

# *Petrobras Investor Day 2019 - New York*

## *Transcription*

### **ROBERTO CASTELLO BRANCO**

Well, you are very welcome to the Petrobras Investor Day at the New York Stock Exchange. Thank you for coming. Now, we have a presentation of a film and, after that, we will start our presentation.

Well, first, I'd like to say thank you for recognizing our efforts during this year. The share price of Petrobras has outperformed our peers until now. We are in December, December 4<sup>th</sup>, 2019. Our share price was number one among peers. Thank you so much for valuing our efforts.

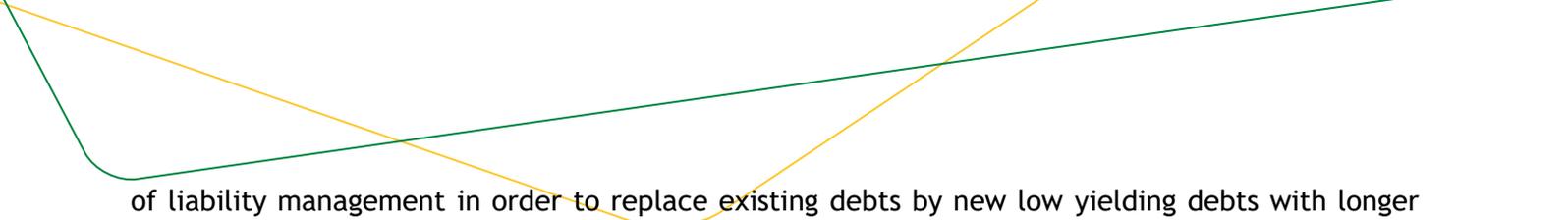
Since the first day of this new management team, we are implementing a transformation agenda and we decided to take an outside view, not an inside view. An inside view would be just to compare ourselves with ourselves. Evaluating what we have done last year and saying we are going to do a little more. It is not our approach. We decided to take an outside view. That's why you are going to see the "mind the gap" concept. It's how we call our new strategic plan, because we want to be the best company. So, the first step to do that is to close the gap in relation to the best oil companies in the world.

Our transformation agenda is based on five strategic pillars. Such a small number is easy to remember and it will be easy to implement. The first one is the maximization of returns on capital employed. We have a strong focus on assets of which we are the national owner.

These assets are the ones from which we can extract the maximum return possible. I will give you a very clear example: Búzios. We spent almost 17 billion dollars in the acquisition of Búzios, in the Transfer of Rights auction in November. And why is that? Because it is a world-class asset. Large reserves with a low lifting cost, as low as \$4 per barrel. Low CAPEX costs because we know the field and we already operate there. We are producing about 600,000 barrels of oil equivalent per day. Nobody knows Búzios better than we do. So, it is a world-class asset. It is the largest offshore field in the world and it is one of which we are the national owners. So, it is key to our strategy to focus on those assets. We love world-class assets.

We do not need all the assets that we have in our portfolio, because we are not the ones that will do best with those assets. So it is better to sell these assets to others who can do better than we can. So we put in place an active program of portfolio management. The second way to maximize the return on capital employed is discipline and capital location. Both the physical and human capitals are very scarce. So, projects have to compete under their own merits, on a risk-return basis.

The second strategic pillar is the reduction of the cost of capital. We are in an industry that is highly capital intensive and Petrobras has a very high cost of capital compared to our peers. So, we are making a very strong effort to change the game in order to reach more reasonable levels of cost of capital. This is for deleveraging, for transparency, increasing transparency, increasing our relationship, improving our relationship with the global financial community and an active program



of liability management in order to replace existing debts by new low yielding debts with longer maturities.

The third pillar is a relentless search for low costs. Again, we are in an industry which is typically cyclical. In this cycle, we are exposed to price volatility as a consequence of cash-flow volatility. So, the best way to survive in such an environment, considering that the long-term prospects for oil prices is to have low cost. So, we will have to be resilient to low price scenarios. The best protection is not hedging in commodity exchange; it is a true cost reduction and maintaining a low cost structure.

The fourth pillar is meritocracy, which means incentivizing people to go for the extra mile. We launched the Variable Compensation Program, the first effective Variable Compensation Program in Petrobras, and we are implementing an EVA system that we will start to work as of January 1st of the next year. One of its rules is going to be the basis for compensating people. Compensating people for value creation is our goal to create a culture of value. You can have the best strategy in the world; it still has to be supported by a cultural transformation. We are making efforts to create a culture of value.

Last but not least, we have a strong focus on people, environment and safety. We are taking care of people's empowerment. For Petrobras, it is very important to give people more responsibilities with accountability to have a very open and frank dialogue with our employees. This was key in our recent victories against the pressures of the unions for launching strikes. The dialogue, the very frank dialogue is always very important for us.

Petrobras has already a very strong safety culture. This was acquired in response to some accidents earlier in this century. People died and there were material losses. Then, Petrobras constructed a very strong safety culture, and it is our task to preserve and enhance it. That is why we are making an effort to preserve this culture.

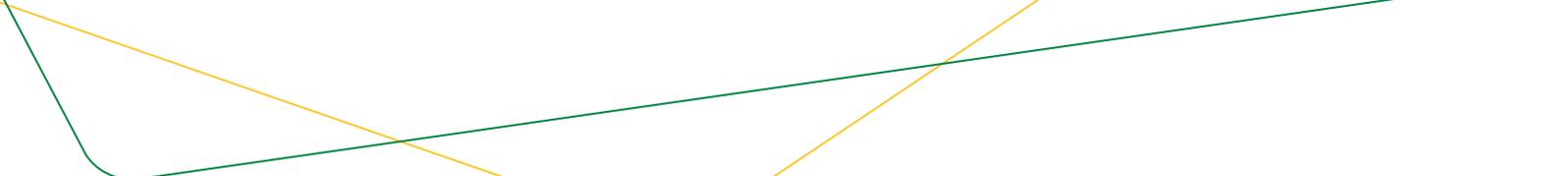
And decarbonizing oil production. We have a concern with climate change and, so, we are launching measures to develop a program to deal with this phenomenon.

In 2019, we had several achievements, but I'd like to highlight just a few. First, we managed to obtain a reduction of debt - gross debt - of 21 billion dollars. It is not easy to do that in a short period. The divestiture of non-core assets achieved a total of 16.4 billion dollars. Our free cash flow in the first nine months of the year, was 13 billion dollars.

And we agree that one of the greatest achievements is, as I mentioned before, the acquisition of the Búzios field. Petrobras has a monopoly on refining in Brazil. We had 98%, we still have 98% of the country's refining capacity and a monopoly across the board in natural gas. This has not been profitable for Petrobras.

We didn't make money, with these two business; to be frank with you, in the last year of 2018, and we have had an economic loss of 6.2 billion dollars in the refining business, a loss of 2.2 billion dollars in the natural gas business. It is not good. As a company, it's destroyed the value. Monopoly power, it is one of the best ways to create fat cats and inefficiency and it is not consistent with democracy, with a free society because you restrain the freedom to choose.

So we decided voluntarily to open the refining market to competition. We are selling 50% of our capacity for this, as well as 100% of 8 refineries. We already got the first non-binding offers for four of the refineries. We are going to get one more for one more refinery this week and for the first 4 refineries, we are in the second stage to receive binding offers. Our plan is to conclude the divestiture of the 8 refineries by 2021. It is not easy because it involves a lot of work in terms of carving-out, each of the refineries, creating eight new companies to deliver to the buyers.



On natural gas, we are selling all the distribution and transportation assets. We are reducing by half our bushes in the market, so there will be room for competition in these markets. This will be good for Petrobras, it is very good for Brazil, and for the oil and gas industry.

Another achievement of Petrobras during 2019 was the privatization of BR Distribuidora. Why was it so important? Because it is a landmark, it is the first privatization in Brazil, in the economic history in Brazil, done through the capital markets and we had the credit rating upgrade by rating agencies. Our goal is to recover the investment-grade rating status that Petrobras lost a few years ago.

In the area of cost reduction, we are exploiting every opportunity to cut costs. We launched some voluntary dismissal programs; almost three thousand people are already enlisted and are leaving the company. Several other expenses are being cut, with the reduction of space, a rationalization of space in Petrobras. At the beginning of this year, we had 18 offices outside Brazil, one in New York, which we already shut down, there are five that we are in the process of closing. In the Houston office at the beginning of this year, I had six floors in an expensive building in Houston. We paid 5.8 million dollars for a lease contract. As of December of this year, the office has been reduced to half of a floor with a lease payment of \$300,000 per year and we are minimizing the number of expatriates in each of the offices. So, there are many examples of initiatives to cut costs underway, some of which we are already doing. We will show you the results for most of these initiatives in the next year.

Several other measures have been taken in order to add agility and flexibility to the decision-making process starting with the Board of Directors and the Advisory Committees. With their Board of Directors and the empowerment of the Executive Committee, plus the empowerment of the leaders of the company, the goal is not to weaken corporate governance. We praise very much corporate governance, Petrobras has very strong corporate governance standards, but there was an exaggeration, a concentration of powers, too much bureaucracy, so we are changing these, taking care of not weakening the corporate office standards.

We announced a new shareholder remuneration policy. By the way, the first policy of Petrobras in the past was that the only policy was to comply with the law. And this is not policy, just compliance. Now we have a policy that I was here for Andrea Almeida and she will address. So, mind the gap again.

As I said, safety is a priority. Active portfolio management is very important. It is so important that the group in charge of portfolio management reports directly to me. As a symbol of how much the company prioritizes that reduction and capital discipline, capital allocation discipline, digital transformation, it is also very important for the company, we understand that Petrobras and not only Petrobras, but the oil industry in general, is well behind in terms of digital transformation. Based on what we learned, oil and gas is one of the industries that have more to benefit from digital transformation. And we created an Office of digital transformation that is being led by Nicolas Simoni, a specialist with a lot of experience, in order to promote and to introduce a digital revolution to Petrobras and they have several programs involving artificial intelligence to reach a significant increase in efficiency and to lower the cost. Likewise, the transition to a low-carb economy is also a priority.

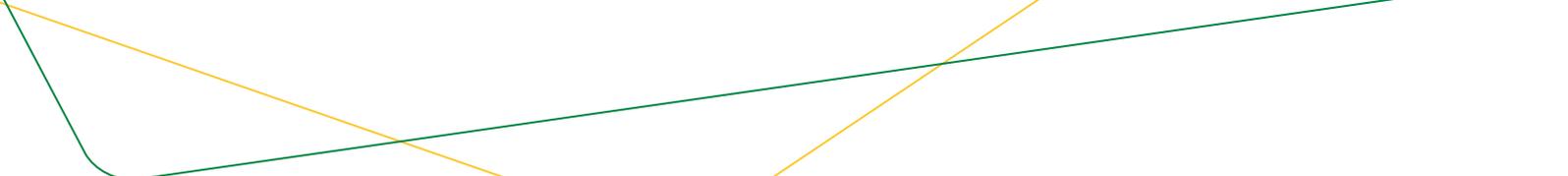
Well, the key metrics will continue the same. Total recordable injuries: the intent is for it to be less than one. This year, we reached a level that is below the oil industry benchmark. The numbers of the third quarter should reach point seventy-five. That's below the point eight, which was the previous benchmark for the oil industry, and I have been informed that we are decreasing it every day. So it is very likely that we will end this year with a fantastic result in this metric. The ND/EBITDA remains as target for 1.5 times. That is considered being highly recommended, not only

“reasonable”, but highly recommended, for a commercial producer which is exposed to price volatilities. That is our goal, and, as a consequence of an introduction of the EVA, we have a goal for EVA in 2020. That is the Delta EVA, the increase in EVA of 2.6 billion dollars. According to a study made by Mackenzie on petrol over the last 20 years, Petrobras was one of the very few companies that systematically destroyed shareholder value. Our business is to create value and so we have the goal of improving EVA. For that end, as of 2020, we will be setting a target of 2.6 billion dollars and our mission is to have zero fatalities. It is not tolerable for a responsible company to accept the death of any person at all in its operations. Unfortunately, this year, we had two fatalities in our operations. We know that it is a very bold and hard target to achieve. However, we will continue to pursue zero fatalities.

To finalize my presentation, I will give you a view of the Petrobras of the future. For the long term, this is what we expect Petrobras to be in 2022. First of all, Petrobras will be very focused on oil and natural gas exploration and production, geographically concentrated in the Southeastern Brazil, especially in the following three states: Espírito Santo, Rio de Janeiro and São Paulo. We deal efficiently with the world-class assets, in deep or in ultra-deep waters. We are stopping investing in all the mature fields onshore or in shallow waters. We'll have five refineries for the State of São Paulo and one in the State of Rio de Janeiro. We are looking to have an efficient and low-cost refining business helped by digital transformation and several other methods in a changing process. The company will be supported and enhanced completely by the logistics and marketing. Logistics and marketing will become much more important to our company than they were in the past. We will ensure a low cost of capital. As I said, we are working on the building of a cultural value. This involves cultural transformation. Petrobras has a very strong and very valuable characteristic in its culture, technical excellence, a passion for the business, the ability to overcome challenges, very serious challenges from moral crises to the challenge presented by the exploration of the pre-salt, developing new technology and so on. So those are all very important points of the Petrobras culture that we want to preserve and to enhance. On the other hand, some delusions have to be forgotten and people have to acquire new competences. This will be the core of the building of a cultural value. And, last but not least, with respect to climate change and renewable resources, we are not going to invest in solar or wind plants. And why is that? Because we do not have the competence to do that. We are not going to lose money just for the sake of showing people that we are good citizens, that we are champions of sustainability. Losing money is no good for anybody and so, instead of doing that, we are doing our best to learn how to manage this business with investments in research and development. This, I believe, will be the focus of Petrobras in a couple of years ahead, not in the long term. Having said that, now I pass to my colleague, to finish, Chief Financial Officer Andrea Almeida for her comments.

#### **ANDREA ALMEIDA**

Good afternoon, everybody. It is a pleasure to be here to tell you a little of our plan and of our highlights on the financial area. So, starting with the finance strategies, we will try to go into quite a bit of detail, here. So, we tend to do everything that was a success during 2019 and we will keep that, definitely. So, starting with maximizing the shareholder return, I think Roberto already covered that very well. We will be focused on assets with a higher return and world-class assets, and you saw that throughout 2019, and you will see more of us doing that through the divestments and concentrating on E&P. On debt reduction, we need to keep doing what was good. 2019 was a very good year in which we were able to implement lots of good strategies. On the liability management, I believe we will continue to try to get notes out of the market. And, definitely, we'll need to issue maybe new bonds and exchange partially for cash. We know it is hard right now for Petrobras to get a better credit. I know it is hard for the bondholders to decide to leave the bonds, but definitely it is important for us, as this is a relevant piece of our debt. We will continue to pursue that. We did very relevant transactions and, in the third quarter, we talked about them: they were very important to continue reducing the interest rate burden in our cash flow. One of



them was issued from local debentures in the Brazilian Market, in which we were able to swap them into dollars at a very low average rate of around 3.6 in dollars. That really lets us know where the trend for our interest rates is. We wanted to get from the average interest rates of our portfolio of around 6%. They are lower to something closer to 5 and that is the trend that we will pursue going forward. You will see definitely we have a very important payment at the end of the year due to bids in which we participated. These results make us very happy. So we will be able to reach the minimum cash that we have been talking about. It is a lot: 6.6 billion dollars.

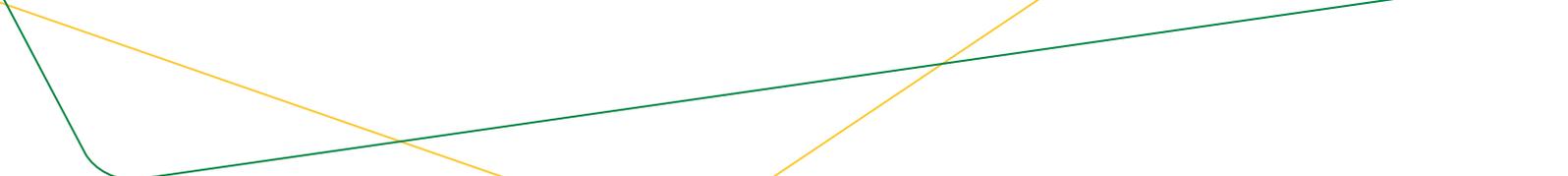
On the dividend front, you will finally see that it is a very important part of the uses of the cash that this company will be generating for the future. But we definitely will leave space to continue investing in world-class assets and in assets that will be able to survive or to have a break-even result that is below \$50 per barrel and, in the long run, even lower than that, around \$45 per barrel. On the contingency management, we had been working hard to reduce the contingency. We know that this is another part of our liability in our financial statements and, maybe, starting and next year, it will be very important for that, maybe starting with our pension plan. We have a very important goal, and we are working on it right now. The goal is to solve the deficit of 8.8 billion dollars that we had. And the means by which we are going to get there are as follows: we will approve a new equalization plan that will balance the contribution of people with the reduction of the future benefits. And one important thing as well, for a defined benefit plan, that is to change the fixed contributions of the participants to a variable contribution so that this imbalance of the contribution plan is definitely going to reduce over time.

On that we had, we had been implementing some agreements around the ICMS tax. We were able to take 5.4 billion reais out of our contingencies, paying 1.4 billion reais. So these were important agreements that we managed to achieve during the year and we had some victories in our legal fights in the tax contingents as well, and we expect to finish 2019 with a reduction of 27 billion reais as well in the contingents related to tax. So, we will continue to do that. We know it is an important piece of our financial strategy to address not only the debt, but also the contingencies in our balance sheet.

Let's talk about the improvements, about where we see this plan and about why we see this plan is very important for Petrobras. It is because we do really see upside potential for the company. So, as Roberto has already mentioned, we will continue to focus on the portfolio management and we have embedded in this plan 20 to 30 billion dollars of asset sales, but this is not enough, actually. We will talk a little more about that. We will have further assets being added to the portfolio of the assets that we want to sell, because we wanted to keep and continue the trend of deleveraging.

On the cost reduction, and that is really a very important focus, and I think I talked to lots of you guys in the last weeks about having a defined goal for 2020, so finally we have a defined goal, we have a 10% reductions of cost overall. We have a very strong focus on the corporate center and the corporate areas and we have a 15% reduction of corporate expenses in that area. We expect to reduce around 2 billion dollars in the next 2 years. The debt reduction, again, is something that we have been talking a lot. Our mid to long-term goal is to reach the 60 billion dollars. We will continue to work towards that and we expect to reach that level around 2021. But there's more to be done so, on cash, already talked about it and we need to improve because we already have a lot of liquidity cushion with committed bank facilities. We have 9 billion dollars. No, we do not really see any liquidity risk of Petrobras nowadays, but we do have a lot of work to do in venture management, so that is going to be a focus moving forward as well.

So, let's talk about numbers in cash generation. This company is amazing for the amount of cash that you can generate with it. So, you see. 188 billion dollars over the five years and definite there is the range of the asset sales from the 20 to 30 in that picture. And I think you can start to see how dividends become a more relevant piece into the equation of the use of that cash. As I said, we will



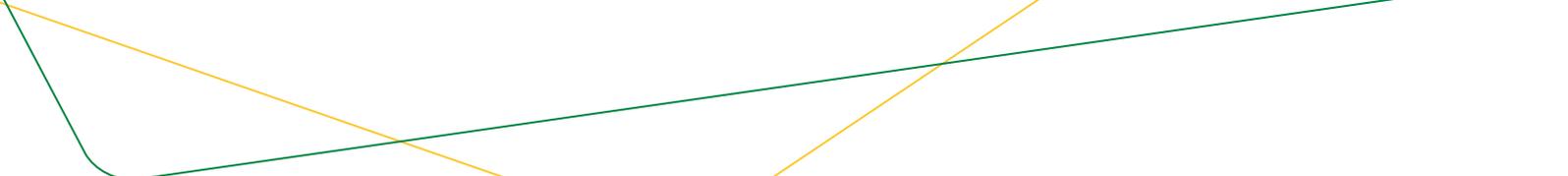
always keep some money for the good investments, for the ones that are really going to be to sustaining us through the long run, even during volatile times. So we have 76 billion dollars right now and we talked about how the change was implemented and what impacted the change of this number from the last band plan. And definitely we will have the amortization for our debts or part of that, but we can see how lease starts to be important in this equation of our uses of cash that are moving forward with us, because we do have lots of our systems based in lease and we'll have some more coming.

Regarding the investment, I know this picture is new. We came from 84 to 75.7 and definitely E&P will continue to be the biggest one using that amount of money and that makes a lot of sense with our focus on higher-return assets, but this time we already introduced the risk management that we did in 2019 and was very successful for us to get to the level of CAPEX that we really believe we are going to do. So it is really a realistic five-year plan. As you can see, we will have higher targets over the years, maybe, but those higher targets over the years are really related to the surplus of the transfer rights auction. So you see that we just break the 13 billion dollars investment every year on the years that we are really starting the highest investment in the surplus offer of the transfer rights. And maybe talking about breaking down the CAPEX somehow is, well, we brought the concept, together with sustaining the basic maintenance. We are adding them, what we called them is “replacement capital”, together with sustaining, and the idea is whenever we ramp up a system, ramping up everything we invest, we ramp up a system that is going to be growing. And new wells that we'd have to develop over the years, after the ramp-up, they will be replaced and they will be sustained, so that is a concept that Carlos Alberto will go over in more depth on the E&P presentation.

How are we going to get to deleverage? We will definitely need to divest. It is not only the cash generation that is going to get us to our goal of 1.5 and to our goal of 60 billion dollars and, we believe, in 2021, We already have in this plan, all the assets related to the new gas market... As you can see, we have all the refineries that we have been talking about, we have the thermal power plants, we have offshore gas pipelines, South American assets, but we are adding more. So what is not in this plan are the numbers, and they will come and, as soon as we take a look in the portfolio of E&P and find others, full sale assets that will be bringing or edging on so we do not have in this plan those assets there will be E&P portfolio management, but, as I said, Braskem, BR Distribuidora we still have 37.5%. Those will be added to those numbers as we continue the trend of deleveraging.

So, as I mentioned, finally, dividends will play a more important role in our cash flow. We already announced the dividend policy, so you will get the idea that, whenever we reach the 60 billion dollars, we'll be paying 60% of the operating cash flow minus CAPEX. Here we just wanted to give you more details on what is the debt that we'll be looking for, so we will be looking for the annual debt for us to define the dividend for the year, so we are waiting to close the year, the annual base on the annual closing of the year to pay the extra dividend according to the new dividend policy. We will pay during the year dividends, we will announce during the year dividends and we plan to pay at least twice, maybe based, during the year, on the minimum dividend. And then we adjust to the new policy at the end of the year whenever we have the total debt released to the market. So all the cash flows and debt calculation, they are IFRS 16 related so CAPEX does not include leasing. So it is a very important piece that does not include leasing. So maybe those are the most important highlights, but definitely this will be a trend for the company moving forward and we will see the dividend as an important piece of our cash flow we use.

Here there are just trends, so, as you see, when you have the goal, and we'll get there, to the 60 billion dollars of debt and we will count on the extra asset sales to get there until 2021. But 2021 will be an important year during which we expect to receive the money from the refinery sales. So it will be an important year for getting cash in as well and helping us get there and dividends as you see. We have no projection, but definitely you can expect something higher after 2021.



Here is another way of looking at costs and E&P. This is only E&P, and we wanted to bring a different picture. And the idea here is that whenever we have a Brent price of \$16 per barrel, we will be able to pay all the operating costs and here we have the commission and leasing. This is the government take, that is the government participation. We take as revenue the gas that we sell in the market, the sustaining amount here is just the basic maintenance to stay in it and we have a little spread so it is something that we get as a premium on our oil. So whenever we have \$16 per barrel, we will be able to pay all of that in a cash basis. So we are not considering here the CAPEX for new systems, not the growth, not the replacement, but this is like the break-even point for the very extreme scenario where we just keep the basic maintenance of the company. So it is an important thing because we keep looking at lifting costs, but lifting costs are just one piece of the first box that you see here, and it is important for us to see how resilient we are building our E&P portfolio.

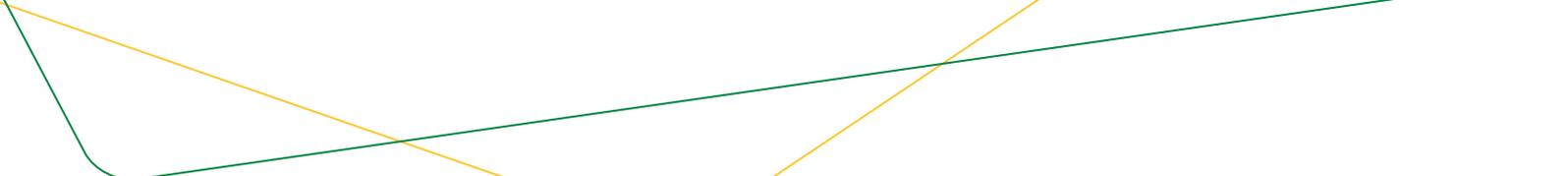
And maybe, again, finishing with the volatility, we know we have a cash flow generation that is very volatile. So the most important thing we need to do in this company is really to reduce costs, to be lean and to be working on getting more efficiencies because we know how volatile our generation of cash is. Just taking one of those scenarios that we put here, if we look at how the exchange rate is right now and the Brent price around 60, you might expect us in 2020 to be generating around 35 billion dollars of EBITDA. That could be better, that could be worse and maybe that is the reason why we have to keep the portfolio focused on world-class assets, higher return assets, lower costs and preparing Petrobras to be more competitive in the long run. And I pass the word to my friend Carlos Alberto.

### **CARLOS ALBERTO**

Well, good afternoon. I would like to in this brief presentation address some points. I think that they are very important for the exploration and production area of Petrobras. And I will start with our strategy, our focus on the exploration and production area. And then I will have a little talk about how we are performing on the production of the year, of this year of 2019, and also about the target for the production of the year 2020, which is next year. Then I will proceed with the 5-year production plan, our profile for our production, what we think is going to happen, and then the new productions systems that we are going to put on stream in the next 5 years. Also, I think that one point that is very important is also that I could mention about what is our lifting cost today and what we predict it to be in the future and also about the portfolio break-even, the prospective break-even today after we have done a lot of investments. And then, following, some words about what are the exploratory assets that we have today and inside of the portfolio after taking part in a lot of bids that took place in Brazil in the last 2 to 3 years, some words about the Búzios field, which is very important, an important asset in our portfolio. And then we will finalize with the revitalization of the Campos Basin and also some words about the decommissioning of some offshore systems that we have in Brazil, particularly in the Campos Basin.

Regarding the E&P strategy, what we see is that we are going to be focusing more and more in deep and ultra-deep waters, where we are the natural owners. And we are going to have less and less shares until finishing our participation on the onshore assets in shallow waters as well. Our intention is to grow based on world-class assets like the Búzios field and others like the Lula field and also Libra field and at the same time we want to increase our operational efficiency, the recovery factor, which is something that is very important in order to generate value for the exploration and production.

What we see is that almost 100% of our investment, when you look at this figure, this chart, almost 100% will be invested on the pre-salt and also in deep waters and ultra-deep waters. And when you look at the fraction that we are going to invest on the onshore part, if we split the 5% that is shown here, it is in onshore and the research and development, two-and-a-half percent could be, we could

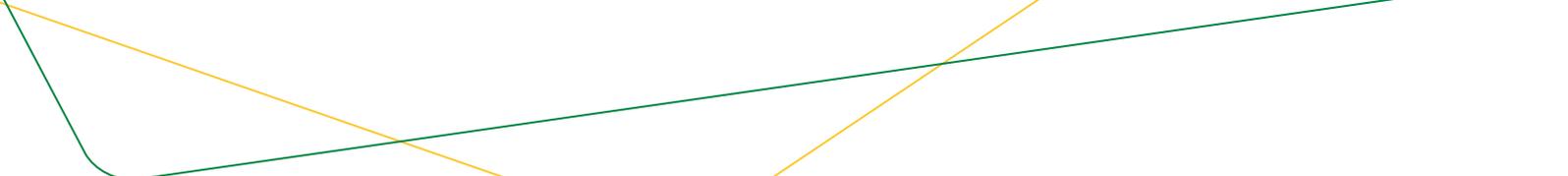


split into two-and-a-half percent, the onshore and two-and-a-half percent for research and development, which means that 97.5% will be invested on the deep water, on the ultra-deep water, on the pre-salt, which means that, for sure it makes sense when you see that we are going to have to focus our attention on the deep and ultra-deep waters. Looking at this chart, it makes a lot of sense.

And we will also make 73% of our investments on the growth of the production, which means that we are going to invest in the systems that are entering on stream in 2018 is that we have some pieces that we are going to put on stream in the next 2 years. But at the same time we have some wells, they are going to ramp up the production of platforms that can turn it into 2018 and so in this account is the 73% that relates to the growth that will be invested in some wells. And when we look at this sustaining cycle, ten million dollars will be invested in some wells. Those are wells of the systems that are older than 2018 and that we haven't linked their systems in the Campos Basin and 7 billion dollars for stoppage and infrastructure. And, by infrastructure, I mean the maintenance of the older systems. These are not infrastructure because, when we think of infrastructure, we think of something regarding pipelines of gas or other things that we work on with our productions. And that is not the case.

Making a stop here to see what our 2019 production is, we have increased it a lot during the year of 2019. We suffered, we faced had some problems related to the compression of gas in the new systems of Búzios, but then we changed our level from the 2.7 million barrels of oil equivalent per day in the first semester to something closer to 2.9 and 3 million barrels of oil equivalent per day. In fact, at the beginning of November, we have successive records and at the beginning of November we have a new record of daily production of 3.2 million barrels of oil equivalent per day and we have just closed the month of November. We have a production that is higher than the three million barrels of oil per day. Maybe, we do not know the figure yet, we are just closing it. We have to see some of that, we have to close because we have a production that comes from other operators, especially abroad, but I was thinking that maybe we could reach, that is a possibility, a new record of 3.1. And I'm talking about the monthly production records, so at the end of the year we are going to close on this level. It is our expectation for the year, and our target was 2.7 million barrels of oil equivalent per day. And the annual projection in the average will be close to it, maybe a little bit more without thinking that we'll be above 2.75 as the annual projected amount on the average.

When you look at the 2020 production, if we do not consider the divestments that we are going to, to make to close this year because we have the divestment off the Tartaruga Verde Field, and also the assets that we have in Nigeria, they represent something like 100,000 barrels of oil equivalent per day so as we closed the end with a figure like 3.1 million barrels of oil equivalent per day in December. When we start the year, we will already start with a figure of 3.0 million barrels of oil per day and so we have to discount what the decline of the year was. There is also one other thing that we are going to make in the first semester of next year, which is to have a big stoppage of all platforms that we have, because we want them to get to be on another level of reliability, integrity and safety and we are going to stop all platforms of Búzios, all platforms of Lula, all platforms of the Campos Basin. For sure we are not going to do this together, but on the first semester of the year, next year we are going to do this. We are going to stop them between 15 days and 20 days each, so we will have something that will present, representing that in the next year which is what we are calling the reliability, integrity and safety, of almost 200,000 barrels per day. But that is something that will be good that will put us in another level of efficiency, not only for 2020 but also for years to come. So, the targets for the years will be the same targets that we have this year, but we have to consider that we are going to divest in the Tartaruga Verde field and also Nigeria fields, as I mentioned. So, although we have these divestments to close, we are keeping the same target as we had last year.

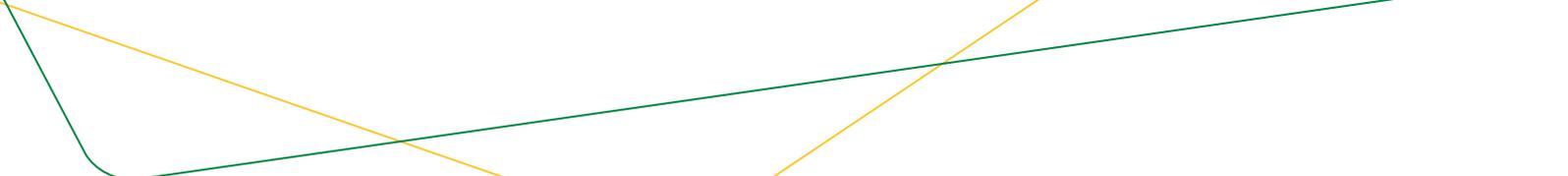


And here we are seeing the following: I have the first notes from the 2020 to 2024. What we see is that we will have an increase in the production. We have always to consider that we will have a decline from those fields, but at the same time, we will have an increase in the production, a ramp-up or new systems to come and we are going to increase the production by 200,000 barrels of oil-equivalent per day in each year. We also have also to consider the following: this profile do not regard divestments that maybe we are going to close in the years to come, because we are in this process of managing our portfolio. We are going to divest in the onshore, maybe we are going to divest in more assets of the Campos Basin and make some partnerships. So this figure does, the profile of the chart, does not consider the divestments that we are considering having in the future. This increase in the production is based not only on the wells that we are going to produce and that we have to produce and to put them on stream in the older systems like in the Campos Basin, but also from those systems, from those 13 new production systems that are that are on the bottom line of this line.

I should explain this chart. When you look at the right, you see the oil production, the commercial production and the total production. That's something new that we are presenting. We were always talking about the total production, by which I mean both oil production and gas that we will produce, but we want now to present a new concept, which is the commercial production. The commercial production is the oil production, and in that we have the gas production as well, that will go to the market. That is what we are calling the commercial production. And another thing that I have mentioned before, but, for the 2.7 million barrels of oil equivalent per day that we are still keeping, there is a range of this, which is the production, that is, the same 2.5%, which means that it could be higher or it could be lower. It will depend on the performance that we have. We'll have it every year and for the years to come we chose not to comment on this range and to, instead, wait until we approach each year and then say what it what is our best evaluation about the range for each year in terms of production.

We are going to increase the pre-salt production. It will take more and more shares of the portfolio. For sure, we will see that we are going to increase from 63% of participation to 66% of participation the year 2024. And when we look at this figure on the left side of the slide, the first thing that we think may be that it has a very low increase, but, in fact the 63% is related to the production of 2.7 million barrels of oil equivalent per day. And the 66.6 percent relates to a production of 3.5 million barrels of oil equivalent per day, which means that there is an increase on the pre-salt production of 600,000 barrels of oil equivalent per day, in fact. So it is a very huge production increase throughout all areas of production, and on the right side, we see that, now and from now on, that it is one thing that is we are going to see more and more. We are growing to have a new regulatory regime and we will see the effect of the Libra field. We had this kind of contract, a production-sharing contract, and we are going to see more and more the presence of the production-sharing contract on the total of our production.

Looking at our lifting costs and at the break-even of our portfolio, we see that it is completely understood. And we have to understand it. It is very well understood that the pre-salt makes a lot of sense and that is the reason to invest in the pre-salt and to produce the pre-salt. It is the same reason that it is able to reduce our lifting costs as a whole and also to reduce the prospective for the break-even of our portfolio. When we look at this figure, we decided to share the operational lifting cost. When we look at the slide, it is in the green area, regarding the pre-salt and, also, we have the leasing that is on the top of each column. That relates to one decision that we have made in the past that was to lease the platform instead of buying the platform, instead of having the platform as our own in one of the assets of Petrobras. So we decided to split it because in fact we have to compare ourselves and we have to compare ourselves to other companies. That's the concept of "mind the gaps". So in comparing ourselves to other companies, we have just to get what is the real efficiency that we have, and we are going to have this target figure, which due to



be under \$4 per barrel on the pre-salt when it comes to their lifting cost and to be around the \$6 per barrel when it comes to the E&P as a whole.

Regarding the exploratory efforts that we have made in the past, what we see is that, when we suffer from the fact that the oil price is going down to a lower oil price scenario, we have to reduce our investment in exploration. I think that every company of E&P all around the world have done the same and we are not different and we have to adjust ourselves. And, in fact, in the past, in 2013 and 2014, we invested something like 4 to 5 billion dollars in exploration and then the oil price came down, we had to reduce our investments in exploration.

That's something that we started to be concerned about with regard to what will be the future of the company. And the reason why we have reduced our investment in exploration, but taking part on the bids that took place, the bids of ANP in Brazil that took place from the 2017 to 2019, it was very important to Petrobras. We were very selective, but we bought very important assets that will make the difference for us in the future and particularly in 2019 we bought the Búzios field, which is a very important asset on the portfolio of Petrobras.

For the Búzios field, when the regime of ToR, that is the transfer of rights had a surplus, we bought it for a bonus. The total was something like seventeen billion dollars, but that is a field that makes all sense to buy it for this amount of money, because what we see is that Búzios is the biggest offshore oil fields in deep waters all around the world. There's no doubt about it, and what we see is that we have, today, four platforms that are already on stream. They are producing almost 600,000 barrels of oil equivalent per day. We are going to begin operation in 2022 in another platform, which is the Búzios 5 and what we see is that the field has a potential to add seven additional platforms on the field as a whole. So we are going to produce the field with 12 units and those seven new units, they will have a higher capacity than the units that we have already installed or that are already on operation. So the units that are already installed or the new units that will be in operation in the year 2022 have a capacity of 150,000 barrels per day and the new units will have a minimum capacity, as we see today, of 180,000 barrels of oil per day. So we are, you can say that, on the Búzios field, we could think about a figure of 80 to 10 billion barrels of oil equivalent that we can put them on a stream that will be sold. In the future, maybe they'll be the reserves of the company they are not now, but there is a potential for them to be reserves in the company for the company in the future.

Recovering the Campos basin output is also another very important thing that we have implementing a lot of efforts and initiatives in order to, again, go back to the production that we have had over 2019, at this year, and we have produced something like 1 million barrels of oil equivalent per day at the Campos Basin this year, as the average production of the year and we want to have the same production that we had during 2014. Although the divestment that we have made at Tartaruga field, that we will close at this year 2019, which represents something like 60,000 barrels of oil equivalent per day, we want for sure this profile does not show any other divestment that may happen in the future, but we want to have the same production that we had in the year of 2014 for this year of 2019. And so, we are going to increase the operation efficiency of the platforms. It has to do with their stoppage. We are going to do it in this first semester of the year of 2020. Complementary projects, revitalization projects in the Marlim field, for instance, we are going to take out nine platforms and to put on stream two new ones. New areas that we have acquired on the bids of 2017-2019 that we are going to start the investments and then they'll keep the production alive in the years after the 2014. Extensions and new findings, for sure there's something that we have to work with the ANP and also about technology that we are implementing and the strategic partnership just like the initiatives that has to do with the partnership that we have made with EQUINOR, where we are going to implement some projects and we have to finalize all of them in the next year.

And, finally, ending my presentation, I will resort to this slide to show you that this is something new for us. That's something that we are going to do in the near future. And it is considering our plan, which is the decommissioning of the offshore systems and older systems. At the year of 2020 we have some systems at the Campos Basin, that is the south of Campos Basin, in which there are the platforms that are by their name here. Then we have another names here, such as the P-33, 26, 32, 37, P-18, 19, 20, 35. They are all the systems of the Marlim field, the systems that we have to decommission and in which we have to put new platforms, which we are calling the revitalization of those fields, and I think that is very important.

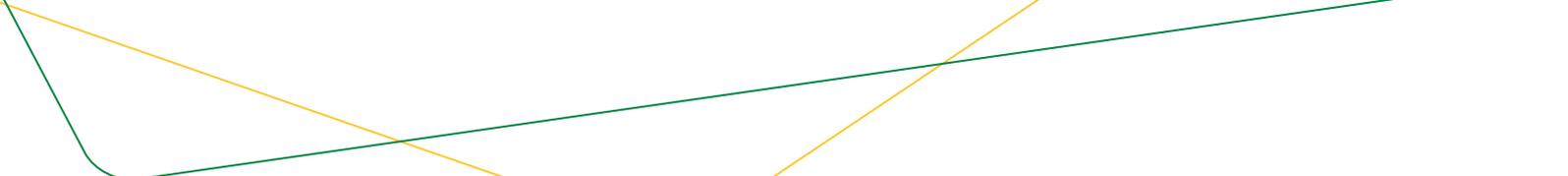
We have considered it an important moment in our investment plan because it is something that we have to do, but it is also important that we have created specific areas for exploration, production, areas just to deal with that. Thank you and I pass the word to my colleague Anelise Lara.

### **ANELISE LARA**

Good afternoon. It is a pleasure to be here and I would like to talk about our downstream area including the refining, gas and power segments. Our main strategies in these areas are to increase competitiveness in the refining market in Brazil with a focus on Southeastern operations. We have today 13 refineries split all over the country and, after the divestment program, we will keep only five refineries located in the São Paulo and Rio de Janeiro states. This divestment process will push us to be even more competitive and aggressive in the global oil and gas trading including not only the increase of oil crude to export, but oil to have more sustainable oil products to export. Another issue is to divest the gas distribution and transportation segments, as Roberto and Andrea already talked. We have to divest 100% of our gas transportation pipelines and our distribution company, so we will keep only the gas production and commercialization areas. We also have in our portfolio 26 thermal plants in Brazil. We think that this is a kind of asset that has a hidden value that we want to disclose, and our idea is to keep the most efficient and high-performance ones to build and to create a new company and to IPO this company and, at least, we want also to work on new and more sustainable oil products like renewable Diesel and Biojet that could be also sent to the market, but I will talk about that in the next slides.

The downstream CAPEX is much lower than my friend in the upstream segment, it is only 8 billion dollars, 6 billion dollars in refining and 2 billion dollars in gas and power, and the main focus of this investment is to assure asset integrity and maintenance. But, we also have some investments in new projects to increase the efficiency and conversion capacity of the refineries that are located in our park, like hydrotreatment in REPLAN, REDUC and RPBC to increase the production of diesel with low sulfur 10 PPM (Diesel S10) and also a hydrocracking in REDUC to produce high-quality lubricants. 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. The operation is scheduled to start during the second semester of 2021. We have also some research investments in solar plants and also wind offshore. Concerning the competition for the upstream, nowadays Petrobras is responsible for 98% of the refining market in Brazil. The divestment of our refining market will be a step change in the oil and gas industry in Brazil. Eight refineries will be divested: one in the North, three in the Northeast, one in the Southeast and three in the South.

The first four refineries, RNEST, RLAM, REPAR and REFAP, are already in the binding phase and we expect to receive the final offers until the end of the first quarter of 2020. The other four, REMAN, LUBNOR, REGAP and SIX, are in the non-binding phase. We expect to receive the non-binding proposal during December and January. As I said, we will keep five refineries in the Southeast, close



to our most prolific production fields, inside the most developed region of the country. Our benchmarking performer is REPLAN. This Refinery is located in the São Paulo state and the REPLAN has a capacity to process 430,000 barrels of oil per day, with a returning capital of around 15% and a net margin around 13%. According to Solomon's benchmarking, the REPLAN performance is in the first quartile of Latin America and we still have some gaps to close regarding the benchmark in the US refineries. Concerning our benchmarking in US refineries, we are better in maintenance costs, but in efficiency cost and in energy cost we still have some work to do.

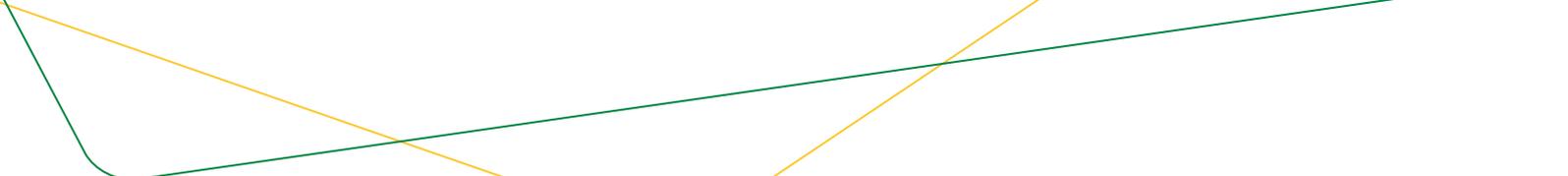
The natural gas segment is also under a huge transformation in Petrobras and in Brazil. We used to have the monopoly of all activities of the gas value chain in Brazil. Three years ago we began this opening by selling 90% of our gas transportation pipeline in the Southeast to the Brookfield consortium. This year we sold 19% of TAG to Angie and CDPQ and we committed with the antitrust authority to leave a hundred percent of the gas transportation and distribution company by next year. After completing his movement, we'll keep around 50% of the gas value chain in Brazil. Our partners in pre-salt fields and other gas producers in the country will be able to commercialize their own gas. Today, Brazil is still a gas importer and we believe that this situation will continue until the second half of the next decade. We import around 25 to 35 million cubic meters of gas per day from Bolivia, as you know, and also from LNG.

Petrobras' efforts towards a more sustainable future focus also on research and development of new oil products with a lower carbon footprint. We are talking about renewable fuels, renewable Diesel and bio-jet fuel, produced by co-processing vegetable oil in our refining park. This process has proven to be very effective and stable, and we need the approval of the regulatory agencies in order to use this project to get biofuel credits. As you know, today, the distribution companies in Brazil must add 11% of biodiesel to the refining Diesel. This percentage will increase by 1% per year until 2023, which means achieving 15% of the biodiesel in Diesel. Concerning IMO 2020, we are very well positioned. Our pre-salt oil is low sulfur and our refineries are able to produce 0.5% bunker without the necessity to add any other components. We forecast an additional gain of 1 billion dollars in 2020 compared to 2018. We estimate that in 2020 we are going to produce around 900 tons of bunker to export to other countries and also our crude oil export is increasing to reach almost six hundred thousand barrels of oil per day and to be more valuable in the global market trading due to its characteristics, as I said, with the low sulfur content. We forecast an additional gain on \$500,000,000 in 2020 compared to 2018.

And finally, the contribution of Petrobras to reduce the impact of the oil and gas industry on climate change is mandatory. Our road map to reduce the carbon footprint is focused on the following processes: closed flare deployment to achieve no-gas flaring in our installations, CO2 capture and storage, including CO2 reinjection of all the CO2 produced in the pre-salt fields and also CO2 subsea separation that is still in our R&D project. Intensive work to monitor leakage and repair to reduce hydrocarbons lost in our assets, vapor tank recovery, energy efficiency growth. An important milestone in this area will be the application of supercritical CO2 turbines and, finally, R&D projects in offshore wind and clear energy. We have an agreement with EQUINOR in order to develop together the wind offshore in Brazil. The CAPEX involved in this process includes R&D projects, is estimated in 170 million per year considering this our Five-Year Plan. Now, my colleague Nicolás.

### **NICOLÁS SIMONE**

Hello, good afternoon. First of all, it is a pleasure to be here to speak about the digital transformation and innovation in the agenda of a company like Petrobras because, like my colleague shows, we have a lot of opportunities, we have a lot of ambitions also, into run through this 2024 strategic plan. But the most important is that, if you see in all the presentations, the results of the ambition of the digital transformation, like an add value purpose, are there. When we think in digital transformation area or an innovation also, the area is just unable in order to implement and



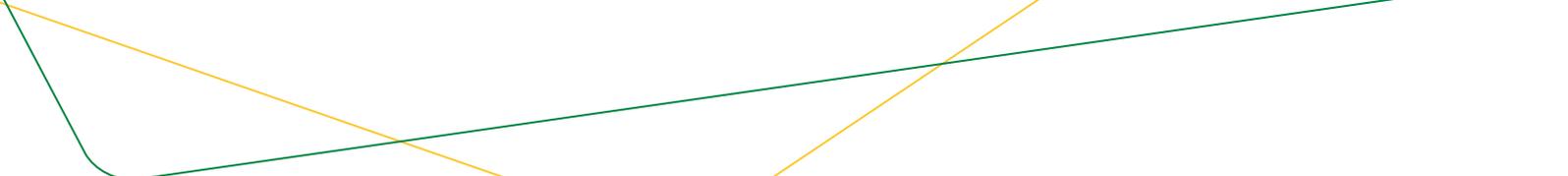
to accelerate technologies and achieve and add value for a company. By this I mean that our strategy is to accelerate Petrobras to do this digital transformation and innovation journey that starts today, but we need to accelerate this in a high speed to achieve an increase of our key assets in the future. When we are thinking the strategy of digital transformation and innovation, I have split this into some concepts in order to realign them here.

First of all there is the dimension of “go digital”. What do I mean with “go digital”? It is about technology, information technology with which there are digital platforms, like, enterprise architecture that we are going to put together in order to accelerate and to be more horizontal in the technology decisions that we make in the company. But what do we have to go digital, for the strategy? We can buy technology from the market. I think the challenge is the dimension that we need to be digital, that is, the second bullet there. That is the digital transformation itself. When we are thinking of an organization with regards to the goal for this moment, we are thinking of an enormous scale of implementation, which is a new way of working. It is a new mindset that we need to implement in the company and it is a cultural change as well. All my colleagues spent years out of the line and we are pushing the company towards the future. When we think about the company, that means that we need to implement new ways of working like an archive at the scale, we are thinking about a thousand, a thousand and a half teams working together on an archive methodology. That means that we need to orchestrate very well how we are going to put this team working together in a collaborative way and in a co-working prospective.

When we think about digital transformation, I think of it in three dimensions that are very important, those are process, people and technology. With the two dimensions I previously explained here, we are talking about technology, but we need to think about processes as well. I think that in Petrobras we have huge opportunities to work at lean process scalability. That means that we need to simplify and unbureaucracy the process in Petrobras like Roberto highlighted before. I think it is important to be leaner and in this case what we are thinking is about branching new processes, implementing platforms that will allow us to have the process become more digitalized and do more robotization of the processes. That, I think, will create efficiency throughout the company itself. And, when we think of different technologies like, for example, SAP, that we will have a project that will be explored, we have the opportunities with this movement to arrange a union of a huge part of the process in Petrobras. When we think about innovation, for example, that is a word around which this is centered, what we want is to, of course, work in the core business, I will explain in a few more slides, but we also want to accelerate the time-to-market of the innovations that we are working, just not this pilot but also thinking in business model that will allow us to have more value in the company. R&D or innovation is already in the DNA of Petrobras since the beginning. What we want is to accelerate this field of innovation in order to accelerate the creation of value.

When we think about the protection of information, that is, cyber-security, of course, when we have an agenda of digital transformation, it is important to think of cyber-security. But, of course, the most important thing in the day-by-day operation is to put cyber-security as an innovation enabler. It will not freeze the company, but push the company with a protection that we believe will be challenging in the next years, with regards to the means to create information security and cyber-security. Our agenda also has the top priority to maintain this grade of maturity.

When we think of technology, and I put some examples of projects or technologies that we are thinking about, like Blockchain, finance and logistics, for example, we are thinking about a digital twin, of course, in refineries, for example, we have an analogical refinery, but also we have the digital twin that allowed us to connect to refine the variables and be more efficient. We did a pilot in the REPLAN refinery during this year and in three months we saw a business increase of 25 million dollars, in just one refinery doing digital twinning. That means that when we prospect and we do



the roll out, we see gains of about eight hundred million dollars for efficiency. What is the message that I want to pass? It is not the technology by technology itself, it is not just technology, when we think of digital transformation, because we put the technology to add value and I think this is the most important thing and the messages I'm passing here.

And another message is that when we think of technology, I believe that today, for digital transformation itself, we do not have a technology limitation. What we need is to have or to build this alchemy of technologies in order to add value and to solve a problem or to put the need of the business first. When we think of high performance computing, which we will explain in a little bit, this is just a technology to accelerate the decision-making that we are running for.

We are also creating this digital ecosystem that is the state-of-the-art in terms of different technologies and methodologies in order to accelerate this digital transformation and innovation in Petrobras. For example, here, to give one example of the use of the HPC, that is High Performance Computer in Petrobras, that we are increasing in ten times our capacity from 2019 to 2020, in order also to increase the speed of simulations by decreasing the time it takes for making decisions with the data that we have. Of course, in Petrobras, we have a lot of data and the challenge for the HPC performance is to transform this data into information in order to make decisions. I think these are all the dimensions that we are running for.

When we think, for example, to be realistic for the ambitions that we have here, for example, the technology for the E&P. We have one ambition: EXP 100, that means that we will employ high computing performance and digital simulation. We have those resources. What we want is a hundred percent discovered as a chance factor with non-exploratory wheels. That means that we do not want more than exploratory wheels. This is a challenge, this is an ambition, but this is possible, I think, with the technology that we have today, the artificial intelligence technology also, and all the tools and platforms that we have, we can deliver this kind of foundation. Another ambition that we have is what we call Pro 1000, that is from the discovery to the first oil to have a thousand days to start the first oil taken.

That means that today, if we see our average, we are speaking about in 3 thousand days average from the exploration until we get the first oil. We have a good case internally as well, in which we have 1600 days in some cases. The average market we are speaking about is 1900 days or two thousand days, but I think we have huge opportunities in this field. If we accelerate the first oil initiative, we can add a lot of value to Petrobras. Of course, it is a challenge, if you see the previous slide that we have the digital twin of a refinery, we are speaking here that we will have a digital twin of the rocks of the oils. That means with high performance computing and artificial intelligence we can mix all together, working together with this alchemy of technologies and new methodologies in order to realize and to put in place all these ambitions that we have. I have just given two examples to be more tangible. What we are talking about here is digital transformation and innovation, of course, but we need to accelerate in this kind of context.

On the other point, I would like to show to you that we have one of the great assets in Petrobras, that is our same piece of R&D infrastructure. If you take a look here, we have three hundred thousand square meters and one hundred and forty-seven labs. We have more than 8,000 equipments and we have great professional people working there, like for example, 12 postdoctors, 261 PhD and we have 420 Masters of the sciences. That means that we have the platform and the assets to accelerate and to put in this digital transformation and Innovation. And I think we here in Petrobras are very proud, as we have the largest R&D Center in Latin America. That means that this huge amount of labs in one ecosystem that allow us to add value to the company is combining all together to do and to run with this acceleration. And there is one thing that I want to show to you. It is that, inside our R&D center, we are creating what we call the corporate lab or corporate innovation lab, because, for example like Andrea told you all here, we have a lot of ambition in

order to be more efficient, to reduce costs, to do more with less. In this case we are creating the ecosystem that we are going to put the startups.

We are doing partnerships with strategic companies in order to accelerate our corporate environment as well. That means, for example, Finance, HR, IT, also our area has to be digitalized and we have a lot of opportunities to do this acceleration with partners like the startups to put all together. For that, in this ecosystem, we need to give or to create an environment in which we can give data access, platforms to do some testing, and a coworking space in order to make this transformation. And I think the message here also is that what we want is to eliminate the frontiers between the technology and the business. I think that, when we are thinking about industry 4.0, logistics 4.0, even ID 4.0, the message is as follows: let's eliminate this frontier, this barrier and work together in order to add value to the company. Of course the technology is just a medium, a way by which we can achieve this. And with all this strategy, we believe that we have quick wings but also that we can put in a high-speed prospective the digital transformation and innovation in the future, but I think I will pass the floor to Roberto for some final remarks. Thank you very much for your attention.

### **ROBERTO CASTELLO BRANCO**

Just to add my concluding remarks, first to present our strong commitment to sustainability. It involves a significant reduction in greenhouse gas emissions in the upstream and downstream. In continuation, a focus on carbon capture, the elimination of the generation of residues, a biodiversity action plan with 100% of the Petrobras facilities and the continuation of the investment in environmental and social progress. In social progress, this year, Petrobras adopted a focus on preschool human capital. This is very important for giving poor children opportunities in the future to be successful in their lives. Both empirical and theoretical evidence supports what we are saying. Preschool is very important for the formation of good citizens. Just to finalize our presentation for today I would like to emphasize that, despite the achievements of this year, despite all the initiatives that are underway in our company, we still face many challenges that need the hard work of a talented team united in order to be overcome. So I can assure you that our best days are still well ahead of us. So thank you for coming. Now I will open for questions and comments. Thank you.

### **Q&A**

#### **ANDRÉ HACHEM - ITAÚ BBA**

Thank you. I am André Hachem from Banco Itaú BBA. I have two questions related mostly to the production. My first question is with regards to that ramp-up you said you are ready to start performing. You see probably a hundred thousand barrels of oil equivalent coming through during the year of 2020. When we look into the new units in the Búzios field, we see there's a lot more to, say, upside potential without the units that are on the lower rates, so, could you explain why it will be only a hundred thousand and the ramp-up? My second question is relating to the stoppage. As you mentioned, in 2020 some units that you said would be stopped, including the Búzios Field, are quite new. So the production will be paralyzed, sure, so why are these stoppages going to happen right now? I basically want to know what the rationale is for it. Thank you.

#### **CARLOS ALBERTO**

Regarding the first question about the production and the second one about the stoppage, I think I will start with the second one. We have faced a lot of problems at the Búzios field that are, in fact, with the platforms of the Búzios field, but what we see is that, for sure, we have passed through

those problems. We are not facing those problems anymore and the stoppages that we are going through during this year have nothing to do with the problems that we faced. And in fact what we want to do, is like a first revision when you buy a car, for instance, since we have to check everything up and so we are going to spend 15 to 30 days doing so. This is something that we would do at the end of the year of 2020 or maybe getting to 2021, but we decided to do it right now because we think that, by doing this right now, we are going to go to another level of efficiency in the Búzios field. As for the first question, can you say it again? I ask because the sound is not very good.

**ANDRÉ HACHEM - ITAÚ BBA**

So basically, in the presentation, you put a hundred thousand barrels of oil production increase in 2020 owing to the new ramp-ups, right? When we look into the current units that are already on a field, we see a lot more potential, as they are running at a much lower utilization rate. This is what we wanted to understand, basically: why they are doing so. It is only a hundred thousand. If we see these, for example, from Búzios there is a potential increase of 250,000 barrels, assuming the units would run up to 95% rates.

**CARLOS ALBERTO**

In the future, you mean?

**ANDRÉ HACHEM - ITAÚ BBA**

Basically, the new units that are already in place, they should reach around 90% utilization rates, right? Of capacity usage, so that is what we want to understand.

**CARLOS ALBERTO**

I think the sound is not very good. Let me see if I understood it: I said something about the Búzios field because it has a lot of potential, but there are the platforms that are going to be on stream in the next phase of the Búzios field. These platforms were on stream in the year of 2014 or something like that, so I do not know if it is what you asked. Could you please get a little closer to the microphone? There was an echo, and I didn't hear you well.

**ANDRÉ HACHEM - ITAÚ BBA**

My question is: You put up another 7 units on stream by over the past two years. These units are still running at very low rates. On the presentation, you showed a hundred thousand barrels of increasing production via ramp-up. Our question is: why is that so? Why was it only a hundred thousand, when, if you look into the new units, it should probably be a little higher, right? So will you select these new units to take a lot longer to ramp up? Are they going to run at lower rates?

**CARLOS ALBERTO**

Yes, well, next year, we are going to have one platform, which will be the P70 and then the next year when we have to increase the production of the P68 that has entered on stream last November. So we have the ramp-up of the P68, and we also have the production and the ramp-up of the P70, which is different from the ramp-up that we had this year, so it will be a lower ramp-up in the next year. The ramp-up will not compensate the decline of production, which is also high, and we always have the decline of production, so it will not be enough to compensate for the decline of production

next year. That's why. Because, we'll just have two platforms. Now in the Búzios field, the production is, in terms of oil, we are almost reaching the 600,000 barrels per day of oil. At the P75, for instance, we are producing 170,000 barrels of oil per day, although the capacity of the platform is 150. We found a way of adjusting the processing plant in order to produce more. The same is happening with the P74, where we are producing 160,000 barrels although the plant capacity is of 150,000 barrels per day, so we are approaching the 600,000 barrels per day on the four Búzios units. After that, we will go to a plateau phase and we are going to put on stream other wells, when the production declines, that will happen in 2022, 2023. So, the increase in the production regarding the ramp-up of the new systems, it will only be focused on the P68 and on the P70, but we also have some wells that we are going to put on stream, but they are related to older systems that we have at the Campos basin.

**ANDRÉ HACHEM - ITAÚ BBA**

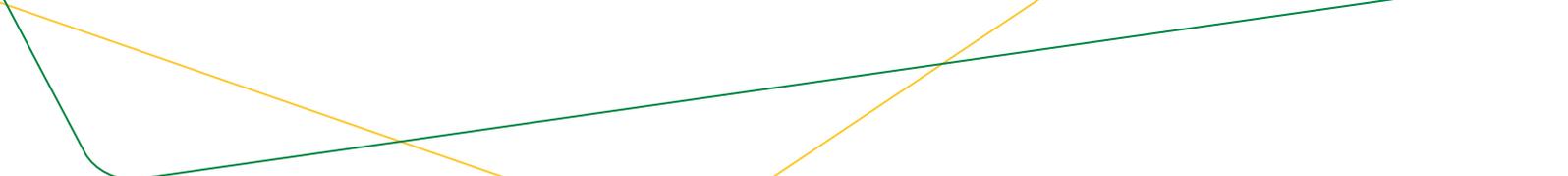
Thank you.

**LUÍS CARVALHO - UBS**

First of all, thank you very much for the great amount of details that you provided in the presentation. We are really glad. I think I'm going to spend a lot of time discussing the numbers and I am not suggesting that, but I would like to keep going to the more strategic-level. So, thinking with regard to dividends. You mentioned about 34 billion dollars in five years and that is probably going to happen after, as you mentioned, we reach the 60 billion dollars gross debt, right? So that points to a very high dividend yield, close to 7 or 8%, which, for an oil company, seems to be a very impressive number. So how should we think in terms of recurrence of these numbers looking, you know, where the next 5 years are going and at how can we think in terms of the difference between the ordinaries into preferential shares? The second question, and I think that we spoke to Andrea about it last week in terms of the analogy that we have been using, in terms of the iceberg, right? I mean, what are the impacts from the all the divestments that you are pursuing, so how can we think about it when you look at the plan and at all these impacts from the potential lower EBITDA as well? Is it already considered in your numbers or still there will be some redefinitions along the course? Thank you very much.

**ANDREA ALMEIDA**

So, with regard to the dividend policy, if I understood your question correctly, yes, after we reach the 60 billion dollars of debt, there will definitely be a substantial dividend payment that is somehow in line with what we see on our peer groups, but that is definitely why we kept the CAPEX as a discount: because we believe that a dividend policy should be a dividend policy that is stable over time, but in which we leave space for the good investments. So what we really want to do is to have the ability to have the CAPEX that will be sustaining our future and definitely to be able to survive with low prices scenario. So yes, we know it is higher, and that is why we see a bigger portion of the dividends. The second question was regarding the asset sales. ONs and PNs. We need the 50 billion reais to pay equality for ONs and PNs. We will always try to pay them equally, so, whenever possible, we will, but we need 50 billion reais to reach this level for both of them and definitely we will fight for that, but we do have, and you all know, that in the end of the year and not only the end of the year but we have some provisions from the past and for everything that happened in the past that might affect the results and that is during the year, not just the contingencies, but definitely some legal proceedings that we have. So, then we will need the income to be around 50 billion reais to be able to pay equally for both.



Okay, for divestments, what we have is that so, again, why did we put a range of 20 to 30 billion dollars of divestment in this plan? It is because we really do not know a hundred percent how much will be the sale of assets for the refineries and that is why we say that we really need more assets to be sold, so we keep the trend of deleveraging, so Carlos Alberto is helping us because he's looking right into the E&P portfolio of assets to define which are the ones and not Búzios. It has to be 100% transparent that we don't want to sell Búzios. Búzios is one of the best in our portfolio, but we will be looking at other assets like Marlim, we might be selling a portion of that, because we will need that to continue the deleveraging. So in the plan we just have a portion of that and that will depend on the final price of the bids. We will be adding, or we wouldn't be able to get to the 1.5 Net Debt to EBITDA next year.

### **CHRISTIAN AUDI - SANTANDER**

Thank you. Christian Audi, from Santander. The first question is on the return on capital employed. You made an adjustment to this plan in terms of pursuing EVA versus return on capital employed as a target. Could you talk a little about how we should reconcile your previous target, which was a ROCE target of 11% for the plan on taking this new EVA approach? In other words, should we think that the ROCE target of 11% will be maintained or could it actually be higher than that? Because I noticed in your slide 14 that you have a ROCE for 2021 of around 10 percent. It is probably going to be higher than that given that you are selling low return assets, cutting cost and therefore the ROCE should be higher so we could talk about that and then the second question has to do with the sustainable CAPEX. I noticed in the 2024 number you are using 15 billion. Is that the new policy? And is it sustainable CAPEX for Petrobras on the back of the acquisition of Búzios and the transfer of rights? Thanks.

### **ANDREA ALMEIDA**

So, for first question, we still fight to get a higher return over the capital employed. So, again, it is nothing that we left behind. We just decided to move into an EVA because we believe it is not only a measure, but it is a managerial system where everybody can see it whenever they are doing something in the platform. If they are doing maintenance more efficiently than my team, if there are efficiently running the cash balance, they will see the impact in the end on the value of the company. So why move from one to another? Because one brings and helps with the empowerment of people and helps get the strategy up to the lower level in the plans. I think it is a better way to get everybody engaged in this transformation, so that is the only reason why we will continue to pursue the higher return and that is why we are selling. We are still focused a lot on divestments and selling the assets that are not giving us a higher return and investing more in ones that have a higher return and you see in the picture only two years so we continue to fight for a higher return on assets.

I believe Roberto would like to add something.

### **ROBERTO CASTELLO BRANCO**

I would like to add the following: in addition to EVA being a managerial system being much more than a simple metric, EVA looks at the two important variables of the equation: with the return-on-capital employment and the cost of capital. When you focus only on return-on-capital employment, you have a partial look of the scenario so you can make serious mistakes like starving a star and feeding an underdog. If you want to say: "oh, I have a project that brings me a 9% return on capital employment, and the average return on capital employment is 7%". Okay, yes, let's go for it, but if your cost of capital is 10% you are destroying value. On the other hand if you have a project that gives you a 12% while your average return on capital is 14%, no I'm not about to invest in it. You are

wrong again because your return on capital employment costs is higher than the cost of capital. These are distortions created by looking only at the return on capital employed, so, EVA is a much better option than that.

#### **ANDREA ALMEIDA**

Thanks, Roberto, and I may be talking about the breakdown of the sustained and growth. I think that was the question. I believe it is a good picture the 35 and 69 because actually we have in this plan already, a big portion of the transfer of rights excess investments that is going to come, so I believe this is the trend for the next 5 years. I cannot say if it is the trend forever because everything changes over time, but it is a good measure if you want to see the next year's including the access of that transfer of rights here, investments as well.

#### **REGIS CARDOSO - CREDIT SUISSE**

Regis, from Credit Suisse. Thanks for the presentation, I mean, great job, it had lots of detail and it really helps in the transparency front, I guess. Three topics I wanted to discuss very briefly, I promise. First one is cost savings then production and CAPEX and just to detail a little more, cost savings: Plan says 10% cost reduction. How do we track those savings? And then whether the EBITDA estimates as you included in the presentation already include any or how much cost savings, and then on production for me I expected a higher number for next year given the ramp-up of the platforms of the past two years. Maybe the explanation is: is there any production loss related to the TOR unitization? On the other hand, the decline seems pretty high. Is it because you expect pre-salt fields to start declining more maturely, so just trying to understand a bit, trying to reconcile the production curve and then just finally: on CAPEX, I want to understand about the decommissioning. It appears that is going to be a bigger topic now if this is part of the CAPEX figure and whether that is a big tower of CAPEX is in any way related to own platforms, BoT and, I mean, how we are going to proceed in that regard? Thank you.

#### **ANDREA ALMEIDA**

On the cost-saving: one way of tracking would be looking at it in the G&A line. Definitely you will see the corporate reduction you will see on that line. Another way of looking at that is that you will have to be tracking the operational performance indicators like lifting costs, definitely the cost on the refining area, because those will be efficiencies that we will gain and the two billion dollar that we mentioned, they are in the two-year, so we are still getting. What we will do on the EVA, actually. We will go deeper into indicators that we will have to, how can I say, to keep track on the operations even more than those that we usually release to the market to see where we have even other opportunities, because we do have more opportunities, but this is a starting point, because what we wanted really was to get an important goal and I that goal in the next 2 years. I think that is the point.

#### **CARLOS ALBERTO**

Well, regarding to production, we have included the unitization of the TOR surplus on our profile and we have included in it the plan to start at the year of 2021, we have made a deal with the CNODC and the CNOOC companies that we want to close the deal or to sign the coparticipation agreement until December 2020. So starting in the year of 2021 we would suffer the effect of the TOR unitization, which means something like 10% of our production, as we have already considered it in our profile. For the decommissioning, you asked it before if we have included the CAPEX of six billion dollars in it on the figures that we have shown, and the answer is yes, we have already included it all into that. And about the platform, this is something that we have to evaluate. In our

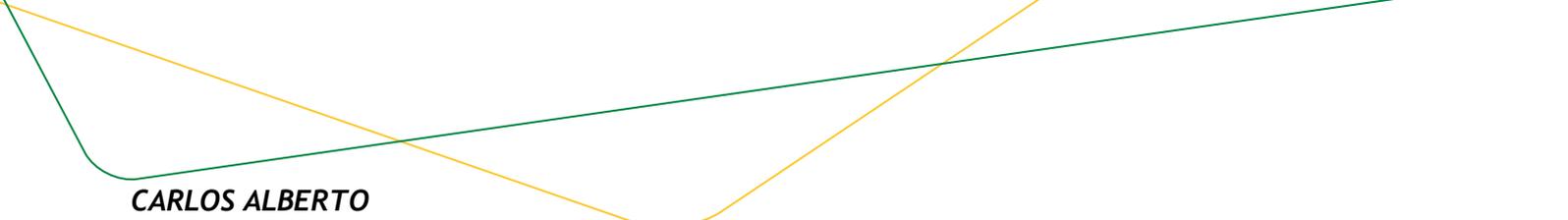
plan, we have considered that we will have platforms and that we are going to construct them for the TOR, but we are still in the phase one of the projects for the TOR and in the next year, at the beginning of next year, we are going to decide on our board what would be the kind of platforms that we are going to use: regarding if they are being or the BoT, or platforms that we are going to construct of if they are going to be our own or if they are going to leased, but that is something that we all have to look into on a case-by-case basis. But in our plan we really have considered that it will be constructed. We do not know yet, maybe we will not spend that amount of CAPEX in our in our Five-Year Plan, but we wanted to be more conservative and then I do not know if you have noticed that, for the year of 2024, we have included the first platform for the TOR surplus, which will be the Búzios 6 and so that is why we have included also the investment associated with this platform.

### ***PEDRO MEDEIROS - CITI***

Pedro Medeiros from Citi. I would like to start as my colleagues did. Congratulations to the Petrobras team, the whole company here, for the execution of the plan and for crafting the new plan. I have a lot of questions, but I will try to keep it to three questions. Okay, so the first one is following up to Regis question on CAPEX when we look back in the last five years, the company has been significantly exceeding its guidance in CAPEX execution. I just wanted to understand for the 2020 and 2021 CAPEX, what exactly is increasing in CAPEX for us to see a bigger number considering the amount of projects that were developed in the last two years relative to the amount of projects and the fact that new platforms are being leased, for 2020 and 2021? I understand that it should be contingencies, but I just wanted to try and get a level of how much upside potential we could see there in terms of contingencies. My second question is linked to the details disclosed with regards to the Campos Basin, so thank you so much for posting a guidance on production from Campos Basin in the coming five years, but it seems as if the figures implicitly assume a much bigger depletion rate than the one in which the guidance has been and that could be in part linked to abandoning some of the platforms. So if you could give more details on what the assumptions are for the Campos Basin, on the depletion rate, because it seems like, and I'm doing the rough math here, is that you are actually closer to 14%, at least on the guidance basis already excluding the Green Turtle divestment. And my last question is: I see you have added a new project at Lula RF and I suppose that is related to the replicant vessel that never came through. Could you maybe give more details on the weather the Mero Field, if you think that it can still accommodate the fourth unit or not? Okay. Thank you.

### ***ANDREA ALMEIDA***

I will start with the CAPEX and then Carlos Alberto can mention it as well. Thanks for the questions first. So, if you look at the CAPEX of the last five-year plan, it was around \$84 billion dollars and now we are around 76 and if you should divide that over the years, you would reach around the 15 billion dollars, so one piece of the reduction of the CAPEX from 84 to 76 is applying the risk management to really give you a better guidance for the number. So I would say that this number might be around 12 to 13 billion dollars that we reduce just due to the application of that tool. The remaining amount is an increase in the transfer rights surplus that was not in that number last year, so it is a reduction even including the transfer of rights surplus. So that is the point I wanted to make so I do not see as a number that is outreached. We believe this is a real CAPEX number that we are going to execute, but I will transfer to Carlos Alberto, I will bet that he wants to give many remarks on that.



**CARLOS ALBERTO**

Just to complement it, in 2020 and 2021, regarding the CAPEX, we are going to put on stream the P-70 which is the Atapu and also the Marlim 1 in Sepia but also some wells that we are going to put on stream and that has to do with the platforms of Marlim Leste and Marlim Sul, so has to do with the renovation of the Campos Basin. but we also have to remember if look at the figure of the CAPEX of the E&P, We see that we are going to spend almost \$12 billion dollars in exploration, so we have a lot of wells to do in exploration in the next year and in the years to come. Just next year, we are going to do 8 exploratory wells at the pre-salt. So that is the reason to increase this, also the CAPEX of the Year 2021, 2022. We have a lot of exploration to do and has do to with the business we have to take part in at the year 2017 and on. At the Campos basin, the depletion was really around 14%. We had this depletion in the year 2019. we are going to have the same depletion in the year 2020 And the depletion is something that has to do with the number of wells that we are able to put on a stream or not and, so as we are suffering from the fact that we still do not have the other platforms at the Campos basin that are already concluded and the requirements of the IBAMA, our regulatory agency for the environment, as we have to complete the work there we will not be able to put more oil wells on stream unless we finish them and so in the year of 2020 we will have the same decline on the production of the Campos Basin, but then at the year of 2021, we will have more wells, at Marlin Leste, Barracuda, Marlin Sul, which are the fields where we are adapting the platforms. It also some new systems will go on stream around 2022-23, which will be the Marlin and also the Integrado Parque das Baleias. So, the production is going to increase based on the wells that are going to be put on stream on the older systems and also new systems. And for the Lula FR, we reconsider the use of the P-71 on this field, but that is something that is to analyze; maybe we are going to put those wells directly to the platforms. We have to analyze, but we decided to consider it in our plan because it would be more conservative to consider the CAPEX or the necessary investment that have to do and associated with the connection of the wells to this platform, but we still need to do at work inside and see if it really need a new platform there or if we are going to put the wells directly on the platforms that we have. But, there will be wells at the Lula Oeste area and the reason for that is to increase the recovery factor. That is why we are calling it The Lula FR, which what we have included in the plan, there are investments for that, but we still do not know if you are going to use the P-71 or not.

Mero 4. What about Mero 4? Yes, yes. We are still evaluating the Mero 4 and we saw that there was a reduction on the potential of the part of the field but we are evaluating and then we think that we are going to implement Mero 4.

**PAUL - MIZUHO**

Paul Sankey, at Mizuho. I represent US investors. A question: please, what do you perceive the major concerns are of us investors and how do you feel that today's presentation addresses this? Thank you.

**ROBERTO CASTELLO BRANCO**

I do not see what. I have here frequent contacts meetings with US investors. At the moment, I do not see any major concern from the US investors. I believe that they are very confident on our company so as long as we keep doing the right thing, and we are convinced that we are doing the right thing, we have no fear, that is the point. So I believe that the not only US investors, but investors in all have demands for more transparency and we are developing initiatives like this one, giving more details, opening our numbers, our costs and avoiding overestimating our projections, not over-promising and under-delivering to gain the confidence of you all. And the response as I mentioned in my first talk was very good, at least for this year. The market holds with price and

you have priced Petrobras shares in a very good way so our share price outperformed the share price of all of our peers, so we feel very happy and confident about this.

**ANDREA ALMEIDA**

Okay, maybe one question that we have been hearing for some time is when dividends will be higher. So that is why we created a dividend police, so this is something that, if we compare ourselves to our peers, maybe investors will see that they are paying much more than we do. They understand that we are doing what needs to be done that is to deleverage, but we created a dividend police to allow for a light in the end of the tunnel so that is one point.

**ROBERTO CASTELLO BRANCO**

Regarding dividends, it was another initiative to increase transparency. Investors now know the rules for dividend payment, so that is one question that we have addressed, one concern that we have addressed, it was a general concern, because it is the law. Unfortunately, Brazil is one of the few countries in the world that has a law obliging companies to pay a minimum dividend based on accounting profits. We have to comply with the law, but, in addition to that, it was Andrea's initiative to set the rule to pay dividends, a very clear one.

**LILY - HSBC**

Thank you. My name is Lily and I am from the HSBC. Thank you for the presentation. It was actually very comprehensive. I have two questions, more top-down. One is about the tax regime in Brazil for the oil awards, so would you anticipate potential changes to more concession tax regime and less of a production-sharing agreement? And, would you think that from your standpoint it would be worth it for a fan down either on the transfer of rights or production share agreement assets and if the Congress in Brazil is ready for that? That's one question and the second question is more on your divestment plan. I also had a feeling that the 20, 30 billion dollars was a little bit shy of my own expectations, because the whole plane does include refineries, midstream, gas, power plants and you know. It looks like this might be less than replacement cost so, my question is more about what kind of EBITDA on returns of such assets that are set for sale do you have today and how you see the potential new buyers of such assets doing better than Petrobras. Thank you.

**ROBERTO CASTELLO BRANCO**

I've always criticized the regimes for exploration of oil in Brasil, because it's very complex. We have three different regimes for the exploration of oil in Brazil: concession, transfer of rights and production sharing contracts. This issue is being discussed by some authorities and it's not in our reach to change the policy, ee are just a company, we are not government. We are strongly in favor of one regime, the concession regime, we deem that it is very complex and that it favors the government's intervention in the economic activity, so let's keep it simple and go just with the concession regime. I have been arguing for these since a long time ago. I have been criticizing the government for too much intervention. And now I realized that the government authorities are concerned with this complexity and I am expecting the government to promote changes during 2020.

**ANELISE LARA**

Concerning to the divestment plan, you are right that it includes the refinery sale and our 10% in the gas transportation and distribution company, but we have to evaluate that considering that the

most prolific ones like NTS and TAG were already sold. Now we have 10% of these two and, concerning the refineries in the divestment plan, we have some refineries that have a very good free cash flow, but others do not. So on average we expected that the potential buyers will pay a multiple of EBITDA that is like what we have today with Petrobras. So it's not too high in comparison to what we get in Petrobras today and we are keeping the most prolific refineries in our park. In the Southeast, specially, in São Paulo, São Paulo refineries, that are the best ones, will be kept in our plan and the distribution, that Gas Distribution plant. As you know, we still have half of the company, because we sold it to Mitsui 49% and is what we present in our plan so that we can say the sales is between twenty to thirty it considers our best internal estimation. But, of course, it requires an appetite of the potential buyers, on the return of the market. We are very excited about that, especially for the refineries. We received good non-binding offers for the first four refineries, and it means that it can be a very competitive process and in our Five-Year Plan. Our free cash flow that Andrea showed already considers that we have divested the whole eight refineries. The gas transportation and distribution companies are not included in the free cash flow that was presented in the plan. Of course, they are included in the years 2020-2021 but from 2022 on, that are already out of our plan.

### ***ROSS LUBETKIN - WELLIGENCE***

Hi, Ross Lubetkin from Welligence. I had a quick question on the visibility of the Upstream divestments. I think that Midstream and refining is a little more clear after the presentation, but in 2019, with his management team in Q2 and Q3, I think you were highly successful with Tartaruga Verde, Pampo, Anchova, Pargo and a few others. We naturally expected that with the TOR and PSC round 6 coming up, it would slow down a little bit in Q4 and, now that it is behind us, I know Garoupa is still open, though perhaps slightly delayed, but will we expect a new wave of upstream divestments in the next call it 60 to 90 days? And, obviously, we have ideas of assets that we think could be: Golfinho, Papa Terra, Marlim, you mentioned earlier. But any visibility on that would be helpful because we view these as an NPV negative assets, if you look at low realization rates of the platform's, high abandonment, contract expiring in 2024, so minimal activity, but you've managed to get very, very competitive bidding processes and very attractive offers, so curious about the visibility of those returning.

### ***ROBERTO CASTELLO BRANCO***

I believe that, until the end of the next year, you are going to see a continuous flow of divestitures in the upstream, mature fields, onshore and in shallow waters. Every week we are launching news, flyers, or the announcement of receiving of binding offers, non-binding offers... We have dozens of fields still for sale and these are small, but in total they represent some billions of dollars. And you have this big fishes, like Marlim, that, for just one chunk of it you carry two or three or even four billion dollars.

### ***CARLOS ALBERTO***

And just to add, as Andrea mentioned, we have this target and we have the same goal to reduce our debt in the short run. And so, the intention is to see if we does not succeed selling the assets, that we have been having the success in the past, if we feel that we need to add more assets, we are going to do that. And at the same time we are going to choose the assets in which we will need to put more CAPEX and so she mentioned the Marlim field. We have other fields as well in the Campos Basin, the Papa-terra for instance. This is one that we are not thinking about putting more investments into this field, but, at the same time, we think that there is a possibility that we could sell it also. So there are some fields that are collection fields that we are evaluating, and every week we have this exercise internally, of evaluation that we made in our internal governance and

where we see what will be next fields that could be put to divest in the Campos Basin. But for sure, the Búzios field is also very important and we do not want to sell it and we will not sell it. We have bought it by the minimum profit oil, so you can imagine that, when you compare it, although it is a production-sharing contract, when we compare it to a concession contract based on the fact that we bought it by the minimum profit oil, it sometimes seemed very competitive in terms of the results.

**ROBERTO CASTELLO BRANCO**

Well, we have room for just one more question. One final question.

**FRANK MCGANN - BAML**

Thank you again. Frank McGann from the Bank of America and I have just two questions, quickly. One is the composition of production changes quite a bit in terms of percentages over the plan period because of the rise in the production sharing agreement production, you do still have a fairly substantial Transfer of Rights although the actual percentage comes down. Just thoughts on how the per barrel profitability changes as a result of moving forward. Are there any material changes as we go through the plan period? And then the second question is related to the slide that Andrea showed and perhaps it was just for illustration but the Real range there was 3.50 to 4.10, I believe, and I was just wondering why you chose that range if it was just to illustrate and if that is your actual forecast amount.

**CARLOS ALBERTO**

Regarding the production sharing, it has all to do with the minimum profit oil that you have offered when the bid has happened. And on the Libra, what we have made inside is to have a project that we call Libra 35 that would be just to implement projects that would best represent the barrel price, if it gets to thirty-five dollars per barrel. So they are very competitive, in fact. And when we look at Búzios, for instance, which is the best asset that we have today, as we have bought it for the minimum profit oil, which would be around twenty-three percent of profit oil, so it is very competitive as well. So, we are thinking that, this project we also have a very good profitability based on the economics of the field and based on the fact that it has a lot of potential, so it will generate a lot of cash for the company in the future, for sure. Although it is a production sharing contract, because it has all to do with the profit oil that you offer when you make your bid and they were very good offers on the prospect when we bought it.

**ANDREA ALMEIDA**

And the range I showed was the range that we were leaving right now, that is around sixty dollars per barrel and 4.2. I did a new one, but it is somehow 35 billion dollars of EBITDA, if we are around 4.2 of exchange rate, that's what I mentioned.

**ROBERTO CASTELLO BRANCO**

Thank you very much. Unfortunately, we have no more time for questions. We ran out of time. We now have a press conference and after that, we are flying to London, so we have to run. Thank you.