

Webcast - 4th Quarter Results 2021 February 24, 2022

Carla Albano:

Good morning, everyone. Welcome to Petrobras webcast with analysts and investors about our 4Q21 results. It's great to have you joining us today.

We would like to inform you that all participants will follow the transmission by the Internet as listeners. After an introduction, a Q&A session will begin. You can send us questions by me at petroinvest@petrobras.com.br.

We also inform you that all executives are participating in the event remotely in their individual rooms, respecting the health and safety protocols.

Today, we have with us Cláudio Mastella, Chief Trading and Logistics Officer; Fernando Borges, Chief Exploration and Production Officer; João Henrique Rittershaussen, Chief Production Development Officer; Juliano Dantas, Chief Digital Transformation and Innovation Officer; Rafael Chaves, Chief Sustainability and Institutional Relations Officer; Rodrigo Araujo, Chief Financial and Investor Relations Officer; Rodrigo Costa, Chief Refining and Natural Gas Officer; and Salvador Dahan, Chief Governance and Compliance Officer.

To initiate, I will pass the floor to Petrobras's CFO, Rodrigo Araujo. Please Rodrigo, go ahead.

Rodrigo Araujo:

Thank you, Carla. Hi, everyone. Thank you for being here today with us. It's a great pleasure to be here with you to announce our results for the 4Q21. And of course, we are quite happy with the results that we had, and the deliveries that we made, especially when we consider that we were able to achieve all the targets that we set in the 2021-2025 business planned for the year 2021. So we are quite satisfied with the results, with our cash flow generation, our financial position, and we are going to get into more details about the results of the 4Q.

Next slide, please. Starting with ESG, it's always very important to remind that safety is a value for us, and it's a quite fundamental value, and we are always aiming at our ambition of zero fatalities. Unfortunately, for 2021, we had three fatalities in our operations, but we are always aiming to eliminate all the fatalities.

We were able also to reduce our total recordable injuries per medium man hours from 0.56 in 2020 to 0.54 in 2021. That's below our top metric of the maximum acceptable limit of 0.7%. But regardless, we are always focusing on improving safety and reducing the risks of our operations. So safety is something quite relevant for us.

Next slide, please. In terms of our contribution to the Brazilian society, as you have seen in our 2022-2026 business plan, we expect to return about 58% of our cash flow generation to society via taxes, dividends. The Company is quite relevant in terms of its contribution to the country.

In 2021, this was not different. We were able to return about 57% of our cash flow generation considering dividends paid and taxes paid to different government levels in Brazil.

Of course, this number of R\$ 230 billion does not include the dividends that we announced yesterday, the additional dividends for year 2021. So here, we are talking about the cash basis contribution. But again, the Company's contribution is quite relevant, and we are quite satisfied with the results we had in 2021.

Next slide, please. In terms of our social performance, we have several different projects with relevant impacts in local communities, in places where the Company is performing its operations.

We have a wide range of programs focused on education, on SDE, ocean preservation, marine water preservation and also forest preservation. And it's also relevant to remind you of the programs that we announced in 2021. One of them focused on LPG for low-income families in Brazil. We have more than 4 million people affected by our program.

And we are very happy with the participation of other players in the oil and gas industry in Brazil as well as the Banco do Brasil Foundation alongside with us. So we have been able to improve the impacts of this program by inviting other companies to join us in the actions that we are doing.

And we also donated R\$ 4.3 million to the states of Minas Gerais and Bahia that were quite affected by floods caused by heavy rain in the beginning of 2022, and also to Petrópolis that has been recently affected by heavy rain in Brazil as well.

Next, please. In terms of our level of emissions, the results that we had for 2021 are quite compatible with the targets that we set in terms of E&P carbon intensity. We were able to reduce our emissions from 15.9 kilos of CO2 per barrel of oil equivalent produced to 15.7%. That's below our target of 17%. And in terms of the intensity in the refining segment, we were also able to reduce when compared to 2020 and also below the target that we set.

This is part of our low-carbon low-cost strategy, and we have relevant targets for 2022 and also for the horizon of the 2022-2026 business plan that we are going to show in the next slide, please.

So we have targets not only for 2030, but also for 2025. And especially when we compare to the level that we have in the upstream in 2009, and when we compare to levels that we had in the downstream in 2015, we have been able to substantially reduce our emissions, and we are quite focused on both decarbonizing our upstream operations. As you know, we have set a decarbonization fund in our most recent business plan. And also in downstream, we announced in 2021 a program called RefTOP that is focused on energy efficiency in the downstream segment.

So we have been able to deliver important results in that area, and we expect to continue reducing our emissions and cleaning our operations over time. And that's also

compatible with the long-term ambition that we announced alongside with OGCI in September 2021 of net-zero ambition in the time frame of the Paris Agreement.

It's also relevant to highlight, as I mentioned before, as part of our low-carbon low-cost strategy, the pre-salt oil fields are quite relevant in terms of low emission. When we look at the Búzios and Tupi fields, for example, Búzios has an emission level and intensity level of 10 kilos of CO2 per barrel of oil equivalent and Tupi has 9.1% compared to the average of the portfolio that is around 15.7%.

So those are quite competitive assets, supported also by the portfolio management movements that we are making. We do you expect to continue to reduce our emissions both from Scopes 1 and 2.

Next, please. I have mentioned the decarbonization fund, but our total investment in the business plan is of US\$ 2.8 billion. So we continue to move towards also programs related to biodiversity and climate. We had several important milestones that we realized in 2021, both in terms of CCUS and also in terms of reforestation.

It's always important to mention that Petrobras has the largest CCUS offshore program in the world. So we are quite focused on reducing our emissions and improving our environmental performance.

Next, please. With respect to governance, the Company, alongside with its financial turnaround story, to continue to improve its governance as well. We have received relevant awards in 2021. We also had R\$ 1.3 billion recovered from investigations within the Car Wash operation in 2021. So that's an important recovery of funds that were misused by the Company's suppliers in the past and are returning to the Company.

We also had an important event in the end of 2021, Petrobras Dialogues Integrity and ESG, which was focused on ESG aspects, especially governance aspects as well. We had more than 30 speakers and about 13,000 participants. So we had a quite successful and relevant event to discuss best practices and ways to improve the Company's governance and its ESG strategy.

Next, please. With respect to our financial highlights and operational highlights of 2021. We had several important achievements in the year of 2021, beginning with the level of reserves that we incorporated in 2021.

We had the highest incorporation of reserves in the history of the Company, 1.97 billion barrels of oil equivalent. We also had the completion of the ramp-up of P-70 and the start-up of FPSO Carioca both quite competitive assets in the pre-salt layer in Brazil, contributing to improving the participation of the pre-salt in our total production.

We also had the bidding round for the transfer of rights of Sépia and Atapu in the end of 2021. There was a quite competitive bidding round, and we had international players quite interested in those assets and joining us in partnership for the exploration of the surplus of the transfer of rights of Sépia and Atapu. So we are quite happy to be part of the exploration of those assets and improve our production in pre-salt as well with the surplus of the transfer of rights bidding around.

In terms of utilization factor in our refineries, we had the highest level in the last 5 years, so we had 83% of utilization in our refineries for the year 2021. That level is already up to 88% in the 4Q of 2021, and we expect to remain around that level. So it's quite important to add value through our operations, especially when we think about fuel oil,

for example, that we have been able to substantially improve our exports of fuel oil after IMO 2020, given the low sulfur level of our fuel oil.

So we are quite happy with our low carbon footprint and low sulfur production that is supporting the improve of our commercial strategy, not only in Brazil but internationally. In terms of production, we were able to meet our target for 2021. And the pre-salt already represents 70% of our production.

It's also important to highlight the power generation auctions that we had in the end of 2021, where we had a fixed stream of cash flow that supports all the fixed cost of our natural gas-fired thermal power plant. So that was quite relevant in terms of our energy strategy as well.

We also had a record level of S-10 Diesel production, the 10 ppm diesel production, and also 10 ppm diesel sales. So we see that the phase out from the 500 ppm to the 10 ppm is moving quite fast and the Company has been able to improve the quality of its refining assets and produce more S-10 diesel to support that transition as well.

In terms of market opening, we had quite successful transactions, not only in the refining segment but also natural gas, but we highlight the closing of RLAM. So starting off December 1, 2021, we had RLAM being operated by a private player in Brazil. We also had the signing of REMAN on SIX, so out of the eight refineries that we announced in the agreement that we have done to tourist authorities in Brazil, we already have one closing and two signings. So those assets will soon be operated by third parties, improving the level of competitiveness and openness of the Brazilian fuel market.

In terms of the general financial results, we have achieved our US\$ 60 billion debt target 15 months in advance. We also had our credit rating upgraded by Moody's. We had relevant inflows from portfolio management, highlighting RLAM our refinery in Bahia and also BR Distribuidora retail business that we were able to finalize our divestment and had the last part of our follow-on in June 2021, selling the remaining portion of the stake that we had in the BR Distribuidora.

We also had the conclusion of the obligations that we had in the agreement with the DoJ in 2021. We returned to the Dow Jones Sustainability Index as well, and we were also able to review our dividend policy to make relevant improvements in terms of predictability and supporting our commitment to distribute 60% of our free cash flow quarterly, so that's quite relevant in terms of dividend policy. And finally, in terms of cash flow and free cash flow, we had a quite successful year that we are going to detail later on. And we also were awarded in terms of transparency of our financial statements. So that's another relevant aspect for our governance sources.

Next, please. Looking at the external environment, we had a year where the Company set its targets based on a US\$ 45 per barrel scenario, and we had a year where the average Brent prices were above US\$ 70 per barrel, and that's quite supportive of our case. And it's interesting to see that we were able to navigate both 2020 with quite relevant results when we had very low oil prices, and we were able to show the resilience of our portfolio. And then in 2021, we were able to capture all the price upside that we saw during the year.

So it's quite relevant to show the resilience and the quality of our portfolio that is able to capture upsides when we see higher oil prices, but it's also able to navigate through quite challenging scenarios, especially in considering that our approval of Brent price for the long run for our projects is US\$ 35 per barrel. So we are quite conservative in terms of project approval, and those results have shown to be quite relevant, especially in 2021.

Next, please. In terms of our EBITDA, the recurring EBITDA has reduced in the 4Q21 from 12.2% to 11.2%. That's mostly related to higher LNG acquisition costs. We had a relevant increase in LNG imports, both volumes and costs in the 4Q in 2021. And given the dynamics of our natural gas contracts, those are quarterly adjusted.

We have some delay in terms of capturing price increases in the short run for natural gas contracts. Of course, we expect that to rebalance over time, but it was relevant in terms of impact for the 4Q21. We also had an appreciation of 8% of Brent prices in the quarter that supported our earnings for the 4Q that were also impacted by lower export volumes and also lower gasoline, LPG and diesel margins in the quarter.

Next, please. When we look at the EBITDA by segment, our Upstream results were 5% higher than 3Q, especially given the appreciation of Brent prices, but we also had lower production in the quarter, given the scheduled stoppages that we had in the 4Q. We had relevant pre-salt stoppages in the 4Q.

But we also saw an important increase in terms of the spread of our oil, especially Tupi when compared to Brent prices, and that's quite relevant results from our commercial strategy. We have been able to see oils like Tupi, Búzios and Atapu having relevant spreads, positive spreads in the market. So that's part of our commercial strategy.

In terms of the results of our RTC segment or the Downstream segment, we saw lower margins and volumes when we consider our EBITDA replacement cost. But when we look at the results of the quarter, we saw a positive inventory turnover impacts supporting the earnings of 4Q as well. Finally, in terms of gas and power, I have mentioned before, we had relevant impact of the increase in LNG import costs that impacted our 4Q21 results. And as I mentioned, that's part of our natural gas contracting dynamics, but we do expect that to balance over time.

Next, please. When we look at the cash flow from our operations in 2021, of course, we had a very solid year in terms of cash flow from our operations. We had a US\$ 37.8 billion cash flow from operations. After investments, we had a US\$ 31.5 billion free cash flow in 2021. Considering the inflows from portfolio management and from the Búzios agreement, we had a total free cash flow after divestments of US\$ 39.1 billion. That's a quite expressive result for 2021.

Pretty much that free cash flow was used for deleveraging the Company. So we were able to reach our gross debt target 15 months in advance, but at the same time, we were able to substantially improve our dividend distribution. So we paid US\$ 13.1 billion in dividends for the year 2021, resulting in a net cash change of US\$ 1.3 billion negative net cash change for the year. So we were able to anticipate our dividend distribution given the fact that we achieved our gross debt target much sooner than we expected.

Next, please. So looking at our gross debt, we were able to reduce our gross debt below US\$ 60 billion, as I mentioned before. We don't expect that to continue to reduce substantially. We see that the optimal level for our gross debt is between US\$ 55 billion and US\$ 65 billion. But we do expect to continue to be active both in terms of bilateral transactions and debt capital markets as well, so that we can improve the maturity and reduce the cost of our debt. If we look at the profile of our debt, we have been able to improve the maturity for 13.4 years.

That's quite comparable with the duration of the cash flow from our Upstream projects. So that's quite important for us in terms of financial sustainability in the future. We also received the liability management award from Latin Finance for 2021. And we are also able to issue the Company's lowest 30-year bond ever with a yield of 5.75%.

Next, please. With respect to portfolio management, as I mentioned before, we were able to sign and close relevant transactions over the year. I am not going to go through each one of them, but I would highlight the follow-on BR Distribuidora. and also the transaction involving RLAM that was signed and closed in 2021.

That's a very important milestone in terms of opening up the refining market in Brazil. We have also signed SIX in REMAN that we expect to close soon in 2022. So in total, we had a cash inflow of US\$ 5.6 billion in 2021, and we signed transactions in the total of US\$ 6.8 billion.

Next, please. So looking at our net earnings for the 4Q21, we had US\$ 4.3 billion of net income, compared to US\$ 3.3 billion in the 3Q, looking at the recurring net income, of course. The actual net income was US\$ 5.6 billion compared to US\$ 5.9 billion, so it's quite stable. We had higher volumes and higher prices, but we also had higher costs in terms of import costs and government take as well. We also had a lower impact of the end period foreign exchange rate in our 4Q results.

Next, please. I have already mentioned our distribution of dividends in 2021. So we were able to anticipate our 60% of free cash flow formula for the year 2021. So yesterday, we announced an additional dividend distribution of R\$ 37.3 billion, R\$ 2.86 per share. That represents 60% of our free cash flow for the year. The dividend distribution is quite aligned with the Company's financial sustainability and reinforces our commitment with the correct capital allocation and with the distribution of the value that we generate.

So we expect to continue distributing 60% of our free cash flow. And of course, whenever we have the possibility, depending on the price and the market scenarios, we would be able to distribute additional dividends given the Company's performance.

Next, please. So alongside with our financial statements yesterday, we also released our climate change booklet for the year 2021. So the climate change supplement is a quite relevant document that discusses our strategy in terms of climate change, our positioning in terms of energy transition, and brings relevant information about our ESG strategy. So that's a quite relevant document in terms of our climate strategy.

We are also having, on March 14, a webinar to discuss our climate strategy and to talk about our climate change supplement in more detail. So I invite you all to join us for our webinar on March 14 to discuss our climate change supplement.

Next, please. And finally, alongside with our financial statements, our tax report and our earnings press release yesterday, we also released our annual report. And I would highlight that we included a specific chapter to discuss our economic value-added management system and bring some clarity in terms of the value creation cases that are supportive of our strategy.

So we have included relevant information about our strategy in terms of value creation and how the management system is running to bring us new value creation opportunities. That's quite supportive for the delivery of our business plan and our strategy.

So I thank you for your time today, and I will pass the floor to Carla, so that we can go through our Q&A session.

Frank McGann, Bank of America Merrill Lynch (via webcast)?

Are you seeing upside pressure related to inflation in IO service costs, equipment costs, CAPEX or other costs?

João Henrique Ritterhauser:

Good afternoon. Thank you for the question, Frank. We have discussed a lot with our suppliers, and we can see that they are very optimistic with the future market. But when we analyze our portfolio for the next five years, we can observe that the big amount of the contracts are already signed with fixed price. So the impact in our portfolio, we think it's very low, and the risk of increase is only in the part that is not divided until now.

In our analysis, we think that in order to have an increase of the costs and inflation of the costs of the equipment and service, we need to have a perspective that we will remain with the oil in this high price for a long period. Otherwise, it does not make feasible for the market to implement other projects that would have this increase of prices stable for a long time.

Frank McGann:

Rafael, as part of the ESG strategy, the Company has indicated it could study new technologies that could eventually lead to potential new business. Are there any concrete moves on this front?

Rafael Chaves:

Thanks for the question. Yes, there are some moves. I should say that each member of our Board and many high-level executives are right now discussing the next strategic plan and new businesses opportunity matching our capabilities.

Each one has its own preference, but must acknowledge that must be suitable for Petrobras. Petrobras is good in building projects that are highly intensive in technological content, highly intensive in capital, big projects.

So there are many options that are actually suitable for Petrobras. For example, nuclear, subsea mining, hydrogen, solar, wind energy, geothermal, and even only oil and no diversification at all are right now on the table.

So we are running multitask group discussions to reach a conclusion, and one may expect this one for the next strategic plan to be announced by the end of the year.

Christian Audi, Santander (via webcast):

Rodrigo, given the Russia's attack on Ukraine and the likely impact that this could have on the natural gas prices and LNG, could the negative operational trends in the gas and energy sector continue during the 1Q22?

Rodrigo Costa Lima e Silva:

Christian, Petrobras has evaluated and has already implemented some structural measures to diversify its LNG acquisitions and sales in our portfolio.

Here, I emphasize what Rodrigo mentioned during the presentation that we sold around 8 million m³ per day last year indexed to DQM in the bidding rounds in the energy sector in Brazil last year, and we guarantee a fixed income to the Company around R\$ 17 billion in the time horizon until 2041. This is a very good achievement for our portfolio. And we will continue to evaluate other commercial and financial measures to reduce the exposure in the variations of the cost of natural gas supply portfolio.

In the 1Q21, we are reducing our LNG volumes, when we see January and February, around 14 million m³ per day, that represents a decrease of 10 million m³ per day if we compare with the last quarter. This is falling, the level of our reservoirs here in Brazil, that we see a strong recovery. And we see that the level of prices in this 1Q is still high. It's around US\$ 25 per million BTU. It is a too strong level of price, and probably could impact our results in the 1Q.

Christian Audi:

Mastella, can you talk about your strategy for gasoline and diesel imports during the 4Q21? And what do you expect for the 1Q22?

Cláudio Mastella:

Thank you, Christian. Our imports in the 4Q21 and planned imports for 2022 are dimensioned to fully meet our contractual obligations to our clients in addition to our refining operational production.

Specifically for November, we received a very atypical additional demand, much higher than expected for that period. Thus, even with our refineries operating at the limit, it was not possible for us to meet the extra demand of around 20% for diesel and 10% for gasoline. We observed similar behavior in January and February of this year.

The Brazilian market, important to say, have not and will not be short of supplies. Currently, there are several players besides Petrobras, distributors, importers, refiners, who produce and import products and are fully capable of meeting additional demands. What's happening is this. Many actors supplying in the Brazil market.

Gabriel Barra, Citi (via webcast):

We believe that high fuel prices will continue in the short to medium term. But when looking at the import parity, we see that the Company is charging prices below import parity price. Therefore, we would like to better understand how Petrobras has been thinking about its pricing policy for the current moment and also for the future. Is there any possibility of changing its strategy regarding the pricing policy?

Cláudio Mastella:

Gabriel, the simple answer is no, we are not changing our pricing policy. In the present or in the future it's essential that domestic prices stay aligned with international dynamics, so that Petrobras and the other agents can share the risks and opportunities in the Brazilian market and keep it well supplied.

Leonardo Marcondes, Itaú (via webcast):

Rodrigo, considering the current oil price scenario, does Petrobras consider to anticipate projects that are not in the current business plans to the short or midterm?

Rodrigo Araujo:

Thank you for your question, Leonardo. First of all, it's good to remind you of what we included in our latest 2022-2026 business plan about the level of commitment of our CAPEX for the timeframe of the plan.

And when we look at the first years of the plan, you can see that we have a high degree of commitment. And of course, that means that we don't have too much room for relevant changes in terms of CAPEX for the beginning of the business plan. So much of our CAPEX for 2022 and '23 is already contracted, and it's pretty much focused on projects that have already been approved.

So we don't expect relevant changes in terms of CAPEX for the short term. Also, one thing that we are quite concerned about is making sure that all of our projects go through a very high threshold and go through our resilience scenario, that stress test to be approved.

So we are not going to approve projects that are not resilient in our resilient scenario of the business plan that considers a US\$ 35 per barrel scenario for the long run. So even though, of course, we see price upside now, but we are always focused on making sure that the projects are sustainable and value accretion projects in the long run. So we don't expect to change our approval policy for projects in the short run.

So basically, what we expect is, especially for the first two years of the plan, to perform close to what we included in the business plan.

Leonardo Marcondes:

Could you provide an update on the refineries that are still under divestment process? Is there any expectation on the timing for the signing of those refineries?

Rodrigo Araujo:

Thank you, Leonardo. We are still, as I mentioned in the Portuguese earnings call, we are still negotiating LUBNOR and REGAP with potential buyers. We don't have a timeframe to share with you right now. We do you expect to see advances in the next months, but we don't have a specific time frame to share with you now.

And considering the three processes that were unsuccessful in the first attempt, REFAP, REPAR and RNEST, we are now looking at the projects with CADE and talking to potential buyers and prospects in the market to see what the best timing for those processes will be. RNEST has, of course, a specific challenge related to the conclusion of the second refining unit, but especially REPAR and REFAP, we are looking at the market appetite and discussing with market participants, potential buyers and the Brazilian antitrust authority about the best timing to relaunch those processes.

Luiz Carvalho, UBS (via webcast):

The Company has been very vocal in the sense of highlighting the Company's potential contribution to society in the form of dividends. How can we see this developing in the next 12 months? Could Petrobras increase its dividends? How could we understand the potential limits for distribution? Could there be a case for potential high percentage then the 60% of the difference of operating cash flow and CAPEX?

Rodrigo Araujo:

Thank you, Luiz, for your question. I think that, first of all, when we look at our turnaround story over the last 6 years, I think it's very clear that efficient management focused on a resilient portfolio and having value creation as the Company is focused and the distribution of that value as our relevant contribution to the Brazilian society. I think that's quite clear that, that's the corrective path for the Company to go. And we are quite

focused on continuing on that trajectory that has brought us here with this very impressive turnaround.

So I think that is something quite relevant for us and will continue to be our focus.

In terms of the dividends, we expect to first comply with our 60% of free cash flow dividend policies. So over the next quarters, we expect to distribute the 60% of our free cash flow, doing that on an earnings calendar. So we expect to announce the results for 1Q and right after distributed dividends, the 60% of the free cash flow related to the 1Q and subsequently.

But in terms of additional payments, of course, depending on the price scenario, the inflow from portfolio management and the Company's financial sustainability and financial situation, we could see the distribution of additional earnings, but that's something we would expect to do closer to the end of the year, not right now in the beginning of the year. But thank you for the question. No, sorry, I thought you asked something about CAPEX, but it was the 60% of the free cash flow, operating cash flow after CAPEX.

Bruno Montanari, Morgan Stanley (via webcast):

Fuel prices in Brazil have been below international parity, while crude oil prices have rebased at a higher level. Is Petrobras comfortable in sustaining a discount versus parity for a prolonged time? When could we expect price adjustments to come?

Cláudio Mastella:

Bruno, thank you for the question. We maintain our commitment to practice competitive prices in balance within the international markets. But at the same time, we avoid transferring the volatility caused by specific events to our clients.

This balance, we do believe, this equilibrium naturally resulted in the supply to the market on an economic basis, and without risk of shortages by the different actors, refiners or other producers and importers.

Recently on the international scene, what we observed was oil prices rising influenced by geopolitical tensions, and at the same time, we had the USD devalue relative to BRL. So for us, it was possible to maintain our prices of gasoline and diesel at the same level since January 12.

The current condition today specifically has further heightened the volatility of the markets. We still need to better evaluate what the impacts will be for us to take a position on that.

Bruno Montanari:

Rodrigo, cash CAPEX disbursement in 2021 will have to increase over 70% to meet the 2022 budget. How confident is the Company that it can execute on much larger disbursements this year? Should we think that CAPEX will be concentrated in a particular quarter or well spread throughout the year?

Rodrigo Araujo:

Thank you for your question, Bruno. First of all, in terms of performing the planned CAPEX, I think that over time, we have been able to both use in risk management and

project management. We have been able to improve the level of assertiveness of our CAPEX predictions. So if you look at the last three to four years, we are performing much closer to what we expected in the business plan.

Of course, when we have events like COVID-19 and disruptive events like that, we definitely will see impacts in terms of performing CAPEX. But again, we are being able to move much closer to the planned level of CAPEX. We are running relevant risk analysis for the CAPEX that we provide in the business plan, so that's also an important part of the project management framework.

So for 2022, we do expect to perform quite close to what we announced in the business plan. We don't see any relevant disruptions at this point.

In terms of the spread throughout the year, historically, we have some increase in the last quarter of the year. But of course, it depends a lot on the scenario and what we can see for the upcoming months, we don't expect any disruptions now. So we do expect to perform somehow smoothly over 2022.

Regis Cardoso, Credit Suisse (via webcast):

We would like to clarify two aspects of the dividend policy. First, should we interpret the US\$ 65 billion gross debt as the limit to apply the formula, or the US\$ 60 billion remain as a threshold for the formula?

Second point, how does the cash in from divestments fits into the policy? Should this cash be distributed as enter Petrobras balance sheet, or the Company could decide to distribute the excess of cash only at the end of the year?

Rodrigo Araujo:

Thank you for your question, Regis. First, in terms of the US\$ 65 billion threshold, this was one of the improvements that we made in the dividend policy when the 2019 policy was drafted, thinking about the scenario in which we were deleveraging the Company and focusing on reaching the US\$ 60 billion debt target.

But after we reach that, it's reasonable to have some upside and downside room for specific events, for example, having an FPSO coming online that temporarily increases our debt level and not stopping the dividend policy because of that kind of event.

So that's why we had that US\$ 65 billion flexibility. So the threshold would be the US\$ 65 billion. Of course, the optimal level continues to be US\$ 60 billion, and we are going to be continually looking at the price scenario and what's happening in terms of liquidity and financial sustainability. Those aspects are relevant, but the threshold would be the US\$ 65 billion.

And the way we expect you to run the dividend policies, to have the quarterly payment up to 60% of the free cash flow on an earnings calendar throughout the year. But then, of course, we would have cash inflows from divestments that are usually spread throughout the year. So depending on the timing and price scenario and market scenario, we would be able to distribute additional dividends, but those dividends would probably be closer to the end of the year. We expect to first comply with the 60%, and then consider potential additional dividends.

Regis Cardoso:

How does Petrobras see the possibility to divest from Braskem's preferred shares still in 2022? What about the common shares?

Rodrigo Araujo:

Thank you, Regis. As you have probably seen, we had a failed attempt for a follow-on transaction now in February, basically impacted by the volatile market conditions. And of course, what we are seeing today is a quite significant increase in terms of volatility. So we are going to continue to monitor the market scenario.

At the meantime, we are discussing with Novonor, the other relevant shareholder potential improvements in governance and potential movements that can be made in the meantime.

But of course, given the volatility that we have now, it's quite difficult to make predictions in terms of timing. But what I can reassure is that the Company continues to be committed with the divestment and divesting of its entire stake in Braskem.

So that has definitely not changed. What we are doing now is much more monitor the market conditions and trying to move with the governance improvement agenda in the meantime.

Regis Cardoso:

What are the expectations around timing for the closing of the transactions of the 5% stake purchase option exercised by CNOOC in Búzios? Which are the main precedent conditions for the closing?

Regarding Sépia, is there any update regarding the negotiations around the compensations? Any expectations on timing for those receivables?

Fernando Borges:

Thanks, Regis, for your questions. Considering Búzios, closing is expected for the 2Q21, after the approvals by the Administrative Council of Economic Defense, CADE, the National Petroleum Agency and the Ministry of Mines and Energy.

Compensation in Sépia, and negotiations are in progress with the partners. Because the deadline of the signing of the co-participation agreement established in the bid notes is April 29 this year, we expect that all amounts will be received within this month of April.

Rodolfo de Angele, JPMorgan:

Rodrigo, on the earnings release, there was an US\$ 87 million impact on gross profit in the gas and energy segments because of higher LNG prices. How do you expect the spread between Brent and LNG prices to behave during the year? And how should that impact Petrobras profitability?

Rodrigo Costa Lima e Silva:

Rodolfo, the LNG price scenario is still uncertain as we are seeing today, due to this geopolitical scenario. Here, we expect a spread between 25%, 20% between Brent and LNG price. But we are seeing some forecasts from market specialists that point in the

2H to a ramp down in this price scenario to US\$ 15 per million BTU. So let's see if this would be a new trend.

But here in Petrobras, we work with long-term and short-term contracts. Our portfolio is majorly made by long-term contracts. In short-term contracts, the commercial conditions are totally aligned with our opportunity costs, and at this time our opportunity cost is LNG price. But in the medium and long-term contracts, we are following the previous conditions established and we fulfilled the contractual conditions and provide all the reability to our customers.

For the new sales contract, Petrobras considered demand forecasts and the respective supply portfolio with the most up to date forecasts that we have inside the Company, and also contract mechanisms to our clients to reduce price volatility, and different terms and flexibility conditions regarding volumes, take-or-pay and ship-or-pay clauses, and we tried to set these conditions, as I said, in the medium and long-term horizon.

Rodolfo de Angele:

If the increase in oil prices proves to be more structured, how much flexibility would you have on your production plan?

Fernando Borges:

Rodolfo, Petrobras constantly monitor price and make its decision with a long-term perspective, without losing sight of the perspective of resiliency of our projects. It is still too early to say what impact the current situation may have on long-term scenarios. This assessment will take place as part of the update of our strategic planning. Any change to our investment plan will be announced at the time of the next strategic plan.

João Henrique Rittershaussen:

And complementing Fernando, when we see our business plan, we have 15 units already hired, and we have just three new units that they are not divided (56:07) now. In order to have more oil in our business plan, the critical path for this is the FPSO construction, and it takes us at least three years to four years.

So we don't have the room to change in the plan in the short term. The only space to some movement is when we consider new single wells in the existing platforms. So there is not a room to change the production plan in the next three or four years.

Bruno Amorim, Goldman Sachs (via webcast):

Rodrigo, the utilization capacity of Petrobras refineries is below historical highs, but we saw an increase towards the end of last year. Can you please clarify the strategy for volumes and capacity utilizations at the refineries going forward? GDP and internal fuel consumptions are expected to remain on the same lines this year. So do you intend to gain market share versus imports by third-parties?

Rodrigo Costa Lima e Silva:

Bruno, the main KPI of our refining segment was the high utilization rate of our park, reaching 88% in the 4Q of last year. And in the average of last year, we were reaching around 83%. This is the highest utilization level in the last 5 years, reflecting the improvements in our management efficiency and the reliability conditions.

Last year, we invested around R\$ 2.3 billion on the maintenance of our refineries, and we almost reached 4,000 equipment that will improve efficiency.

We also highlight that the decision of the level of use of our refineries is complex because it involves a lot of products, more than 50 products, planning the turnarounds, logistic restrictions, yield of our equipment, prices and demand conditions.

So that's a very tough scenario to planning all these variables, and all of our decisions are to add value to the Company, and we take these decisions on technical and economic criteria. We are continuing to invest in our refineries, updating our hardware and adapting to our oil output in the upstream segment.

Vicente Falanga, Bradesco (via webcast):

Fernando, output has started very strong in 2022. Any positive surprise, or was it already expected when the Company put out its output guidance for the year?

Fernando Borges:

Vicente, January's high production performance was mainly due to fewer maintenance stoppages in the ramp-up of FPSO Carioca and Sépia field, and good efficiency in other oil fields.

However, considering the work interest reduction that we are going to have in Búzios field, with the increased participation of CNOOC, and the co-participation agreement in Sépia and Atapu fields due to next May, this result is still in line with our production disclosed to the market of 2.6 million barrels of equivalent per day for this year, considering the margin of more or less 4%.

André Vidal, XP (via webcast):

The results presented a 21% quarter-on-quarter increase in pre-salt lifting costs. Is this a sign that inflation costs arrive at E&P in Brazil pre-salts. What can we expect in terms of cost increase for pre-salt for the next quarters?

Fernando Borges:

Andre, the lifting costs in the last quarter of last year has been a slight increase due to the reassumption in the level of activities as the pandemic intensity decreased. For the first month of this year, we tend to maintain this level due to our need to carry out maintenance intervention that were minimized during the pandemic. After the reduction of this maintenance backlog in this year, the lifting cost will stabilize at a lower level than the current base, close to the US\$ 5 per barrel.

André Vidal:

The negative EBITDA of that for the gas and energy helps Petrobras litigations with gas distributions over readjustments on sales price. Should we expect another negative EBITDA for this segment in the 1Q22?

Rodrigo Costa Lima e Silva:

Andre, the negative result of gas and power in the last quarter is further evidence of the gap between the cost of LNG necessary to meet Petrobras contractual commitments and the conditions previously established contractually.

In our opinion, these litigations represent a threat to the opening of natural gas market by putting legal certainty at risk, and interferes to market price and future investments in the country.

Along 2021, we were working hard for several months in the bid rounds of distributor companies to provide the best conditions for our clients, offering natural gas with terms of six months, one year, four years, different reference of indexes in these contracts and flexibility in the conditions offtake and ship-or-pay. And we think that we will solve these litigations in the table meetings to reach a consensus around these conditions.

For this 1Q, we reduced our exposure in LNG volumes. We reduced around 10 million m³ per day if we compare the performance of January and February with the last quarter, but the level of prices around US\$ 25, US\$ 30 per million BTU will probably impact our results in this 1Q.

Carla Albano:

Thank you, Rodrigo. At this time, the Q&A session is over. If you have any further questions, you can send it to our Investor Relations team.

Rodrigo Araujo will now make his final remarks. Please, Rodrigo, go ahead.

Rodrigo Araujo:

Thank you, Carla. Thanks, everyone, for being with us today. As I mentioned in the beginning, we are quite happy with the Company's financial results for 2021. I invite you all to visit our Investor Relations website to see both our climate change supplement, our tax report and our annual report that we also released alongside with our earnings today.

Thank you for being with us, and our IR team will be available for any further questions. Thank you. Have a great day.