

Webcast - 3rd Quarter Results 2023 ***November 10, 2023***

Eduardo De Nardi:

Good morning, and welcome to Petrobras' earnings results webcast for the 3Q23. It's a pleasure to be here with you.

This event is being held in Portuguese and it is simultaneously translated into English. Links to hear both languages are available on our Investor Relations page.

We would like to inform you that all participants will be in listen-only mode during the Company's presentation. After this introduction, we will have a questions-and-answer session, and you may send your questions to petroinvest@petrobras.com.br.

We have with us today: Ana Paula Zettel, Executive Manager for Partnerships and Exploration and Production Processes representing the Executive Director of Exploration and Production, Joelson Mendes; Carlos Travassos, the Executive Director for Engineering, Technology and Innovation; Claudio Schlosser, Executive Director for Logistics, Commercialization and Markets; Mauricio Tolmasquim, Executive Director of Energy Transition and Sustainability; Sergio Caetano Leite, Financial and Investor Relations Officer; and William França, Executive Director for Industrial Processes and Products.

To start off, we will hear a message from our CEO, Jean Paul Prates.

Jean Paul Prates:

Good morning to all of you. We are very proud to present the results of the 3Q of our management.

Petrobras has once again achieved records and significant figures, which highlight the quality of the work being done. We broke our quarterly record for operated oil and gas production, reaching around 4 million barrels of oil equivalent per day, which represents an 8% increase compared to the 2Q23.

Our results prove the high productivity of the pre-salt, this giant that collects exceptional results. Since December last year, we have already started up 4 new production platforms, and we still have 1 more planned for the end of the year with the start of production from FPSO Sepetiba in the Mero field. The installation of these 5 units in the space of 12 months is a major milestone, adding 630,000 barrels to the Company's oil production capacity.

I would like also to highlight the operational performance of our refineries in this 3Q. We had record utilization of our refining plants reaching 96%, the highest quarterly level in 9 years as well as a record production and sales of 10 ppm diesel. We continue to launch products with a lower environmental impact, such as the Podium gasoline neutral carbon, the first gasoline on the Brazilian market to have its greenhouse gas emissions fully offset

through carbon credits, and CAP Pro AP, High Penetration Petroleum Asphalt Cement, with a high capacity for recycling aged asphalt.

We also made progress with the plan to sell diesel with renewable content under the BioRefining program of Petrobras with record sales in September. We closed this 3Q with a robust operating cash flow, the fourth highest in the Company's history. Operating cash flow was influenced by the appreciation of Brent, higher oil exports and sales of oil products in our domestic market. Our investments continue to grow, and the Company's debt remains under control.

And all of this was accomplished with total attention to people through actions such as the approval of the diversity, equity and inclusion policy published in September, taking another step towards becoming a benchmark in these areas, ratifying our relentless pursuit of a diverse, inclusive and safe environment for all people.

In October, Petrobras celebrated its 70th anniversary. And today, it is the largest offshore oil operator and one of the oil producers with the lowest emissions in the world, but we want to evolve even further towards a low-carbon economy relying on partnerships with various companies and institutions.

Looking ahead, Petrobras goals focused on the sustainability of the business and the world. The decarbonization of processes and products and the fair energy transition are a philosophy with which the entire company is in tune and determined to deliver.

The results we have achieved and our ambitions for the future are only possible due to an extremely dedicated and skilled workforce, which enables us to guarantee the energy Brazil needs to continue developing.

Thank you, and have a good event.

Eduardo De Nardi:

We will now start our 3Q23 results presentation. And for that, I will give the floor to our Financial and Investor Relations Director, Sergio Leite.

Sergio Leite:

Good morning. Thanks for participating in the results webcast. As President Jean Paul Prates said, it's a record-breaking quarter for Petrobras and its workforce, its business partners, the public and private sectors, and society in general celebrating great numbers as we are going to see.

As you can see, we have a very robust quarter. Our EBITDA reached US\$ 13.6 billion, a consistent net profit, a good operational cash flow generation, and free cash flow in line with our growth at US\$ 8.4 billion. And net debt EBITDA rate that's consistent return to society of around R\$ 56 billion, payment of R\$ 9 billion in dividends, approved dividends at R\$17.5 billion.

As I said, it's a record breaking quarter, and we have a few operational highlights, a few of which have been mentioned by the President in his speech, but it's worth highlighting a few more aspects. A record-breaking production of 2.25 BOED coming from gas, the use of the refining park. This is a direct consequence of the commercial strategy that we adopted, reflecting, among other things our prices through an integration between the oil and gas company, and a refining farm of global dimensions, and with a use of 96% of the farm, an adequate FUT.

In addition to being high, also very efficient, the energy intensity of 101.7%. An important operational milestone is diesel S-10 representing 62% of our total sales. Pre-salt natural gas processing, also breaking records.

All of these highlights in the presentation are new records. The refining emissions index also in line with our requirements. And we also brought Anita Garibaldi as a highlight, which in around 4 months to 5 months reached peak production at 150 million barrels in record-breaking time. The carbon emission index per barrel is under control, with a forecast of decreasing, and we had a forecast of 2.1 million for oil and gas and now it's updated for 2.3 million; the commercial production at 2.3 million BOEDs, and that was moved to 2.4 million in a total production from 2.6 million barrels to 2.8 million barrels.

A few more milestones worth highlighting, in line with our strategic guidelines published in March: the diversity policy of Petrobras was approved and it has been consistently implemented. The strengthening of the Company's governance, the restructuring of the corporate Board of Directors and the launch of a new department, in addition to transparency that was approved by Anefac, the main institution to measure the transparency index of companies in Brazil. So we reinforced our governance, and we added transparency to our entire process as we grow.

Petrobras is the biggest developer of wind farm projects in Brazil. Developers are those that take a project from the very beginning. And it signed a partnership with WEG to develop the biggest aerogenerator onshore, at the biggest campaign for mapping the capacity and potential of generation.

New job positions. We are coming from a phase of divestments, and with divestments, the workforce of the Company diminished and now we are at a different stage where we are reassessing our portfolio and making investments in the traditional business areas and also in new areas.

And with that, we have to make adjustments to our workforce. We hired approximately 270 new employees between July and September. And we are now looking into hiring more personnel. Also the largest public selection of social, environmental projects, followed by the launching of the Podium carbon-neutral gasoline. If you use this gasoline, you are actually buying carbon credits from the market to offset the emissions of the Podium gasoline during that period.

We have a few more highlights in terms of products. As the CEO mentioned, the CAP Pro AP asphalt and also sustainable products in the decommissioning of P33. There are several platforms and oil rigs that will be decommissioned in the next few years, and that will be done with a social, environmental responsibility in mind. And regardless of all of these records, we are dealing with adverse external conditions, both Petrobras and all the oil and gas companies.

If we look at the 3Q22 and the 3Q23, the Brent went down by 14%. That had a huge impact on all oil and gas companies. The crack spread of diesel, the main refining products in Petrobras decreased by 16%, and the fields went down by 7%. So the external environment in addition to the geopolitical or in spite of the geopolitical instability yielded good results. The EBITDA in line with the external conditions it grew between the first and 3Q23. So Petrobras is on an expansion route.

We had an EBITDA growth, if you consider the adjusted EBITDA of 15% from the last quarter to this quarter in spite of the adverse external conditions, we keep on growing. If you compare the adjusted EBITDA of this quarter with the same quarter of last year,

there was a decrease of 22% in addition to intrinsic issues at Petrobras, PPI, FUT and the use of refineries was much lower than it is today. We didn't have this perspective of Petrobras being an integrated energy company. There was a decrease of Brent and to the exchange rate.

So there was a decrease of 22%. But it's important to say that on average, this decrease reaches 43%, Petrobras is more resilient than the external market, and that's a good quality of the Company, which is in a growing path, as you can see between quarters. If you look at the EBITDA per business segment, the EBITDA of exploration went up by 25% between the last quarter and this quarter, in line with the growth of the Company.

Refining, transportation and marketing, this segment is more sensitive to external conditions. If you look at the EBITDA with the inventory turnover, the growth was 32%, and the replacement cost reflected the crack spread and the Brent decrease at a negative rate. In case of gas and power, we saw a growth of 49%.

Our FCO or OCF and the cash generation of the Company is robust, and it's sufficient to deal with indebtment and investment requirements and cash flow, which is quite robust, and continues to be robust.

Our CAPEX was R\$9.1 billion in the 9M23. This investment CAPEX is 31% higher than the investments in the same period. So what's new about this information? Well, absolutely nothing. The previous strategy was one of divestment and a concentration in E&P and not considering Petrobras as an integrated energy company, but rather as an exploration company that explores the pre-salt, which would jeopardize the investments of the Company owners and shareholders, that would decrease the Company's resilience for the future.

So in line with the strategic changes and in line with the new guidelines after analyzing the 9M22 compared to those of 2023, Petrobras is investing more and better. We have forecast the year to be ending at around R\$13 billion worth of investments, which will represent more than 30% of what was invested last year.

Our debts are under control. As we all know, our indebtment is under impact of the IFRS standards and our internal CRC in Brazil. The debt reached US\$61 billion, which is within the variation range band between US\$55 billion and US\$65 billion, one of the measures adopted by Petrobras. The US\$61 billion, if you discount the cash flow, the result is US\$43 billion. the gross is US\$61 billion and the net debt of US\$43 billion.

Our financial debt is around US\$29 billion, out of US\$61 billion that Petrobras has in terms of total gross debt, US\$29 billion are from financial debt and debt issued in the market with an average term of 11.5 years for payment. It's a well-structured debt that's very comfortable for our cash flow with the balance between US\$29 billion and US\$61 billion coming from FPSOs that increased our debt.

Next slide, please. This year with our new investment policy in line with the main companies of the market with the major peer companies, we have started a share buyback program. This was approved by the Board as we reviewed our shareholder payout policy. It is a part of our shareholder payout policy. So when it was approved, we disclosed this buyback program as the first one under controlled dimensions between an acquisition of up to 157 million preferred shares. And so far, we have reached 35% about 28 million in September and 27 million in October.

Next slide, please. net income. So on this graph, we can see a comparison between the second and the 3Qs. We can also see a comparison between the 3Q22 and the 3Q23.

You can see that the net income for Petrobras between the second and 3Qs reflected the Company's performance, meaning it is growing. Gross income is lower than what we had in the 3Q22 and this is due to the external environment. Again, Brent is dropping 14%.

The crack spread for diesel, which is Petrobras main product is also dropping. And we also had foreign exchange effects. So with all of these factors combined, we really have to celebrate Petrobras resilience. So there's a debt impairment effect here when we consider foreign exchange and other financial values that can impact our net income to some extent.

Next slide. It's also very important to see Petrobras strategic drivers, meaning taking care of society and taking care of people. So we are providing returns to society, R\$65.5 billion have been paid in taxes and dividends this quarter, a significant amount. And here, we can see the split per federal level.

So federal, state, municipalities, government and dividends. When we add all of that up, we can see the importance of Petrobras for society. Remuneration to shareholders. We have approved R\$17.5 billion in dividends. We had a total buyback of R\$974 million. According to our policies, this buyback is coming out of dividends. So we approved R\$18.4 billion in dividends, minus buyback. That is R\$974 million. So we are paying out our dividends and IoC representing R\$17.7 billion.

So this concludes our presentation. This was a summary of our results for this quarter. As I said, this is a record quarter for Petrobras that we should celebrate. The Company is moving towards a more resilient future. So we are keeping investments in the most traditional areas of the Company, oil and gas, but we are also reinforcing our investments into new areas. So thank you for listening.

Bruno Montanari, Morgan Stanley (via webcast):

About potential extraordinary dividends for the 2023 fiscal year, what financial indicators will the Company use to decide on this payment? Petrobras is working at a very low leverage level. Even when we look at the last 12 months to 24 months, it seems like the Company's cash position is robust and could afford a dividend payout. So what should we expect for this year?

Sergio Leite:

Bruno, thank you for your question. It's true, the Company's indebtedness is under control, but it should fluctuate between R\$55 billion at an average level and R\$65 billion as the maximum level. As we published, we are currently at R\$61 billion. So that's R\$4 billion away from the upper threshold.

Of course, we have amortization. We are paying interest rates for this debt consistently in the 9M of the year. And until the end of the year, we will pay more than what we paid last year. So our debt is under control, but we are not only looking at that. We are also looking at investment needs. We are looking at the external environment, the adversities caused by the wars, but we are not only looking at the quarter either. So as you know, extraordinary dividends are usually paid out at the end of the year.

And we are looking at the probabilities for the next 2 years, simulating several scenarios with different levels of confidence for each scenario. So we are being very cautious in our management to control our debt. And only by doing that and looking at our future investments is that we can look at this possible payout. And then this can be approved.

So that's the criteria we look at to answer your question. It's not only based on a quarter or our indebtedness, but we look at many quarters.

As you know, Petrobras is a major company. And any decision that you take during the 3Q may impact your entire next year. So we have to look at that in order to make these decisions.

Bruno Montanari:

The Company posted robust results this quarter, which was a surprise. Internally, is your production performance also a surprise for the Company? Would it make sense to think that the future production levels can have an upside bias?

Ana Paula Zettel:

Good morning. Actually, it was not a surprise. We have a risk analysis for our projection considering units that have been implemented and new units. So we have a 12-month study in which we started 5 new units. So we look at the risk factors that may affect our production. What we have seen throughout the year is that it's been robust and it's not been as affected by outside factors.

So our production is at the upper threshold of our margin of error, and this allowed us to review our production guidance. This was a part of the Material Fact that we had yesterday. So 12.8 million equivalent barrels. So this is not a surprise as we can see, our production was robust, but this was according to our projections.

Vicente Falanga, Bradesco BBI (via webcast):

Does the Company intend to publish in its strategic plan how much will be dedicated for M&As? And may this decision be out of the plans?

Sergio Leite:

Vicente, thank you for your question. We have been discussing this plan. As always, the new strategic plan for Petrobras is highly expected by the market because of the effects that it causes. So we truly are talking about this right now.

A lot has been said on the press, but it's still an ongoing process. So it might change. We are in a stage in which will be validated by the different executive managers, by the Board, by the upper leadership. So this is something that is watched closely in the Company.

We do not have a full answer to your question yet. There are several possibilities, but we want to be in line with what I said before, we want to be transparent, we want to give predictability for everything that Petrobras does. So we want to give an idea to the market about what we are going to do.

But the most important thing is to say how we are going to do the future mergers and acquisitions. As you know, these processes have their own rules. They are guided by confidentiality agreements, not everything we want to do is allowed. So we need to be very cautious, especially because of strategic reasons. This is a part of the business that has a lot of competition, not only in Brazil, but we have competition from around the world. Petrobras works on a global stage, and we cannot simply say that we intend to buy something in this or that industry.

But once the decision has been made, once we decided to propose an acquisition internally, then, of course, we are going to disclose this with every step. We have this obligation to publish relevant information to the market. So to answer your question directly, yes, we will make an effort to show what our budget is for mergers and acquisitions in our plan.

Vicente Falanga:

How do you assess a potential asset for an acquisition? What's that process is like? And will you reveal that in your strategic plan?

Sergio Leite:

Vicente, our process for acquisitions in general terms is broadly known by the market. We work with an investment and divestment methodology that is well known. There are different levels to each guideline. They have statutory committees that the Company doesn't participate in.

So we have executive managers who deliberate on that. So these processes are very transparent. We have a very solid governance that discloses all of these things. Of course, we cannot disclose some aspects which refer to our competition.

But this process of acquisitions and these investments are communicated to the market. So whenever we have a decision at our Board, this is published. The Central Bank keeps track of this process at every stage from a proposal to a viability study. With every step, this is followed by the Brazilian TCU, and this is online in systems shared with the Brazilian TCU, and it is communicated to the market and to control agencies. This process has been established in Petrobras for many years, and it will be maintained.

Bruno Amorim, Goldman Sachs (via webcast):

The creation of the new reserves allows us to allocate 30% of the profit for the preliminary dividends. What are the predefined criteria if the cash will become a reserve or will it be extraordinarily distributed eventually? Sergio, over to you.

Sergio Leite:

Bruno, thanks for your question. The oil and gas companies have characteristics, companies that work with commodities have very specific characteristics in terms of how they define cash flow and net profits. They are not interconnected. We revised the asset values that have a direct impact on the assets, and that will have an impact on the net profit.

We could have a high net profit and not produce the same increase on the cash flow and vice versa. They are not interconnected, as you probably know. The reserve that we created is a reserve that's allocated and you know that the creation of a reserve has a purpose.

So the purpose of it is to equalize the payment of dividends. It's an evolution in Petrobras' governance in terms of maintaining the interests of shareholders, whether they are private or public, you can have lots of dividends on 1 year or a quarter, and you may not see the same effects in the next quarter or you may see a variation between this supposed connection between the cash and net profit and the shareholders may choose to allocate part of their dividends to this reserve.

The resources that are in the reserve are allocated to the payment of dividends. So if it goes to the reserve, it will definitely go back to the payment of dividends. It's important to make that clear.

Petrobras has a reserve for investments in capital. And oftentimes in the past, the disclosure of this information caused a lot of buzz in the press. Many people would ask, will Petrobras retain the dividends and then reinvest them? The dividends are paid after the investments. Petrobras has a market reserve for that. It would be necessary to create a new reserve, if that was the intention. The reserve is strictly allocated to the payment of dividends. That's a positive thing for investors and for shareholders. The dividend payment policy of Petrobras is linked to the cash flow.

So we are going to pay the gross cash flow and deduct the CAPEX, and over the rest, we apply the formula and our policy for dividend payment. So there is no direct connection.

As we said, other big companies in Brazil have the same reserves or companies abroad as well, that's a revamping of our governance and an additional care so that we have more predictability to the payment of dividends. We are reinforcing the predictability in line with everything we do in terms of providing greater transparency and trying to publish our resources allocated to mergers and acquisitions and payment of dividends. It's the same thing. We want to add transparency and allow investors to have greater visibility.

And also the fact that the reserve was proposed, and it has not been approved yet, it's important to say that the creation of the reserve has not yet been approved. It's still at the approval level. It hasn't been created. So the fact that the reserve is approved, if it is approved, is not linked to the payment of extraordinary debts or not at all.

The payment of dividends, not debt, dividends, links to the requirements of the policies, it requires a decision that has to go through several different levels. So paying or not paying extraordinary dividends is not connected to the creation of the reserve at all. The reserve may be approved or not at the shareholders assembly.

And in case of approval, the resources may not be allocated in the next quarter or the quarter after that or the other one after that, it will only be there as an additional guarantee that will maintain the rights of shareholders of Petrobras.

Pedro Soares (via webcast):

Today, does the Company understand that E&P assets outside of Brazil are interesting? Does it make sense to say that we might grow to other regions of Latin America? If yes, where do you see the biggest opportunities?

Ana Paula Zettel:

Thanks for your question, Pedro. We are always monitoring the opportunities to explore both inside and outside of Brazil. And that is related to our participation in bids in other countries. And also in Brazil, Petrobras is the preferred operator of many companies. So 80% of our production come from partnerships, we have around 20 partner companies. They also provide opportunities to explore abroad, and we keep on monitoring these opportunities, and we evaluate them. And if we think that something is interesting to us, we submit it for approval.

Of course, that's a strategy that affects our competitiveness, so we do not disclose our areas of interest. And in terms of South America and Latin America specifically, we have a project of exploration in Colombia, which has been published in our plans. And it's also our CAPEX reserve project in our strategic plan.

Pedro Soares:

Concerning the energy transition, Petrobras has been very vocal about the greenfield investments it will make over the course of the next few years. I would also like you to talk about the brownfield project opportunities and companies that are already operating. In other words, are there potential target companies that might expedite the transition process at Petrobras.

Mauricio Tolmasquim:

We are looking at 3 project categories. First, from companies that are already operating. And the idea here is to have a partnership formed with an existing project. And the biggest benefit of that is to immediately generate a cash flow for the Company and to bring renewable energy to our portfolio. More specifically, we are mainly looking at projects under development. And here, we have 2 categories, projects that are at an advanced stage with environmental license that are connected to the grid and that are ready to be built and other projects under development. Of course, the less mature the project, the longer the construction time, so is the upside. So our intention is to find a balance between operating projects, projects that are ready to start construction and projects that are still under development.

Pedro Soares:

The press has been talking a lot about litigation at Carf. What are the internal and governance-related projects at the Company to approve an agreement about that? Is there any amount that you would consider to be unfair for this agreement if it ever happens?

Sergio Leite:

Pedro, it's important to say something. As you saw in the presentation, Petrobras pays taxes at several different levels: federal, state, municipal levels. And it's common practice in our history to be in constant contact with the secretariats of finance.

The national taxation system is full of different laws and regulations, and for a company as big as Petrobras, it causes certain clashes or disagreements between interpretations where the legal team and other teams will have different interpretations about the same standards.

And if that's the case, we try to contact the secretariat beforehand. So it's been a historical practice at Petrobras to be in daily contact with the secretariats, either we call them or they will call us and to try to sort out this type of situation. At the federal level, there is a discussion chamber, kind of which is not super legal, which is to say that for any decision, we might appeal against that decision.

And Petrobras understands that. And it's always on the lookout for litigations or claims. And we always attempt to meet all requirements, whereas at the same time, we also are trying to save as much resources as possible. And it's from this perspective that Petrobras analyzes if we will accept or propose an agreement.

So any agreement entered into with any of the government levels, whether it is the federal, state or municipal levels if it's proposed to Petrobras. And these proposals are always analyzed by the Board of Directors depending on the proposal and legal and taxation teams. It's not a discretionary process. Actually, this word is never even heard at Petrobras. It's something that is constantly rolled out in any decision that the Company makes.

If Petrobras understands that there are economic and financial benefits to Petrobras, if the agreement creates a positive VPL, if the agreement will be entered into Petrobras, then we will discuss it. There were many statements referring to 40 billion, 30 billion, 50 billion. So many things have been vented that I ended up giving up on watching the news about that.

But I can tell you that, yes, that exists and there are discussions between Petrobras and the revenue service. They go through a first level of decisions, which is CAFI. And recently, a decision by the CAFI was approved, providing more benefits to agreements.

So Petrobras always analyzes if the VPL of the agreement is positive if it's better to settle the amount or if internal legal teams or governance recommends that Petrobras initiates an appeal against the decision.

So there's no preset amount, 15, 20, 30. But we might see small agreements at all levels, federal, state and municipal as long as it's beneficial, advantageous for Petrobras to pay and not moving on with the discussion. And it's at this point that we are now, we are now having a discussion with the revenue services.

Caio Ribeiro, Bank of America (via webcast):

How does the Company see the different potentialities of the basins of the equatorial margin? Do you believe that the falls of the Amazon have more potential than the others?

Ana Paula Zettel:

So we have a robust portfolio. We have 6 blocks in the Amazon Basin in Amapá, in deep waters. We have 2 blocks and 1 assessment plan for the Pará-Maranhao Basin, 1 block and 2 discovery assessment plans in the Barreirinhas Basin, and 3 blocks and 1 plan in the Potiguar Basin, meaning that we are very well positioned in that area. We operate all of these blocks and we have a relevant amount for these investments for our 2023-2027 strategic plan.

Our exploration team believes in the potential of this area due to how close it is to Guyana and Suriname, but this needs to be proven through explorations in the region, and we are waiting for Ibama's position and the obtainment of a license to explore this area. That's when we will be able to know if there is potential and if it's commercially viable.

So we need to wait to see how this portfolio will unfold to assess its potential. But once it has been discovered, then we can imagine that it will become significant for the country, will lead to regional development and will generate income for people.

Caio Ribeiro:

About the Bahia Terra asset, which was removed from the divestment plan, do you expect to continue onshore developments in Brazil? Are there any partners to develop this asset? And what kinds of contact is the Company considering for this project?

Ana Paula Zettel:

So we have had a change in our strategic direction in 2023. Our strategic direction so far had been deep and ultra-deep waters. And now we are focusing on profitable assets. So based on this update, we are assessing our portfolio. So we are actively managing our portfolio and reassessing our position. That's why we published a conclusion for the divestment projects for Bahia-Terra, Urucu and Manati. Since they were profitable, they were maintained in our portfolio.

So once we have them in our portfolio, we will try to add more value to the assets; that is having complementary investments to extract more value from the assets. And so partnerships have not been ruled out.

As I said, 80% of our production comes from assets with partnerships. We have many partners in Brazil and abroad. So we do not rule out any partnerships, including Manati in Bahia. This is an asset in which we have a 35% stake with partnerships with other stakeholders.

Caio Ribeiro:

How does the Company see the platform supply market today? And how has that affected new contracts?

Carlos Travassos:

Good morning. Thank you for your question, Caio. So we do see some significant movements in the FPSOs market and in the supplier market overall. We see a post-COVID effect of prices going up in our supplier market. We have also seen some changes to the market, which is transforming itself looking towards the future with its own take on the energy transition. We have seen some mergers, some temporary scarcity that affects the second and third supply layers, and there's also a difficult access to funding.

All of these effects have reverberated across our projects. And naturally, we have considered them in our plans for the future. We are taking some actions to recognize the impact of these effects on the ongoing projects.

So with all of that, we have had to redesign and readjust our plans, and even the way we approach the market. Our main source of information has been the market itself. We usually have collaboration rooms, and we actively listen to all of the feedback we receive, and we adjust our plans to ensure that the process is competitive.

But we also have to recognize and understand that when we look at our strategic plan, there are 17 units across that. Five are in allocation and 4 are in production. So some we intend to start this year. So 9 are contracted and ongoing, and there are 3 units which are still under auctions. So this shows a very positive process. We really believe that we have a winner in this market.

There are 6 units that we are still looking at. Out of these, 3 already have proposals. We have Sépia 2 and Atapu 2, so we have received proposals from the market on those, and we have two Seaps and Barracuda, which are also open for proposals.

So the main source of demand for FPSOs in the world is that it's a very robust plan. Of course, we expect the market to respond, but we are paying close attention to this

process, and we are looking at this auction by auction. This is how we have been working, Caio.

Rodolfo de Angele, JPMorgan (via webcast):

Refinement results have been resilient with good margins. With the increase in production, we have seen that utilization rates have reached 96% in the 3Q23 for refineries. So what should we expect for this industry considering utilization rates and sustainable margins?

Claudio Schlosser:

Good morning. Rodolfo, thank you for your question. Although we see some volatility in the international market, our expectation is that margins for diesel will be sustained for the next months. Why am I mentioning diesel? Because diesel still responds for about 40% of our production of byproducts, so it's a significant driver for this market.

Gasoline has international markets, which impacts the next few months, but this is due to seasonal factors. And they usually get weaker as we come close to the winter in the Northern Hemisphere.

So our planning models and the economic utilization for the downstream do indicate that utilization rates for refinement will still be high.

I will pass it over to William, who will add to this answer, who will give his take on that.

William da Silva:

It's important to highlight, as Claudio said, that we are receiving many demands in logistics, which is quite good. We have been able to meet this demand with high utilization rates, as Claudio said.

What's important to highlight here is that our prediction is that considering seasonal effects for the next quarters for the 4Q and the 1Q24 that this demand will remain strong as Claudio said. So we are working to ensure that we will continue to have good utilization rates.

So we are going to reinforce our asset management tools, we are making a strong effort in downtimes, so planned downtime so that we can have the best maintenance level for our equipment, our reactors, our pipeline systems so that we can have planned downtime in our refineries at the right level of quality and with good operational availability.

And operational availability means the possibility of starting a refinery. There are some problems that might lead to stoppages for a plant or a system. And the utilization factor is having a higher load in comparison to our reference load.

In the last quarter or rather in the last 2 quarters, we were able to increase our rates with very good yields. So we went from 66% to nearly 70%. So it's important to highlight that our utilization rate is going up. loads are going up.

But we are not just melting this value for fuels. We are producing diesel and aviation fuel. As Claudio said, we have good expectations here. We are working to ensure that our systems will be able to have higher utilization factors. And this will ensure that we have good demand for our logistics and utilization areas.

Monique Greco, Itaú BBA (via webcast):

In the last weeks, we saw a significant reduction in international refinement margins, especially for gasoline. How is that reflected in the Company's strategic management. Is there any space of seeing interest rates reflecting the international market?

Claudio Schlosser:

So you are asking about how we monitor our commercial strategy. So I would like to underscore that one of our commercial operations, core values are to mitigate the volatility seen in the international market. That includes foreign exchange rates and the price of fuels for the Brazilian market.

Right now, we are seeing high volatility again, as we have seen before. This is being caused by what everyone knows, the uncertainties on the supply and demand side for fuels. On the other hand, we have some data on the Chinese economy that raises some concerns. We also have geopolitical conflicts that affect us. And the production costs in Saudi Arabia and Russia, which create some pressure on the supply side.

It's a complex environment to monitor. We are always keeping our eye on that, and this is reflected in our commercial strategy.

You asked specifically about gasoline. So the end of this cycle and its deceleration with oil has allowed us to reduce prices in October. So right now, as we see a high level of volatility, we are still looking at the basis for the market. If gasoline prices go to a different level that is structural, of course, Petrobras will analyze it and readjust its internal prices to maintain balance. We cannot give you any details on what these readjustments will be like, though.

Monique Greco:

We see that there was a reduction in volumes of imported diesel and GLP. Will this affect refinement? And how should the Company see this for the future?

Claudio Schlosser:

Certainly, the increase in the production of byproducts that are refineries, this production increase follows certain quality standards, which are for the prediction of diesel, and that led to the reduction of imports.

About the future forecasts, the decision to import is a result of a complex operational planning, involving several company departments that we use computing tools just like every other competitor does to maximize the value of assets and these plans take into account a series of factors, just like seasonality of demand and the availability of our logistics assets and the stock level that we are exposed to as well as the future expectations of the market that is our position.

Gabriel Barra, Citi (via webcast):

Could you give us more information about the discussions with the environmental authorities about the development of the Amazonas Falls? Is the project in line with the pre-salt projects after an approval, if it happens? And when can we expect the Company to produce the first oil? Thank you.

Ana Paula Zettel:

Thank you for the question. As I said, we are well positioned at the equatorial margins, especially at the falls of the Amazonas, what we call the Amapá deep waters. According to our latest discussions, we had a denial refusal from Ibama that did not allow us to drill at Morpho and then we made an appeal, and in August, there was a decision stating that an environmental assessment of these areas is not required to issue an environmental license, which is in line with the Supreme Court decision.

Since then, with the conciliation process that's in course, so we have been trying to solve any disagreements to then obtain the license to perform the preoperational assessment and to move forward with our exploratory activities. Right now, we cannot estimate any investments.

I can tell you that our business plans allocate US\$3 billion for the drilling of wells, 16 wells in that area. And after there is a decision from Ibama, and I would like to highlight our understanding that we meet each and every environmental requirement, only then we will be able to proceed and have more information about any businesses in the region.

Gabriel Barra:

According to the news, there is a discussion about the selling of Braskem that may be completed before the 1Q24. We have been seeing some integrated oil and gas companies trying to find a way out from this in the long run. In the perspective of the Company, would it make sense to have control over Braskem? Or should it continue to be a minority shareholders? Can we expect this to be completed before the 1Q24? What do you expect from a new partner in this business?

Sergio Leite:

Petrobras and the oil industry as a whole, and more specifically, Petrobras, we see a lot of value in petrochemicals. And this is not something new, internal monitoring and the sharing of information about future possibilities occurring internally at Petrobras. And this led the Administrative Council to approve the integration of petrochemicals into the business scheme of Petrobras.

So there are guidelines currently stating that Petrobras should assess its investments in petrochemicals. We have a relevant position in the petrochemical industry through Braskem. And for that reason and because we believe in the future, we believe that petrochemicals contribute to the energy transition.

We and the Board see a greater resilience in the medium and long term in the petrochemical industry at the expense of gasoline. So it's a rational and strategic movement, all of the integrated companies in the world are doing the same thing. So yes, the growth of petrochemicals is relevant for Petrobras.

In the specific case of Braskem and the offers posted by Braskem, you can see that so far, the proposals have been nonbinding, if I am not mistaken, 2 or 3 nonfiling proposals made about the acquisition of the Novonor share.

These proposals were made to Novonor, which is actually the seller of their share. They inform the banks and Petrobras as the business partner. So then a proposal is made to Novonor. And I want to highlight that just to state the fact that the decision to sell or not

is not for Petrobras. Petrobras has a tag along and a selling preference if it deems that price is fair.

The fact that the Administrative Board approved this and that Petrobras has been monitoring the petrochemical industry in Brazil and in the world as a potential for growing its businesses. These decisions may not be conflicting with Braskem, the selling of Braskem, or it may further reiterate the decision to purchase Braskem. So Petrobras is currently doing due diligence these proposals, like I said, are nonbinding proposals.

And if it becomes a binding proposal, Petrobras will have to make a decision since it has the right of preference in the purchase or tag along. Petrobras has a refinement firm that's quite powerful and updated. What we see in the world is that the integration with petrochemical industry is oftentimes made directly at the refinery level.

So of course, Braskem is a shortcut, but it's not the only way out we have at Petrobras, the only solution we have. I need to make that clear. so that there is no confusion as to whether Petrobras has decided to buy or sell. We are analyzing the business and we are analyzing it very carefully. After all, we have 47% of the shares. It's a very relevant position at the Company.

Concerning the time frame or partners, I wouldn't be able to give you an idea, Gabriel, because right now, it does not depend only on Petrobras. Last week, we saw a new nonbinding proposal about the purchase, and there has been no decision from Novonor. There is a time frame, a deadline for them to make a decision. And this is not at the hands of Petrobras.

So I cannot give you an idea of when that's going to happen. And in terms of the decision as to whether you are going to have a business partner. Yes, Petrobras intends to grow in this sector and the Petrobras partners should be aligned with Petrobras' vision. But given the importance of Petrobras in Brazil, it's very important that buyers take care of all the interests of those involved and that the interests are aligned with those of Petrobras, potential investments and technical capability and that they preserve the interests of the creditors of Braskem and any creditor at that.

And the Novonor interests, Petrobras is interested in making the business grow in harmony. That's what I can tell you right now, Gabriel.

Gabriel Barra:

The oil and gas industry has been constantly concerned about inflation and the cost of investments. The market is quite tight for the acquisition of new rigs ships and platforms. How can we find a balance? Can we expect to see the Company investing again in capitalizing these assets?

Carlos Travassos:

Thank you for your question, Gabriel. That is somewhat connected to my previous answer. Actually, the market is quite upset when it comes to the escalation of courses. And we have been defining the strategy on a case-by-case and proposal-by-proposal basis. And our intention is still one of diversifying. We do that in the FPSO market. the subsea lines and systems market. In that market, we acquired these components; and in the market of rigs, we work with freights, and these are temporary demand for rigs.

So to answer your question, we have no intention of purchasing the rigs. We keep on monitoring the market and entering into contracts that are more advantageous to us that

allow us to reduce the risk of operators and contracts where we can guarantee the demand and when we can flexibilize the use of the rigs. That is how we have been dealing with the 'tightness', as you call, it of the market.

Luiz Carvalho (via webcast):

If the Company generates cash in excess of the reference cash flow that's been defined, what are the policies, dividends above the policy at which point of the list of priorities? Does the Company think about finding a balance between distributing dividends as it did in 2023 as opposed to the new reserve?

Sergio Leite:

Thank you for your question, Luiz. As I said in some of my previous answers, we should take into account that there might be a lack of connection between net profit and cash flow. The reserve is built based on cash flow. The cash flow is not directly related to that. So we need to take that a lack of connection into account because the reserve was created to guarantee the dividends resolving any kind of problems with the cash flow and net profit.

But to your point, the guidelines state that we have to maintain a strong and robust balance across all of its levels, assets, liabilities, indebtedness, maintenance of the net assets of the shareholders and whatnot. So the first guideline for the generation of cash is to reinforce our balance always.

And that is what is going to help us make sure that the Company will keep on growing. It's one of Petrobras' growth vectors. And Petrobras, we have this value creation culture. We look at the cash allocation from a perspective of value creation, and this will keep on happening, we will keep on focusing on the creation of value. Cash has to be allocated wherever it adds more value to the Company's portfolio, including oil and gas, energy transition, any area the Company decides to invest in.

Dividends are an important part. And one of the reasons for the Company to exist is to compensate its partners. And there are others, of course, to contribute to society, several others. Dividends are a very important part of it. So the decision to create a reserve indicates that Petrobras is still committed to meeting all of its requirements.

The generation of cash flow is intended to generate value considers the creation of dividends and the creation of the reserve was meant to add transparency and to rule out any possible impacts in adverse scenarios and the lack of connection between cash flow and net profits, any potential impacts on the payment of dividends, our policy of 45% over the net cash flow.

So these are our priorities to generate value and allocate capital and investments that generate value for the Company. Of course, always taking care of the payment of dividends, which is fundamental for the Company.

Luiz Carvalho:

In addition to offshore wind, does the Company see itself as a producer of biofuels, whether it is in ethanol or biodiesel. And what about new biofuels like SAF and renewable diesel? What are the Company's ambitions given the Brazilian excellence in producing sustainable biomass?

Mauricio Tolmasquim:

So as you said, Brazil, has this gift producing biomass very well. We have a lot of land available. We receive a lot of sunlight. We have abundant water. So we really are the country of biomass. Besides that, it makes sense for Brazil, especially Petrobras to be in liquid fuels because we have logistics for that. We have our infrastructure built for oil byproducts.

So at Petrobras, we are looking at this entire chain. We are seeing how consumption takes place and how biofuels can play there. So in transportation, we are looking at renewable biodiesel, which uses a 5% mixture of plant-based oils. This requires very little investment. And it produces high-quality products, meaning diesel with the same quality as diesel that is produced from oil.

In aviation, we have plants that are dedicated to use 100% plant oil for aviation fuel. What's the importance of that? Well, from 2027 on, the aviation industry has a goal of decarbonizing itself. So it will be a huge market that will open up in a short while, and Petrobras is very well positioned to supply this market.

In the maritime industry, we also have significant opportunities. We have a ship operated by Transpetro and it uses a 24% biodiesel mix. And the results have been very good. Still concerning biomass, but not necessarily biofuels, we can also talk about the replacement of some petrochemical products. We have the Riograndense refinery in Southern Brazil using vegetable oil to produce substitutes for petrochemical products. So it makes a lot of sense. But I will pass it over to William, who is responsible for the refinery area, and he can give us more details on that.

William da Silva:

The answer was great. I will just add something. Along with the energy transition area that is being led by Professor Tolmasquim, we have 3 important fronts. The first one is biorefineries. We have 3 plants processing R5, which is renewable biodiesel. In Cubatão, Repar was the first one, and now this week, we are starting operations with Replan. By the end of December, we are also going to have Reduc, so that will give us some capacity of 10,000 m³ a day.

Considering renewable plans, as Professor Tolmasquim said, we have a plant in PE 23-27 under studies in Cubatão, where we are going to have EFA technology, meaning hydro refineries. So it will be completely plant-based to create R100 diesel and SAF, and that will comply to international regulations.

In refineries, we had a test with our Braskem partners and the Ultra Group in the Riograndense refinery, processing 2,000 tons of soybean oil. So we are producing some byproducts there that are completely plant-based, especially green naphtha that has a significant market and green propane, which is very interesting, and many other green products. So with this test, and we are talking to a few partners, we will have a biorefinery that is completely green, and we hope to have it by the end of 2026. So that's the first pillar.

We are talking about energy transition here. We are also working with our own energy efficiency program to reduce the carbon footprint for our refineries according to our international consultants that analyzes many companies in all continents.

So we are working on that. We have artificial intelligence in this program as well. We have a digital twin. So we are optimizing our refineries, not only in processing products,

but also reducing the consumption of coke, and with that, we will reduce our carbon footprint.

And besides that, as was said before, we are also working to improve the quality of our energy production. We have 4 refineries still being studied with the transition area. We want to include photovoltaic cells in some of them.

The first one is Regap, and if it's approved, it will start in the 1H25. So first, 11 and then 80 megawatt hours of production, Replan, Rnest and Revap are also studying that. To give you an idea, our proposal is to have 80 megawatts of production. So we are going to be net exporters of energy, depending on season. As you know, solar power is intermittent.

And the third pillar is a proposal that we are also looking at, which is replacing the gas we use in our hydro refineries to produce low sulfur gasoline. And then we will replace it for hydro refinery using hydrogen. And this is a capacity of 500 tons a year of hydrogen consumption. So we hope to replace this production, which is now being done with natural gas, for green gas, biomass, methane or electrolysis. So we are talking to several international technology companies, and we hope to move in that direction.

That will also be a very important step. We have an agreement with Unigel to produce green ammonia through Fafen Bahia by synthesis generator. We have an NDA signed, so we cannot give you many details there, but that's the third pillar, replacing gas with green nitrogen. So this is what we have been doing with Tolmasquim's areas. So that's what we are doing concerning energy transition.

Eduardo De Nardi:

Thank you, William and Tolmasquim, and everyone who participated. This concludes our questions-and-answers session. If you have any additional questions, you can send them to our Investor Relations team. I will now hand it over to our Investor Relations Director, Sergio Leite, who will give us his closing remarks.

Sergio Leite:

Thank you to everyone who sent us questions. It's very important for Petrobras to get questions from analysts to answer them and understand what needs to be clarified to you. We would also like to thank our fellow directors who participated in this webcast. So just as a closing remark, I would just like to say that Petrobras is still growing. It's solid. It has provided robust results. It grew during the second and 3Q and continue to provide solid results.

Of course, comparisons are always pertinent, and they help our management team. The team that organized this event in fact deserves congratulations. Accounting, risks and everyone involved has provided a lot of information to the market, but we need to be very careful when we draw comparisons.

If you look at the same company in different strategic moments, that comparison requires some attention. So during the same quarter last year, the Company was reducing its investments and concentrating on exploration and production. Right now, we are looking at our resilience for the next 70 years.

So we hope to deliver value to our investors for the next 70 years and Petrobras' growth and market value right now reflects how we understand this strategy and what deliveries the team will provide.

We are growing 75% of the market cap, about 8% in the 9M23. This growth is based on some strategic changes, which require discounts. We had a reelection, the team changed. So for the first year, it's expected for the Company to go down because there are different expectations on what the new management will be like. And as the team has been working and as strategic drivers become clear, some risks are rolled out.

And usually, the Company is valued again at the level it deserves. So although we have faced adversities and although we had a reduction in our Brent and our crack spread, although we had a 7% foreign exchange effect, our gross income is going up, our EBITDA is going up.

We are having record level production. So we are giving value to our investors. So again, thank you. And as per usual, recommend that people buy Petrobras shares. That's the best thing that you can do. Thank you, and have a good day.

Eduardo De Nardi:

Thank you, Sergio. This concludes our presentation. It's already available on our Investor Relations website, and this webcast will soon be available there as well. Thank you, and have a good Friday.