

# Investor Day



# Disclaimer

## FORWARD-LOOKING STATEMENTS:

### DISCLAIMER

The presentation may contain forward-looking statements about future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not based on historical facts and are not assurances of future results. Such forward-looking statements merely reflect the Company's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forward-looking statements. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. Readers are referred to the documents filed by the Company with the SEC, specifically the Company's most recent Annual Report on Form 20-F, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including, among other things, risks relating to general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates, uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves, international and Brazilian political, economic and social developments, receipt of governmental approvals and licenses and our ability to obtain financing.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Figures for 2017 on are estimates or targets.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this presentation.

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

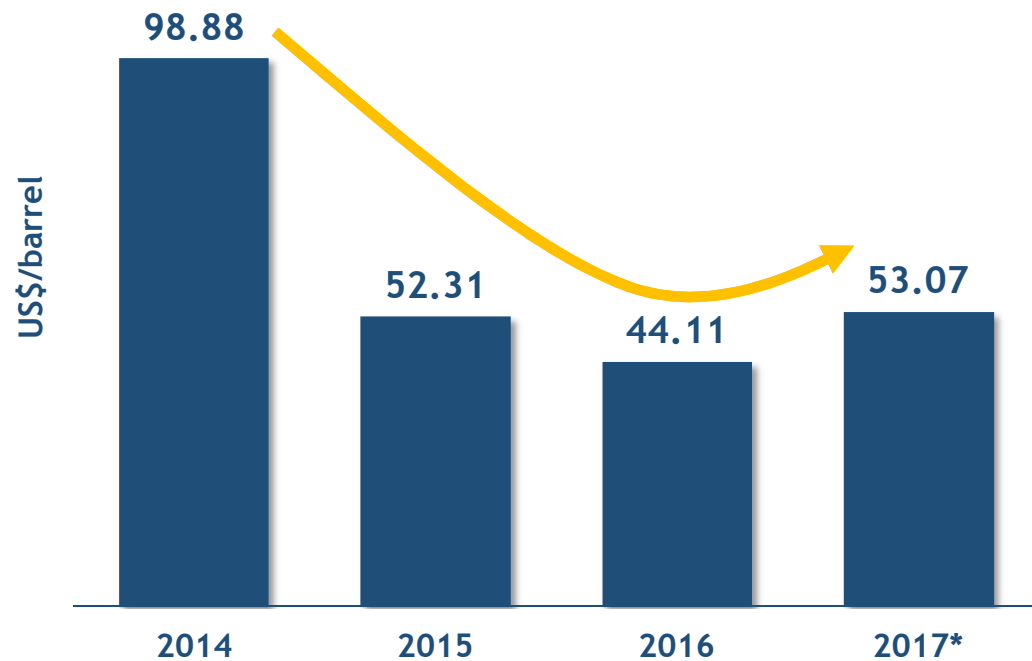
## NON-SEC COMPLIANT OIL AND GAS RESERVES:

### CAUTIONARY STATEMENT FOR US INVESTORS

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

## External context

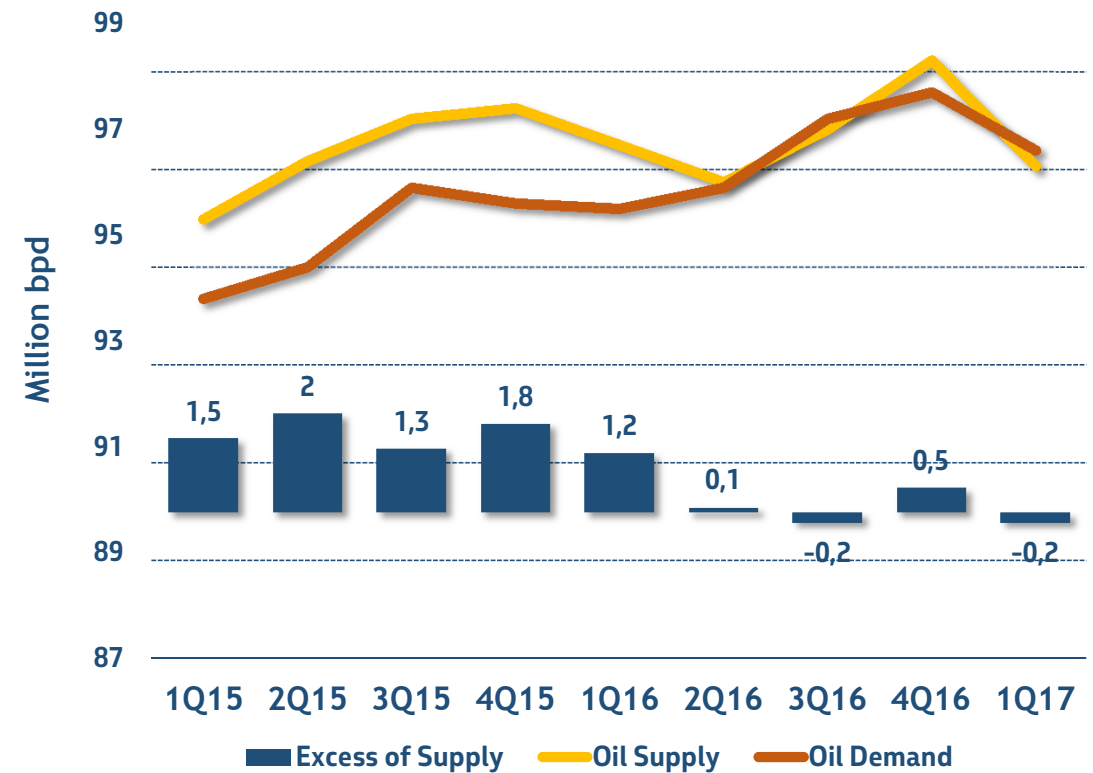
Brent (Annual average - Nominal)



Source: Bloomberg

\* Average until 18/5/2017

Balance between Oil Demand and Supply



Source: International Energy Agency - April/2017 Oil Market Report

## Regulatory Framework

### Old Model

Petrobras Sole Operator in the Pre-Salt

High Level of Local Content

No defined schedule for Bid Rounds



### New Model

Preferential Right in the Pre-Salt

Flexible Local Content Policy

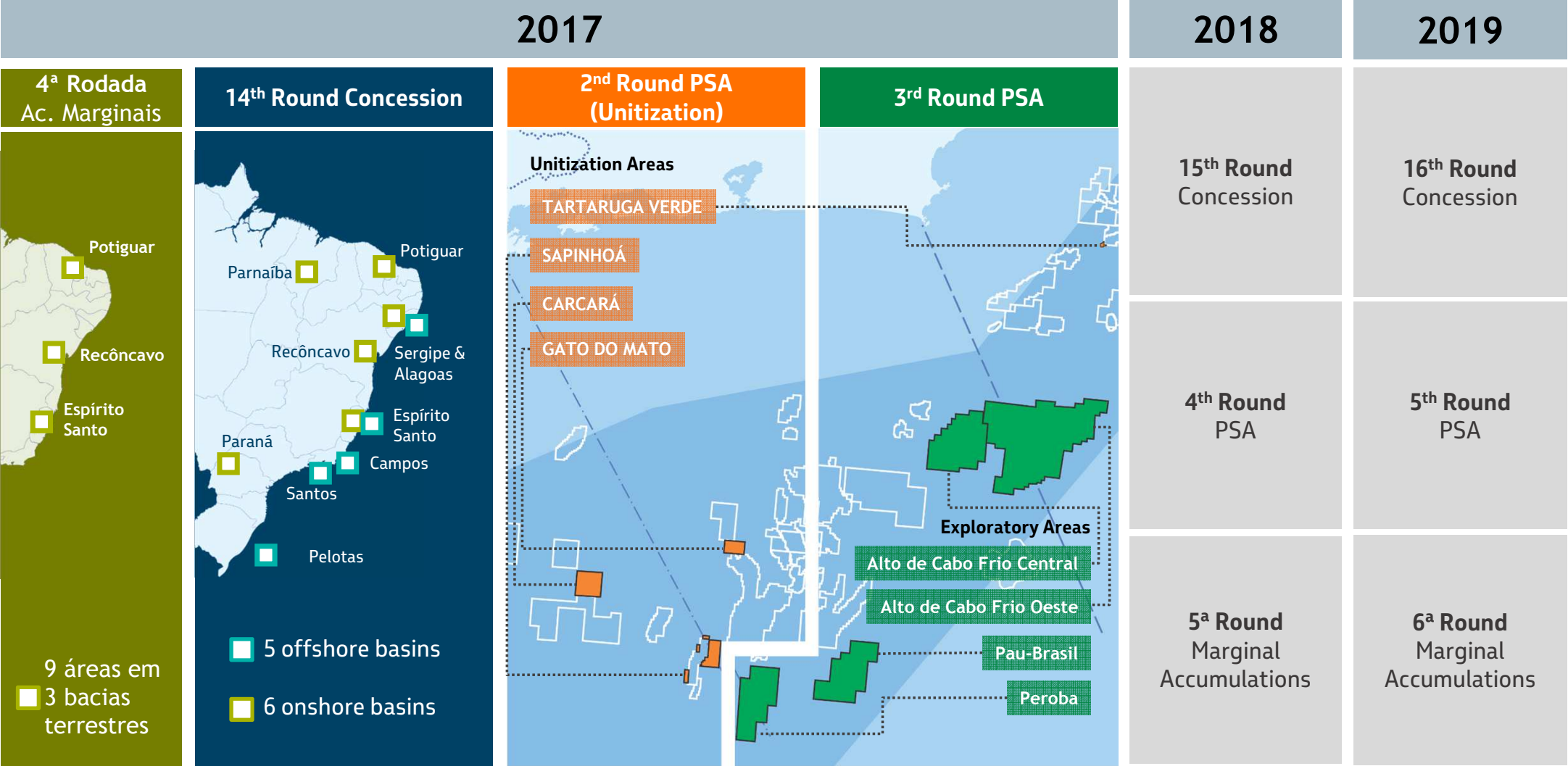
Predictability in the Bid Rounds

Program "*Gás Para Crescer*"

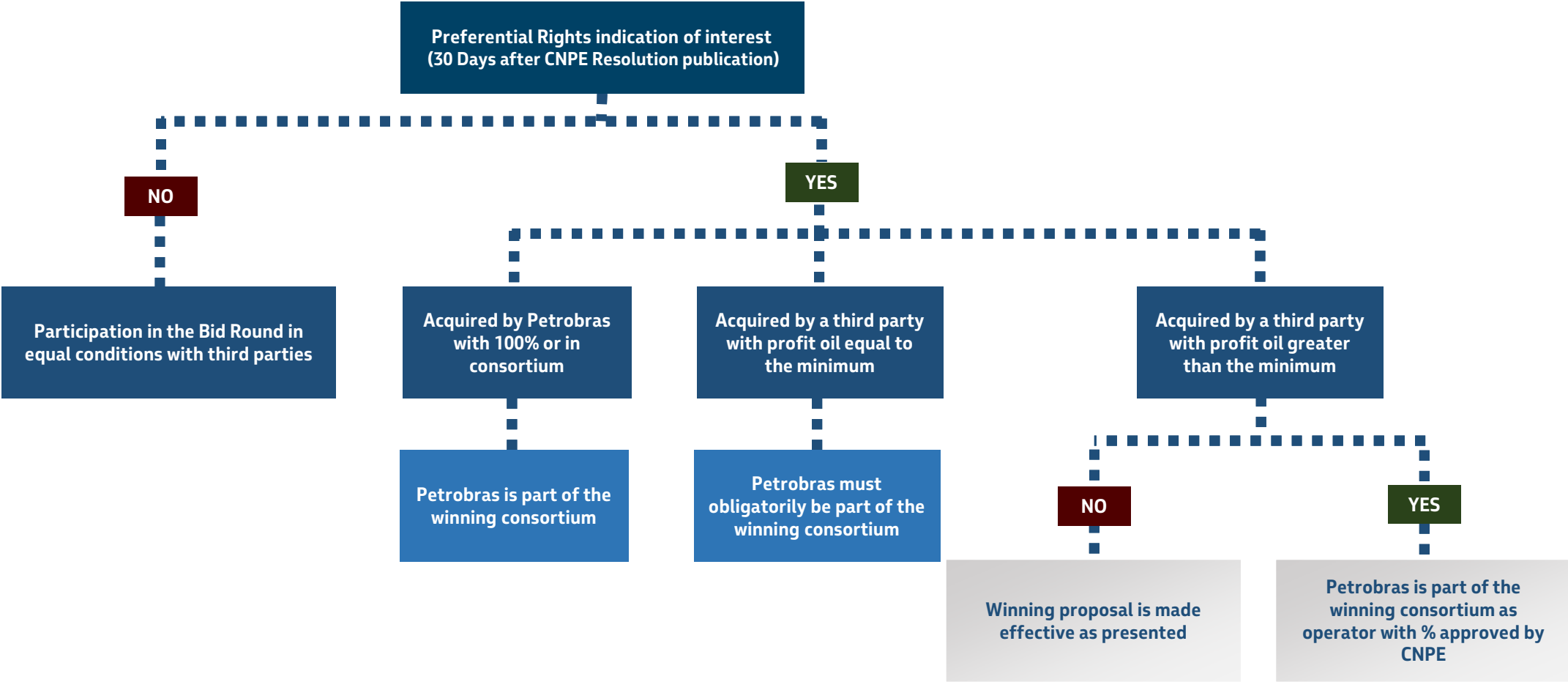
Program "*Combustível Brasil*"



# Higher predictability in ANP Bid Rounds



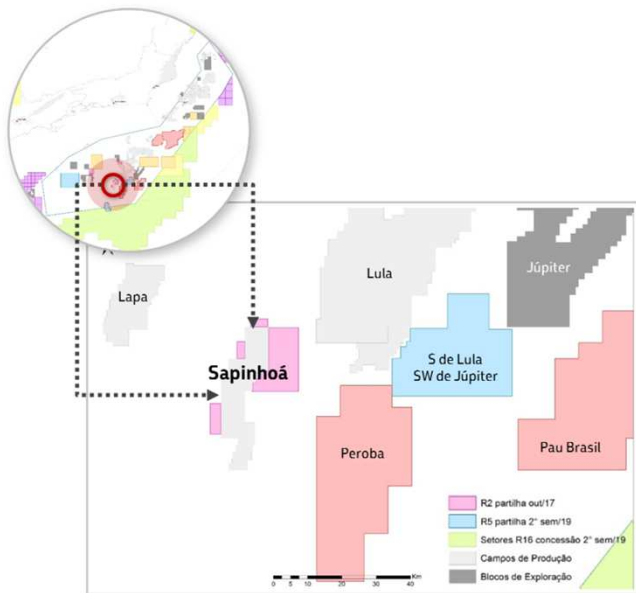
# Preferential rights in PSA's bid rounds



# Preferential Right indication of interest – Rounds 2 and 3 (PSA)

## Round 2

### Entorno de Sapinhoá



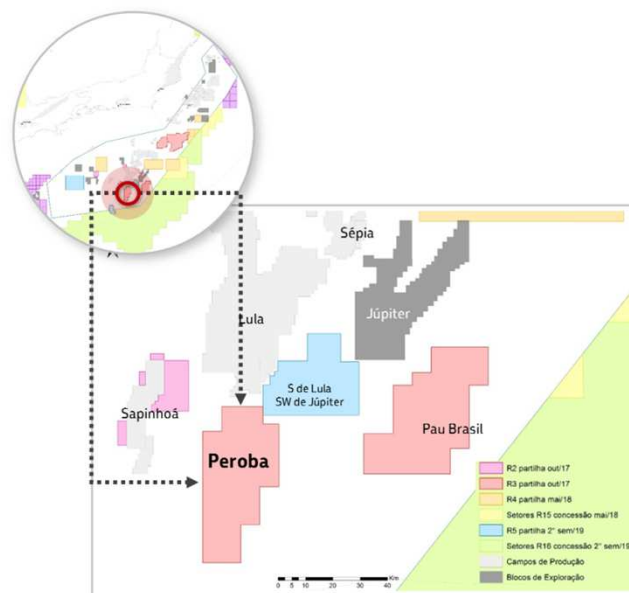
**SANTOS BASIN – São Paulo**

**DISTANCE FROM COAST:** 330 km

**WATER DEPTH:** >2,000 meters

## Round 3

### Peroba

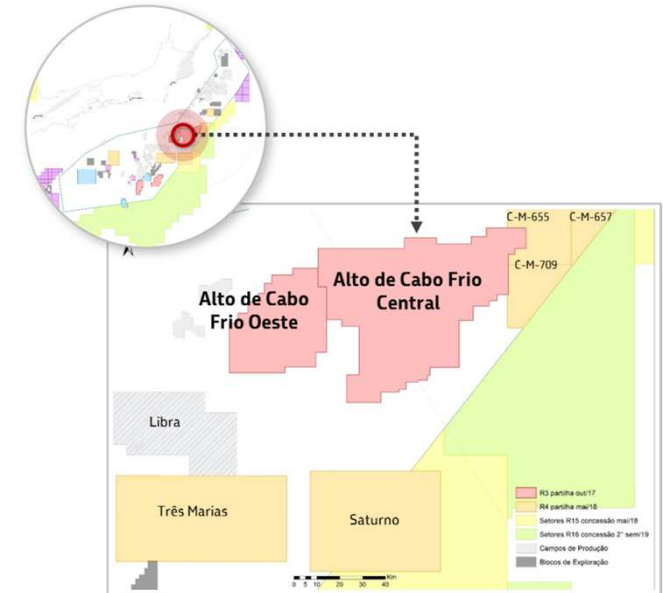


**SANTOS BASIN – São Paulo/Rio de Janeiro**

**DISTANCE FROM COAST :** 370 km from the coast and 50 km south of Lula

**WATER DEPTH :** >2,200 meters

### Alto de Cabo Frio Central



**SANTOS BASIN – Rio de Janeiro**

**DISTANCE FROM COAST :** 150 Km from the coast, 130 km NW Libra

**WATER DEPTH :** 1,600 a 2,900 meters

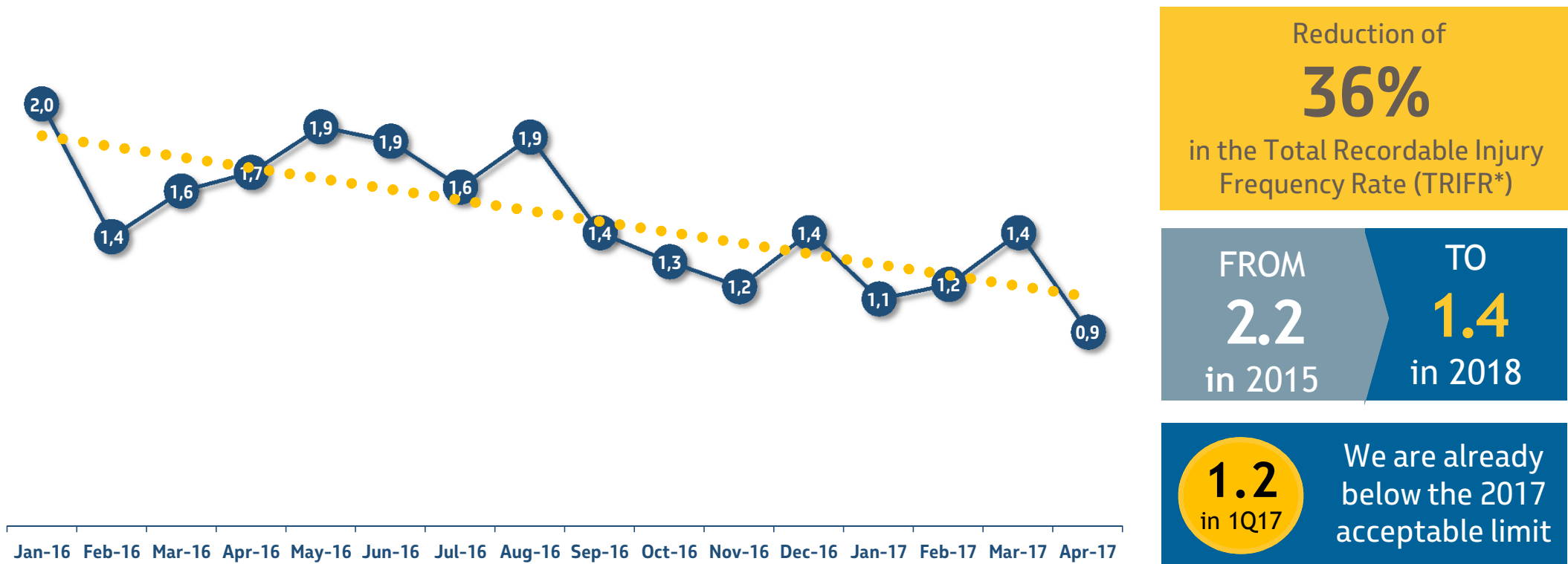
# OUR VISION



An **integrated energy** company **focused on oil and gas** that **evolves** with society, creating **high value**, with a unique **technical capability**

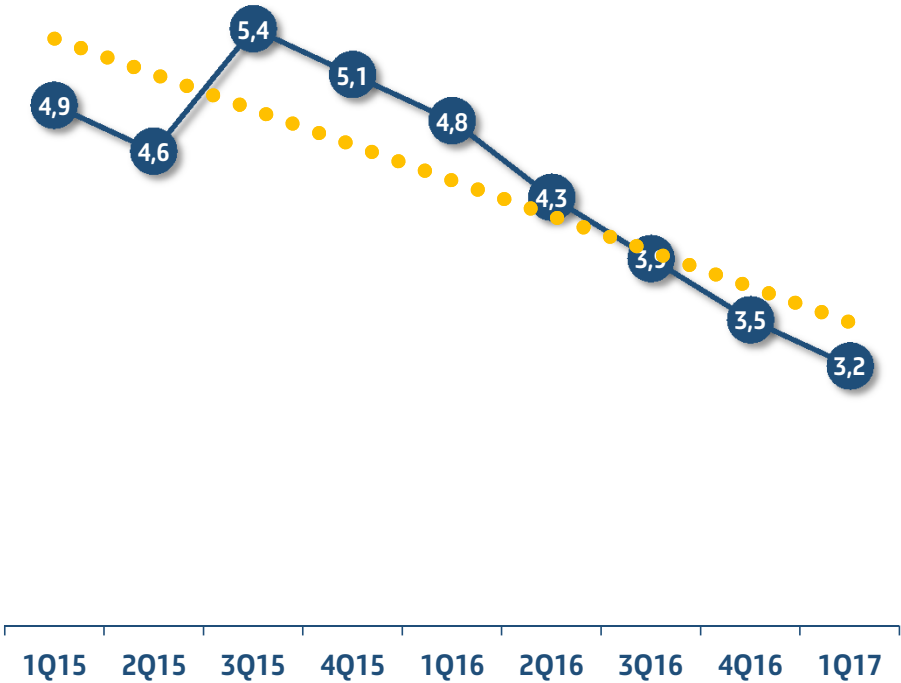


# Consistent reduction in the Total Recordable Injury Frequency Rate



\* TRIFR = Total Recordable Injury Frequency Rate

# We are converging to the leverage reduction metric



Reduction in  
**LEVERAGE**  
Net Debt/EBITDA

FROM  
**5.1**  
in 2015

TO  
**2.5**  
by 2018

**3.2**  
in 1Q17

We are moving  
towards the  
goal

- Competitive Prices
- CAPEX Efficiency
- OPEX Efficiency
- Partnerships and Divestments

MAIN PROJECTS

E&P





# Schedule of new E&P Projects 2017 – 2021



Obs: In yellow, Campos Basin Projects.  
In white, Santos Basin Projects.

Contracted Under bidding process To be Contracted



# Main E&P projects in 2017

## P-66 Lula Sul

*Production start-up on 17/05/2017*



Current production of 27 thousand bpd

LIBRA PIONEER



P-67



CIDADE DE CAMPOS  
DOS GOYTACAZES



TLD de Libra  
On location



Lula Norte  
COOEC Shipyard



Tart. Verde e Mestiça  
Brasfels Shipyard





## P-67 (Lula Norte Project) – 1<sup>st</sup> Oil 4Q17



% Completion

Nº Wells

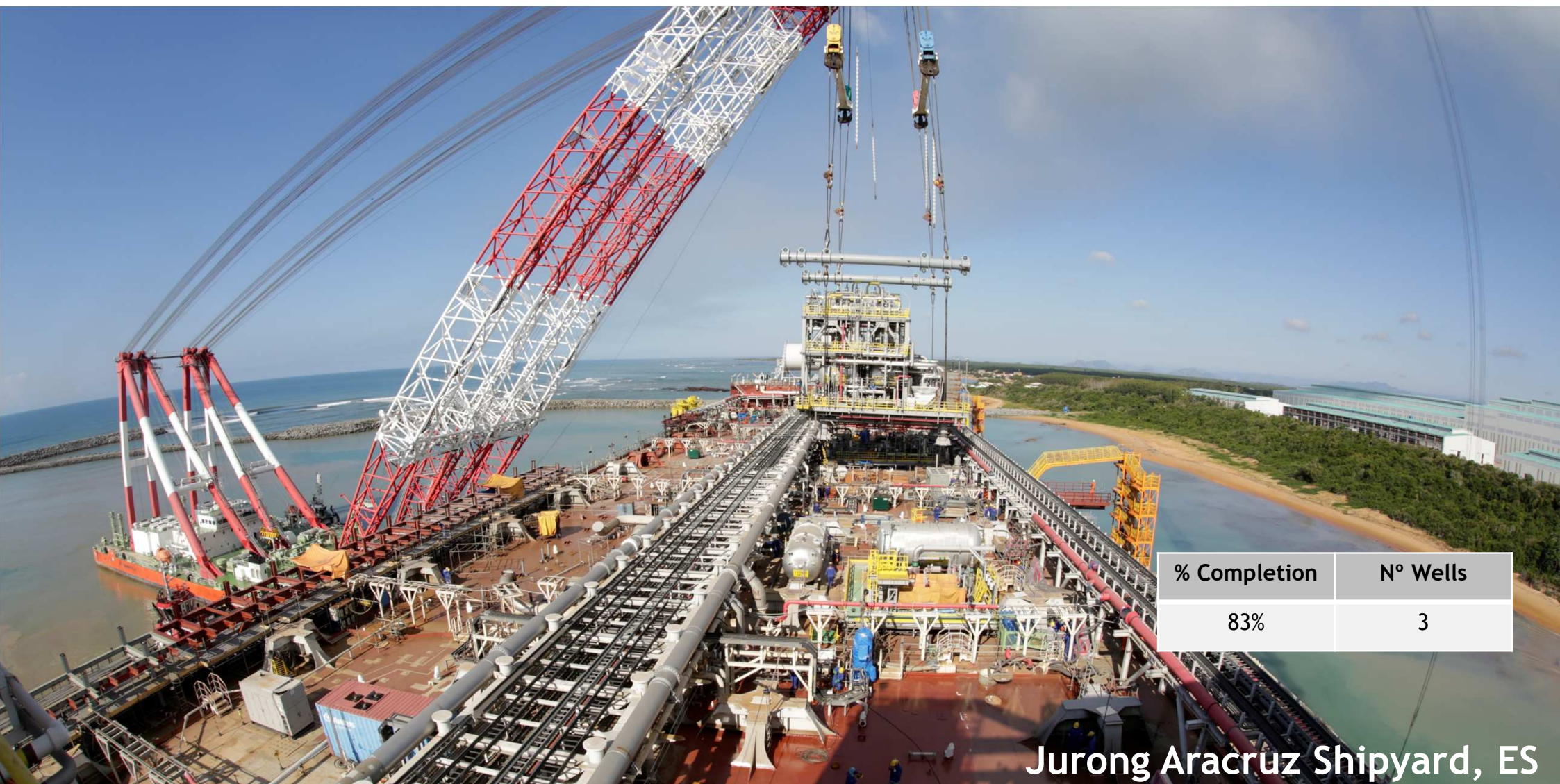
97%

6

COOEC Shipyard, China



## P-68 (Berbigão/Sururu Project) – 1<sup>st</sup> Oil 2018

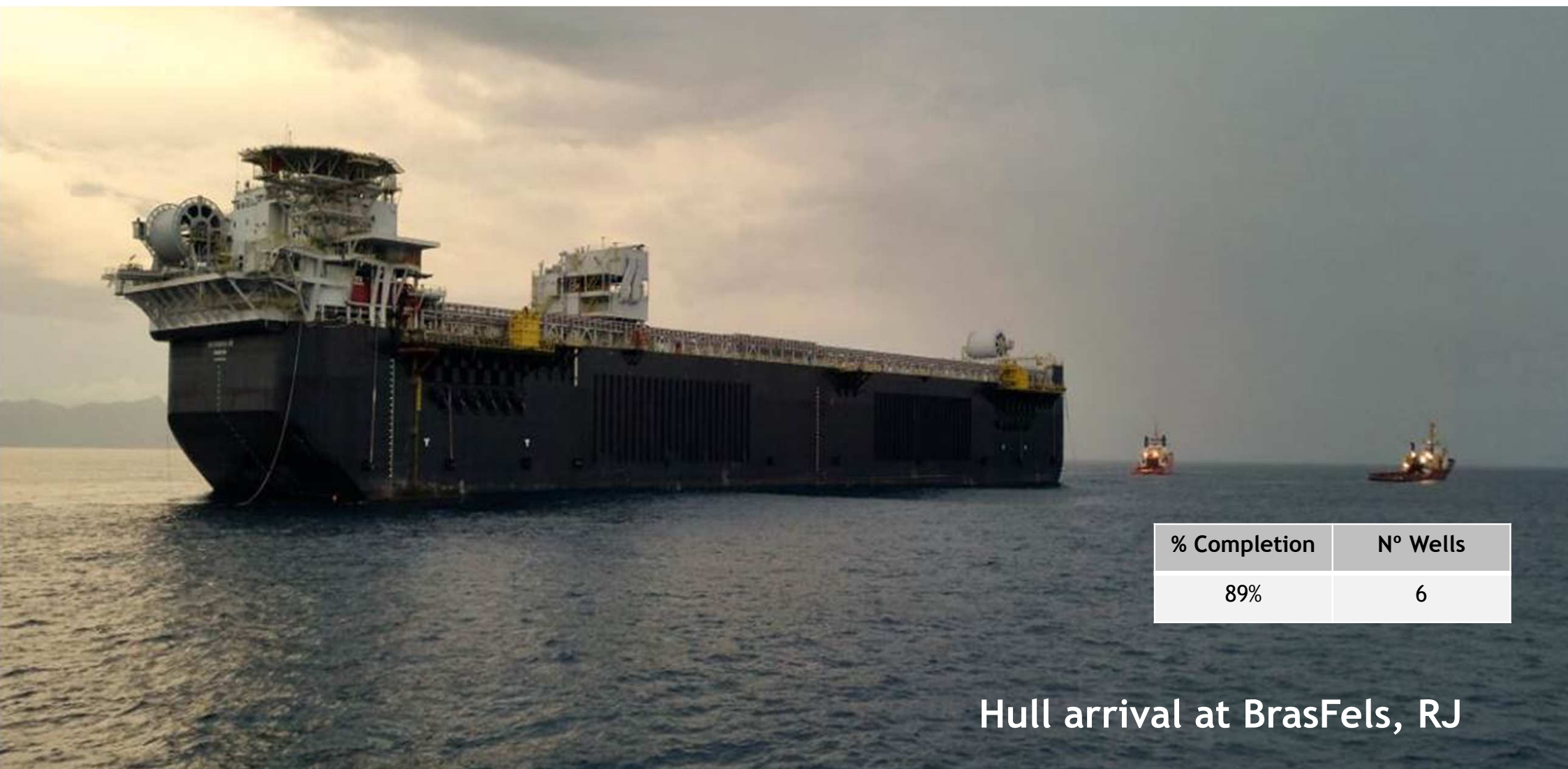


% Completion	Nº Wells
83%	3

Jurong Aracruz Shipyard, ES



## P-69 (Lula Extremo Sul Project) – 1st Oil 2018



% Completion	Nº Wells
89%	6

Hull arrival at BrasFels, RJ



## P-74 (Búzios 1 Project) – 1<sup>st</sup> Oil 2018



% Completion	Nº Wells
93%	2

EBR Shipyard, São José do Norte, RS



## P-75 (Búzios 2 Project) – 1<sup>st</sup> Oil 2018



% Completion	Nº Wells
87%	1

**COSCO Shipyard, China**



## P-76 (Búzios 3 Project) – 1<sup>st</sup> Oil 2018

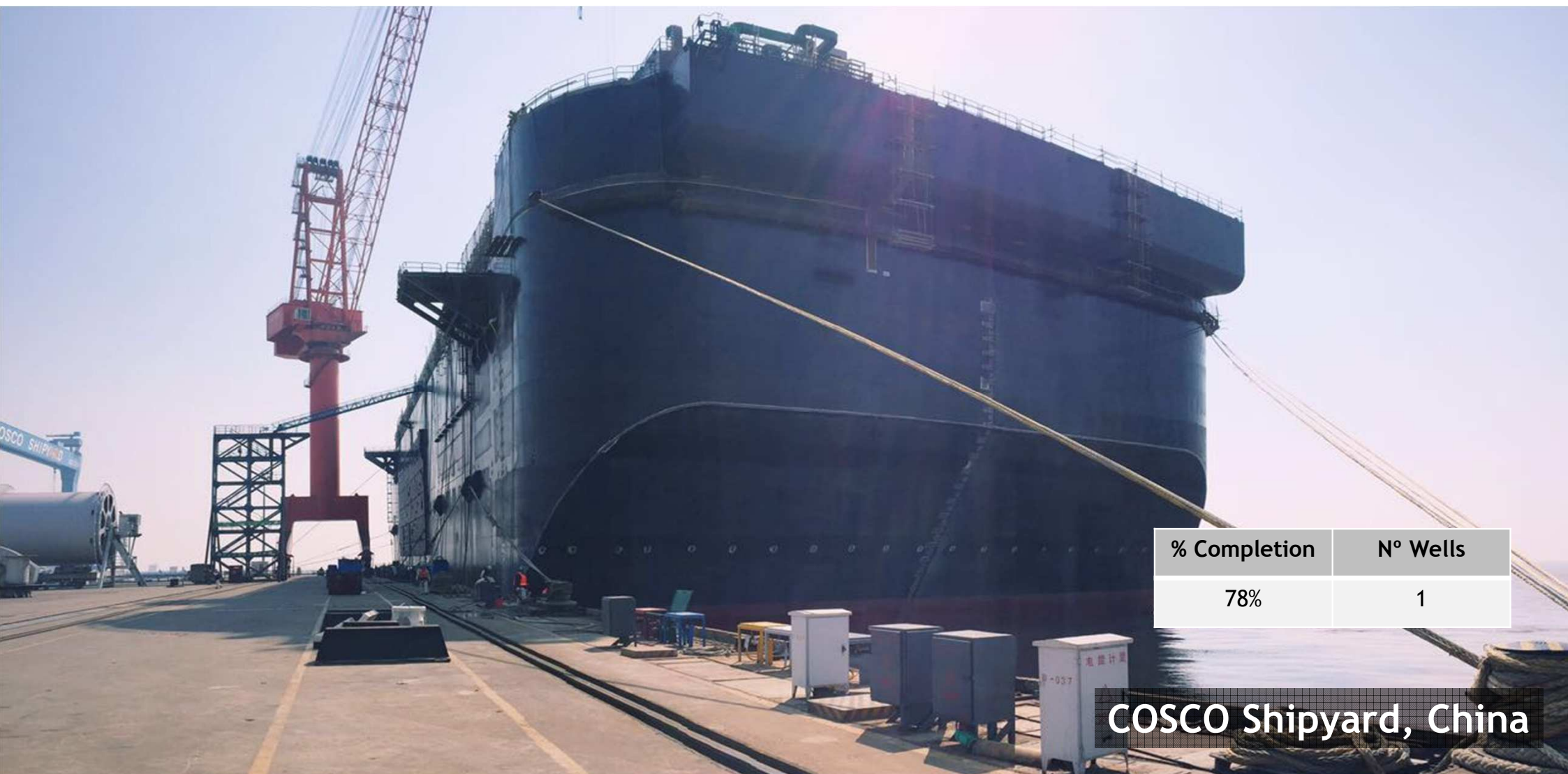


% Completion	Nº Wells
90%	1

Offshore Unit Shipyard Techint, PR



## P-70 (Atapu 1 Project) – 1<sup>st</sup> Oil 2019



% Completion	N° Wells
78%	1

**COSCO Shipyard, China**



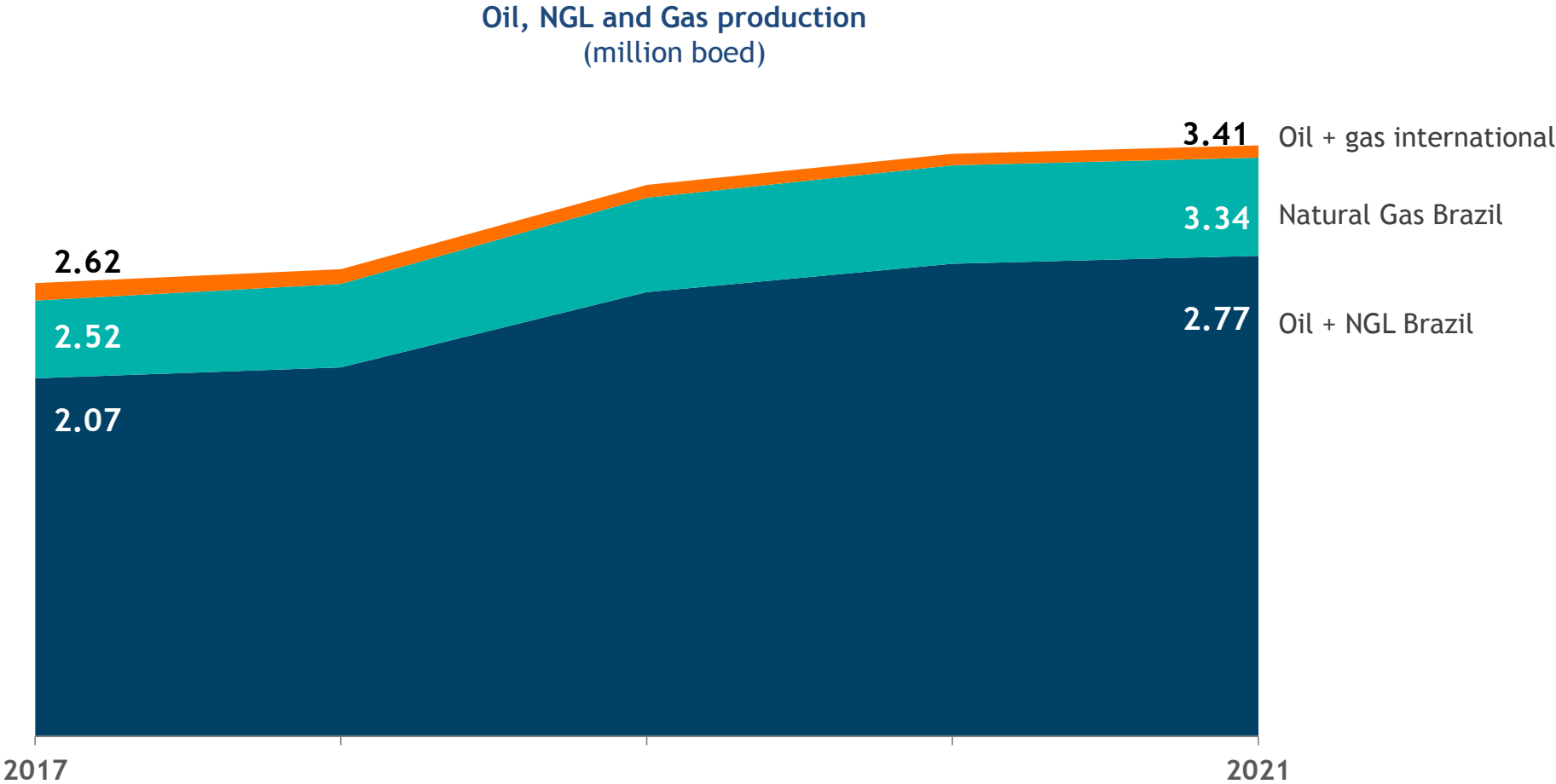
## P-77 (Búzios 4 Project) – 1<sup>st</sup> Oil 2019



% Completion	Nº Wells
85%	1

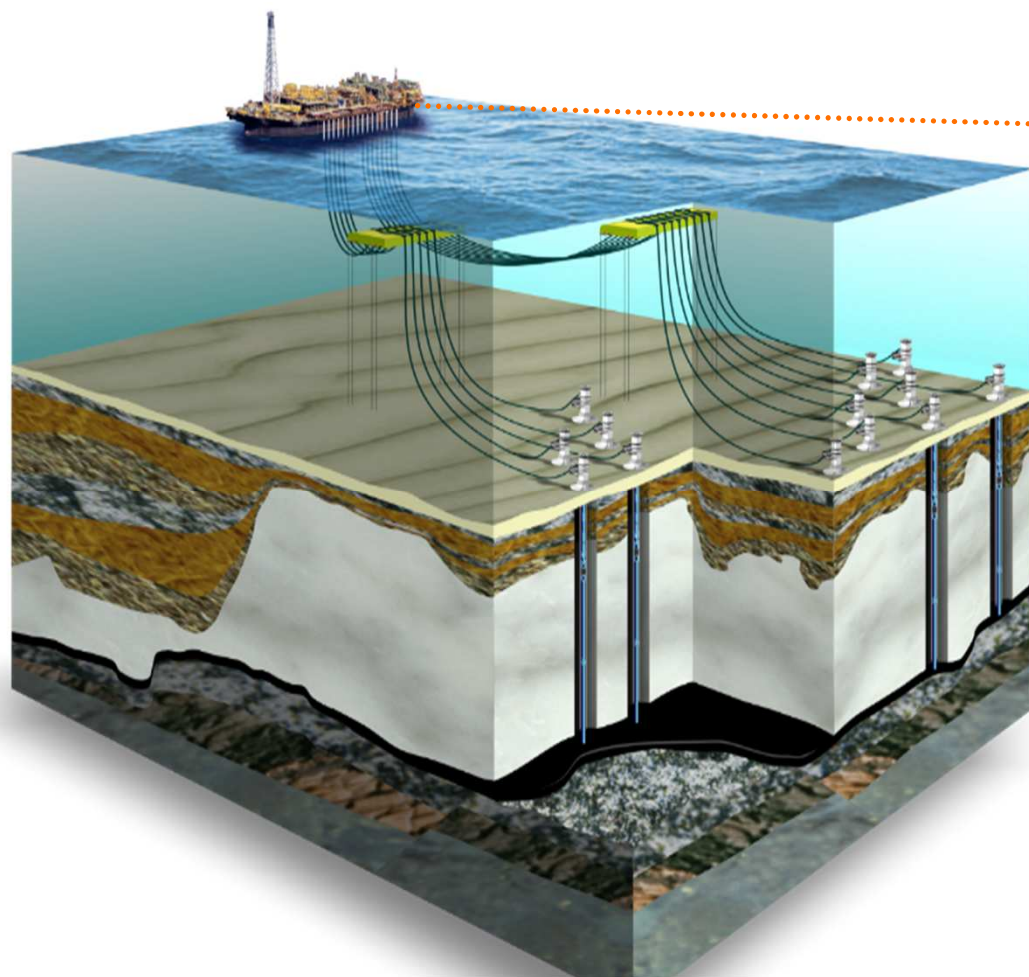
**COSCO Shipyard, China**

# Oil and gas production





# Typical Pre-Salt Project



## % Distribution of Investments

**Production Unit**  
**35%**

**Subsea**  
**30%**

**Wells**  
**35%**

## Our competitive advantages

Since 2010, we have started up, on average, one new production unit in Pre-Salt every seven months.

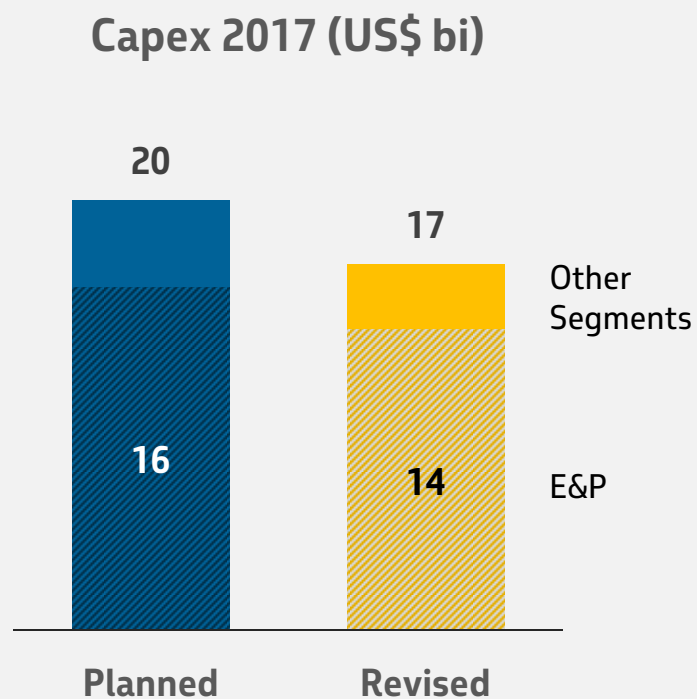
Subsea systems costs 8% lower than the industry benchmark\*. Great volumes, long-term contracts and standardization of wet christmas trees and lines offer the most competitive costs pof the sector.

We are pioneers in Pre-salt well construction and, after 7 years of technological development, we can already drill wells 3 times faster.

\* Source: IPA (Independent Project Analysis) 23

## Investments optimization and higher productivity

- Contracts renegotiation
- Revision in well schedule, considering projects' optimization
- Higher production in Parque das Baleias (P-58)



Production  
Target  
confirmed  
**2.62**  
MMboed



## Collaboration between partners resulted in reduction of break-even price



Reduction in the  
break-even of the  
area of  
**US\$ 13/bbl**

## Reduction of manageable operating costs

Technical  
standardization

Contracts  
renegotiation :  
reduction in fleet  
and daily rates

Increase in  
efficiency of the  
fleet and  
pipelines/terminals

Rationalization of  
well interventions

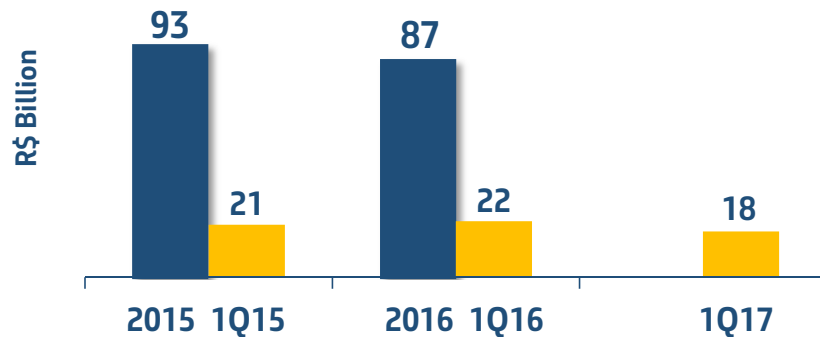
Reduction in  
employees  
(Separation plan)  
and third parties

Rationalization of  
administrative costs

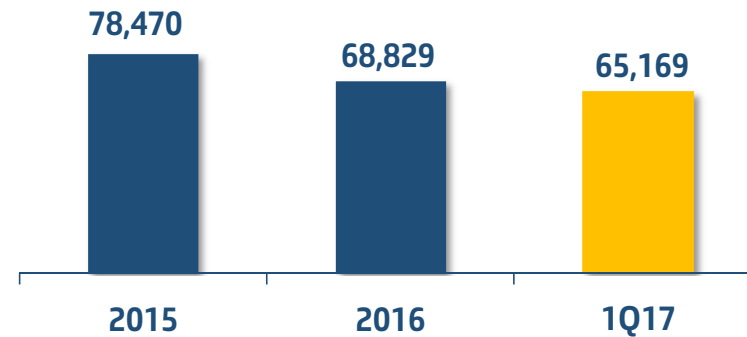
Process  
reorganization

Organizational  
Restructuring  
(cut of managerial  
functions)

Manageable Operating Costs



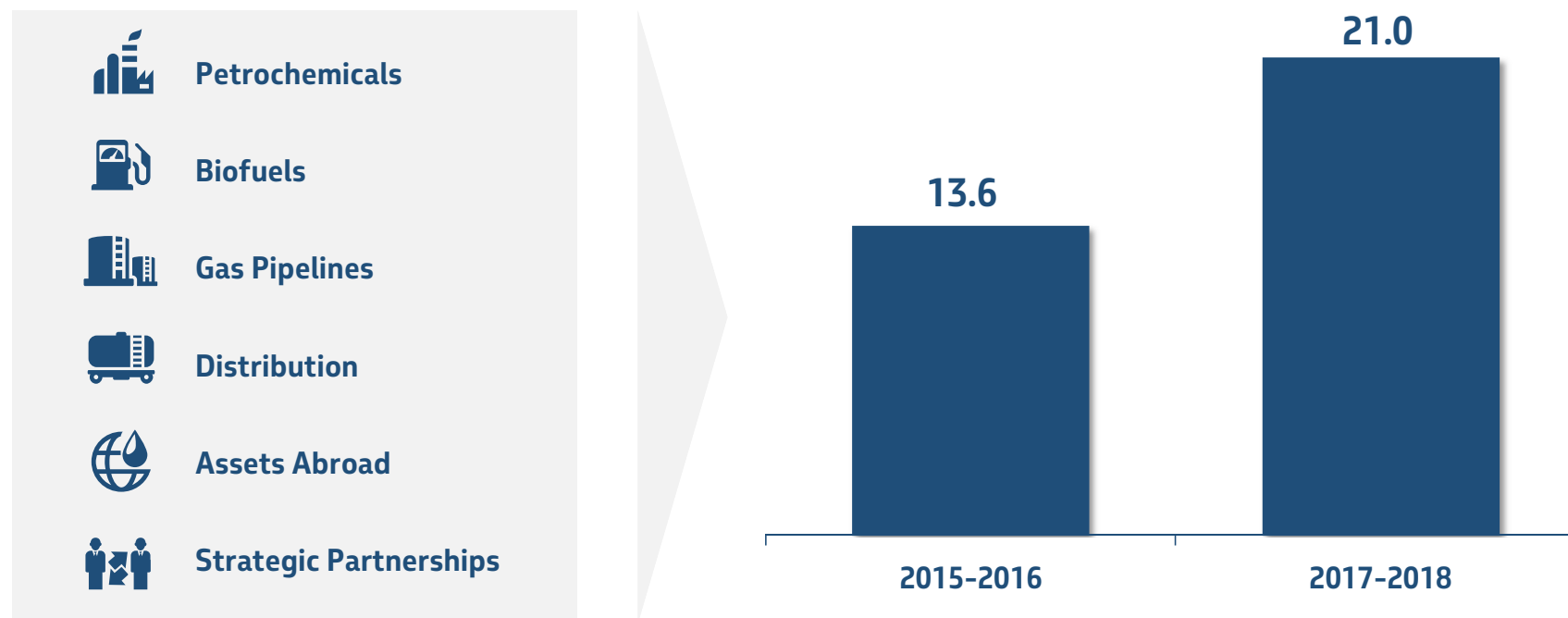
Number of Employees in  
Petrobras System





## Partnership and Divestments Program

We reached US\$ 13.6 billion in 2015-16 and we are compromised with the 2017-18 target



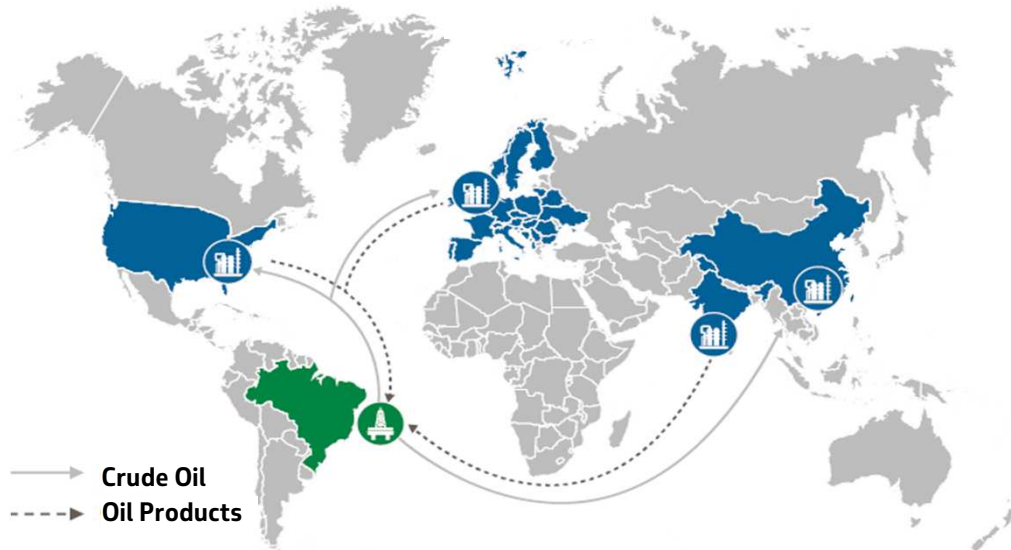
**Strategic Partnerships:**



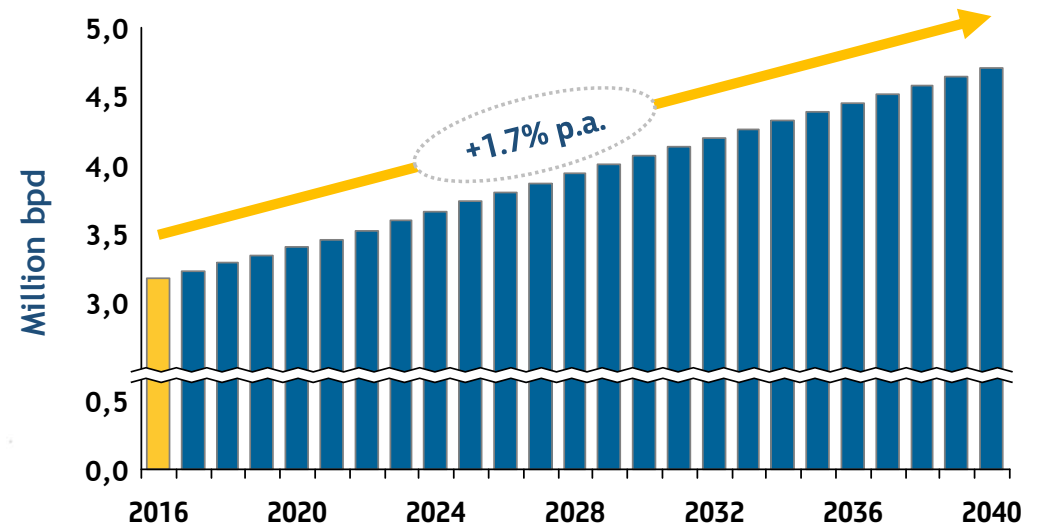
## Downstream partnerships in Brazil

Petrobras is also interested in finding partners to its downstream operations, keeping the strategy of integrated supply chain

Privileged position for spreads



Annual consumption of fuels\* in Brazil

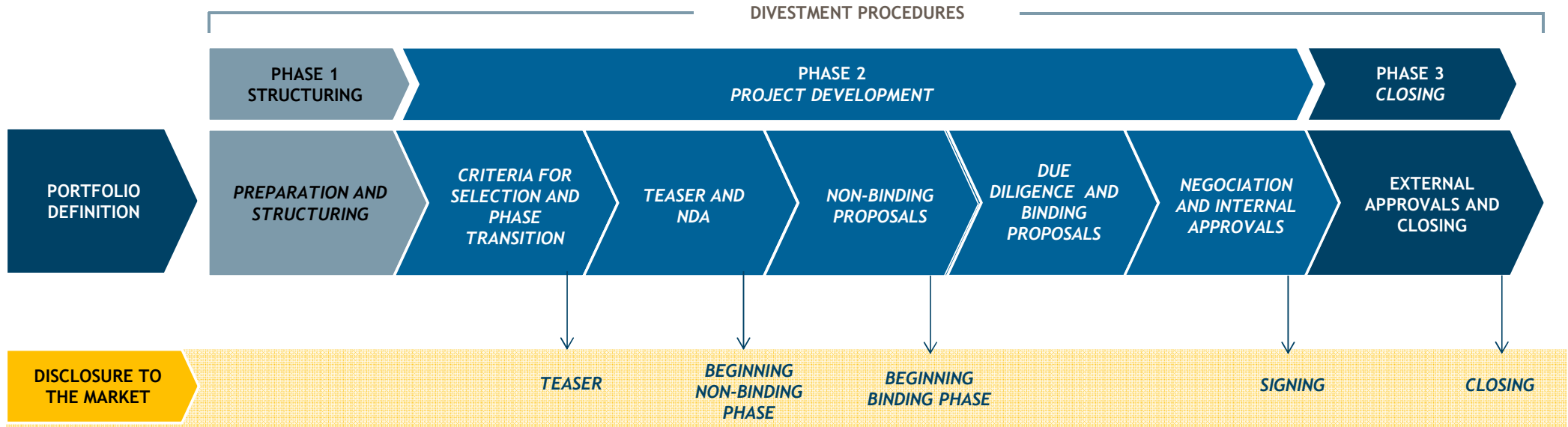


Source: EIA International Energy Outlook 2016  
\* Includes oil products, natural gas and biofuels

- Brazil is the sixth oil consumer market in the world
- Selling position of crude oil and buyer position of oil products, far from main markets



# Divestment Process and Disclosure to the Market

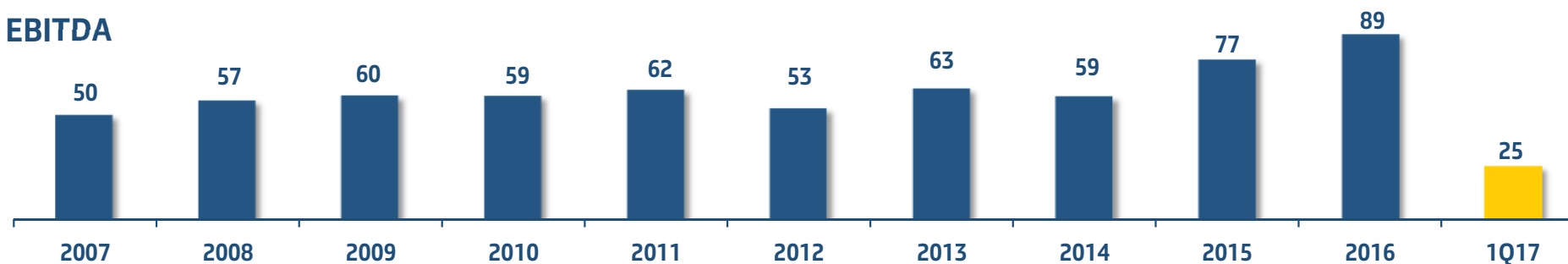


- The revised Divestment Methodology was approved by the Federal Accounting Court (TCU)
- Each project will have its milestones disclosed to the market

# Consistent improvement in our results

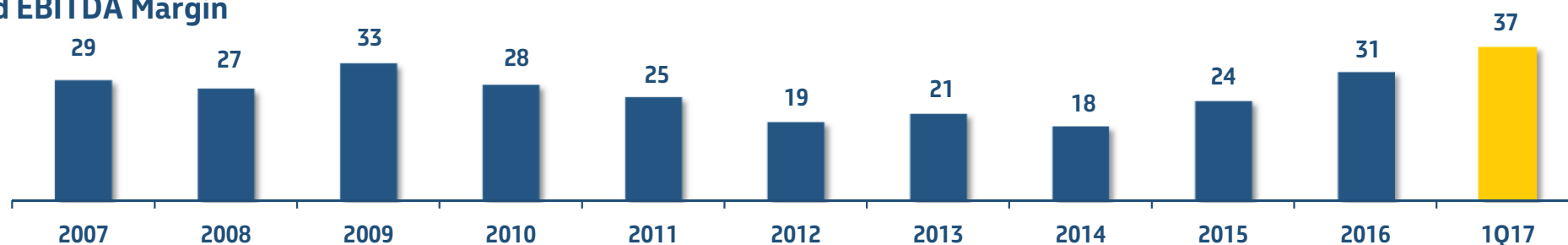
## Adjusted EBITDA

R\$ Billion



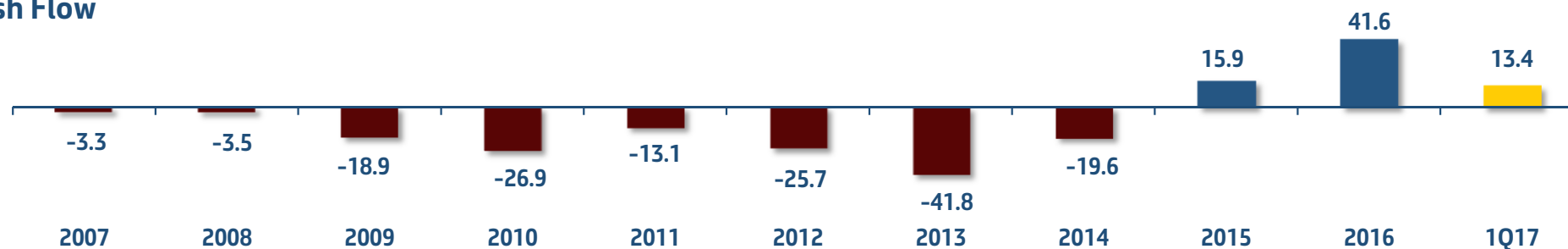
## Adjusted EBITDA Margin

%



## Free Cash Flow

R\$ Billion



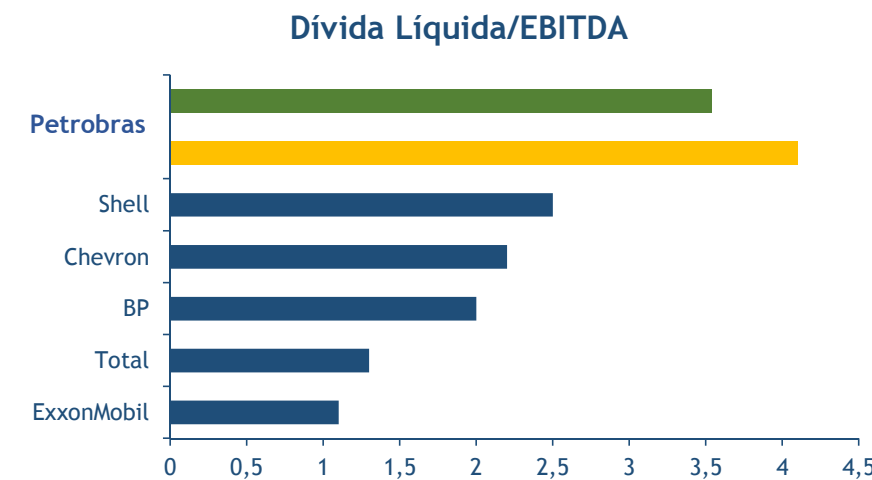
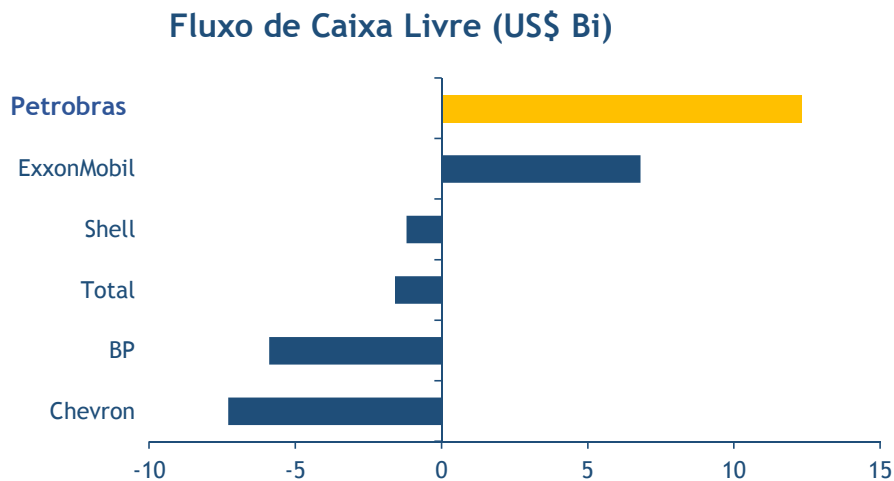
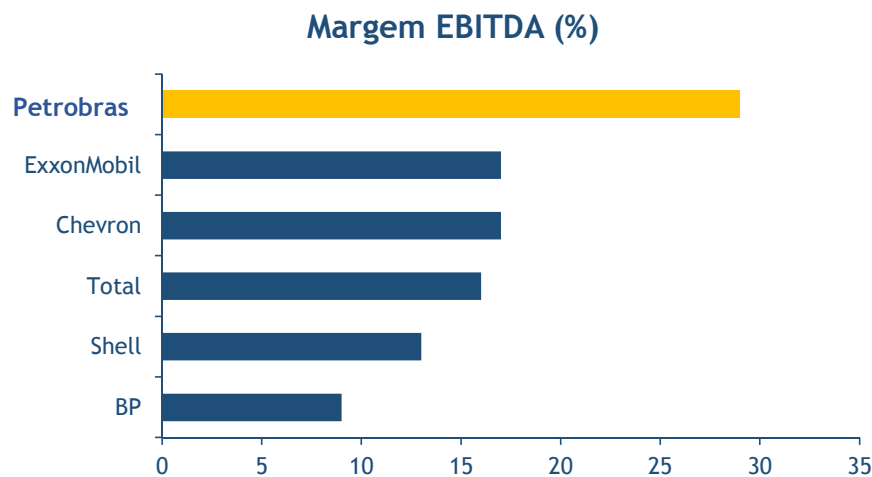
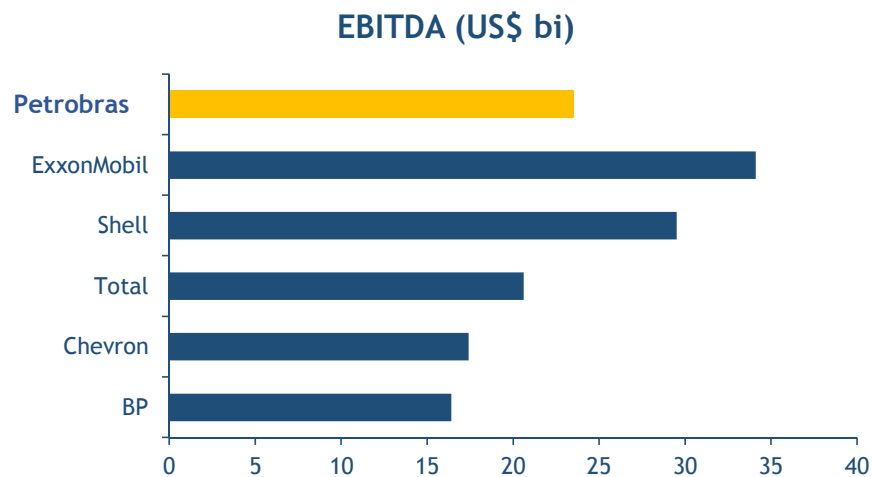
## Brent

US\$/barrels

	73	99	63	80	111	112	109	99	52	44	55
--	----	----	----	----	-----	-----	-----	----	----	----	----



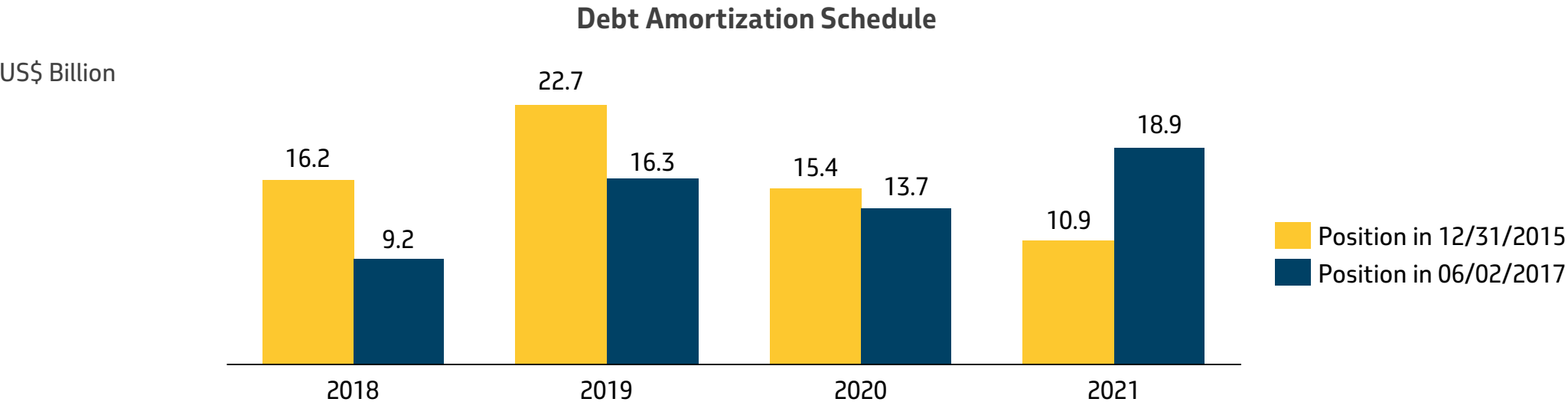
# Petrobras vs. Peers in 2016



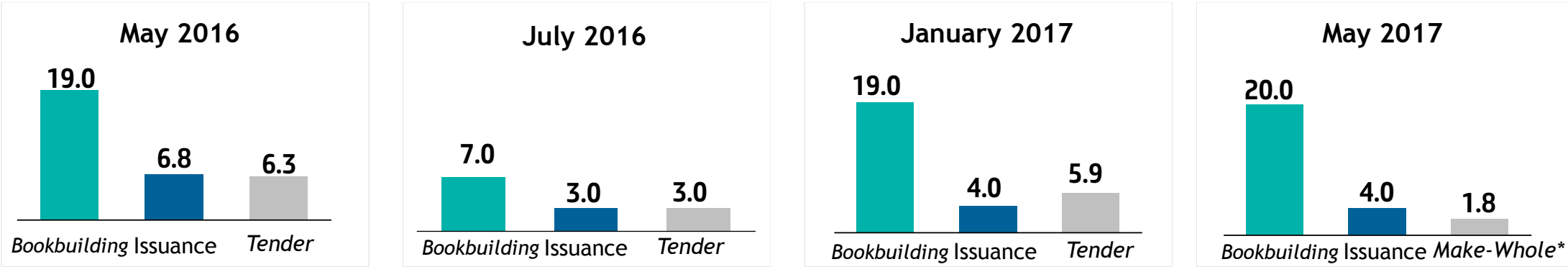
Source: Evaluate Energy

Amount reported in the Financial Statements in R\$

# Active Liability Management resulted in extension of maturities








Issuance of US\$ 18 billion and tender of US\$ 17 billion helped to reduce the cost of debt and to extend maturity



\*Liquidation of make-whole expected for June 22<sup>nd</sup>



# Main Risks

	 <b>Operational Risks</b>	 <b>Financial Risks</b>	 <b>Compliance Risks</b>	 <b>Business Risk</b>	 <b>Strategic Risks</b>
Risks	<ul style="list-style-type: none"> <li>▪ Accidents</li> <li>▪ Suppliers performance</li> <li>▪ Strikes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inability to pay debt</li> <li>▪ Pension Plan Obligations</li> <li>▪ Clients credit risk</li> <li>▪ Litigations and arbitrations (<i>class action</i>, DoJ, SEC, tax and labor)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Behavior incompatible with ethics and compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volatility of oil prices and FX rates</li> <li>▪ Reserve replacement</li> <li>▪ Delays in licensing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Political and regulatory instability</li> <li>▪ Divestments execution</li> <li>▪ Changes in society faster than expected</li> </ul>



**Integrated and proactive risk management is key to safe and sustainable results**

# RELATIONSHIP WITH STAKEHOLDERS



**Sustainability Report  
2016**



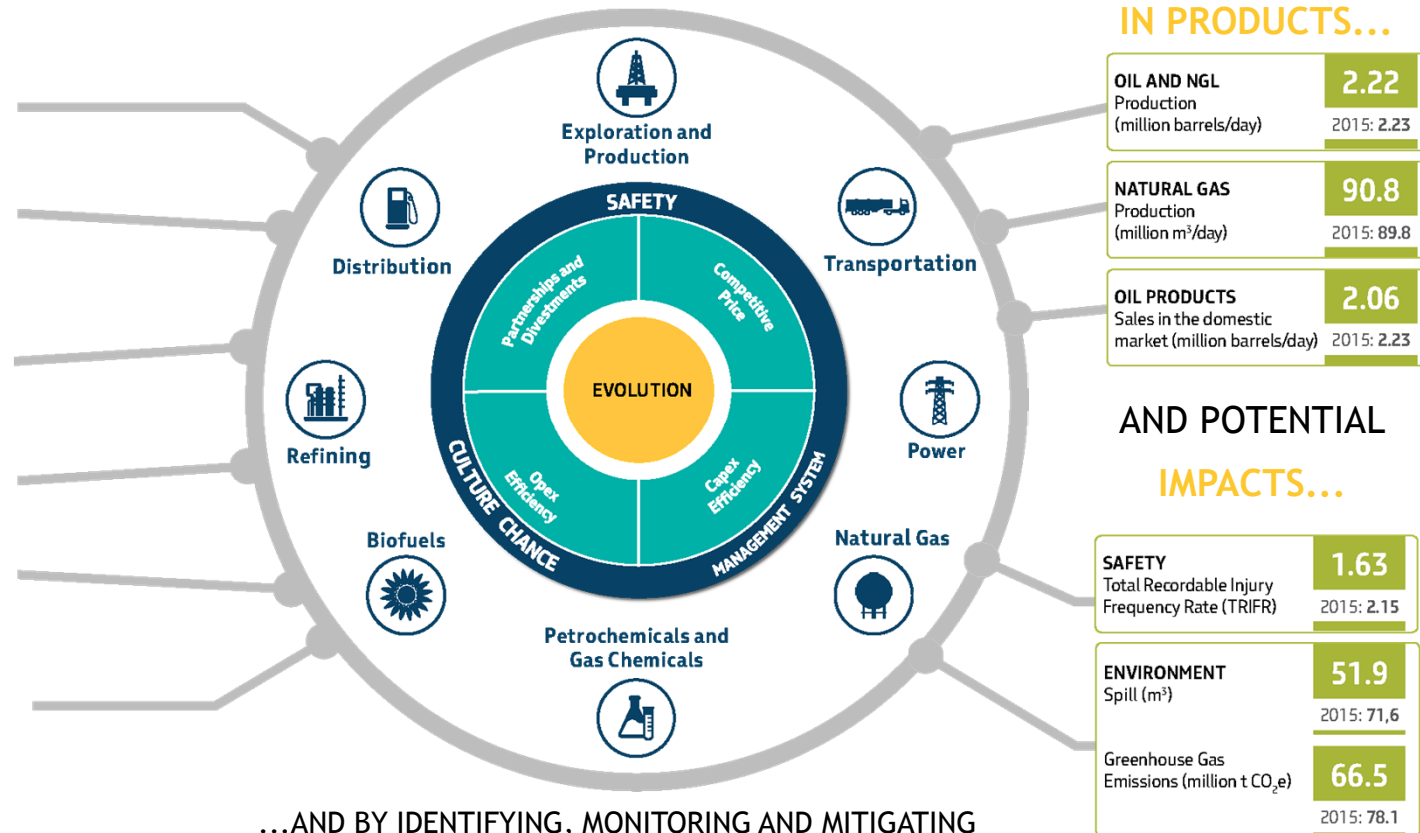
# Bussiness Model

OUR  
RESOURCES...

APPLIED TO  
OUR PROCESSES...

RESULT

IN PRODUCTS...



AND POTENTIAL  
IMPACTS...

...AND BY IDENTIFYING, MONITORING AND MITIGATING  
BUSSINESS RISKS, **CREATE VALUE** TO:

INVESTORS Free cash flow (R\$ billion)	41.6 2015: 15.9	EMPLOYEES Direct remuneration (R\$ billion)	18.7 2015: 19.1	STATE AND SOCIETY Taxes (R\$ billion)	106 2015: 110
---	--------------------	--	--------------------	--	------------------

# Environment and Climate Change

## INITIATIVES FOR MITIGATION OF GREENHOUSE GAS EMISSIONS (GHG) (MM tCO<sub>2</sub>e)



**E&P offshore platforms:**  
Optimization, gas reuse and reduction in gas flare in E&P operations

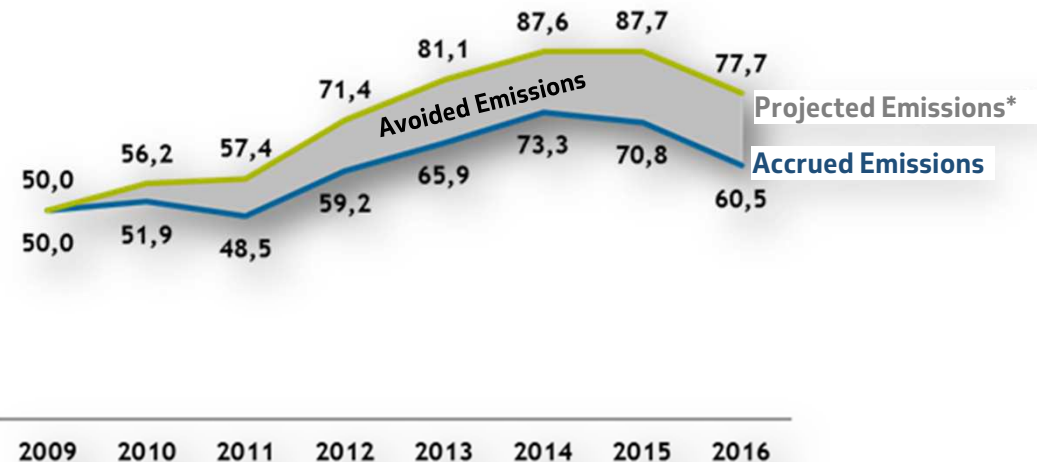


**Thermoelectric plants:**  
Cogeneration, energetic integration and cycles closing



**Refineries:**  
Increase in energetic efficiency in refining operations

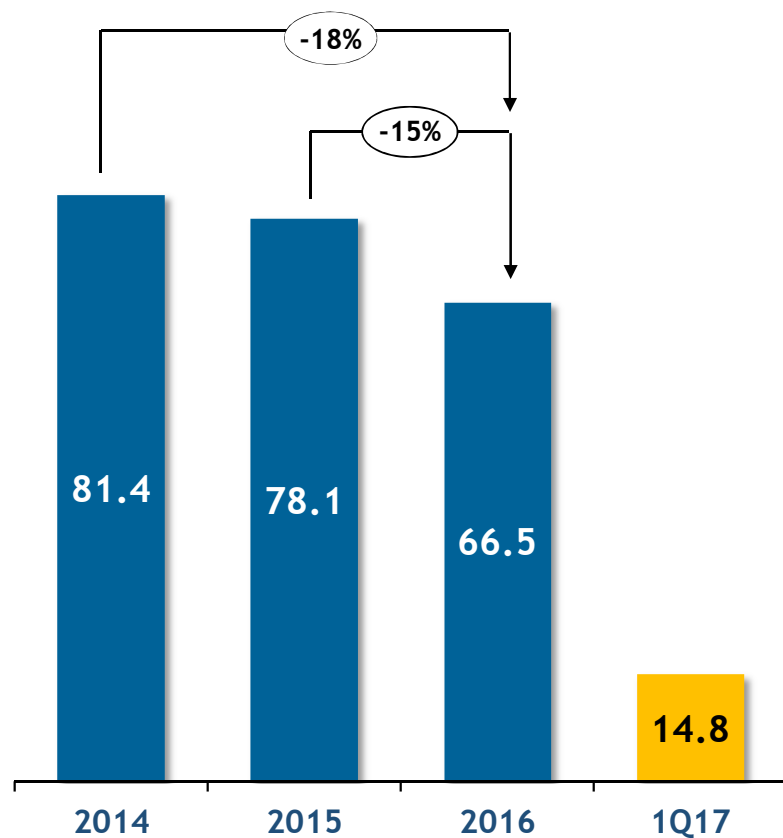
**GHG**  
E&P, Thermoelectrics e Refineries



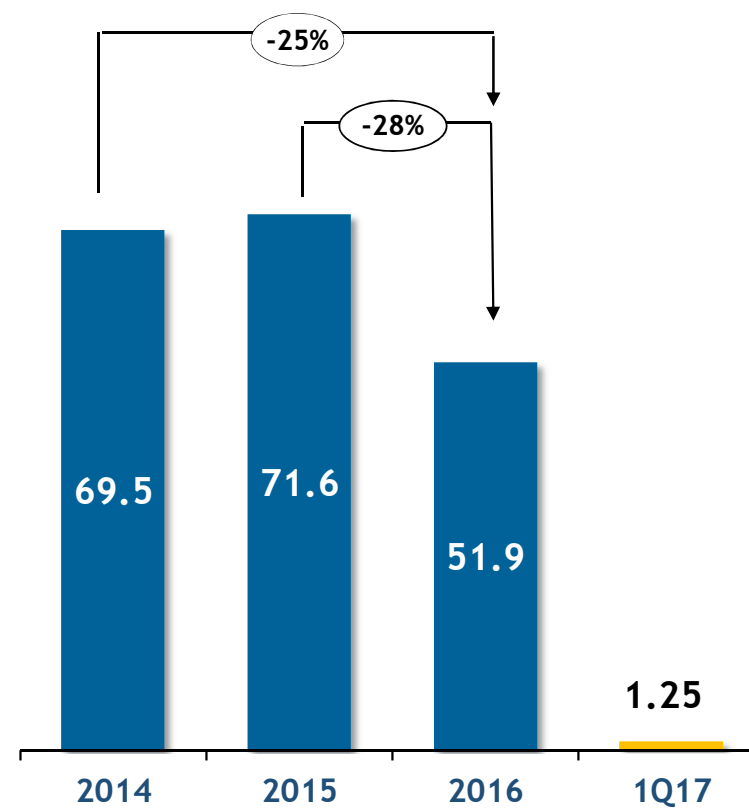
\*Projected Emissions: expected emissions from operations if the 2009 GHG emissions intensity remained

## Environmental metrics

Greenhouse Gas Emissions  
GHG (MM t CO<sub>2</sub> e)



Oil Spill  
VAZO (M3)\*



\* VAZO = oil and oil product spills



# Environment and Climate Change



## MANAGEMENT OF CO<sub>2</sub> IN PRE-SALT

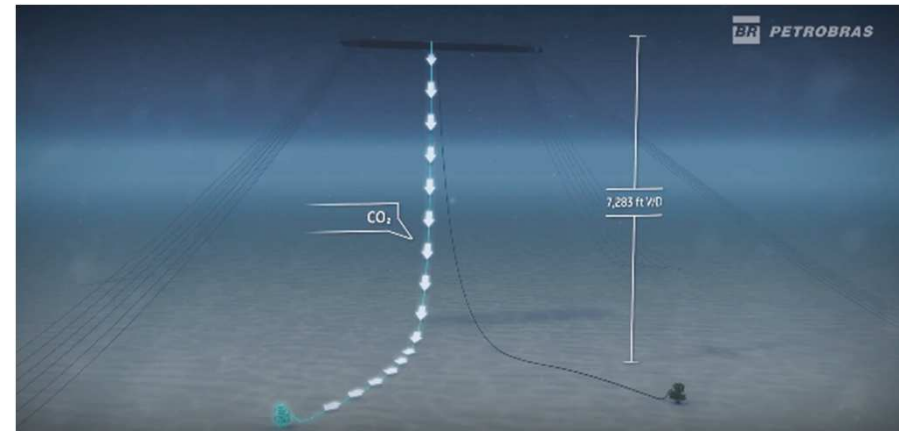
- 4.5 million tons of CO<sub>2</sub> reinjected since 2010
- 1.6 milion tons of CO<sub>2</sub> reinjected in 2016
- Lula and Sapinhoá Fields

### KEY TECHNOLOGIES (OTC 2015)

CO<sub>2</sub> separation by selective permeation membranes

Pioneer reinjection in deepwater and in industrial scale (2,200m)

First use of WAG (Water Alternating Gas) in deepwater



# Corporate Governance Strengthening in Petrobras

## Board of Directors Composition



**10**  
members

7: controlling shareholder  
2: minority shareholder  
1: employees

**100%**  
independent

25% is the minimum  
required in the  
Petrobras By-Laws



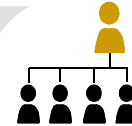
Petrobras  
By-Laws

CEO  $\neq$  Chairman  
2 year-term  
3 maximum reelections  
BCI for all the executives



Performance evaluation by  
independent consultant

## Executive Selection



Policy

Requirements and restrictions for  
nomination to the Board of Directors,  
Executive Board, Fiscal Council and  
top management executives.

**BCI**

Integrity evaluation of the  
nominees for all members of top  
management.



Eligibility Committee verifies  
compliance of the nomination



Executive Board Succession Plan

# Corporate Governance Strengthening in Petrobras

## Decision-making Process



6 new advisory committees for the Board of Directors, composed by Board members.



Minority Committee to evaluate the relevant transactions between Petrobras and its related parties.



Creation of Statutory Committees to strengthen commitment and accountability of executive managers in the decision-making.



Implementation of the shared authorization process for material decisions.

## Ethics and Transparency



Implementation of independent Whistleblowing Channel with guaranteed anonymity:  
[contatoseguro.com.br/petrobras](https://contatoseguro.com.br/petrobras).



Integrity due diligence process in the enrollment and selection of suppliers and counterparts.



Adherence to the Code of Ethics and permanent training of the workforce.



Rebuilding of the transparency portal:  
[transparencia.petrobras.com.br](https://transparencia.petrobras.com.br)



# Thank You!

Information:

Investor Relations

+55 21 3224-1510

[petroinvest@petrobras.com.br](mailto:petroinvest@petrobras.com.br)