

Petrobras
Petrobras Day 2019 – Investor Relations
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A New Petrobras

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Chief Executive Officer, Petrobras

I. Preamble

We are delighted to have you here with us for the Petrobras Day in London. We welcome you. We have a short film before initiating the presentations

[Video shown]

Let us start our presentations today. Since the early days of this year, we put in place a transformation agenda underpinned by five strategic pillars. Why do we have five? It is a small number; it is easy to remember; it remains on the mind of everybody in the company.

II. The First Results of a New Petrobras

1. Maximise Returns on Capital Employed

First is to maximise returns on capital employed. The idea is to focus only on the assets in which we are the natural owners. We can extract the maximum return possible from those assets. This means a focus on exploration and the production of oil and natural gas in deep and ultra-deep waters. Petrobras has all the competitive advantages in this activity. We have some of the best oil engineers and geologists in the world. They are very knowledgeable about this type of exploration. We have developed very advanced technology. We have world-class assets. We have the natural resources that enable us to thrive in this activity.

At the same time, we are divesting from assets where we are not natural owners. These are assets where others can do better than us. We are divesting from mature fields, both on-shore and in shallow waters, and midstream and downstream assets. We need the services of midstream assets, but we do not need to be the owner. Let us be an asset-light company in terms of these types of assets.

2. Reduction of Cost of Capital

The second way to maximise return on capital employed is discipline in capital allocation. Both fiscal capital and human capital are scarce, so projects have to compete for capital on their own merits, considering risk and return. The second strategic pillar is the reduction of the cost of

capital. Oil is a highly capital-intensive industry. Our goal is to minimise the cost of capital to our company. Currently, we still have a very high cost of capital when compared to our peers. This has been pursued through continuous deleveraging, transparency and liability management to replace existing debt with debt that has lower yields and longer maturities.

3. Relentless Search for Low Costs

The third pillar is the relentless search for lower cost. By several metrics, Petrobras has higher costs than most of our peers. We have to close this gap. We must close this gap. We are making several efforts on many fronts to close this gap. By the same token, we are a player in an industry which is highly exposed to cyclicity. Our prices are volatile, and consequently our cash flow is volatile. So we have to be prepared to live comfortably during low price scenarios: to make money if prices are high and to survive in low-price scenarios, continuing to create value for shareholders even in a scenario of an oil price around \$40 per barrel.

4. Meritocracy

The fourth pillar is meritocracy. We introduced a merit-based variable compensation programme. We are incentivising people to go the extra mile. This is underpinned by an EVA programme. EVA is a managerial system. It is not only a metric to be used to compensate people or to measure our performance. Much more than that, it helps to empower people and to make every employee act like an entrepreneur, responsible for a small business, making efforts to be profitable.

5. People, Environment and Safety

Last but not least, we have a focus on people, safety and environment. We are taking initiatives to empower people: this is about responsibility with accountability. We felt from the very early beginning that this was lacking in our company. People are adults; they are very good professionals; they are highly skilled. They deserve to have responsibility with accountability.

Petrobras has a very strong safety culture. Petrobras suffered some accidents about 20 years ago, so we have learned to build a safety culture. This is a thing that we are preserving and enhancing through training. We do very extensive training. This year, we trained about 180,000 people among employees and labour from suppliers. Everybody is very focused on safety. I would say safety is our first priority, because any lack of safety or any distraction caused by excessive confidence or deciding to make a little bit more money can be very destructive. It can destroy value and even put at risk the survival of the company. Decarbonising our oil production is also a key goal. We are concerned with climate change. We have several initiatives, as we will show you by the end of this presentation, in that direction.

III. 2019 Achievements

1. Preamble

2019 was a very good year for Petrobras. Despite the scenario for the oil price, Petrobras's achievements include the fact that it is the best performer in equity markets in the oil industry. We are number one this year.

2. Debt Reduction

Among these achievements, I would mention the debt reduction of \$21 billion. That was a significant advance in continuing the downward trend in our debt. Our company is still highly indebted. Our goal is to reach total debt of \$60 billion. We have in mind, as a target, to reduce the debt by an additional \$30 billion. The divestiture of non-core assets reached \$16.4 billion. It was a good start for our divestment programme. In the first nine months of the year, free cash flow totalled \$13 billion.

3. Búzios

The acquisition of the Búzios field – as a result of the so-called transfer of rights surplus auction – was a major achievement. Why is that? It is because Búzios is the largest offshore fuel in the world. It is a world-class asset. There are large reserves and there is low risk, because we have been exploring and producing in Búzios. Right now we are producing 600,000 barrels of oil equivalent per day, so we have a lot of experience a lot of knowledge. We do not have to engage in exploration. No exploratory wells will be opened. The lifting costs are as low as \$4 per barrel, so we are the natural owners of Búzios. It is the execution of our strategy: to focus on assets in which we are the natural owners. Búzios is a typical example.

4. Divestment

Petrobras had two monopolies in the refining market with 98% of Brazilian refining capacity and the natural gas market across the board, from production to distribution. So we decided to give up these powers. Why is that? It is not because we are good guys. It was because these situations were very clear distortions that hurt the company. We did not make money in these businesses. On the contrary, we lost a lot of money. Monopoly power is the best creator of ‘fat cats’ and inefficiency. Competition is healthy. You are compelled to be low-cost and highly efficient to win. We are going to sell 50% of the refining capacity, 100% of eight refineries and, in the natural gas market, we are committed to sell 100% of our production and distribution assets. We made an agreement with CADE, the Brazilian antitrust regulatory agency, in order to reduce the pressures on natural gas in the market for up to 50% of the previous amounts.

5. BRDT

As a landmark this year, we have the privatisation of BRDT, our retail fuel distribution company. That was the first privatisation in Brazil through the capital markets. It was a transaction in the style of Margaret Thatcher. That will bring very good memories to this great country.

6. Credit Rating

In terms of our credit rating, we are totally commitment to recover the investment-grade rating status. This year we have made some progress. There has been an upgrade from two of the most important rating agencies, Moody’s and Fitch Ratings.

7. Continuous Search for Low Cost and Efficiency

We are on a continuous search for lower costs. We have put in place at least three voluntary-dismissal programmes. About 3,000 people are already enlisted. We are looking for

every opportunity to cut costs, including shutting down most of our offices outside Brazil. At the beginning of this year we had 18 offices. The goal is to remain with only five. We have shut down eight, and there are five to come. The digital transformation is being enhanced. This is a powerful weapon to cut costs and to bring more efficiency.

8. Improving Petrobras

We have also implemented several measures in order to make our decision-making process more speedy and flexible. We have made changes to the board of directors and the advisory committees. We are delegating more power to managers and, as I said, we have created an EVA programme.

IV. ‘Mind the Gap’ – Petrobras 2020/2024

1. Mind the Gap

The name of our strategic programme is ‘Mind the Gap’. Why is that? Instead of adopting an internal view, looking to the past and comparing our current performance with past performance, comparing ourselves with ourselves, we would rather compare ourselves to our peers. We have decided to take an outside view. The outside view is not good. It told us that we are way behind our main peers. Our effort and our initiatives are dedicated to closing the gap in order to create value for shareholders.

In this scenario, the most comprehensive is value creation. Looking over the last 20 years, McKinsey & Company has a study that shows that Petrobras is one of the worst performers over the last 20 years. Our return on capital employed underperformed our cost of capital. Instead of creating value, Petrobras destroyed value. The commitment of this management team is to reverse this trend and to create value for shareholders. That is why it has this name: Mind the Gap. You see it on the tube, and we decided to copy that. We love to copy good things. This is a good example.

2. Performance Measurement

In terms of metrics, we have three metrics. Firstly, we look at total recorded injuries. This year, we had a very good year. We even outperformed the benchmark for the industry. We have 0.8 injuries per million man hours worked. That is very good. Our goal is to continue with this trend, minimising the risk to our employees and outsourced labour.

Second, we look at debt. In terms of debt, we continue to reach a net debt-to-EBITDA ratio of 1.5 times. A company in the commodity business – be it mining, oil or agriculture – is exposed to high price volatility, so it is much safer to have low leverage. If you have high leverage during the down-cycle, you are killed. You are going to have to face difficulties in accessing markets; you are going to pay higher interest costs. We are prepared. We need to prepare in good times, when we are healthy; we have to be prepared for the bad times.

Thirdly, we have our EVA programme. This programme has a goal to increase EVA by \$2.6 billion. Instead of destroying value, our goal is to create value. This measure expresses our goal very well.

V. Petrobras of the Future

How will Petrobras look like in the future? By 2022, we expect Petrobras to be quite different to how it is now. Last year, for instance, Petrobras was very focused on oil and natural gas exploration and production, geographically more concentrated in the south-east region of Brazil in three states: Espírito Santo, Rio de Janeiro and São Paulo. We will have five refineries, which will be much more efficient and lower-cost than they are now, with the capacity to refine 1.1 million barrels per day. This will be underpinned by new logistics and market competencies. We are strengthening our competitiveness in this business.

In oil and natural gas, we will only look at deep and ultra-deep waters. We are totally leaving onshore and shallow-water exploration and production. We are selling all the mature assets in this area. We will keep our world-class assets and try to make advances through the use of artificial intelligence. We have at least two great programmes: X100, which has a goal to minimise significantly the exploratory risk in order to have practically a 100% chance of drilling a well and finding oil there, i.e. eliminating very costly dry wells; and PROD1000, which has the goal to shorten the period between exploration and first oil to 1,000 days. That is about three years; currently, it is up to seven years. These are bold goals, but we believe they are achievable. They will add significant efficiency and lower cost to Petrobras in the future.

Thank you. I will pass to my colleague and your CFO, Andrea Almeida.

Financial Update

Andrea Marques de Almeida

Chief Financial Officer and Chief Investor Relations Officer, Petrobras

I. Finance Strategies

1. Overview

Good afternoon, everybody. I am very happy to be here to tell you a little bit our financial strategy moving forward. I am going to start with the good things we did in the past that we should keep for the future.

2. Maximising Shareholder Return

First, there is maximising shareholder return. Roberto already talked about our goal – it will continue to be our focus – to maximise the return on our assets, focusing on higher return assets. I will not need to cover it that much.

3. Balance Sheet Management

One important strategy that we will keep moving forward is the reduction of the debt and the reduction of the interest burden on our balance sheet. Everything we have been doing in 2019 was very important, and we will keep things that worked fine. One of the things we were doing was liability management. Moving forward, we might see transactions like the repurchase of bonds, where we offer new notes and pay partially in cash. This is one of the ways we are going to reduce the debt on our balance sheet. There will be other transactions. We also did some very important transactions in the third quarter to reduce the interest-rate burden. We issued local debentures, which we were able to swap into dollars at very low cost, at an average of 3.6% in dollars. We will keep doing that. Our goal is to move from a 6% average rate on our debt to around 5%. That is what we expect in the medium to long run.

4. Increasing Dividend Distribution

In terms of dividends, I think everybody wants to see dividends increase. We know. We know it is a goal for our investors. We have announced the dividend policy. As you can see, this will definitely happen in the future when we reach our debt target of \$60 billion.

5. Risk Reduction through Contingency Management

Debt is not the only contingency that affects our cash flow. Petrobras has lots of contingencies, mainly from the past. We will be working very hard on them. To give some examples, for our pension, we will have a new equalisation plan. We will be balanced. Right now we have a deficit of around \$8.8 billion. We will be approving a new equalisation plan where we balance the contribution of the participants with a reduction of future benefits. It is not just that, however. With the increase of the term, we are making the defined benefit programme something that people might need to contribute more to, depending on the situation of the plan. We will balance the plan over time. This will be a change that will be implemented in 2020. That is going to help us reduce our contingencies.

On the other side, we have big work to do on tax as well. Through our legal proceedings, this year we were able to solve 27 billion reals of contingencies related to that. Just related to ICMS, we were able to solve 5.4 billion reals, paying 1.4 billion reals in an agreement with the state. That is what we believe we need to continue doing to solve the contingency part of our balance sheet as well.

II. Bridging the Gap to Fair Value in Two Years

Regarding this plan, we believe we can definitely deliver more value over the next two years. There are some strategies that we are focusing on to get there. Roberto already mentioned the first one, but I will cover it more. In this plan, we have included \$20-30 billion of assets. But this is not going to be enough to keep the trend of deleveraging, so we will add more to this plan. We will go over that.

In terms of cost optimisation, as promised we have a goal for this year to cut 15% of corporate costs with a 10% overall reduction of costs and expenses for the company. This is no longer a five-year goal but a more short-term goal, which we need to accomplish. We will also carry out debt

reduction. As I mentioned, we will keep reducing the debt. The goal is to reach \$60 billion by 2021.

On working capital, cash management was something we have been talking about. After the payment which we will happily make in December to pay all the bids in which we participated, we will reach the minimum cash balance for Petrobras and we will include inventory management as an important goal, because that is a very important piece of our working capital.

III. Strong Free Cash-Flow Generation with Higher Dividends

Talking about cash-flow generation, this company generates lots of cash. In five years, we expect to be generating around \$188 billion. Included in that number is the range of the asset sales, which is something that we cannot set as a number, because the market will definitely define how those will be done. We start to see dividends as an important piece of our use of cash. Investments have been reduced, compared to the last plan, from 84 to 76. We will go into more details on those changes and what trend is moving forward. We will definitely need to amortise that to reduce the third-party debt, but we see the importance of leasing as well moving forward. It is important to mention that we will be focused on assets that are able to break even below \$50 per barrel and \$45 in the long run.

IV. Investing in High-Return Projects

When we look at our capex over the next five years, as I mentioned, there has already been a reduction, because we applied the same tool we applied in 2019, where we introduced the risk analysis into the five-year plan. There has been a reduction from the last plan number. There has been a reduction of around \$11-12 billion in the overall capex, but we definitely have the transfer rights surplus capital, which added some more. That is how we got to the \$76 billion.

E&P continues to be the big one, with 85% of the total capex over the five years. My friend Carlos Alberto will go deeper into E&P, but we are bringing the concept of adding to and sustaining not just the basic maintenance but the replacement costs as well. Whenever we are investing in the ramp-up of a system, we will consider that growth capital. Whenever we are adding more wells to that system, we will consider that replacement. We are adding more wells to the production that was already defined, so it will be included in sustaining as well, together with basic maintenance. The years where we are higher than the \$12-13 billion are the years where we added the access or the surplus of the transfer rights bids that we just did.

V. Active Portfolio Management

Turning to active portfolio management and divestment, we know how important this is to continue this trend of deleveraging. We have already included some assets in this plan. It is a range from \$20-30 billion. You already know most of this. 50% of the refining capacity is here. All the asset sales related to the new gas market are included here as well. There is LPG distribution, onshore and shallow waters and some remaining assets that we have to sell. There are the thermal power plants, which we expect to do through an IPO. There are the offshore gas pipelines, which we also expect to do through an IPO. Finally, there are some South American assets.

Those are what is included in the \$20-30 billion, but we need to add more. When I say that we still have more to be added, right now we are doing a deep analysis of the E&P portfolio. We will be

looking for assets where we can sell a portion of them. We are not talking about Búzios, which we really want to keep. That is one of the best assets in our portfolio. We might have other more mature fields like Marlim that are definitely going to be added. They are not included in those numbers yet.

In addition to that, there is BR Distribuidora. We still have 37.5%, and we will sell at least a portion of that amount. There are also Braskem and the Bolivian assets. We count on the value we are going to receive related to the value of the deferral of our production as well from the Chinese that participated with us. We are not saying this is a divestment. This is just part of the transfer rights bid, which is going to help us get to the deleveraged portion.

VI. Returning Value to our Shareholders

The dividend is the most important thing. This was already released a few months ago. It is important that we set the trigger of \$60 billion. That is really the level of debt that we expect for Petrobras in the mid to long run. We have defined the formula for how much more we will be able to deliver. It is 60% of the operating cash flow minus capex.

What is important here is just to highlight how we will be calculating those things. The total debt will be calculated based on year-end figures. We might pay during the year, considering the minimum dividend policy, and then after the year ends, if we reach the \$60 billion target, we will pay the extra. That is how we expect to move on this. Everything here is using IFRS 16 concepts. We do not add leasing costs into capex. That is an important piece as well. We will definitely see more dividends in this five-year plan.

Looking at the trend of deleveraging which we expect, we will reach \$60 billion by 2021 after we get the proceeds from the refinery sales. We will keep the minimum dividend, as you can see, until 2021, when we expect to have a higher amount of dividend.

VII. Resilience

1. Oil Production Cash Breakeven

This is a way to show you how resilient our E&P assets are right now. We need a \$16 per barrel price to be able to pay 100% of our costs and expenses. Here we include decommissioning and leasing as well. Sustaining capex here is just basic maintenance with no replacement. We have some positives, which are gas revenues and spread of Brent. To show you how resilient we are making the E&P portfolio, this is E&P in 2020. That is what we want for the company moving forward.

2. Cash Flow Resilient to Low Oil Prices

To finish, we know how volatility affects us. We have strong cash-generation, but it is definitely affected by prices and FX. Taking one view of where we are right now, we are around \$60 per barrel and around 4.2 on FX. That is not in the graph, because we were conservative. We expect for 2020, in the situation we see here, \$35 billion of EBITDA. That is important. That is strong, and it is necessary for us to continue to our strategy. However, the most important thing we need to do is to continue to be resilient, to reduce costs, to focus on world-class assets, to prepare this company to be competitive and to be generating more value for our shareholders.

With that I will pass the floor to my friend, Carlos Alberto.

Exploration and Production

Carlos Alberto Pereira de Oliveira
Chief Exploration and Production Officer

I. Preamble

Good afternoon. In my talk, I would like to address nine points which are very important to the production and exploration area of Petrobras.

I will start with our strategy for the exploration and production area, our focus, where we are going to put our investments in the next few years, and also the areas that we think are very important to the growth of the company. Then I will move to production in this year, 2019, how we have been performing so far and what our projected production is for the end of the year and on average. I will move to the production of 2020, next year, and say a few words about our target.

Then I will talk about the five-year production plan of Petrobras and the new production systems that are going to be on-stream in the following years. Then I will give you a few words about our lifting costs, where we are today and where we intend to be in the next five years and also about our portfolio and the respective breakeven price. I will talk about the exploratory assets we have today after our participation in the auctions that took place since 2017. They were promoted by E&P in Brazil, and we got a lot of good blocks.

Then I will move to the Búzios field, which is our best asset with high productivity. I will talk a little bit about that, and I will say something about the revitalisation of the Campos Basin and our intention for the next years. I will cover what we intend to do there in order to recover production. Finally, I will talk about the decommissioning of the offshore assets that we have, particularly in the Campos Basin.

II. E&P Strategies

Our focus is on the deep and ultra-deep water assets we have today. We have also bought some exploratory assets in deep and ultra-deep waters. The intention is to reduce our participation in onshore more and more until the time when we are only concentrated on the offshore assets we have today. We want them grow. One important aspect is that we want to increase operational efficiency of those assets and to increase the recovery factor as we are going to invest more and more into those assets.

We can see that our intention to focus on our assets in deep and ultra-deep waters. When you look at this chart here, you can see that almost 100% of our investment will be offshore in deep and ultra-deep waters. If you look at this field, you can see that we are going to invest 5% in onshore

and research and development. We could split this figure of 5%. 2.5% will be invested in onshore. Almost 100% will be on the offshore assets we have.

73% will be invested in the systems that have already entered into production, that are already on stream. In the new platforms from 2018, they are in the process of ramping up. We also have some wells to put on stream there. On the platforms, they are to come. When we look at the 27% remaining – we are calling this the sustaining – \$10 billion will be invested on wells to complement the decline on the older systems from before 2018.

III. 2019 Production

Going to production in 2019, this year, what you see is that production is increasing more and more. We have had successive records when it comes to production. At the beginning of November we again had another record of 3.2 million barrels of oil equivalent per day. Right now, we are producing over 3 million barrels of oil equivalent per day; we are very close to 3.1, which is also the figure that we think we will close the year on.

When we look at this chat, we can see what we have suffered during the year 2019. In the first semester of this year, we had a lot of problems regarding the systems for the hydration of gas at the Búzios field, but those problems are over. Now we have changed the level of production. We were at the level of 2.7 million barrels of oil equivalent per day in the first semester of 2019. Now we are producing on average 3-3.1 million barrels of oil equivalent per day. Our intention is to close the year, as we promised in our target for the year, at 2.7. It will be a little bit more. In fact, we are projecting a little bit more than the 2.7 million barrels of oil equivalent per day.

IV. 2020 Production

Looking to 2020 and the target that we have, I have said that we are going to close this year at 3.1 million barrels of oil equivalent per day. We should not forget that we are closing the sales of some assets: Tartaruga Verde and the assets we have in Nigeria. They represent 100,000 barrels per day. In the end, we will start the year with a production of about 3 million barrels of oil equivalent per day. Then we deduct from that the decline in production and something we are calling reliability, integrity and safety. This is about how we want to stop the platforms during the first semester of next year to make a complete revision of the new systems but also of the platforms we have in the Campos Basin. The proposal for that is to increase efficiency in the following years.

We consider that in our plan we have been conservative. We have added on this plan a stoppage of around 20 days per platform. We want to use this stoppage to completely review those platforms and increase efficiencies, so we have to deduct that from our production. We want to close the year with an average production of 2.7 million barrels of oil equivalent per day, which is the same production target from the current year, but we have to consider in this field that we are already deducting the production of the fields we are going to close and the divestment this month.

V. Five-Year Production Plan

Looking at our five-year plan for production, we can see the increase in production. I have to comment here. We can see oil production, commercial production and total production. The total production is the production of oil, where we added the total production of gas, but there is a new concept here, which is the commercial production. This is the oil production where we sum the gas

that we commercialise. It is something that is different, but it is something that is important because it is essentially correlated to the cash generation of the company. We see 13 new systems that we are going to put on stream in the next five years.

In this production, I must add that we are not considering the divestments of assets that you will maybe have to do. They are already included in our plan, but we have not considered these divestments, because we do not know which year they are going to occur in. It could be 2021 or 2022. We have just put here the production, and we have not included the divestments and the closing of some assets, so the position could be lower if we close the divestments of those assets.

One important thing to consider here is that the target for 2020 is 2.7 million barrels of oil equivalent per day, but there is a range of 2.5%. That is the same range that we used when we set the target for the year 2019. For the years to come after 2020, we have not set a range yet, but that is something we are going to do when we approach 2021 and 2022. When you look at the participation of pre-salt in total production, you see that we are going to increase it from 63% to 66% from 2020 to 2024. Although it looks like we are not increasing it very much, we have to consider the fact that in 2020 we have a target of 2.7 million barrels of oil equivalent per day; in 2024, this production will increase to 3.5 million barrels of oil equivalent per day. When we do the maths, it is an increase of almost 600,000 million barrels of oil equivalent per day in pre-salt assets.

When you look at the regulatory regime, we also have an increase of production that will come from production-sharing. That is basically to do with production from the Libra block and the Mero 1, Mero 2 and Mero 3 platforms.

VI. Lifting Costs

Looking now at lifting costs, this is where we are today, where we want to be in the year 2021 and where we want to be on average in the years from 2020 to 2024. What we see is that we have a reduction in terms of production in both exploration and also in the pre-salt. When we look at those fields, it is important to see that we have split the real lifting costs and the leasing costs. The leasing costs are in fact something that is associated with the investment of the company. We have decided that we are going to lease on a platform in the past and not invest in constructing our own platform.

As Roberto said, we have to 'mind the gap' and compare ourselves with other companies. When we look at the pre-salt chart at the top on the right-hand side, we have to compare the green area with other companies. In the same way, we have to compare the grey area on the left-hand side with other companies. Our lifting costs are really very low for pre-salt. They are around \$4 per barrel, \$3.7 on average, and \$6 per barrel when it comes to E&P as a whole.

On the prospective breakeven of our portfolio, we have already done a lot of investment in the infrastructure and platforms in pre-salt. Although we have other platforms to put on stream, when we look at the whole portfolio for 2021 and 2022, until the end of the production, we see those figures of \$21 and \$25 per barrel. Those are very competitive, when you look at the current scenario for the oil price and would also be competitive even in a lower oil price scenario.

VII. Exploratory Assets

Let me make some comments on the exploratory assets we have. We have had very important participation in the auctions that were promoted by E&P since 2017. It is important to say that we

were very selective. For instance, this year, at the 16th concession auction, we were offered 36 blocks. We participated in just two and we bought one. We have been very selective, but we have increased for sure the possibility to increase the reserves of the company, particularly on the auctions that took place this year, where we bought the Búzios field.

When you look at the figures, we see that we have decided to reduce the investments on exploration in the past basically because the scenario for the oil price was very low. Out of financial necessity, we decided to adjust the financial results of the company and adjust the investment in exploration. Now we are increasing investment again. On average, we see that between 2020 and 2024 we are going to increase it on average to \$2.3 billion per year. The total investment will be around \$12 billion in exploration for the next five years.

VIII. Búzios

Búzios is the largest deep-water offshore field in the world, and today it is the company's most important asset. We have already installed four platforms there. They have a capacity of 150,000 barrels per day of oil each. In fact, we are almost producing 600,000 barrels per day of oil on average; we have produced 600,000 barrels of oil equivalent per day, but now we are almost producing 600,000 barrels per day of oil. We are going to install another platform there in 2022. That is under construction. In the transfer of rights surplus, the plan is to invest in seven more platforms. We will have a total of 12 platforms there. The new platforms will have a capacity greater than the platforms we have installed already. Those platforms will have a minimum capacity of 180,000 barrels per day of oil, and they could reach more than 200,000 barrels per day.

It is really a very important asset, and it also makes a lot of sense. It is very strategically aligned. It also has very good economics. Búzios has a very low lifting cost, and it is very productive. Each well is producing between 50,000 and 60,000 barrels per day.

IX. Recovering Campos Basin Output

Looking at the recovery of the Campos Basin, the important thing now is what we are going to do in order to recover the production we had in 2019, for instance, which was almost 1 million barrels of oil equivalent per day. We want in the year 2024 to produce the same amount of production and to generate the same or more value than we are generating today. We will have to increase the operational efficiency of the fields we have there. We will need more wells. We are adjusting the performance of the systems, the platforms. That is why this year, in this first semester, we are going to stop some platforms to adjust their performance. We are going to increase operational efficiency and, at the same time, we are going to put more wells on stream.

We have bought some areas for exploration. These are the areas where we are going to explore. The production is not shown on this chart, but we will give sustainability for the years to come after 2024. At the same time, we are investing in increasing the recovery factor and we are going to have more wells. For instance, when we look at the Roncador field, we have established a partnership with Equinor.

X. Decommissioning of E&P Offshore Systems

As a last word, the decommissioning of our offshore systems is something that is very important to us. It is something we have added to the plan. We want to invest \$6 billion in the

decommissioning of platforms. Although we have some figures that show platforms like P-33, P-26 and P-32, what I have to mention is that those platforms are mostly associated with the Marlim field. At the Marlim field, we have nine platforms. We want to take those nine platforms and to add two new platforms. That programme is about the revitalisation of this field.

I have concentrated on those nine points. I will now pass the floor to my friend, Anelise Lara.

Refining and Natural Gas Strategies

Anelise Lara

Chief Refining and Natural Gas Officer

I. Refining and Natural Gas Strategies

Good afternoon to you all. It is a pleasure to be here. Now let us talk about the downstream area, including the refining, gas and power segments. Our main strategy in this area is to increase competitiveness in the refining market in Brazil with a focus on our south-east operations, as Roberto already mentioned. We have today 13 refineries split all over the country, and we want to keep only the five that are located in the states of Rio de Janeiro and São Paulo. After this divestment process, these five refineries will be kept in our company. This divestment will also push us to be more competitive in global oil and gas trading. We are going to export more crude oil and also more sustainable oil products. Concerning the gas segment, as Andrea said, we are leaving the gas distribution and transportation areas. We will focus on gas production and commercialisation.

Our thermal power portfolio is also very big. It corresponds to 14% of the thermal capacity of Brazil, and we think there is a hidden value in this thermal park that we want to disclose. As Andrea said, we want to create a new company and keep the most efficient and high-performing thermal plants and maybe go through an IPO. We are also working on new oil products like renewable diesel and BioJET. I will talk about these more sustainable oil products.

II. Investing to Ensure Asset Integrity

Our downstream capex for the next five years is estimated at \$8 billion: \$6 billion in refining and \$2 billion in gas and power. The main focus of these investments is to ensure integrity and maintenance, but we are also investing in some new projects to increase the efficiency and conversion capacity of our refineries that will remain in our park. We are talking about new hydrotreatment in Replan, Reduc and RPBC. This hydrotreatment is to get better diesel, more sustainable diesel with lower sulphur, and also hydrocracking in Reduc to produce high-quality lubricants, second-generation lubricants, which today are important in Brazil.

In the gas segment we aim to complete the pre-salt gas Route 3 and the gas-processing plant in Comperj. That will allow us to increase our gas production by 21 million cubic meters per day. This operation is scheduled to start in the second semester of 2021. Concerning our renewable

energy portfolio like solar and wind power, we will keep only R&D investments for this five-year plan.

We have signed an MOU with Equinor to develop together offshore wind power. Especially in the north east, Brazil has what is considered to be a world-class area for renewables. But, like Roberto said, we need to increase our technical capability in renewables to invest more money in this area. We do not want to lose money by investing in an area where we do not have enough technical capability. So, what we are doing in this area: we are increasing our technical capability by having some agreements with other oil and gas operators that work in the renewables area already so we can learn from each other in order to develop future projects, like what I said with Equinor in terms of the wind-power system.

III. Adding Competition to Downstream

Nowadays, Petrobras is responsible for 98% of the total refining market in Brazil. This divestment of our refining park will be a step change not only for Petrobras but also for the country in the downstream area. Eight refineries are being divested: one in the north, three in the north-east, one in the south-east and three in the south. The first four refineries are already in the binding phase, and we expect to receive the final offers by the end of the first quarter of 2020. The other four refineries are in the non-binding phase. We expect to receive the non-binding proposals by the end of this year.

As I said, we will keep the five refineries in the south-east region that are closest to our most relevant production fields, as Carlos Alberto showed, especially in pre-salt and deep-water post-salt, located in Campos Basin and Santos Basin. The refineries are located close to this upstream portfolio and close to the most developed part of the country. The Paulínia refinery has a capacity to process 430,000 barrels of oil per day with a return of capital around 15% and a net margin around 13%. That is the kind of refinery that we want to keep in our portfolio. Of course there are some gaps to close, especially in energy consumption, in these refineries, but we are already in the first quartile benchmark for Latin America. Concerning the maintenance costs, we are equivalent to the best refineries in the US. However, there are some areas that we need to work on in order to close the gap. We want to focus on the five refineries that will stay in our park.

IV. Transforming the Gas Business in a Competitive Market

The natural-gas segment is also under a huge transformation not only for Petrobras but in Brazil. The new gas market that has already been announced by the government authorities in Brazil is on stream, and Petrobras is an important part of this policy. We used to have almost the monopoly on this gas value chain in Brazil. Three years ago, we began opening this by selling 90% of the south/south-east gas pipeline, NTS, to a consortium led by Brookfield. This year, we concluded the divestment of 90% of TAG to ENGIE, the French company, with CDPQ, a Canadian fund. We have committed with the anti-trust authority to leave 100% of our gas transportation and distribution companies by the next year.

After all this transformation or movement, we will keep around 50% of the gas value chain in Brazil. This is our goal. Our partners in pre-salt and other gas producers in the country will be able to commercialise their own gas. Today, Brazil is still a gas importer. We believe that this situation will be kept until the second half of the next decade. We import around 25-35 million cubic meters of gas per day, especially from Bolivia and LNG.

V. Opportunities in Fuel

Petrobras's efforts towards a more sustainable future focus also on the research and development of new oil products with a lower carbon footprint. We are talking about renewable diesel and BioJET fuel produced by co-processing vegetable oil in our refineries. This process has been shown to be very effective and stable, but we need approval from the regulatory agency in order to get carbon credits from this process. As you know, today the distribution companies are allowed to add 11% biodiesel in our refining diesel, and this percentage will increase 1% each year until 2023 to achieve 15%. We want to do that in our refining park, mixing vegetable oil with crude oil, fossil fuel, in order to produce a better and more sustainable diesel already inside our refinery park.

Concerning IMO 2020, we are very well positioned because our pre-salt oil is low-sulphur and our refineries are able to produce bunker 0.5% without a need to add more components. We forecast an additional gain of \$1 billion in 2020 compared to 2018. We are already increasing our bunker exports, and we aim to achieve around 900 tonnes of bunker to export in 2020 due to the characteristics of Petrobras's bunker. Our crude oil exports are increasing to reach almost 600,000 barrels of oil per day and they are more valuable in global market trading due to these characteristics. As I said, it is low-sulphur oil. We also forecast additional gains in 2020 compared to 2018.

VI. Opportunities in a Low Carbon Future

Finally, there are opportunities in the transition to a low-carbon future. As I said, we are not focused in this plan on investing too much in renewables, but we are making great efforts to reduce our footprint. We believe that the impact of the oil and gas industry on climate change should be reduced and minimised. Petrobras will contribute to that, not only by re-injecting all the CO₂ produced in our fields. In pre-salt, we may have some huge content of CO₂ that is already being re-injected into reservoirs. We want to increase our capability to produce more sustainable oil products, taking advantage of the characteristics of our crude oil.

Our roadmap to reduce carbon footprint is focused on the following process. First, there is closed flare deployment to achieve no gas flaring. We have already a stated time limit for that, which Roberto will talk about in his final message. Secondly, we will use CO₂ capture storage, like I said. This is not only to re-inject the CO₂ produced in the pre-salt, however. We are also developing CO₂ subsea separation to avoid CO₂ going to the platform. We are doing intensive work to monitor leakage and repair to reduce hydrocarbons loss. That is also very important. We are doing vapour tank recovery to avoid harmful air emissions. We also want to grow energy efficiency. This is quite important. We believe we need to keep focused on the energy-efficiency side, especially in our assets. This is a gap that we have in our refineries which we are working on. We are also studying the supercritical CO₂ turbines. We have already showed lots of gains in efficiency by using supercritical CO₂ turbines in our process. Finally, as I said, we are doing R&D projects in offshore wind and solar energy.

The capex involved in this process, including R&D, is estimated for this plan at around \$107 million per year. This is our commitment to these very important issues regarding the reduction of our carbon footprint, which we recognise as an important topic for all oil and gas industries.

Thank you. I will pass to my colleague Nicolás.

Digital Transformation Strategies

Nicolás Simone

Digital Transformation and Innovation Executive Officer

I. Preamble

Hello, good afternoon. Digital transformation you can see that during the presentation, we have great ambitions and opportunities. Digital transformation and innovation exist to accelerate and capture these ambitions and opportunities that you have seen in the presentations of Roberto, Andrea, Carlos and Anelise. I think the beauty of digital transformation and innovation is that the results are orchestrated in the business units, in the corporate areas. Digital transformation does not exist by itself. It is an area where we need to provide the technology and orchestrate the transformation through the company. This is part of our DNA. Since the beginning, Petrobras has had innovation in its DNA. Of course, we have opportunities that we need to leverage in order to accelerate time to market.

II. Digital Transformation Strategies

1. Overview

Another important thing that differentiates this agenda is the way we are structuring the digital transformation and innovation areas that I will explain with these strategies. The most important thing to remember is that our aim with digital transformation and innovation is to accelerate Petrobras on this journey in order to add value, to maximise value for our shareholders. As you can see, we have opportunities to reduce costs, doing more with less and decarbonising and improving the time to market of exploration. I think we are moving in the right way to do that.

2. Go Digital

Let me explain the strategy for you. We divide the strategy into five parts, which I think will help us to understand this. First of all is the dimension of 'Go Digital'. What that means is using technology. This is about using digital platforms, which we can buy or make internally in Petrobras. These are technology platforms that will boost our digital evolution. That is what we call 'Go Digital'.

3. Be Digital

'Go Digital' by itself will not work, however. We need to act in another dimension, which we are calling 'Be Digital'. That is about working with people and working internally within Petrobras in order to think in different ways about work. For example, this is about being agile at scale. We expect to have been 1,000 and 1,500 agile teams working in parallel, which means we need to orchestrate this. If we do not, it will not work. This is a challenge. We are doing hackathons; we are using Design Thinking methodology and Open Innovation. We are starting to create a digital ecosystem that will accelerate us on this journey.

4. Lean

When we are thinking about digital transformation, of course we have the technology, but we also have the processes. We need to remember that one. If we buy technology and put the same process in place, we are not going to be efficient and we are not going to be 'Lean'. This is led by the Business Process Office, which we are creating. This will enable us to have a leaner Petrobras. When we work with digital technology and digital transformation processes, the cost reduction and the simplicity of Petrobras will appear and we can orchestrate all of this.

5. Innovating

In terms of 'Innovating', we have our R&D Center. Like Anelise, Carlos and Roberto have said, we have a huge challenge of decarbonising, reducing the time to market of exploration and making new products by using oil. I think we have a huge innovation centre with great people and great technology that will allow us to put this in place.

6. Protection

The fifth dimension is 'Protect'. We are speaking about cybersecurity and information security here. Of course, when we have an agenda of digital transformation, we are doing the cybersecurity part very well, but this cybersecurity also needs to be innovation-enabled. We need to balance protection all the time, but with this protection we cannot stop the business. It is something that we need to run together.

III. Innovation Initiatives

These are the five dimensions. What I would like to do next is to conceptualise a bit more what we are speaking about when we think about this combination of technologies, processes, people and innovation together. When we say we have a digital ecosystem, we mean that we have different kinds of technologies and programmes. We are speaking about using blockchain in finance and logistics. We are speaking about digital twin, which we are doing in the refineries and platforms. For example, we did a pilot of the digital twin in our Replan refinery. In three months, it showed a business case or return of \$25 million, with a potential of up to \$800 million. When we speak about technology adding value, all the time we are checking the business cases of all the technologies we are running and putting in place with digital transformation.

Of course, we have high-performance computing to do simulations. This is very important for our core businesses and exploration analysis. We are also speaking about logistics 4.0. We have a huge opportunity in logistics to be more efficient. When we are thinking about the digital refinery, we have the digital twin, which is about connecting analogic with digital and using engineers to do this connection. When we get machines working together with artificial intelligence, we believe that we are going to have more gains in all the business cases we have.

IV. Using HPC Capacity to Enhance Productivity

For example, we are speaking about using high-performance computing. We are increasing our capacity 10 times from 2019 to 2020, which will help us not just to do data processing. In the future, if we have the digital twin of a refinery, what we would like to have is a digital twin of our blocks. For example, when Carlos spoke about Búzios or our other fields, if we had a digital twin

of the fields, we could activate two huge ambitions we have: one is EXP100, which Roberto spoke about. We would like to have a 100% discovery chance factor in known exploratory wells. That means we do not want to have dry wells when we are going to perform. That is a huge ambition, but, using technology with high computing processing, we believe that we can deliver that kind of program.

If you imagine that we are going to have a 100% discovery chance in the field, this will help us do the next programme we are showing here, which is PROD1000. We would like the period of time from discovery to first oil to be 1,000 days. Today, for example, our average is 3,000 days. We have a best-case scenario that we have already run, which was 1,600 days. The market average is 1,900 days, but we believe we can do better using technology. Again, this is using technology to add value to all these processes. I can give you more examples than these two programmes or ambitions. We have a lot more, but to make this a bit more tangible I think it is great to show you these.

V. CENPES: Petrobras's R&D Centre

Another thing I would like to show you, which we are very proud of, is that we have the largest R&D centre in Latin America. To deliver what Anelise and Carlos presented and to work in a way to add value and maximise shareholder value, we need to have a world-class R&D centre, and we have one. We have what we call the 'lab of labs' R&D centre. That means there is one umbrella with labs connected to each other. We are speaking about 147 labs. CENPES is almost 300,000 square metres of innovation and high technology, with more than 8,000 pieces of equipment.

We have a great team. We have great scientists working there. We have 12 post doc professionals, 261 employees with a PhD and 420 with a Master of Science. This means we are focusing on innovation to add value. This is what differentiates Petrobras in the market, for example when we speak in pre-salt fields about the need to have high technology to do the work on, for example, working in ultra-deep waters. It is technology that differentiates us and allows us to extract the oil.

To finish, what we are creating in our R&D centre in Latin America is what we call the Corporate Innovation Lab. That is an area where we are booking in our R&D centre to work in the corporate areas. What does that mean? We also need to innovate in HR, finance, IT and all areas that connect with our corporate ecosystem. We have huge opportunities in that field doing partnerships with start-ups and strategic partners. In the pilot, what we did was internal start-ups; we looked for start-ups internally in Petrobras. We have great talents in the company. They have all the knowledge and all the qualities to be internal start-ups to add and deliver value in the company. We did some pilots this month, and the results were great. We want to repeat it. We do not only want to work with external start-ups but also internal start-ups, created inside Petrobras. We are creating an environment where we are going to have data access, platform tech, co-working areas and partnerships with a lot of universities and partners from the market.

I will give the final word to Roberto to give the final remarks. Thank you very much for your time. It was a pleasure to be here.

Closing Remarks

Roberto Castello Branco

I. 10 Commitments

Thank you, Nicolás. As I said previously, we are strongly committed to deal with climate change. It is a process for which we have seen much evidence across the world. As an oil company, we are very committed to addressing this issue. I would like to present to you our 10 commitments on sustainability. These encompass the minimisation of greenhouse-gas emissions in the upstream and downstream operations. It also involves carbon capture through the re-injection of CO₂ into oil wells. There will be zero increase in residues generation by 2025. All of the Petrobras facilities will have a biodiversity action plan by 2025. We are committing to producing more environmentally friendly fuels, as Anelise mentioned, and we are fully compliant with the new rules of the International Maritime Organization for 2020. We are even in a position to sell bunker oil, 0.5%.

Petrobras will continue to invest in environmental projects and social projects. In this area, this year we have changed dramatically our sponsorship programmes. In the past, these were more dedicated to finance movies, theatre and Formula 1 car racing. This is focused on Olympic sports and mainly on education, especially preschool capital investment. We think that is the best way to fight poverty and create citizens who can be successful over their lives. This is supported by economic theory and a vast body of empirical evidence in the world. It is a process led by very extensive research, and Petrobras is strongly committed to creating a better life for children.

We recognise that despite other oil companies, particularly European oil companies, are investing in wind and solar plants. We still do not have the competencies to drive this kind of business. To produce oil is quite different from playing with renewables; it requires different competencies. In the past, Petrobras had a very bad experience trying to be a jack of all trades, producing even palm oil, castor oil and soybean oil to be used as raw materials for biofuels. We are shutting down these operations. They are small drains of cash flow, but they are drains. We do not want to have any drain on our cash flow. We are working to generate more cash and value. The same applies to renewable in the short term. It does no good for anybody, even for the environment, to lose money, because it is not sustainable over time. As Anelise presented, we are investing \$70 million per year in research and development in order to acquire these competencies.

II. Closing Remarks

In the short term, we have our 10 sustainability commitments. The production of natural gas, which is much cleaner than oil, is going to rise significantly from 2025 onwards, given the development of the pre-salt fields. For the long term, who knows? Petrobras might be a large producer of energy from renewable sources.

Last but not least, I would like to stress that, despite all our efforts and all the advances we have been making over this year, we still have many serious challenges ahead of us. I will conclude by saying that our best days are still far away from now. We have to work hard as a united team with talented people and we have to have some luck. All champions must have some luck in order to continue to create value and to be among the best oil companies in the world. We expect to reward your investments very well over time. Thank you.

Questions and Answers

Participant

This may be one for Nicolás, actually. Can you please tell us about the measures you are taking to protect your assets against cyber-attack?

Nicolás Simone

That is a good question. We have a huge amount of technology for cybersecurity and information security. That means we have two dimensions of protection. One is the corporate areas: that means emails, information and all of these kinds of things. The second dimension is all the assets we have like refineries and automation. We are working on both sides with high technology for cybersecurity and information security. We are working a lot to do some conscientization with people also, because, as you see, in information security, the human part is very important for security. It is not only technology. This is something where we are working with strong muscles. In digital transformation, it is a must to have the cybersecurity part. We have DLT technology; we have different kinds of technology that we are running to protect us from hackers and whatever is in the market.

Petrobras is a big company, so all the time we are confronted with different types of hacking, and our tools are protecting us from that. This is a strong muscle, but we still need to go to the gym, because there is always new technology in the market. If we think about hackers 10 or 15 years ago, they were young people playing. Today, it is a trillion-dollar business. New technologies are being generated for it, and we need to be prepared and proactive about managing this. We are investing a lot in this, yes.

Ricardo Rezende, JP Morgan

I just have a couple of questions. The first one is on regulation. Roberto, after the auctions last month there was a lot of discussion on potentially changing future auctions back to concessions. I know that is more on the government side, but how do you see the political environment for potential changes in the regulation? Do you see there being any other discussions around maybe changing the pre-emptive rights Petrobras has?

My second question is more on the gas side. You were mentioning that we are still going to be an importer of gas for the coming years. As gas becomes more important with pre-salt, would you consider investments in integrated petrochemical assets as well in order to monetise this gas?

Roberto Castello Branco

Regarding the regulatory framework for oil in Brazil, this is a government issue. Of course, Petrobras is only a company; we are not government. But, in our opinion, our opinion as Petrobras, as a company, it is very important to have a significant change in the regulatory regime towards the adoption of a more pro-market regime, eliminating all the complexities that, at the end of the day, reduce the attractiveness of Brazil in the natural resources field.

The geological legacy is a necessary condition for attracting investment, but it is not sufficient. We have to have a more investor-friendly regulatory regime. We have seen many examples in the natural resources area in the past. For instance, in Latin America, Chile and Peru are two good

examples of economies that changed their regulatory regimes towards a more investor-friendly approach and attracted billions and billions of dollars in investment in the mining business. The same applies to the oil business. Things like local content, transfer of rights, production-sharing contracts and state-owned companies foreign to the oil market environment continue to reduce attractiveness and to reduce productivity of oil assets, and productivity growth is key to economic growth. In Brazil, one of the main explanations for the very slow growth over the last four years is low productivity. We should change this environment. As far as I know, the government is committed to change the scenario of low growth and to put Brazil on the road to prosperity.

With respect to petrochemicals, in the short term Petrobras is strongly committed to divest Braskem. We recently read the news that the controlling shareholders in Braskem proposes to sell the company in 36 months. We strongly disagree with that. We would like to sell Braskem in a maximum of 12 months through the capital markets, transforming the company into a corporation, converting preferred into voting shares. Braskem should be a company with 100% voting shares. We would like to sell it to investors. If someone says they want to sell an asset in 36 months, to me it means that they really do not want to sell anything. For the future, with rising natural gas production, it is an option to integrate refining with petrochemicals. That is the current trend, but we still do not have low-cost feed stock to engage in this type of activity. Let us wait for the future.

Anelise Lara

To add to that, as I said, we have three gas routes in pre-salt. The last one, Route 3, will go to Comperj, the Comperj area, where we have invested in order to build a new refinery there. It is a huge area. We are now building a gas-processing plant. We expect to be able to make Comperj a gas hub for pre-salt production. It will be a good place for us to install a cracker for petrochemicals once we get more gas. As I said, we are still an importer.

In order to increase the commercialisation of gas, we must increase not only the gas production and the new projects but also get more infrastructure. For the moment we have three routes in pre salt, which corresponds to about 48 million cubic metres per day. We need more routes, and that is why our plan is to have a company that will build and assemble these three routes and be able to invest in new gas routes. It will be a midstream company, which could do this job instead of Petrobras and its partners. It can do this for all of the producers, and we will pay tariffs.

Rodney Thomas, Apollo Global Management

Following up on the question of Braskem and your naphtha contract with Braskem, would you hope to have a continued relationship with them for the sale of naphtha into the future, regardless of the status of Braskem?

Roberto Castello Branco

Let us see what happens. We would think very positively about having a long-term contract with Braskem once it changes its shareholders. It is business as usual on a more long-term basis, but at this moment with the current status we do not see this movement as possible.

Juliano[?], AXA Investment Managers

I would like to ask a question, but it could be of interest for other members of Climate Action 100+. In 2020, will Petrobras make a board-level commitment to disclose using the TCFD and the recommendations?

Roberto Castello Branco

We are preparing to do this next year, for sure. We are members of OGCI. It is part of the commitment of OGCI.

[Tom Morgan-Davis?], Optiva Securities

Could you give us a little bit more colour about the structure about how the sales of the refineries will take place? From what I have heard, it could be a case of transferring the assets into separate companies. I want to get an idea of the timeline of actual completion. Could you also perhaps say when ordinary shareholders can expect the same dividend as preference shareholders? Is there any view on that at all?

Anelise Lara

Concerning the divestment of these eight refineries, we aim to sign the deals for the first four refineries by the second semester of next year, and then the closing will be expected in the second semester of 2021. During this transition period, we are already working to carve out the eight refineries. Each one will be transformed into a separated company, but only after we are sure that we already have a buyer confirmed, because of the tax impact related to them. After the signing we will create these new eight companies, one for each of the refineries, and work with the buyer in order to transfer the operatorship by the second semester of 2021. That is why Roberto said that Petrobras will be a completely different company in 2022. This movement is already included in our business plan. That means we have already excluded the free cash flow of these refineries from this plan after 2022.

Andrea Marques de Almeida

Regarding dividends, nowadays we try as much as we can to pay ordinary shares the same as preferred. We need a US\$15 billion result to be able to pay. Whenever we have net income higher than that, we will be able to pay ordinary and preferred the same. After 2021, when we reach the US\$60 billion figure for debt, we believe we will be able to pay more than that, according to our dividend policy.

Anish Kapadia, Bank of America

I have two questions, please. Firstly, on upstream, with the Lula field, you have now had production for almost 10 years. I just wanted to get an outlook in terms of production on Lula over the next few years. Has that now reached peak production? Will it be now moving into decline? How do you see the reservoir management of that field?

My second question is on the downstream and downstream pricing. How confident do you feel that you are going to be able to have full control over your downstream pricing going forward without any government interference?

Carlos Alberto Pereira de Oliveira

Regarding the Lula field, we are now producing over 1 million barrels per day of oil there. We do not see that we have already reached the decline phase, because we are still putting some wells on stream. We are also going to install another system in this field, which is called Lula FR. If we had not added new wells to the field, for sure we would have had some decline on this field, but in

terms of our five-year plan we see that we could have some decline, but it would be something around 2% or 3% per year after 2023 or 2024.

So we have very good figures for the Lula field, and we are going to keep the same production. The field unfortunately will decline, but we are adding new wells and a new system so we are maintaining the production of Lula field. The production is really very high today.

Roberto Castello Branco

Regarding full control over pricing, I would say that this government understands how harmful it would be to try to intervene into this process. Our prices are treated like any commodity prices. For instance, last month we have seen in Brazil a sharp rise in the meat price. They were even responsible for a tick in the inflation index. There is no intention in intervening in the meat price. This belongs to the past. Price controls belong to the museum of failed weapons to fight inflation.

There is no intention to intervene in [floor pricing?]. We are practising floor price freely according to falls. Our commodities prices in US dollars were falling in global markets. I would like to add that by law in Brazil since 2002 floor prices are free. They must be freely determined by the market. One of the consequences of selling half of our refining capacity is to de-risk our company, because if 50% of the refining capacity is owned by private-sector companies, it will be much more difficult for future governments to try to interfere with market freedom. It is going to contribute to de-risking Petrobras for the future. That is not for now, because the environment, as I said, is very favourable. But we do not know whether future governments will have this intention. A strong presence of private-sector companies will be a barrier to do that.

If you do not have any questions, we are going to come to an end. We would like to thank you for coming here to exchange ideas with us. We will be back as soon as possible to London to talk to investors. Thank you.

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