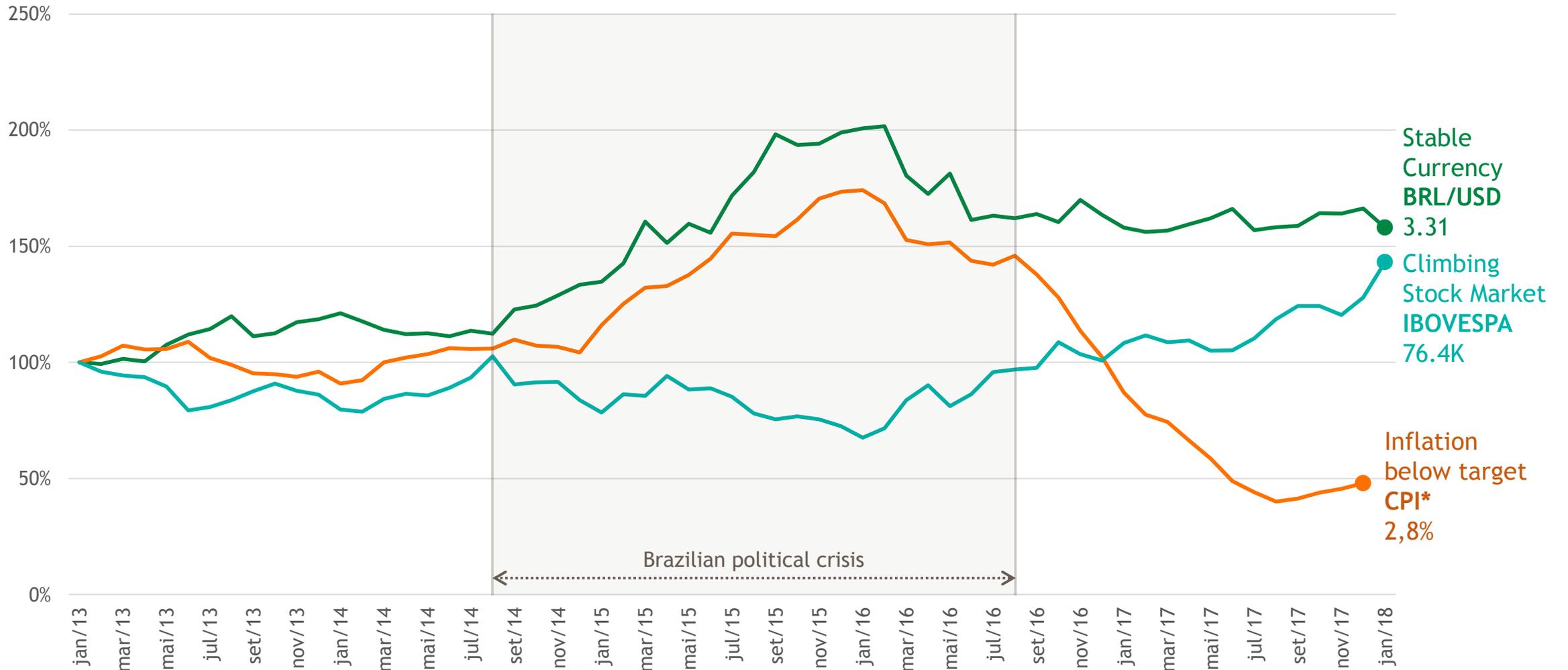




# Is the Turnaround Over?

—  
Pedro Parente  
CEO

# Brazil is leaving the political crisis behind



\* Consumer Price Index. Data on Jan 29<sup>th</sup> 2018

# *The business environment for O&G is more reliable and flexible*



## **Bidding rounds**

Steady rounds schedule  
Incentive for entry of new operators



## **Improvement of the environmental licensing**

Faster environmental licenses issuing  
and reduction of fines



## **Permanent supply**

Long-term opportunities for increased  
demand



## **Legal certainty**

Greater regulatory stability, providing  
confidence to stakeholders



## **Regulatory improvements**

Lower local content requirements  
Repetro extension

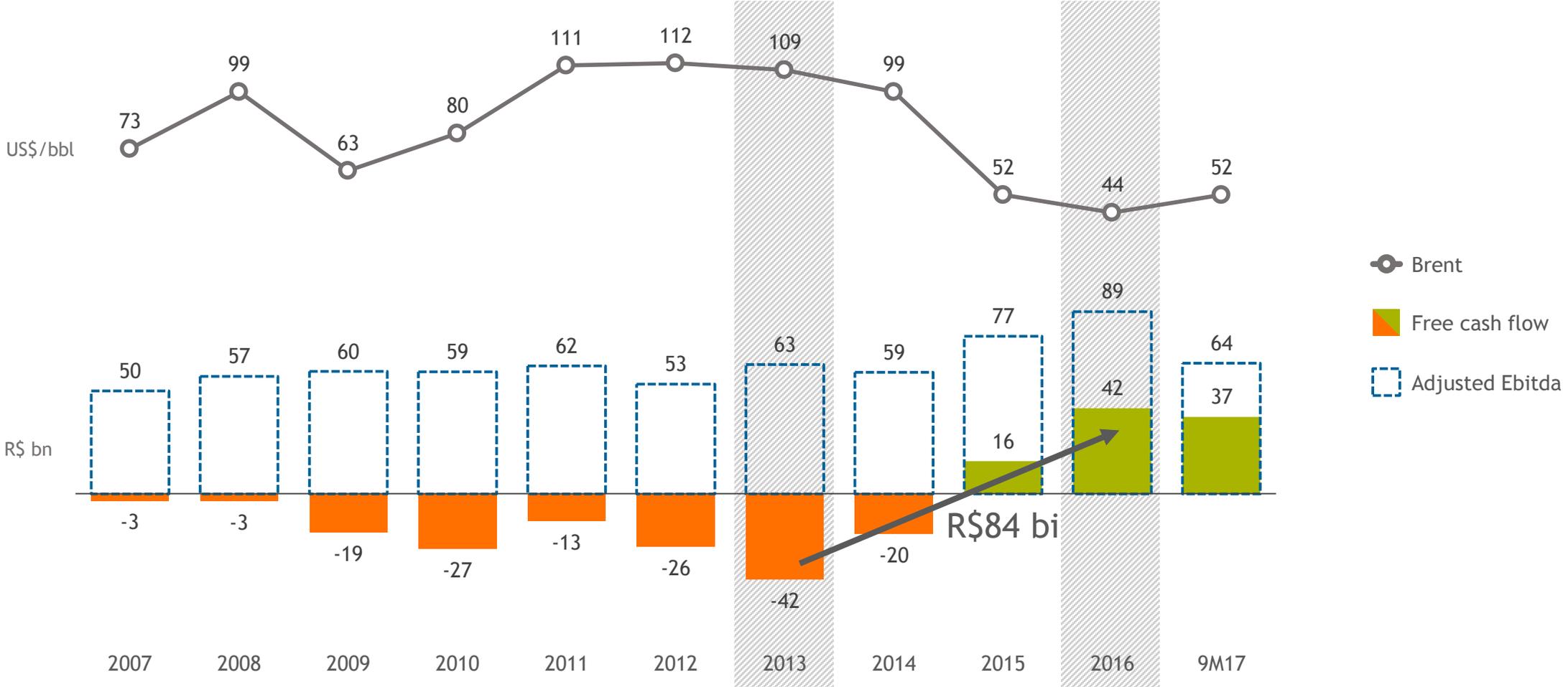


## **Tax reform**

Reform in the legislative structure of  
taxes, fees and other contributions

# Petrobras is ready to resume growth

An impressive free cash flow turnaround of R\$ 84 billion from 2013 to 2016



A worker in an orange jumpsuit, white hard hat, and safety glasses is walking on a platform of an offshore oil rig. The background shows the complex steel structure of the rig against a blue sky and sea.

# **BUSINESS AND MANAGEMENT PLAN 2018-2022**

# OUR MAIN METRICS



## *Safety*

Achieved 2 years ahead of target

**1.0** in 2018

TOTAL RECORDABLE INJURY  
FREQUENCY RATE (TRI)\*



## *Financial*

Maintained target

**2.5** in 2018

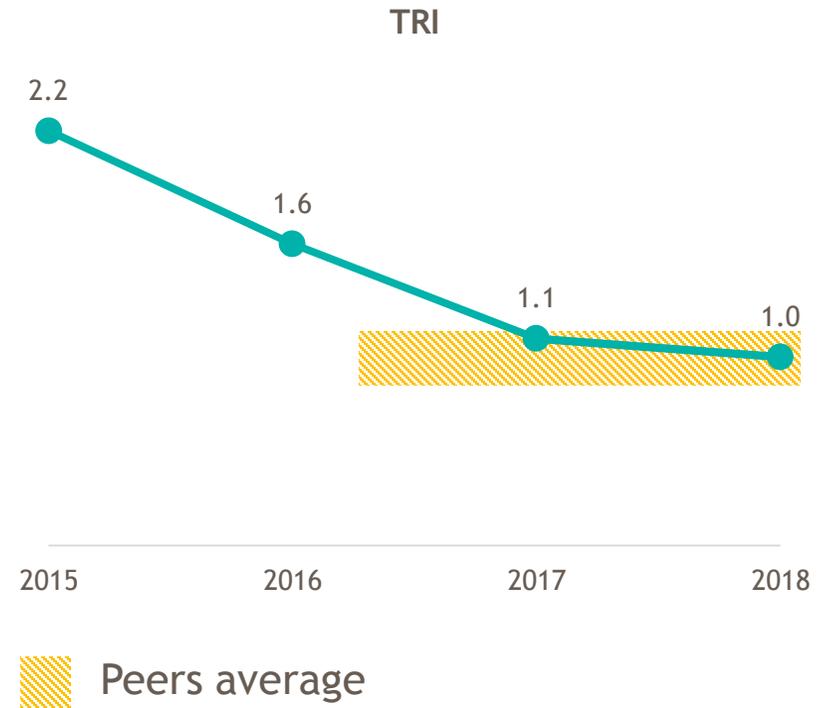
NET DEBT/ADJUSTED EBITDA

\*Number of recordable injuries per million man-hours



# Safety

## TOTAL RECORDABLE INJURY FREQUENCY RATE (TRI)\*



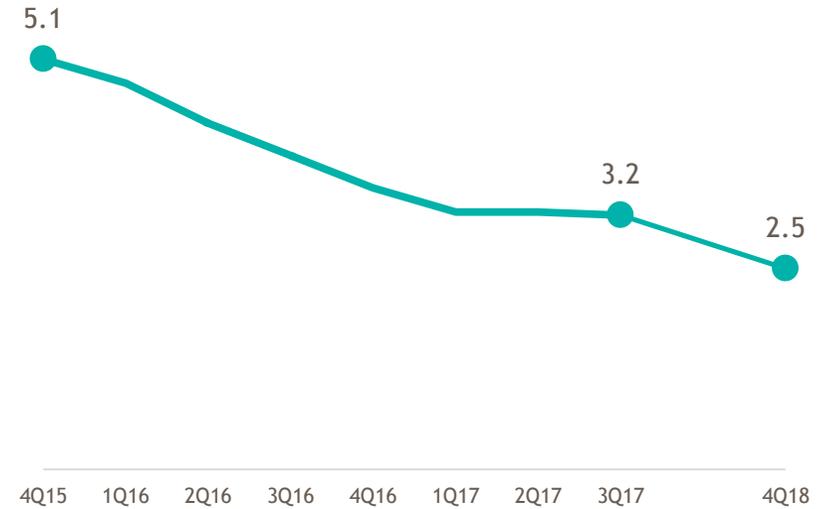


# Financial

## NET DEBT / ADJUSTED EBITDA



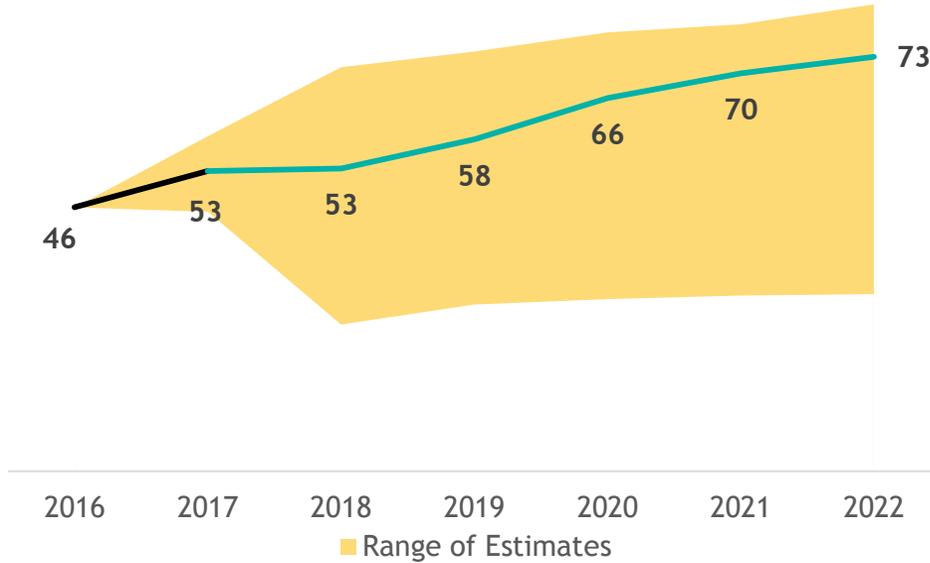
Net Debt / Adjusted Ebitda



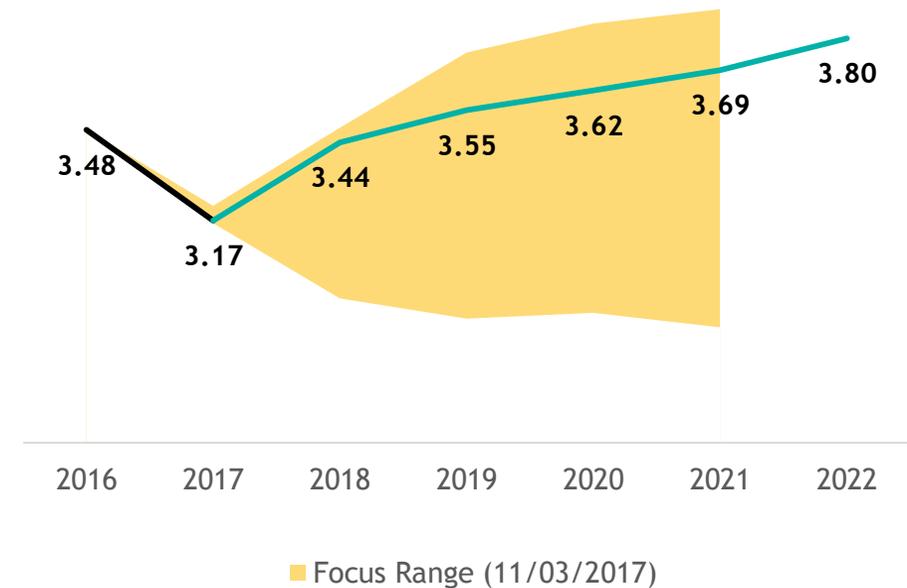
By 2022: metric converges to the global average of the main oil and gas companies rated as investment grade

# Main planning assumptions

## Brent Prices (US\$/barrel)

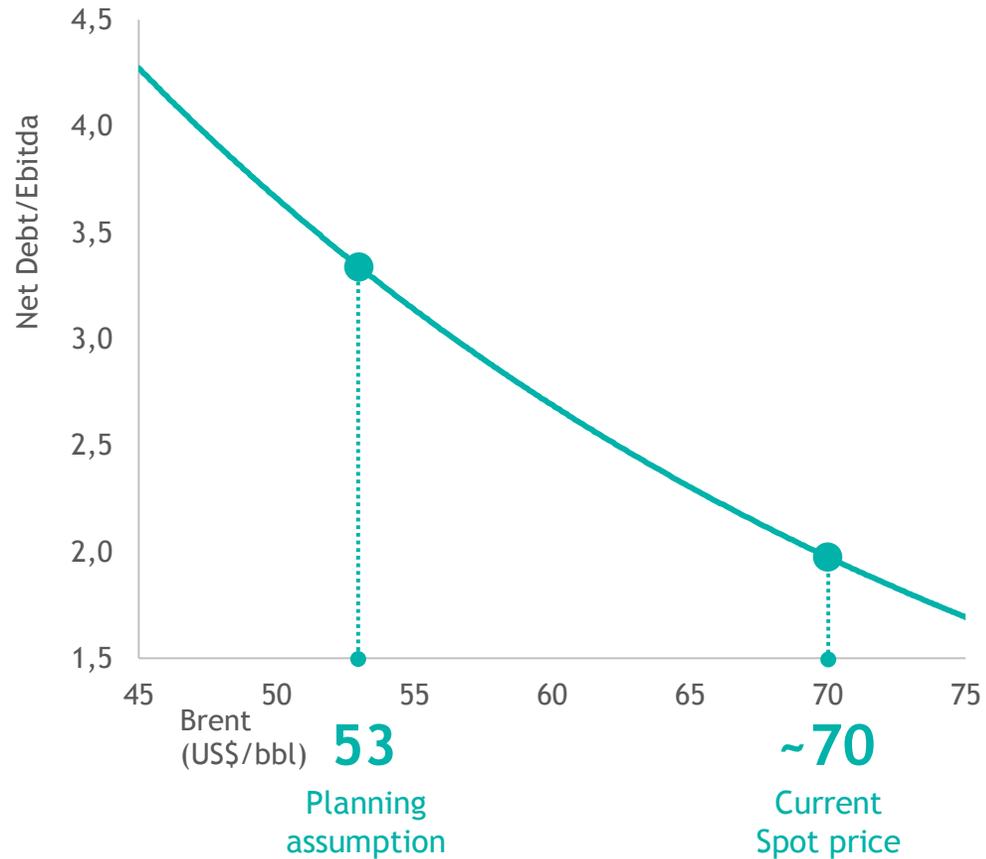


## Nominal exchange rate (R\$/US\$)



Source of estimates: IHS - Jul/2017 (Scenarios Rivalry and Autonomy), PIRA - Sept/2017 (Scenario Reference, High and Low), EIA - International Energy Outlook Sept/2017 (High Price, Low Price, Reference). 2017 values represent the average until Nov 7, 2017.

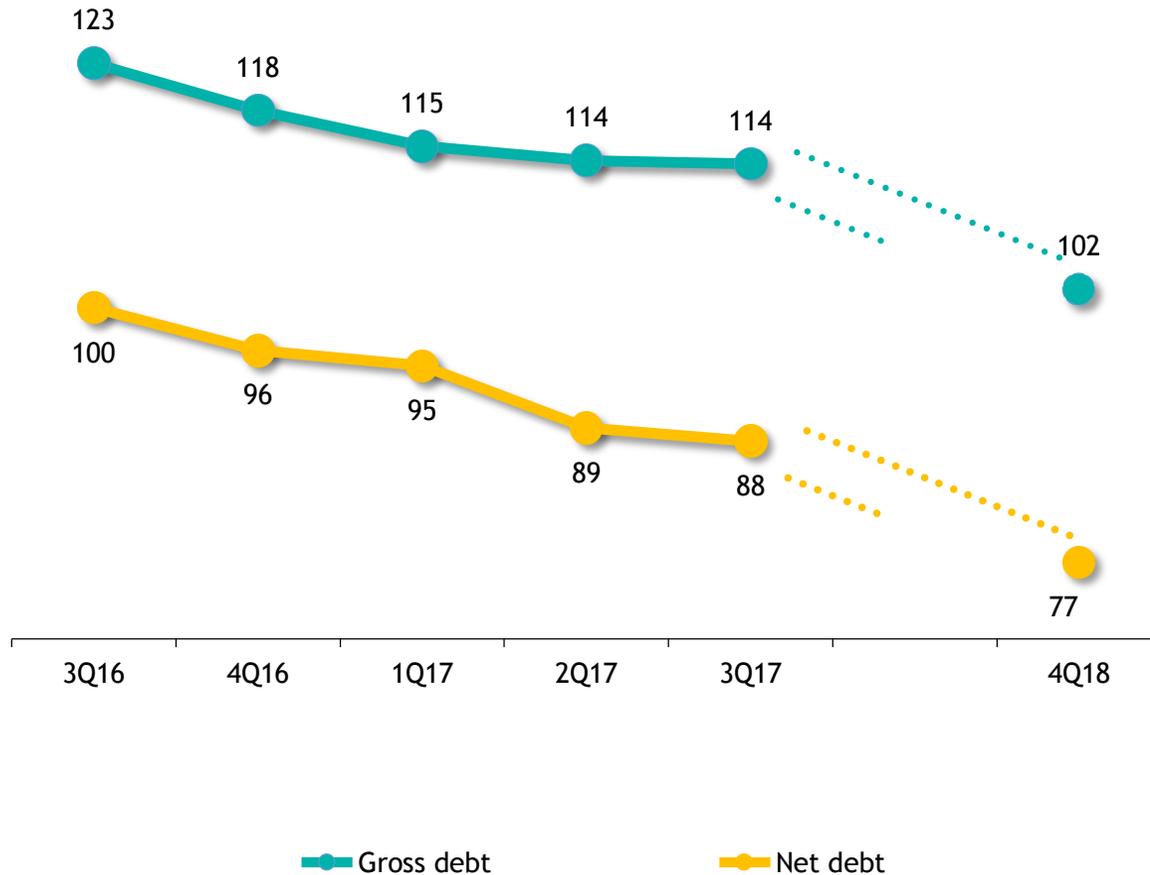
# Net Debt/EBITDA Sensitivity to Brent



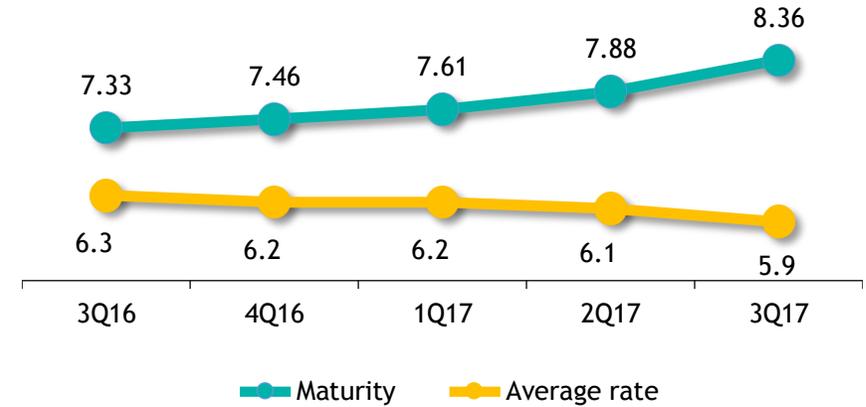
	BRENT US\$/BBL	Net Debt Adjusted Ebitda
Planning assumption	50	3.7
	53	3.3
	60	2.7
	65	2.3
Current Spot price	~70	2.0
	75	1.7

# Continuous reduction and improvement in debt profile

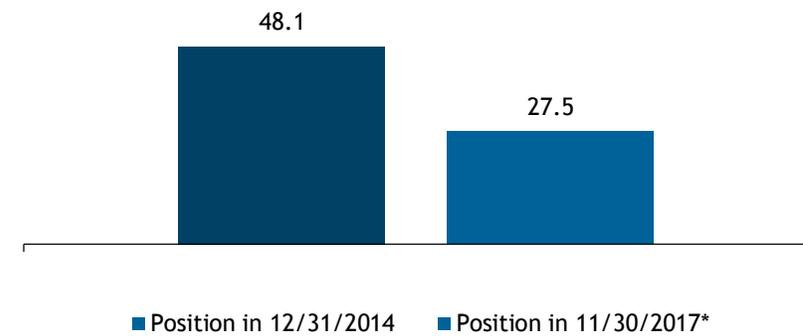
Indebtedness (US\$ billion)



Average maturity (years) and Average rate (% p.y.)



Total amortizations of principal in 2018, 2019 and 2020 (US\$ billion)



\* Does not include pre-payment of US\$ 2.8 billion with CDB (due in 2019)

## *Additional initiatives with impacts on cash flow*



Increase in market-share through an active pricing policy

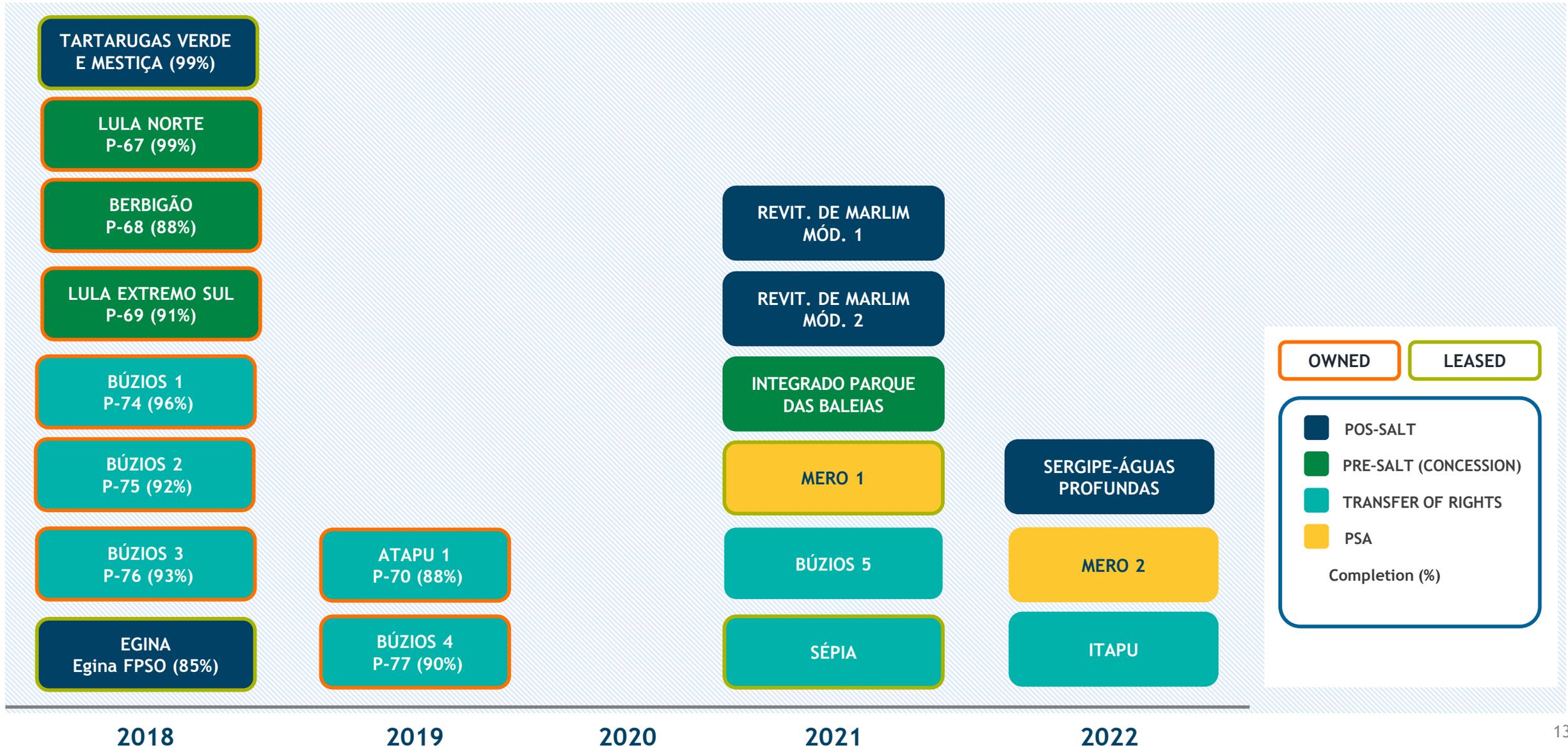


Additional reduction of expenditures (opex and capex)

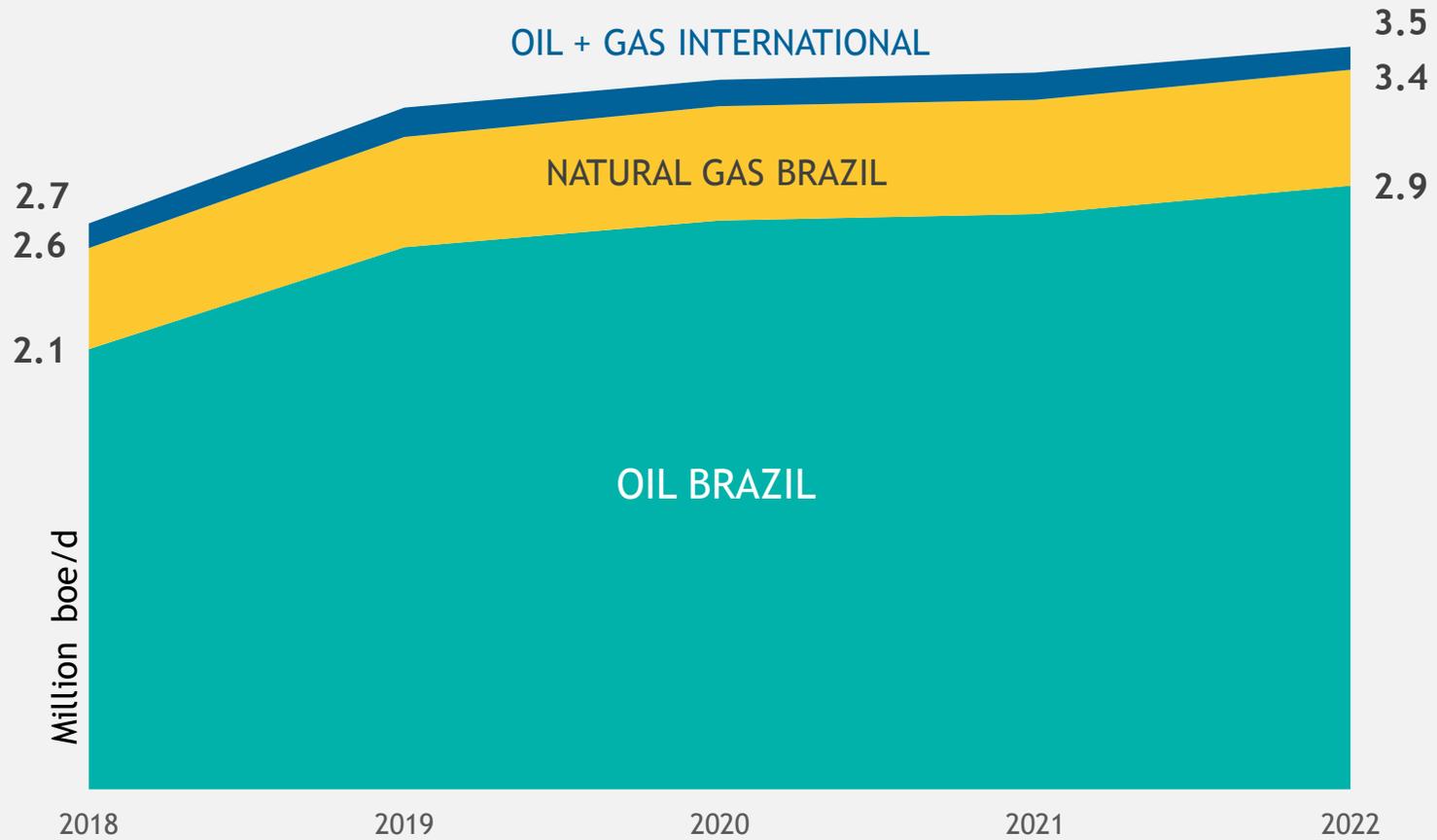


Acceleration of the divestment program with an increase of US\$ 5 billion on the potential divestments portfolio

# Start-up of 19 new production units by 2022

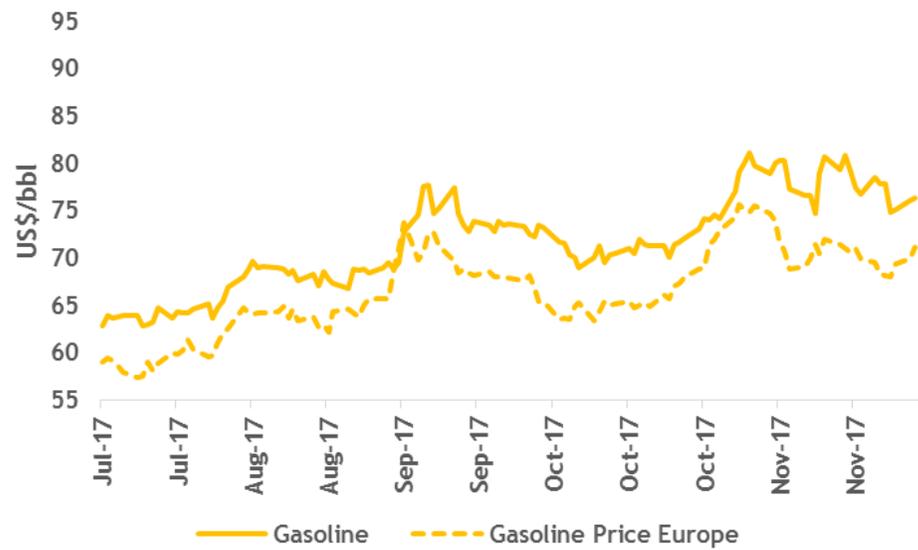
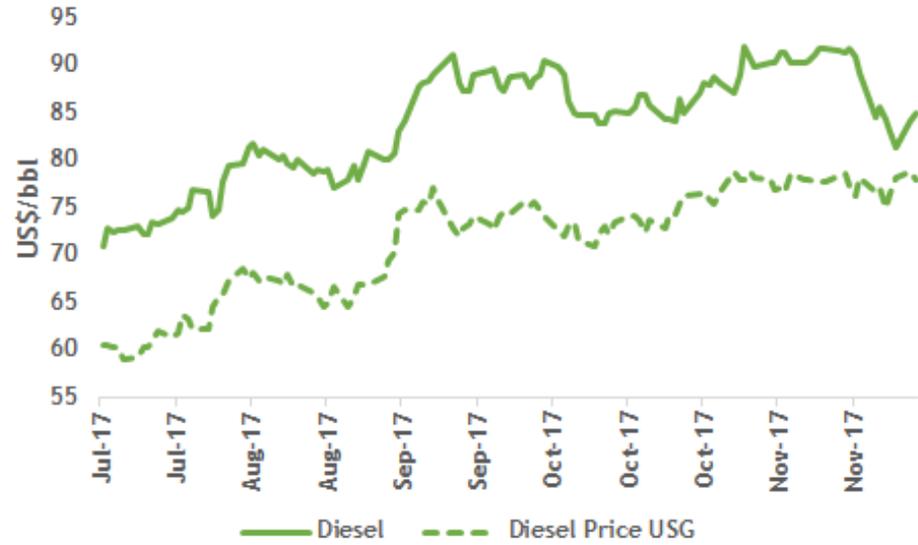


# Oil and gas production growth



Note: Considers divestments

# Consistent pricing policy



## Key Drivers

- International prices parity
- Competitiveness

# Costs under control

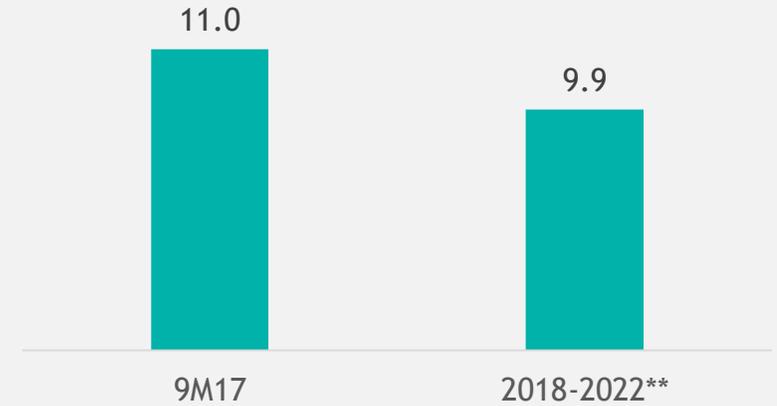
**OPEX 2018-2022**  
(US\$ Billion)



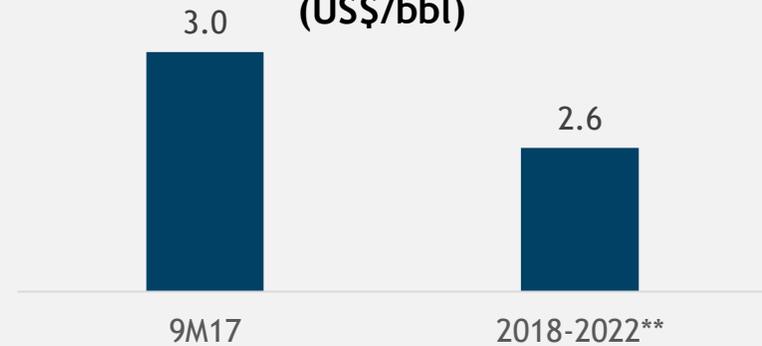
■ 2018: US\$ 74.4 billion

- Purchase of feedstock (33%)
- Government take (14%)
- Depreciation (15%)
- Manageable operational Costs (35%)
- Others (3%)

**Lifting costs**  
(US\$/bbl)



**Refining costs\***  
(US\$/bbl)



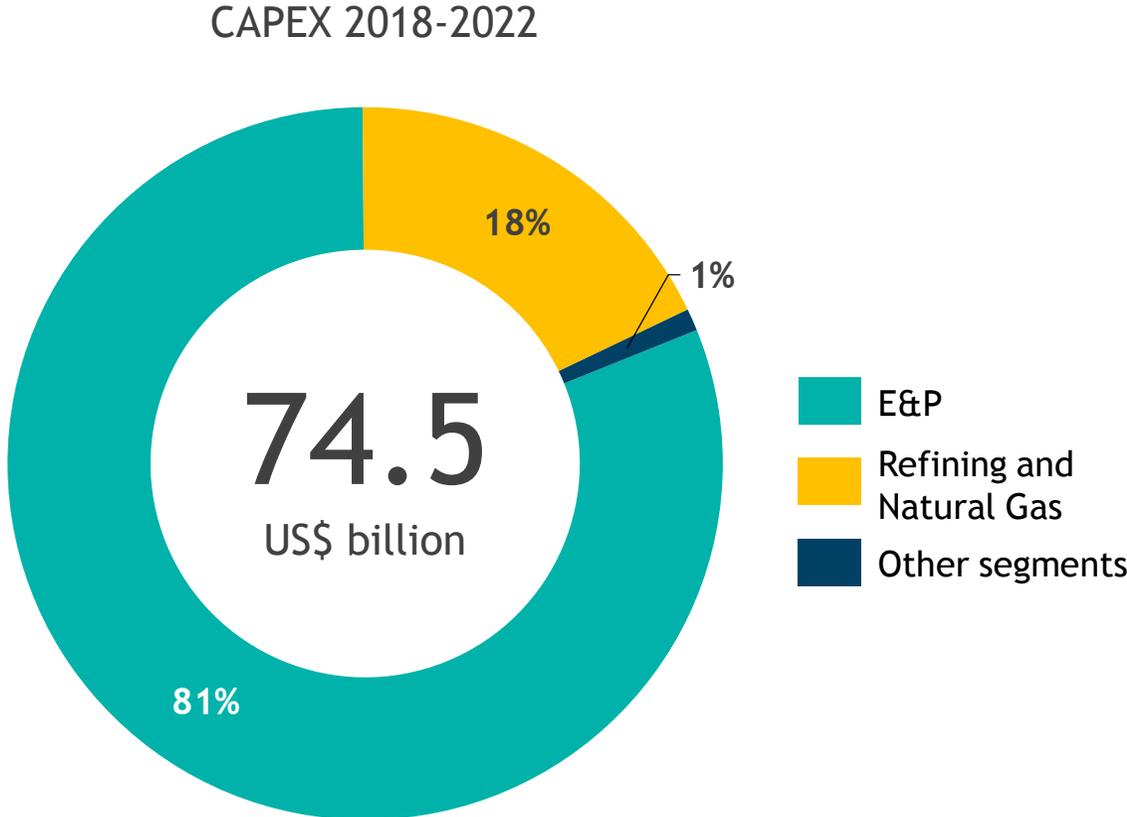
\* Average cost of the BMP - Brazil and abroad

\*\* Average cost of the BMP - Brazil

\* Brazil

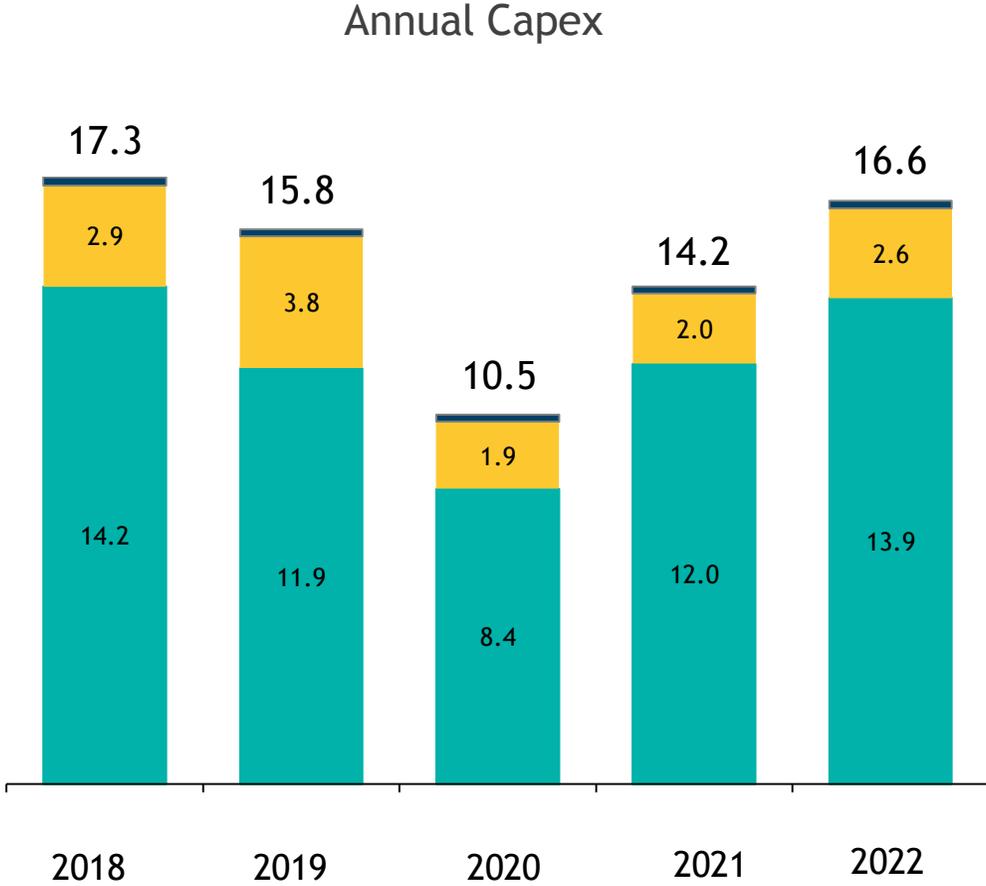
\*\*Average of 2018-2022 BMP

# And focus on the most profitable investment projects



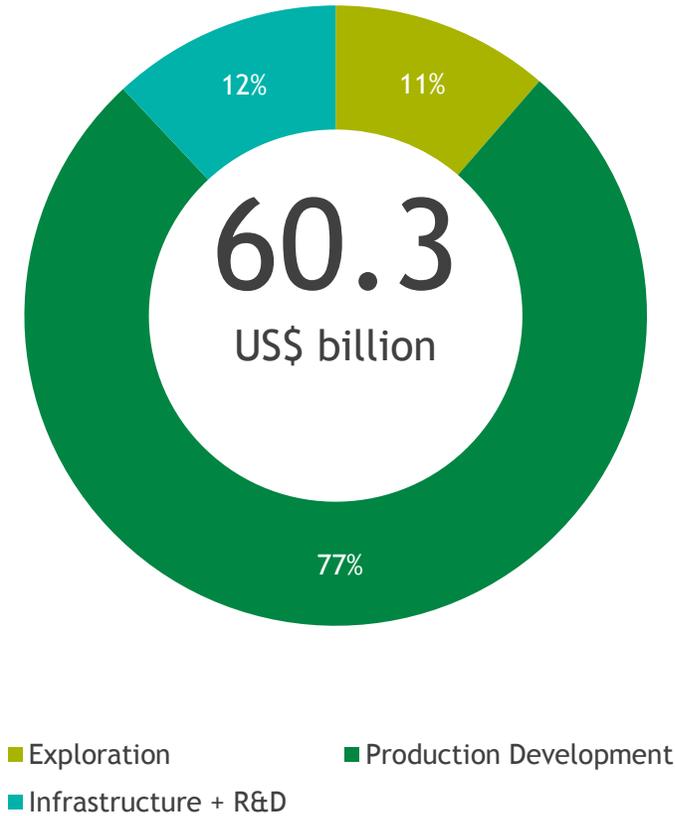
Note: incorporates reductions from divestments

Capex was maintained at the same level of the previous plan

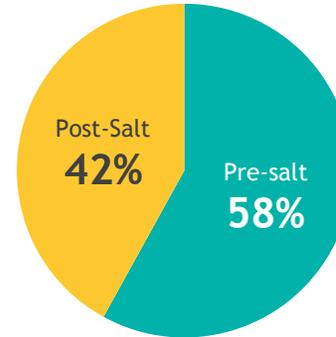


# E&P Investments

CAPEX 2018-2022 E&P

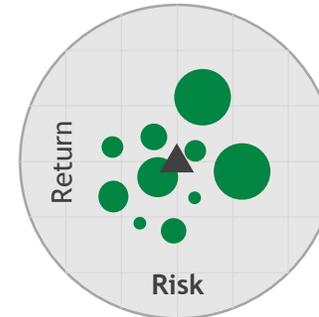


## Investments by layer



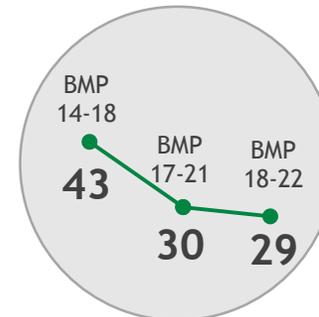
58% of the 2018-2022 capex will be deployed on the pre-salt, which presents a higher profitability relative to post-salt assets

## Active portfolio management



Value increase associated with capex allocation, strategic partnerships and divestments

## Reduction on break-even Brent



Focus on the most profitable projects

Competitive costs

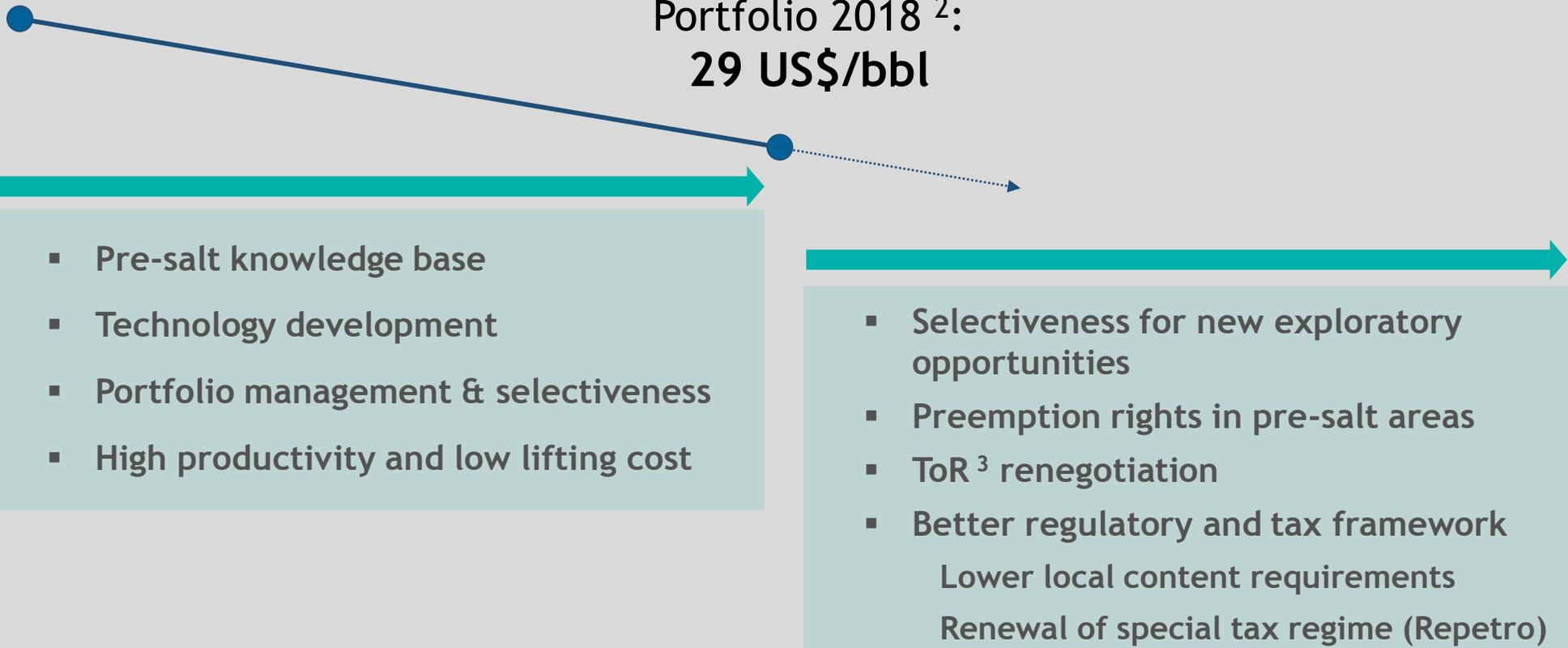
Resilience to the price levels

# Building a competitive upstream portfolio in a lower price scenario

Competitive portfolio breakeven  
Point-forward breakeven reduction of 30%

Portfolio 2014 <sup>1</sup>:  
**43 US\$/bbl**

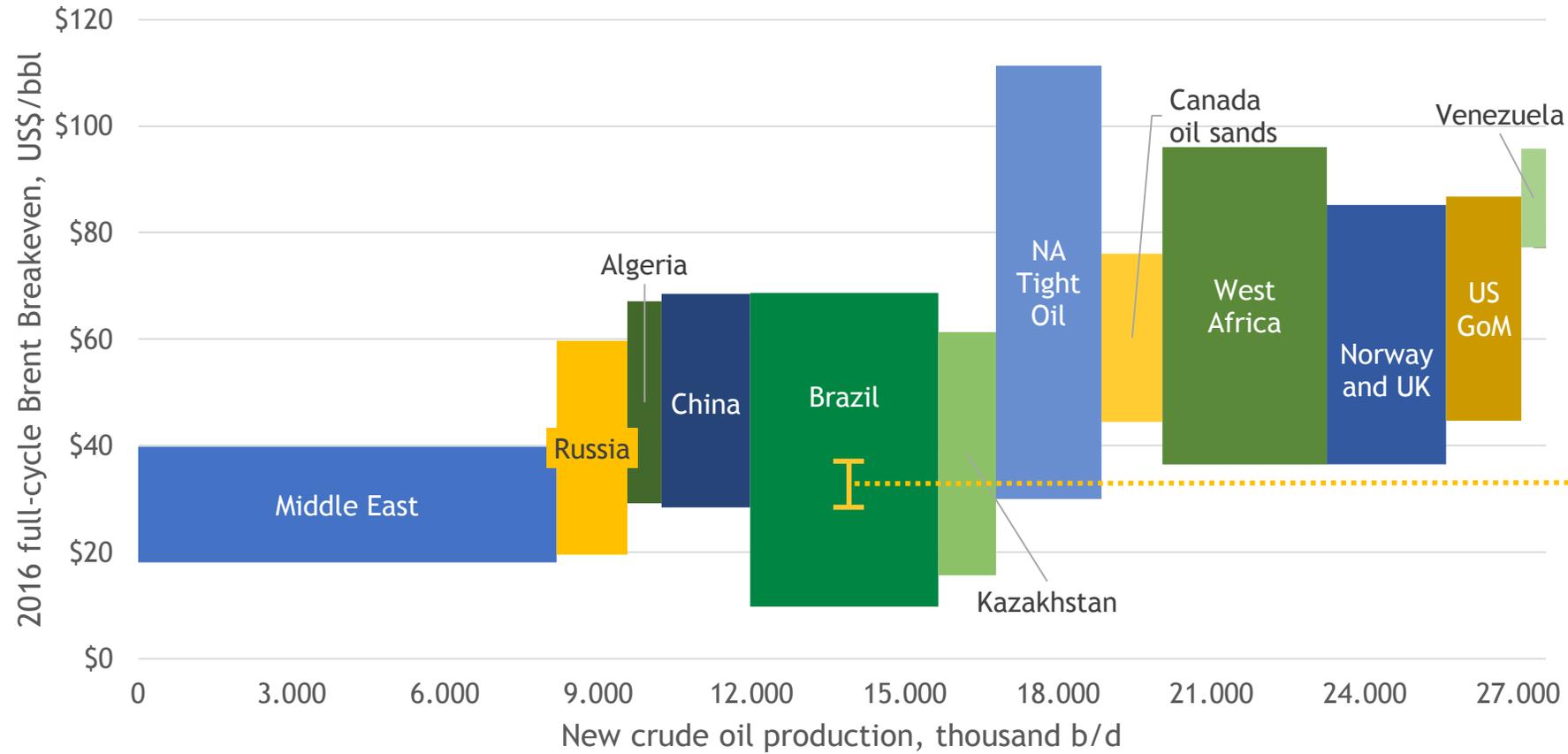
Portfolio 2018 <sup>2</sup>:  
**29 US\$/bbl**

- 
- Pre-salt knowledge base
  - Technology development
  - Portfolio management & selectiveness
  - High productivity and low lifting cost

- Selectiveness for new exploratory opportunities
- Preemption rights in pre-salt areas
- ToR <sup>3</sup> renegotiation
- Better regulatory and tax framework
  - Lower local content requirements
  - Renewal of special tax regime (Repetro)

1) BMP 2014-18  
2) BMP 2018-22  
3) Transfer of Rights

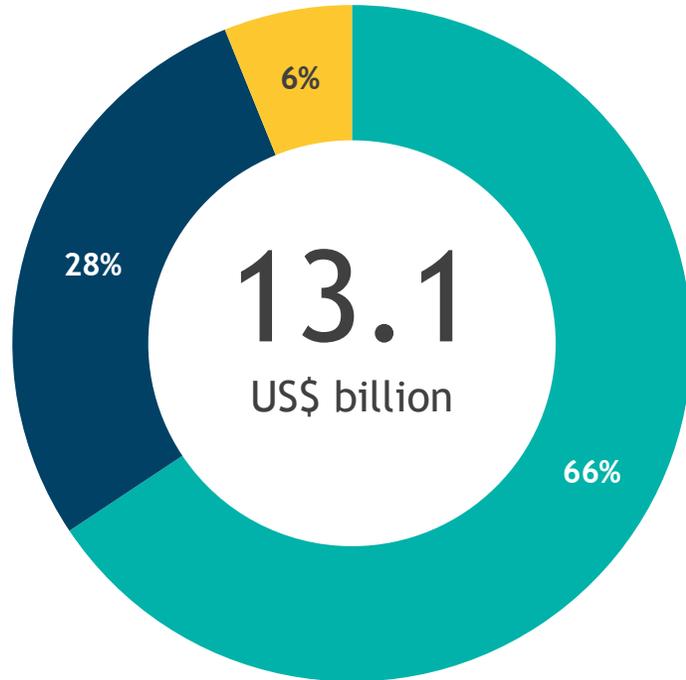
# And great competitiveness worldwide



\* Breakeven price range for a typical Pre-salt project

# Refining and Natural Gas Investments

CAPEX 2018-2022 RNG



- Refining, Transportation and Marketing
- Natural Gas and Power
- Distribution and Biofuels

## Natural Gas Logistics



Investments in pipelines and natural gas processing units to offload pre-salt production

## Diesel Quality and Refining Expansion



Investments focused on diesel quality and the 2<sup>nd</sup> phase of the RNEST refinery, for which we are seeking partnerships

## Operational Maintenance



Investments in safety, maintenance and focus on the assets' operational efficiency

***Maintenance of our partnership and divestment program, with a target of US\$ 21 billion for the biennium 2017-2018***

Total of **US\$ 4.5 billion** in 2017

**IPO**

IPO of Petrobras  
Distribuidora

**R\$ 5 billion**

**Strategic Alliance**

Partnership with  
Statoil in the  
Roncador Field in  
the Campos Basin

**US\$ 2.9 billion**

**Divestment Program**

Sale of Azulão Field

**US\$ 55 million**

# Strategic Alliances



- Partnership in Lapa and Iara fields
- Partnership in Termobahia
- Agreement for alliances in the upstream and downstream segments and technological cooperation covering the areas of operation, research and technology
- Signed deals of US\$ 2.2 billion



- Consortium to explore the area of Peroba
- MOU for cooperation in opportunities in Brazil and abroad in all segments of the oil and gas chain, including potential financing arrangements.



- Consortium to explore the areas of Peroba and Alto de Cabo Frio Central
- LOI for cooperation on exploration, production, refining, gas transportation and marketing, LNG, oil trading, lubricants, jet fuel, power generation and distribution, renewables, technology and low carbon initiatives



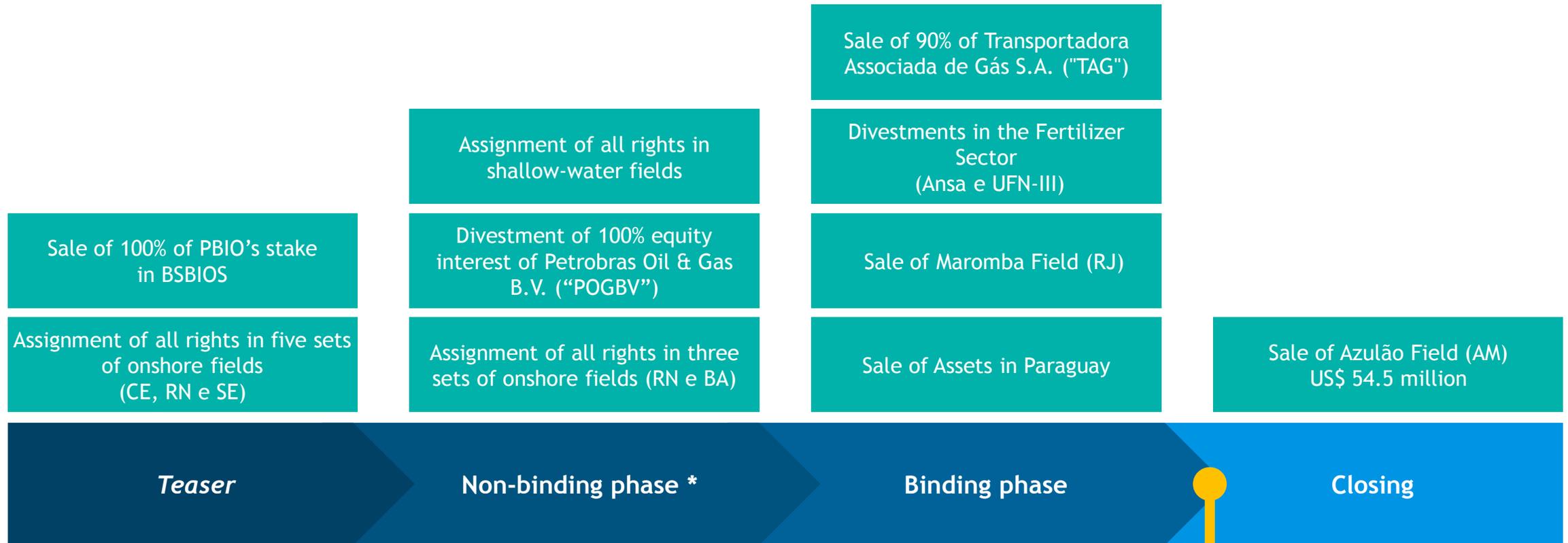
- Consortium to explore 6 off-shore blocks in Campos Basin
- MOU for cooperation in exploration, production, gas and chemicals both inside and outside Brazil.



- Partnership in the Roncador field in Campos Basin
- Strategic agreement for technical cooperation in order to increase recoverable volumes
- Sharing of gas exports infrastructure
- Signed deals of US\$ 2.9 billion

# Ongoing divestments

- 70 onshore fields
- 31 shallow water fields
- Distribution in Paraguay
- North/Northeast Gas Pipelines
- Fertilizer Units
- Upstream assets in Africa
- Divestment of BSBios



New process for partnerships and divestitures

Approval by Top Management and contracts signing

*\* If applicable*

A man in a white lab coat is walking away from the camera down a modern, brightly lit hallway. The ceiling features several large, circular recessed lights that create a warm, glowing atmosphere. The walls are a light, neutral color, and the overall aesthetic is clean and professional. On the right side of the image, there is a white graphic element with a yellow outline that contains the text 'PAVING THE FUTURE'.

# **PAVING THE FUTURE**

# We are recomposing our exploratory portfolio

## NEW AREAS ACQUIRED

### 14<sup>th</sup> Concession Round + 2<sup>nd</sup> e 3<sup>rd</sup> Production Sharing Rounds

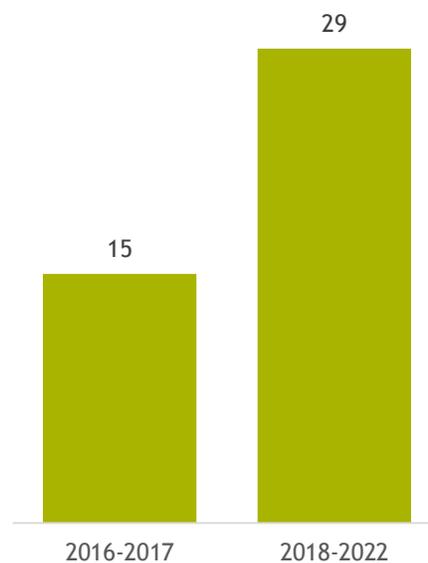
- 10 new exploratory blocks
- 11.4 thousand km<sup>2</sup> of exploratory area (increase in 17% of our actual portfolio)
- R\$ 2.9 billion invested in signature bonus

### By 2019

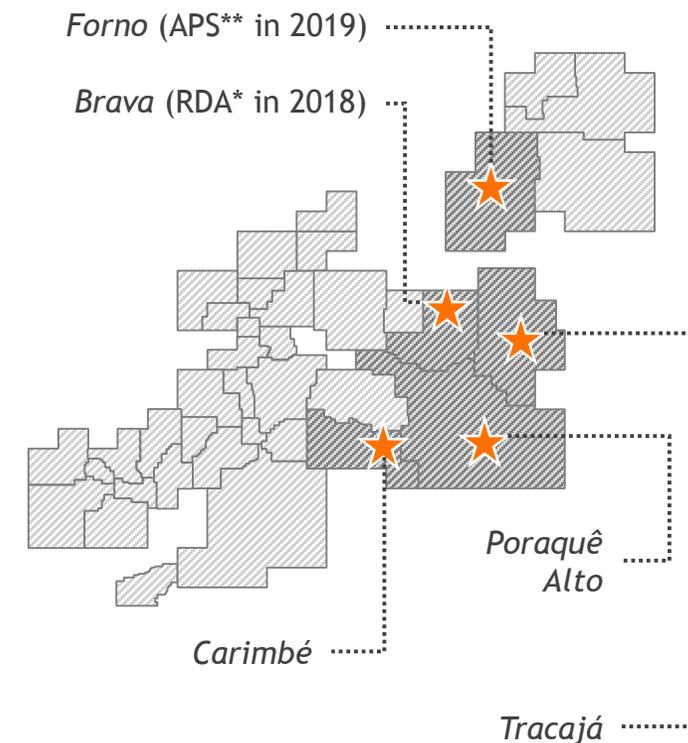
- + 4 bidding rounds
- + 2 rounds for marginal accumulations

## RESUMED EXPLORATORY ACTIVITIES

Average of exploratory wells per year



## NEW DISCOVERIES ON CAMPOS BASIN PRE-SALT



## *And improving our governance and management*

### GOVERNANCE STRENGTHENING

- Internal investigations commissions
- Independent denunciation channel
- Correction Committee
- Integrity Due Diligence on partners and suppliers
- Participation on compliance forums
- Business Pact for Integrity and against Corruption
- Improvement of the compliance and ethics culture throughout the company



We've applied to join B3's Level 2 Corporate Governance listing

### HUMAN RESOURCES POLICIES

- Establishment of the culture of meritocracy
- Compensation and career models enhancement
- Workforce reallocation driven by efficiency
- Development of technical and managerial knowledge

### CLASS ACTION SETTLEMENT

- We agreed to pay US\$ 2.95 billion - and we firmly believe it is in the best interest of our shareholders, given the risks of a verdict
- All pending and prospective claims by purchasers of Petrobras securities in the US would be resolved, putting an end to uncertainties, burdens and costs of protracted litigation
- We will continue to pursue all available legal remedies from culpable companies and individuals
- Ongoing proceedings with the SEC and DOJ

## *In a nutshell*

-  The landscape for investments in Brazil has dramatically improved, specially for O&G
-  We consistently delivered our goals, both operational and financial
-  We will increase our production by 30% in the next 5 years
-  Our governance and management systems are now much more consistent and reliable



**Obrigado!**

**Thank you!**