

# PAVING THE WAY FORWARD

Pedro Parente, CEO

May 16, 2018



# Disclaimer

The presentation may contain forward-looking statements about future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not based on historical facts and are not assurances of future results. Such forward-looking statements merely reflect the Company's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forward-looking statements. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. Readers are referred to the documents filed by the Company with the SEC, specifically the Company's most recent Annual Report on Form 20-F, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including, among other things, risks relating to general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates, uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves, international and Brazilian political, economic and social developments, receipt of governmental approvals and licenses and our ability to obtain financing. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Figures for 2018 on are estimates or targets. All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this presentation.

In addition, this presentation also contains certain financial measures that are not recognized under Brazilian GAAP or IFRS. These measures do not have standardized meanings and may not be comparable to similarly-titled measures provided by other companies. We are providing these measures because we use them as a measure of company performance; they should not be considered in isolation or as a substitute for other financial measures that have been disclosed in accordance with Brazilian GAAP or IFRS.

## **NON-SEC COMPLIANT OIL AND GAS RESERVES: CAUTIONARY STATEMENT FOR US INVESTORS**

**We present certain data in this presentation, such as oil and gas resources, that we are not permitted to present in documents filed with the United States Securities and Exchange Commission (SEC) under new Subpart 1200 to Regulation S-K because such terms do not qualify as proved, probable or possible reserves under Rule 4-10(a) of Regulation S-X.**

# FIRST QUARTER 2018 BEST RESULT IN R\$ SINCE 2013

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51%  
YoY



NET INCOME  
US\$ 2.1 BILLION

# Quarterly distribution of **DIVIDENDS**

APPROVED BY THE BOARD OF DIRECTORS

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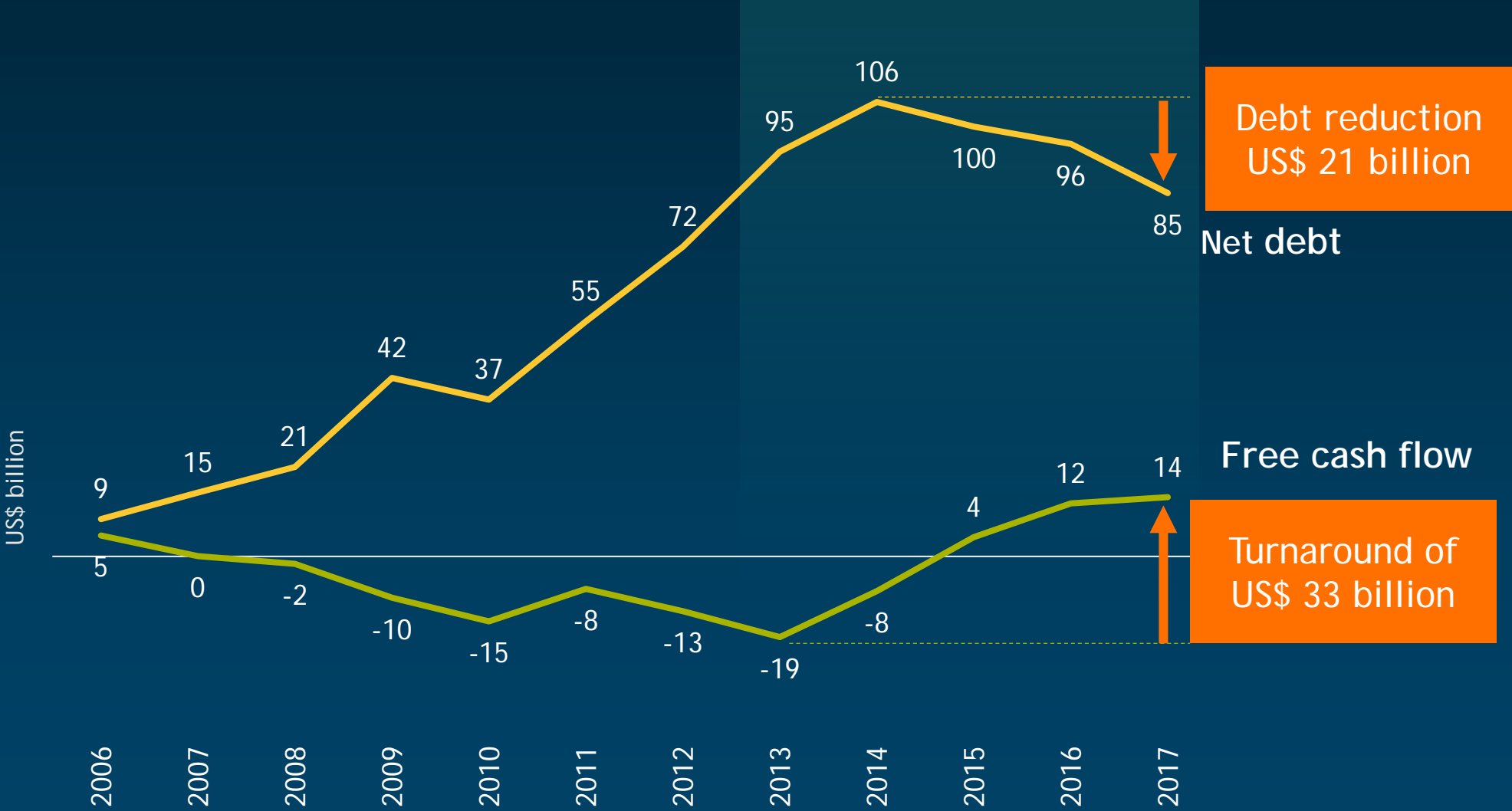


Payment  
in May



R\$ 0.05  
per share

# Net debt dropped US\$ 21 billion and free cash flow increased by US\$ 33 billion



# Top metrics are being met

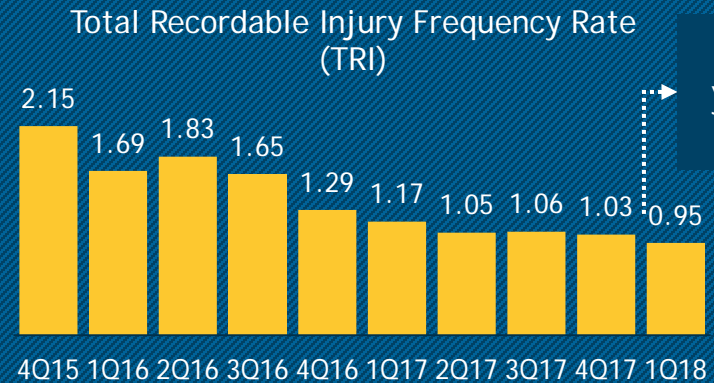


## SAFETY

Total Recordable Injury Frequency Rate (TRI)



- Commitment to life
- Consistent reduction of injury rate
- Improvement in safety avoided around 2,000 people being injured in the last two years



Achieved 2 years ahead of schedule

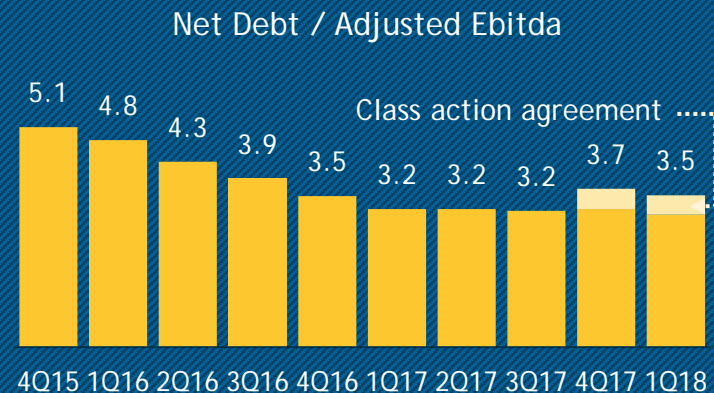


## FINANCIAL

Net Debt / Adjusted Ebitda








- Production predictability
- Competitive Prices
- Opex efficiency
- Capex efficiency
- Partnerships and divestment

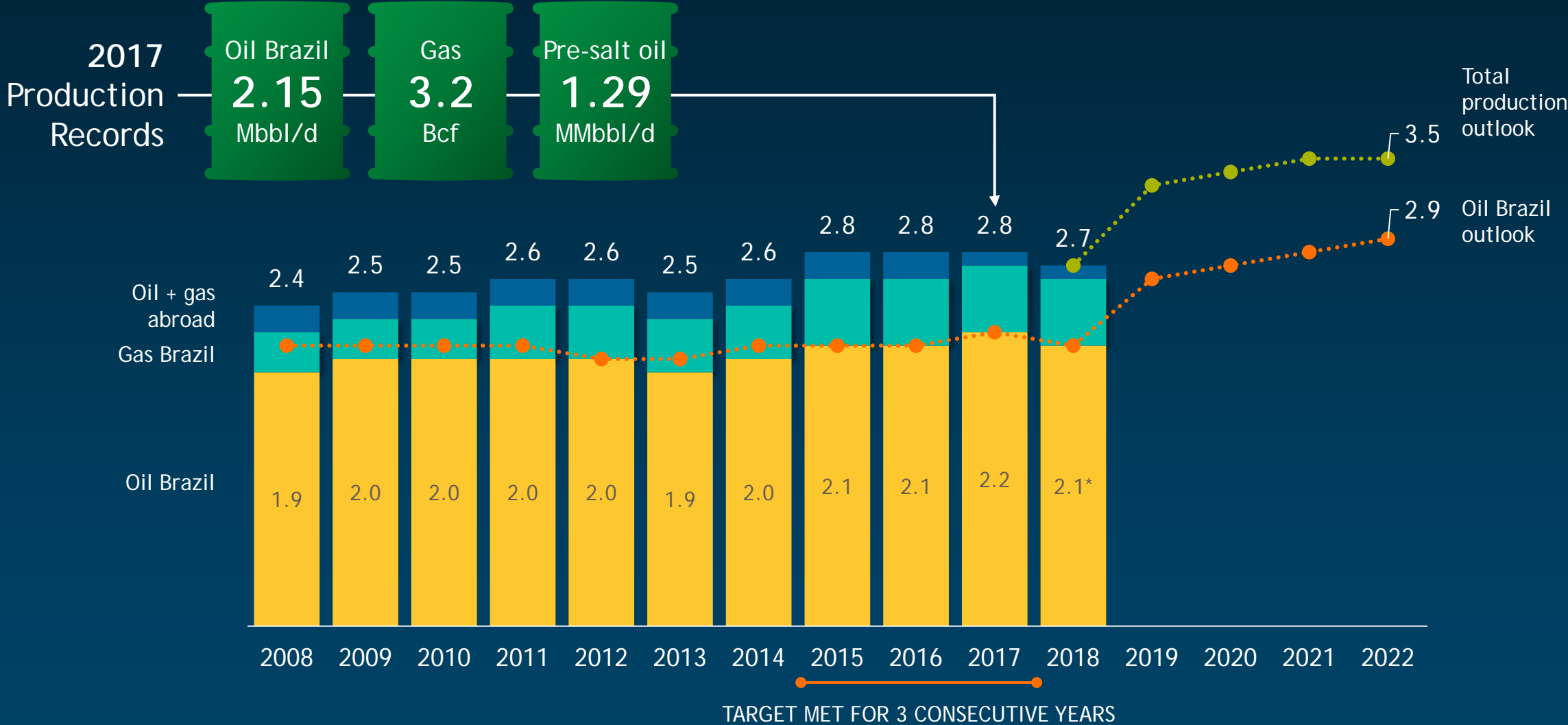


Class action agreement

# And results improved

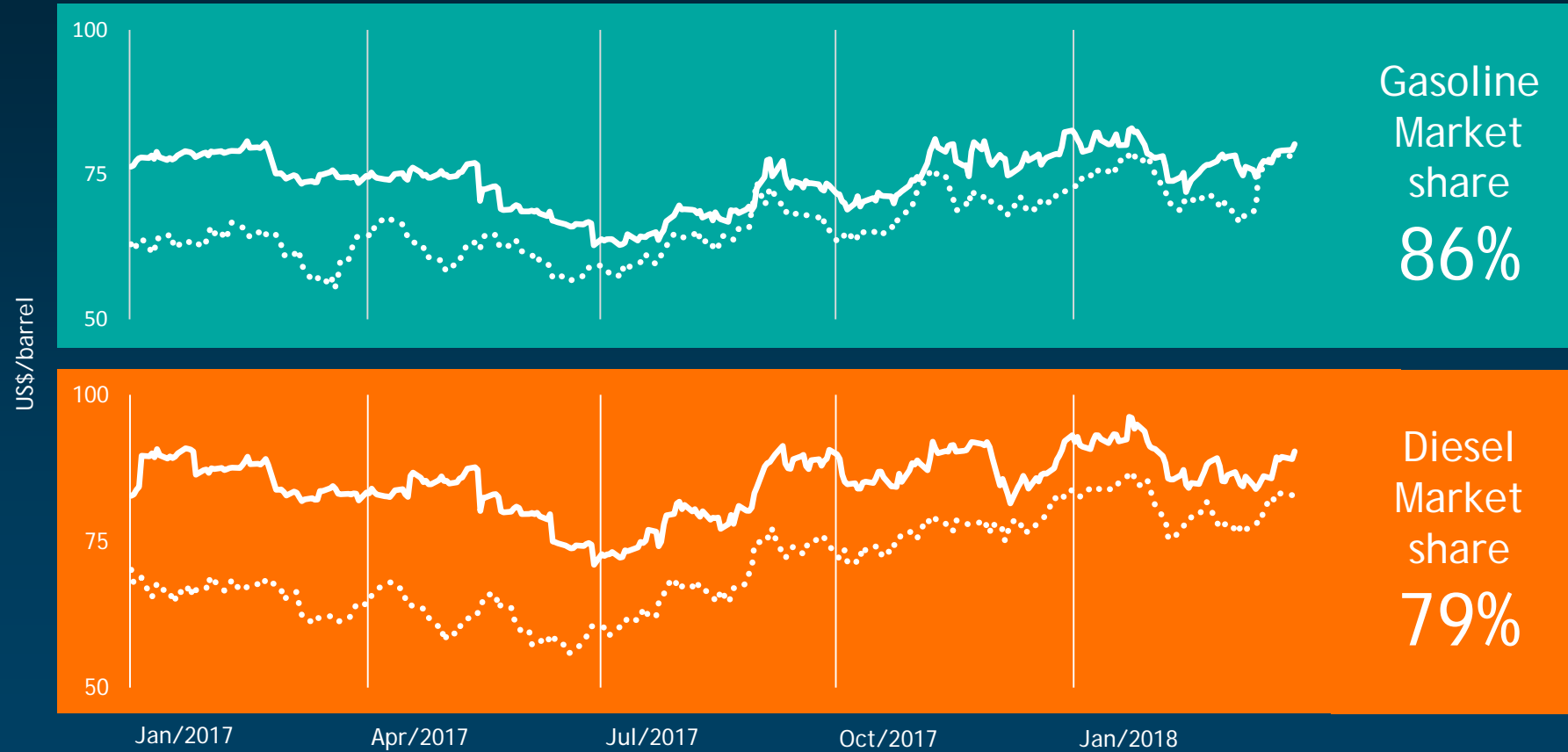
	US\$ Billion 4Q15		US\$ Billion 1Q18
Sales Revenue	22.1		23.0
Gross Profit	7.0		8.3
Adjusted EBITDA	4.4		7.9
Net Income	-9.4		2.1
Free Cash Flow	1.9		4.0

# Production targets consistently achieved in the last 3 years





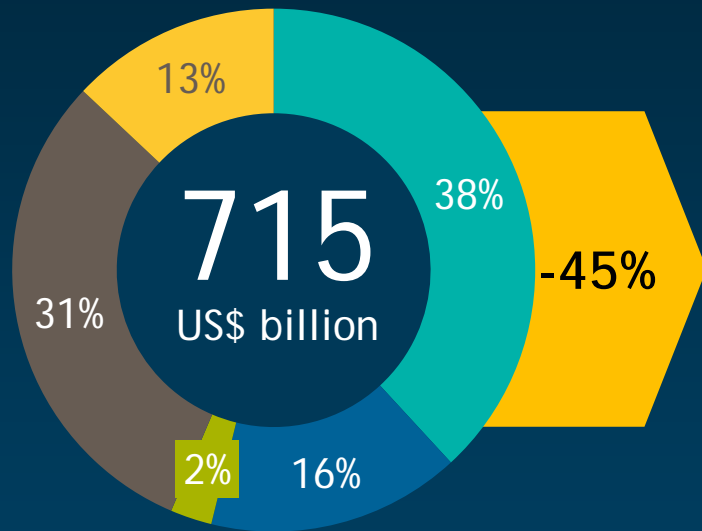
# Along with an adequate pricing policy in Brazil



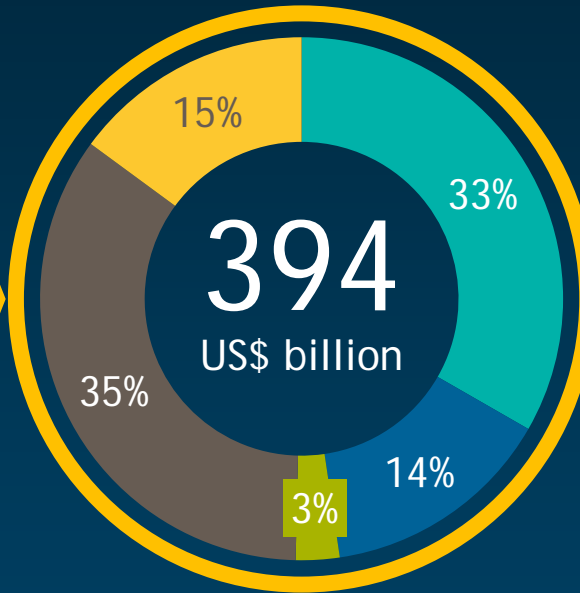
— Petrobras gasoline price in Brazil      ..... Gasoline price in Europe  
— Petrobras diesel price in Brazil      ..... Diesel Price in US Gulf

# A strong opex optimization was implemented

Opex 2014-2018



Opex 2018-2022



- Feedstock
- Government take
- Other
- Manageable operating expenses
- Depreciation

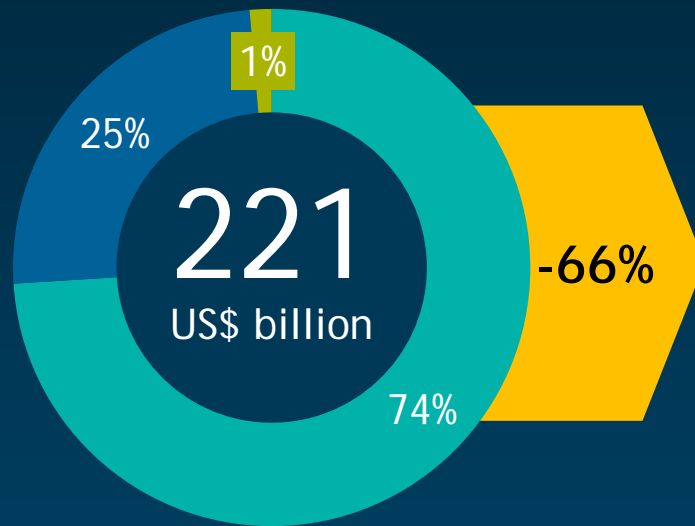
## Optimization in the Business and Management Plan 18-22

- 10% decrease in oil and gas lifting cost\*
- 13% decrease in refining costs\*

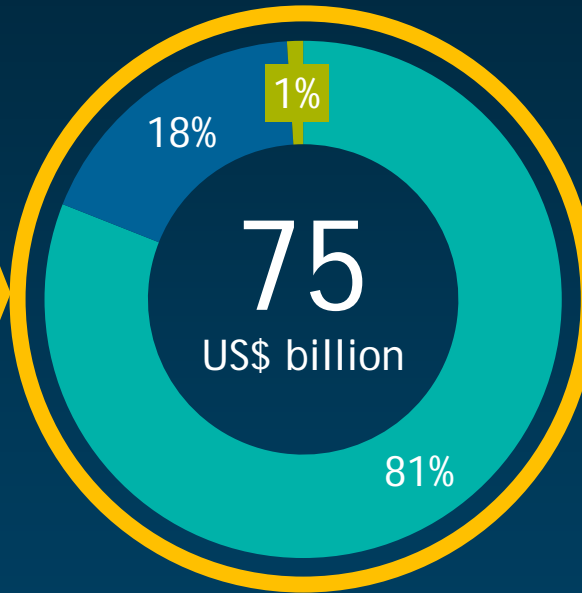
\* Average of the business plan compared to incurred costs in 2017

# And capex was steered towards upstream investments

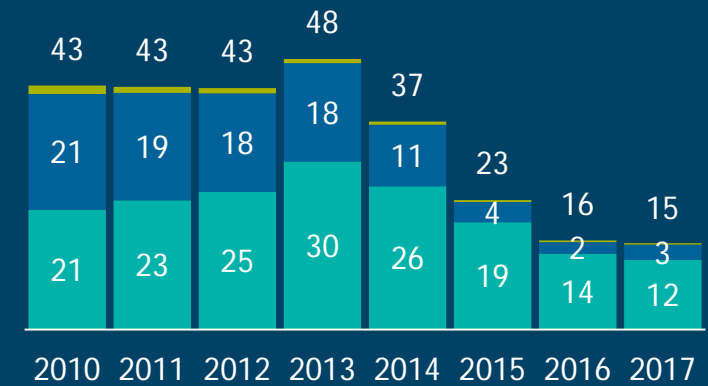
Capex 2014-2018



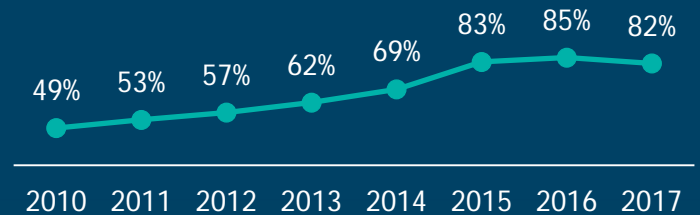
Capex 2018-2022



Capex (US\$ bi)



E&P share of total Capex

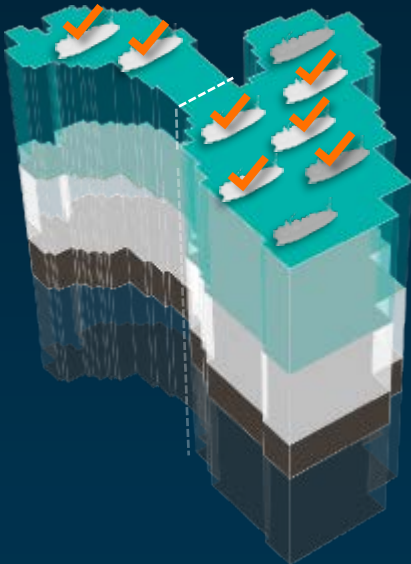


- Exploration and Production
- Refining and Natural Gas
- Other segments

# Pre-salt: standardization, cost optimization and fast track

## LULA & CERNAMBI

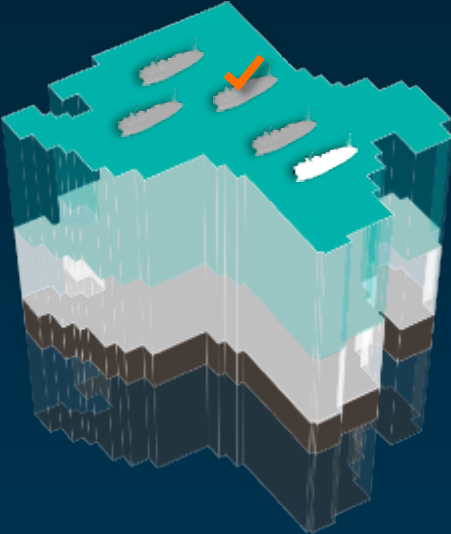
CONCESSION



The last two platforms will be installed in 2018

## BÚZIOS

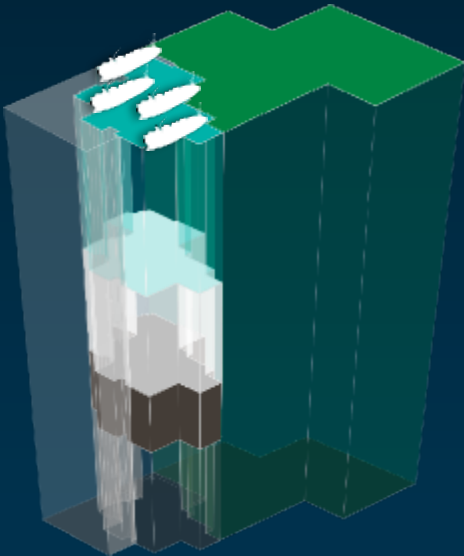
TRANSFER OF RIGHTS



First oil in April 2018  
4 more units by 2021

## MERO

PRODUCTION SHARING



The first unit already leased  
and the second  
under procurement

BERBIGÃO

ATAPU

PARQUE DAS  
BALEIAS

SEPIA

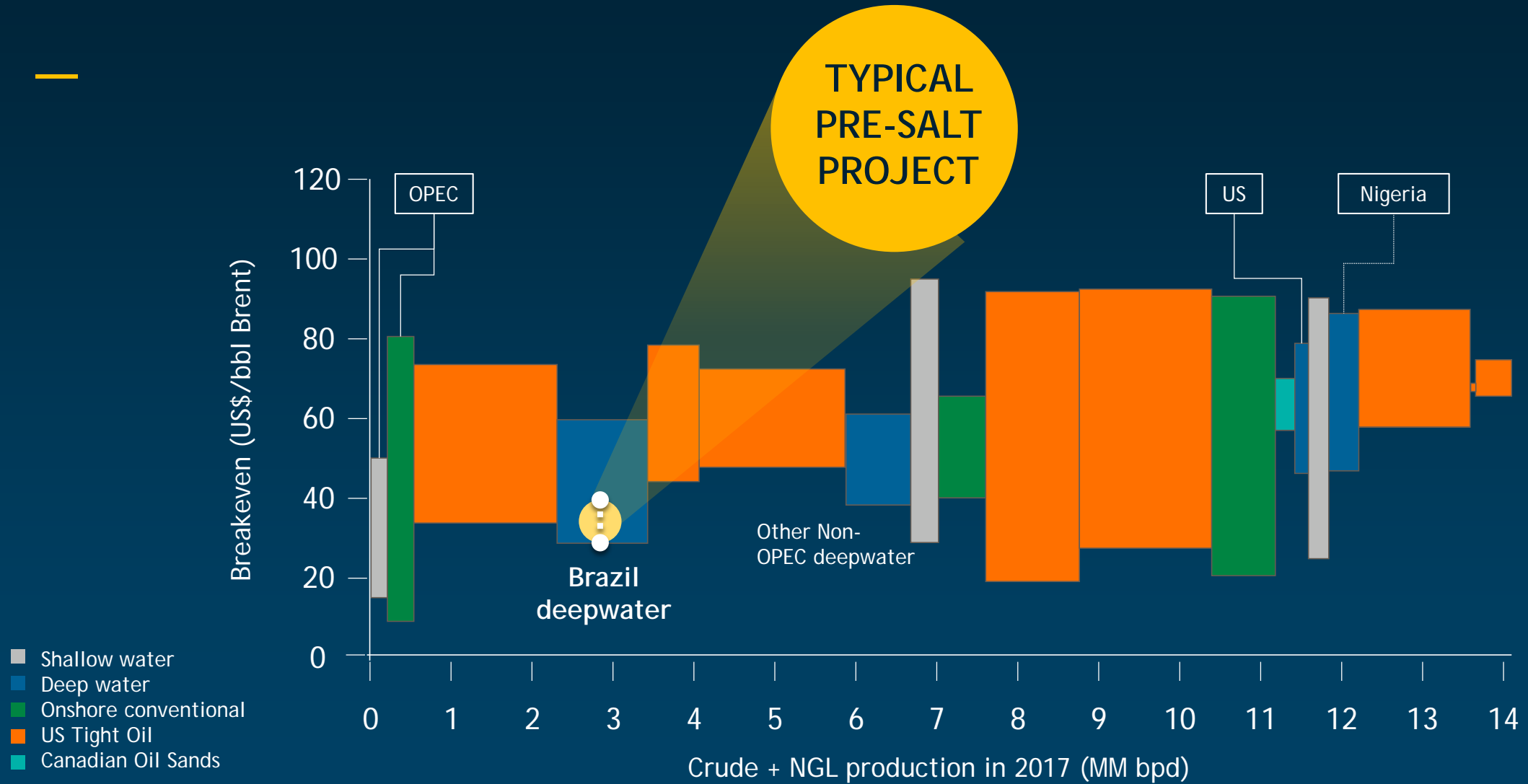
ITAPU

 Leased platforms

 Owned standardized platforms

 Onstream

# A worldwide competitive portfolio



# Increased focus on partnerships in upstream

Strategic partnerships to unlock value of existing assets

SHARING RISKS

DEVELOPING TOGETHER

GENERATING VALUE



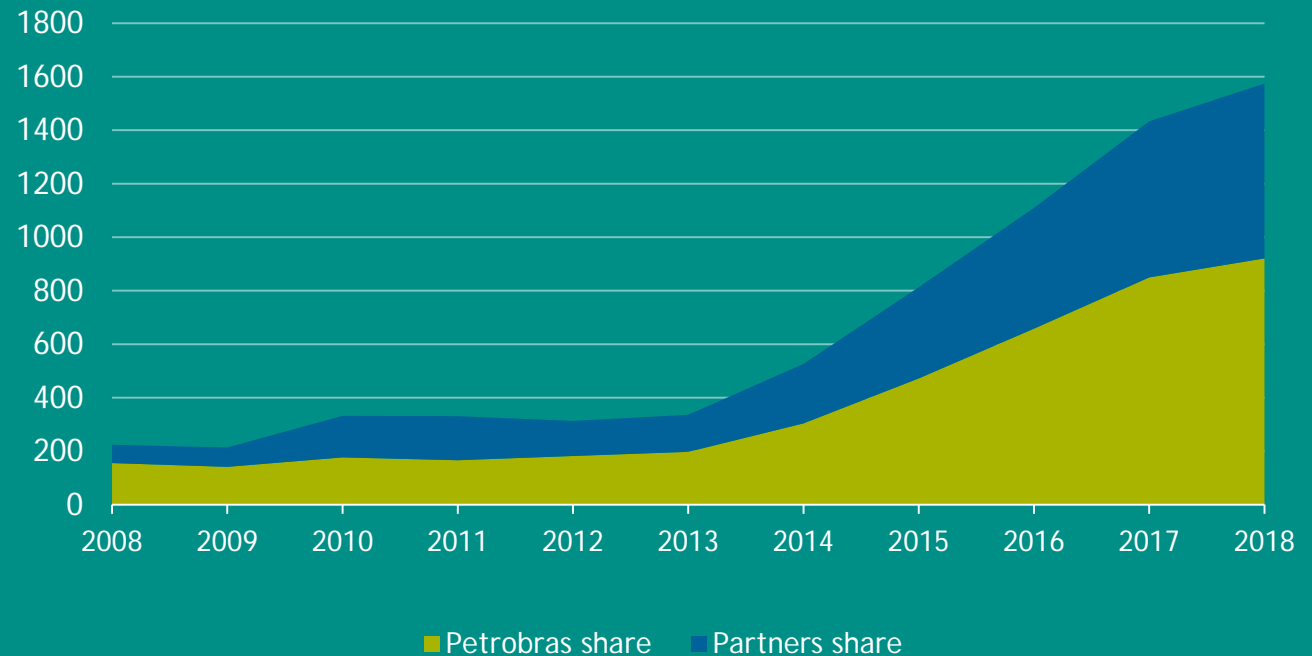
Exxon



Statoil

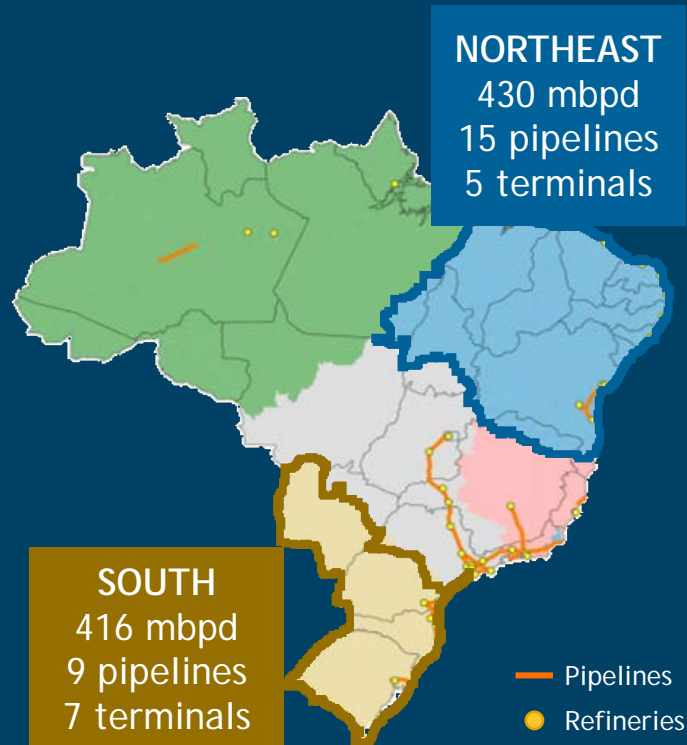


Production from assets in partnership (MMboe/d)



# A new business model in downstream

## GEOGRAPHIC CLUSTERS



## INTEGRATED LOGISTICS AND REFINING

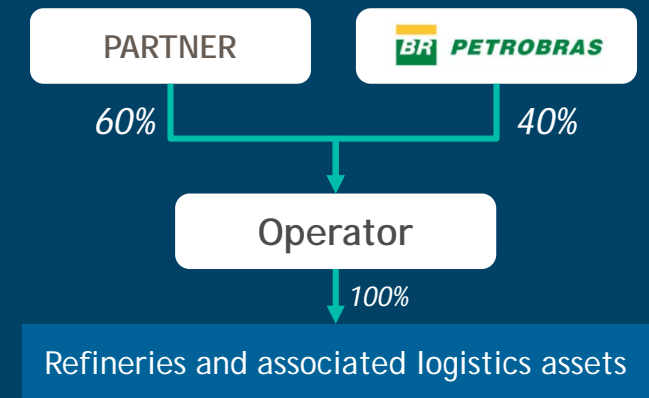


Refineries Pipelines Terminals

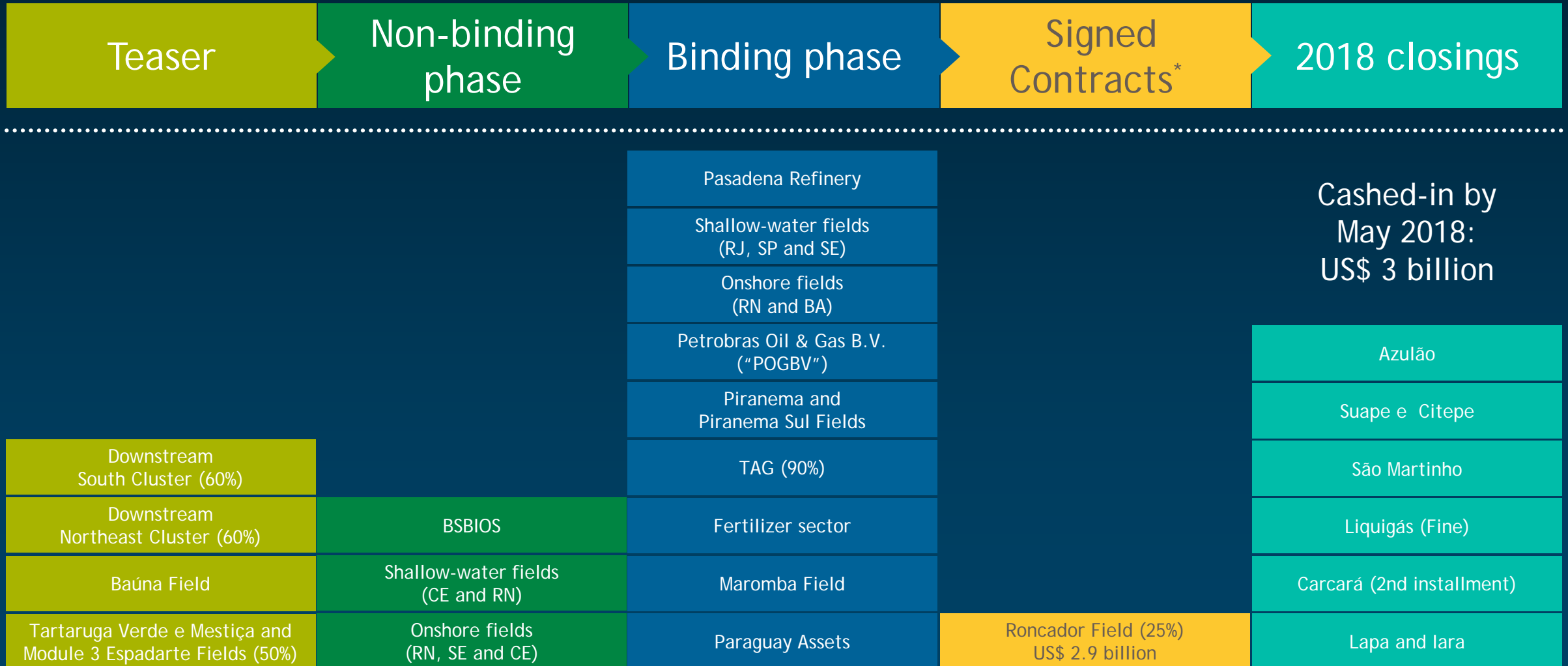
- Access to regional market
- Integrated margin capture

## TRANSFER OF CONTROL

- New operators
- Partial control premium
- Capture of operational results upsides



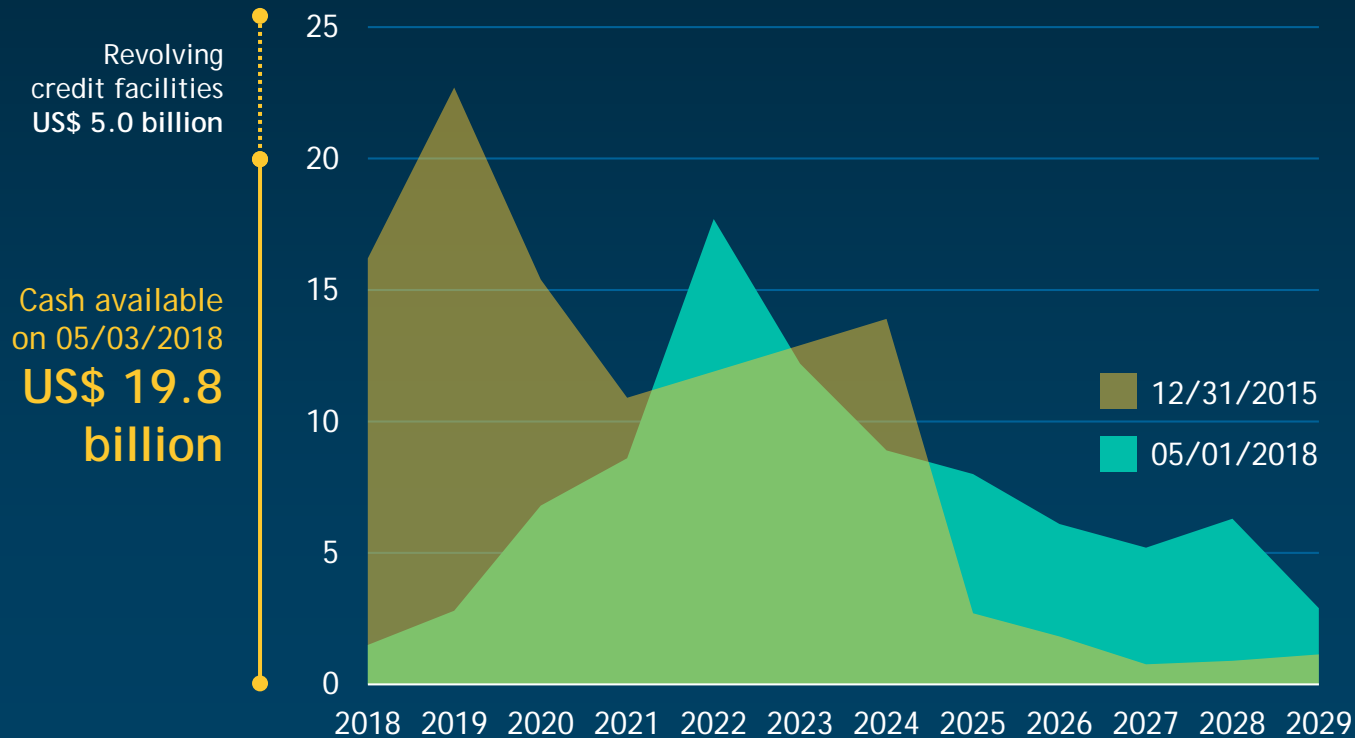
# A strong paced divestment program





# With an active debt management

## Amortization Schedule



## PETROBRAS COST OF DEBT (LAST ISSUE X MAXIMUM)

Duration	Last	Maximum
5 years	4.87% p.y. (05/22/17)	15.9% p.y. (09/29/15)
10/11 years	5.95% p.y. (02/01/18)	14.4% p.y. (01/20/16)
30 years	7.0% p.y. (05/22/17)	13.2% p.y. (02/11/16)

Ratio	1Q17	1Q18
Average interest rate (% py)	6.2	6.2
Average Duration (years)	7.61	9.26
Leverage (%)	54	49

# Compliance and governance rules embedded in the bylaws

Statutory committees guarantee a compliant and efficient decision making process

## Board of Directors committees

The Board is supported by six committees

## Statutory technical committees

Technical committees add accountability and transparency

Cultural changes on every company level

- Commitment to safety
- Workforce succession and planning driven by meritocracy
- Open dialog channels to all employees

## Market recognition

- Joined Level 2 of governance of B3
- Material weaknesses eliminated from reports
- 8<sup>th</sup> largest O&G company in market cap



# What's next?

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Reach leverage  
close to our peers



Develop new  
technologies  
focused on cost  
reduction



Transition to a  
low carbon  
economy



Add value through  
digital transformation

A yellow line starts at the top right, goes down and left, then curves to go down and right, then curves to go up and right, then curves to go up and left, ending at the top right.

Thank you.

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Pedro Parente, CEO

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