is important is that our net debt over Ebitda of 2.5 is maintained whatever the scenario, and the value drivers are the ones that we mentioned.

It is important to say that this 3.3 calculated with this conservative Brent price of 53 (but which is the assumption of the plan) it does not consider 21 billion flowing in.

Mr. Ramos: And regarding the evolution of refining costs, we have 2 types of actions: on one hand, we have the feedstock processed that tends to increase along this period capturing margin and with improved market demand, and also with a lot of effort that we are making to reduce operating costs.

So, there are a number of actions: to reduce the staff at the refineries, to reduce maintenance costs, monitoring using Solomon and others, so we compare ourselves to our peers and we have a very robust program to bring all refineries to the first or second quartile of this Solomon benchmark.

Mr. Alevato: It is clear. Now, just going back to the deleverage, so 2.5 times is the target that is maintained, regardless of the average Brent price for 2018, right?

So, it's just a sensitivity analysis considering the status quo of the current variables. Is this a fair statement?

Mr. Monteiro: It is.

Mr. Alevato: Well, thank you and happy holidays, Merry Christmas.

Mr. Monteiro: To you too.

Operator: Our next question comes from Luiz Carvalho, with UBS.

Mr. Carvalho: Good afternoon everyone. I have a question to Solange and 2 to Ivan. Solange, let us begin talking about lifting costs. We saw the pre-salt production increasing significantly in the Petrobras mix in recent years, and we didn’t notice a reduction in the lifting costs happening during this period. And the production you are going to have now, you mentioned the 8 new systems, in the part of those I guess the production taxes are paid and you have your own units that you don't have to pay a leasing for, that will drive down the lifting costs.

So, could you comment on what we can expect in terms of reduction of the lifting cost as of 2019, when this production is already accounted for? Because I think there is some cash generation which is hidden and that can be substantial.

And 2 very objective questions do Ivan. Ivan, I think this is a recurring question that I've been asking you in the recent conference calls regarding dividends. In the last conference call, you mentioned that you didn't expect anything until the end of the year in terms of impairment or adjustments to be made to the balance sheet that could substantially impact the company.

And now that we have only 5 business days or 4 business days to end the year, I would like to understand, is there any adjustment, anything in the last 3 months that has changed this assumption in terms of a significant impairment or some off balance sheet liabilities?

And my last question to Ivan. You talked a lot about the leverage and the sensitivity, and the recurring theme during the IPO of BR Distribuidora – at least investors asked us over and over again – about the pension fund, assets related to the pension fund. Why is it that in Petrobras leverage in this goal of 2.5 you don't consider the liabilities of the pension fund? Thank you.

Mr. Monteiro: Well, Luiz, regarding the pension fund liabilities, this is detailed in the balance sheet, it's an actuarial calculation, it is an obligation that fluctuates over time depending on the assets that guarantee the plan.

We had a very, very conservative approach in terms of the cost of the deficit. We think that we are very conservative in terms of our expectation of expenses in the plan, and there is a reality happening in the last 2 years in the capital market, which happened particularly in the second half of the year, which is a recovery of these assets.

We saw a great operation that the fund did 2 days ago regarding the liquidity of the position that we had in Itaúsa. So, what we have there is the performance of an actuarial commitment, and our leverage calculation includes banks, commercial debts, debts in the capital market. These are contract debts, they have a maturity date and they have to be paid by the company.

So, all of the work that we are doing is to reduce the amount of the debt in addition to reduce everything that we've done before in terms of liability management, that you know so well about.

So, regarding this specific question, this has been the approach. And what was the other question?

Mr. Carvalho: The other question was regarding dividends, the recurring question.

Mr. Monteiro: Well, you asked me about today, you said "*today, Ivan, was there any significant operation since we talked last time?".* No, there was nothing significant. The procedures for the annual balance sheet began now. The management expectation remains unchanged, we don't have any expectation of substantial events at this point. However, this is a process that unfolds from today until March 13, when we will discuss the balance sheet.

Until today, at this time of the day, the management has no expectations with substantial changes. But I'd like to remind you that this process, this end-of-year process is natural and begins now, or extraordinarily when there is any material fact or material event that should be communicated to the market, okay?

Mr. Carvalho: Fair. Now the question to Solange.

Ms. Guedes: Luiz Carvalho, good afternoon. I would like to start thanking you for the question because this is a discussion that I guess always raises some doubts, so your question is excellent because it will give me an opportunity to mention 2 points that I guess will help us understand this evolution.

Although you objectively asked about 2019 onward, if I may, I will extend this point a little. Overall, according to the new exchange rate considerations by the company there was an increase in these costs, 40% of our operating expenses are in dollars. We had an effect that happened in the first years and in the last years of the plan that have to do with these numbers that we published when compared to the prior plan.

The first was: we had the expectation that P-67 would be starting operation, we mentioned that it would start in the first quarter of 2018, so this expectation of the positive contribution of this unit that belongs to us is lower, the contribution was lower in the first year of the new plan that starts in 2018.

At the same time, in the last year of the plan in 2022 we are going to have the startup of new systems, that were not included. I'd like to remind you of a point that you didn't remember but we are going to have a big unit in the post-salt, Sergipe deep waters, this will happen in 2022 and you see on slide 14, and it raises our lifting costs, average lifting costs.

Now, your question was from 2019 to 2021, when you mentioned the great positive contribution of our units, operating our own units where we are more competitive in terms of the impact of the lifting costs, and, yes, along these years we will experience very positive values of Capex and lifting cost. The pre-salt continues to operate very well and will continue to contribute positively.

So, we will experience very positive effects, particularly in 2019 and 20 because of this the fact that will be realized.

Mr. Carvalho: Thank you.

Mr. Monteiro: Just one correction. I said they would be more to that 13th, but I've been corrected, it's much the 14th, okay.

Mr. Carvalho: May I make one last comment, please? I think that what concerns me is the post-salt because when we look at the decline by well it's a little higher than what we expected, but we can talk about that at a different moment. Thank you very much, Merry Christmas and Happy New Year.

Mr. Monteiro: Thank you. And to you too.

Operator: Our next question comes from Pedro Medeiros, with Citibank.

Mr. Medeiros: Good afternoon everyone. I have a couple of questions, most are follow-up questions of previous questions. I would like to go back to slide number 12 and the target of net debt expected for Q4 2018. My first question is: do you think you can break down or give us a breakdown of how much cash you expect to come from divestments out of this amount of billion dollars?

No coming back to Nelson, I would just like to confirm the calculation on slide 12 when you check net debt, the consequence does not include divestments to come to that sensitivity of net debt over Ebitda that you mentioned, right? Could you confirm these assumptions, please?

Mr. Silva: Yes, it does partially include. Not the 21 actually because the corresponding cash coming in is below. But it is included. It includes a lower amount.

Mr. Medeiros: Net debt over adjusted Ebitda that appears on slide number 2, it excludes cash from divestments, right? Or does it include?

Mr. Silva: It does. It does include.

Mr. Silva: Like I said, yes, it is included. Not 21, but partially included. We believe effectively this will come over the year.

Mr. Medeiros: Perfect. Now, just a strategic question now about the example on the slide that you are showing. Considering this and considering the expectation of excess cash generation over this five-year timeframe, wouldn't you consider any kind of hedge price as a result?

And can I ask my other questions as well, so they can all be answered at the same time? What would I rather do.

Mr. Monteiro: Ivan Monteiro speaking. What we highlighted is risk monitoring should the commodity behavior… well, is different from the case base scenario. For instance, once again commodity is behaving close to US$60 billion per barrel, but we are very conservative in our plan.

What we said we are going to have 3 important variables to work with: divestment, price policy and cost. This is daily monitored. So, these are the key drivers, the key variables to be tackled by the company when it comes to commodity behavior vis-à-vis what the market is promising to deliver the market in terms of deleverage target.

Any other discussion is in-house until it becomes mature and can be disclosed to all of you.

Mr. Medeiros: Thank you, wonderful. My other questions are really… just like to confirm. First follow-up question: you give guidance for operating amounting to US$137 billion, posting growth vis-à-vis what was in the previous plan, US$126 billion. Could you make some comments about the main drivers behind this increase?

And my second question is a brief follow-up, just to better understand: you expect to have 2 units by 2021 to be chartered and the other units have not been defined yet, but behind Capex for 2021 and 2022, the assumption is that the units will be chartered, right, or are they going to be owned by you?

Mr. Monteiro: Pedro, Nelson is going to answer your question and then Solange and Hugo.

Mr. Medeiros: Thank you.

Mr. Silva: Pedro, basically the impact in PCA and dollar variation in the plant, that's what brings this variation. The exit from 2017 and coming in to the plan of 2018. IPCA and foreign exchange in dollars and cost under control.

Mr. Monteiro: Repsold is going to answer now.

Mr. Repsold: Pedro, good afternoon. As you can see on the slide, we already have a definition of the units to be chartered, and the others, well, these are the conditions, we have the bidding and our response about the capacity, this is what's going to drive the best solution.

We haven't come to a decision yet.

Mr. Medeiros: Okay. Hugo, just to confirm, if you think about 12 billion for 2021, 13.9 for E&P in 2022, I assume the units that have not been defined yet are allocated as owned units.

Mr. Repsold: No, no. The assumption is chartered units. As an assumption.

Mr. Medeiros: Okay, so the cost to build these platforms are not in the Capex?

Mr. Repsold: Precisely.

Mr. Medeiros: Great. Thank you. Merry Christmas and thank you for the answers.

Mr. Monteiro: Thank you Pedro.

Operator: The next question is from André Hachem, with Itaú BBA.

Mr. Hachem: Thank you for taking my questions. I have 2 very brief questions. The first question is about Capex. ANP has a very ambitious schedule for the next 2 years. Is this included in the 74 billion of Capex or the subscription bonus is not being considered?

The second question is about refining. With the new lower margin for diesel we expect imports to go down. What's your take about coming back to refining capacity over 2018? Is it already included in lower refining costs? Thank you.

Mr. Monteiro: Solange is going to answer.

Ms. Guedes: Good afternoon, André. When we disclosed our business plan for 2018-22, we did not include any provision for bonus for future bidding rounds. Should we participate as we did and if it requires more expenses, then we will try to change the plan, make an adjustment and choices so we can stick to the same expense volumes.

Mr. Hachem: Perfect. Just to clarify, Solange, even those areas that you said you were interested in, would you have your exercise the right of first refusal and it was not provisioned?

Ms. Guedes: It was not provision for these 3 areas in which we exercise of right of first refusal.

Mr. Ramos: André, Celestino answering. We are searching for margin captures starting 2018, and this has an impact on refinery loads. This is already included in the plan and will also be reflected on refining costs.

Mr. Hachem: Perfect, thank you for the answers.

Mr. Monteiro: Thank you, André.

Operator: Our next question comes from Vincente Falanga, with Bank of America.

Mr. Falanga: Good afternoon. I have just 2 follow-up questions, the rest has been discussed. I just want to confirm: the production curve it has 100% or 75% of Roncador? And Solange I do know if you can't disclose this for comparison sake: what would be the oil production in Brazil in 2018, in 2022, if you don't sell any assets?

And I would like to go back to Luiz questions about provisioning. I just want to have a clear example. In August you disclosed that the company would be negotiating with the Federal Government to end some fiscal disputes and purge that from the balance sheet.

So, I just want to confirm: if the company reaches an agreement to pay until March 14, can this be provisioned in the quarterly result? And after much the 14th, any agreement would have to be provisioned for in the 2018 numbers?

Mr. Monteiro: Vicente, we never said that we are negotiating with the Federal Government to pay taxes. What we always tell you is any program that is offered to the set of taxpayers the company considers. If our governance decides, the Legal Department, the Tax Department decides that we'll go through the governance of the company, if it comes to the management and the Board of Directors, we will immediately disclose when Petrobras joins a relevant program that you should know about and that would make any change or decision.

What Luiz asked was if I could say on behalf of the company any different interpretation than what we said in the last quarterly results, and I said: "*until now, there is nothing*". However, this is an annual process of global assessment of the company assets. We do not have any expectations that we will have relevant changes. However, this will follow the natural routine of the company from now until March 14.

And this is what we can say, and we can only say for today there is nothing.

And I will turn the floor to Solange to answer the second part of your question.

Ms. Guedes: Hello, Vicente. In our production curve, we include all investments that we are planning during the timeframe of the business and management plan. In the specific case of Roncador, we are considering the contribution of 75% of Petrobras stake.

Mr. Falanga: And you don't disclose how the curve would be without sales?

Ms. Guedes: No.

Mr. Falanga: Okay, thank you.

Mr. Monteiro: Thank you, Vicente.

Operator: Our next question comes from Vinícius Tsuboni, HSBC.

Mr. Tsuboni: Hello, good afternoon and thank you for the question. If you could give us more detail on the reasons that caused delay in the Sépia unit and Marlim revitalization, why were these delayed to 2021?

And the second question, about the divestment plan. If the company wishes to increase the funds to be raised, what would be Petrobras' focuses: on upstream or downstream?

And if I may ask a third question, it would be about the process to sell your stake at Braskem. Has Petrobras decided in terms of what would be the sale format, would you pulverize your stake? Thank you.

Mr. Monteiro: Vinícius, you know how this works, we have no comments to make about decisions or discussions. Petrobras has made no decision regarding the process to sell our interest at Braskem. I have no information to give you about this process.

And regarding assets, what Nelson said is: we continuously monitor the behavior of the commodity versus the behavior of our deleveraging, and one of the situations in which we could if we perceive that along the year we will not achieve the reduction of leverage that we wish to get, or if we think that we are not going to reach 2.5 net debt over Ebitda ratio along 2018, one of the components is to increase the portfolio of assets, that would be one of the options so as to achieve the goal of the program.

So, we would expand the portfolio and then immediately would increase the predictability to reach that amount of 21 billion that we are confirming.

And Solange will answer the last part of your question.

Ms. Guedes: Hello Vinícius, good afternoon. In the case of the 3, 2 of the 3 projects that you mentioned, Sépia, Búzios, they had a readjustment in the schedule because of some discussions that you followed regarding local content that impacted also the Mero 1 project.

Mero 1 project is already contracted and the Sépia project is already contracted, but the Búzios 5 project is still in the process of contracting. But all 3 projects were impacted by these discussions.

You also asked about the Marlim revitalizing project, module 1 would be expected for 2020 and after delayed to 2021. This is related to another issue and we will give you more detail on this project in terms of execution at the right time. But now we have more details on the project and that led to a readjustment in the timeframe.

Mr. Tsuboni: Okay, understood. Thank you.

Operator: Thank you very much. Before we close, I would like to turn the floor to Ms. Isabela da Rocha to make a clarification.

Ms. Rocha: I would like just to make a correction to what I said initially, when we talk about value drivers, one of them would be additional divestments. Apparently, I said 50 billion. Please, read this as 5 additional billion to be added potentially to the portfolio if the Brent price is too low. So not 50, 5!

Another point is that I didn't have an opportunity to talk about everything, but if you haven't got a chance to ask a question, our IR team will get in touch with you.

And finally, I would like to thank you all for joining us on the eve of Christmas, I would like to wish you a Merry Christmas and a Happy New Year.

Operator: And now I turn the floor to Mr. Ivan de Souza Monteiro for his final statements. Mr. Monteiro.

Mr. Monteiro: Thank you very much. I would like to second Isabela's words and really thank you for joining us on eve of Christmas. Thank you very much and we remain available, if you have additional questions just get in touch with our IR team, and a very Merry Christmas to all of you.

Operator: Thank you ladies and gentlemen. The audio of this conference call for replay in the slide presentation will be available at Petrobras IR website at: www.petrobras.com.br/ir.

This concludes today's conference call. Thank you very much for your participation. Please, hang up your telephones and have a good day.