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MANAGEMENT REPORT 2019

PETROBRAS

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Disclaimer

The Management Report seeks to comply with current regulations, such as Law no. 6404/1976 and the guidelines of the Brazilian Securities and Exchange Commission, or CVM (Comissão de Valores Mobiliários). In addition, the financial information contained in this report was prepared in compliance with the International Financial Reporting Standards (IFRS) and also in accordance with the accounting practices adopted in Brazil by the Accounting Pronouncements Committee, or CPC (Comitê de Pronunciamentos Contábeis).

This document may contain forward-looking statements that reflect only the expectations of Company's managers. The terms "anticipates," "believes," "expects," "predicts," "intends," "plans," "projects," "objective," "should" and other similar terms are intended to identify such forward-looking statements, which evidently involve risks or uncertainties that may or may not be anticipated by the Company, and therefore are not guarantees of our future results. Therefore, the future results of our operations may differ from the current expectations, and the reader should not rely exclusively on the information contained herein.

Management's comments on our financial performance consider the scope of each business segment, as defined in Note 12 to the Petrobras Financial Statements.

As a result of the divestments carried out in 2019, the strategy of repositioning our portfolio foreseen in the 2020-2024 Strategic Plan, approved on November 27, 2019, as well as the materiality of the remaining businesses, we reassessed the presentation of the Distribution and Biofuels businesses, that started to be included in Corporate and Other Businesses.

Accordingly, the company's business segments disclosed separately are: (i) Exploration and Production; (ii) Refining, Transportation and Marketing; (iii) Gas and Power; and (iv) Corporate and Other Business.

Message from the CEO

THE FIRST YEAR OF THE IMPLEMENTATION OF A NEW STRATEGY

I am pleased to share the results of a year of hard work, with the implementation of a new strategy for Petrobras, based on a transformational agenda supported by five pillars: maximization of the return on capital employed, reduction in the cost of capital, relentless search for low costs, meritocracy and respect for people and the environment and focus on the safety of operations.

The confidence in the quality of the strategy and in its efficient implementation was widely corroborated by the capital markets. Petrobras' market capitalization increased by 25%, from US$ 80.9 billion at the end of 2018 to US$ 101.1 billion in December 2019, outperforming the major oil companies in the world.

In less than twelve months - from April 2019 to February 2020 - two secondary public offers for the distribution of Petrobras' common shares owned by public banks were successfully carried out, totaling almost R$ 30 billion.

Two important aspects should be noted in the latter transaction, of R$ 22 billion: (a) it was carried out amidst a situation of high volatility in stock and oil prices, caused by the shock of the coronavirus on the global economy, and (b) 55,000 individual Brazilian investors bought our shares, which was remarkable for the development of the local capital market.

After years of stagnation, our oil and gas production surpassed the mark of 3 million barrels per day. The average cash lifting cost reached US$ 6.50 per boe in 4Q19, a reduction of US$ 3.0 in relation to the beginning of 2018. Pre-salt operations, with a lifting cost of approximately US$ 3.0 per boe[1], played a relevant role in the reduction of the total average cost.

In 2019, our activities generated a net income of R$ 40 billion, the highest in Petrobras' history, despite the drop in average oil prices from US$ 71 per barrel in 2018 to US$ 64. We have paid to the governments royalties, taxes and signing bonuses in the total amount of R$ 246 billion, also a historical record, which consolidates the company's position as the largest contributor in Brazil.

To support the focus on efficiency and value generation, we created two new executive directorships: (a) Institutional Relations, which is essential in a company such as Petrobras, given our size and level of interactions with governments and public bodies, and (b) Digital Transformation and Innovation.

In a rapidly changing world, digital transformation and the use of artificial intelligence are crucial for Petrobras' future. We are modernizing the information technology infrastructure, with a spike in high performance computing capacity (HPC), which, in 2019, was 3 times 2018's capacity (9 PFLOPs) and in the end of 2020 will reach 10 times (30 PFLOPs) [2]. The increase in HPC capacity is necessary to enable the application of more sophisticated algorithms that will provide us with a substantially greater amount of information in exploration and in oil reservoirs.

Portfolio management has resulted in divestments in which we are not natural owners in the amount of US$ 16.3 billion.

[1] Does not consider platform leasing.

[2] 1 PFLOPS equals the processing capacity of one quadrillion mathematical operations per second.

We were awarded the best Cross-Border M&A Deal of 2019 by Latin Finance magazine for TAG's sale transaction, also the largest in Brazil last year.

BR Distribuidora's follow-on transaction was the first privatization of a state-owned company via capital markets in the history of Brazil, carried out in a transparent manner and contributing to the development of the capital markets, which is extremely relevant to economic development. Instead of a company with a single owner, the company emerged with diluted capital among thousands of shareholders, democratizing capitalism.

Divestments of mature fields, in addition to the positive effects for Petrobras due to the asymmetry of perceived value, have been contributing to the construction of a new oil industry in Brazil, with small and middle-sized producers, which invests in the recovery of fields with low productivity and high lifting costs, adding value to regional economies.

The maximization of the return on capital employed also includes discipline in its allocation and investments to create conditions to grow productivity.

Given the contracted credit lines available for immediate use, "revolving credit facilities" totaling US$ 9 billion, we are reducing the minimum cash target to US$ 5.5 billion. The retention of an excessive amount of cash acted as a drag on returns on capital employed.

We have raised the bar for the selection of projects, which will be assessed individually when competing for scarce capital. The selectivity in the allocation of capital was put to the test in the 3 auctions held by the ANP in October and November, when 45 blocks were auctioned off. The company submitted proposals for only five, winning four, C-M-477, Búzios, Itapu and Aram

We managed to shorten the ramp-up period of the platforms to 9 months on average and when transporting P-70 from China to Rio de Janeiro, we used a dry-tow ship, which reduced travel time from 100 to 45 days. With the use of artificial intelligence, we are developing projects that have the potential to revolutionize oil exploration and project development, substantially reducing the probability of drilling dry wells and the period between discovery and first oil. Such projects will very positively influence the return on capital employed in a not-so-distant future.

Petrobras' excellence in innovation was recognized at the Offshore Technology Conference (OTC) Brazil 2019, by the Distinguished Achievement Award for the extended well test of the Libra project. For the 4th time since 1991, our competence was again recognized by the OTC 2020 Houston through the Distinguished Achievement Award for Companies, the main award in the global oil and gas industry, for the set of innovations developed to enable the production of the Búzios field.

Divestments were paramount to help us focus on the assets in which we are the natural owners, allowing for total investment of US$ 27.4 billion, US$ 16.7 billion of which in bonus for the acquisition of the exploration and production rights in the blocks already mentioned. Buzios is very special because it is the largest offshore field discovered worldwide, a true world-class asset with huge reserves, low risk for Petrobras and lifting cost below US$ 4 per barrel.

It is not a matter of discussing whether Petrobras will be bigger or smaller in the future. Our goal is to be much better in the future, the best in value generation in the world. There is no downsizing, we are seeking smartsizing.

As well as enabling the financing of investments with expected high returns, divestments and a strong generation of operating cash - record value of R$ 101.7 billion - allowed a reduction of debt by US$ 24 billion. In addition, the efficient liability management exchanged short and high-cost debt for long and lower-cost debt.

The combination of debt reduction and liability management allowed savings of US$ 1.2 billion in interest payments, with a reduction in the average cost of debt to 5.9% per year and an extension of its average tenor to 10.8 years.

We were very pleased to receive the Latin Finance award for the best Corporate Liability Management Program of 2019.

The three main credit risk agencies improved our stand-alone credit rating, which encourages us to continue our efforts to regain the investment-grade rating.

Another focus of our efforts has been the elimination of contingencies and off-balance liabilities. We managed to reduce litigation by R$ 35.5 billion, even after the effects of the monetary adjustments.

Owing to poor management over several years, our employees' pension fund, Petros, suffered heavy losses, putting at risk the payment of pensions to thousands of people. Greenfield operation investigates the practice of illegal acts in several pension funds, including Petros.

We are working relentlessly to solve Petros' challenges. The pension plan for the employees who joined Petrobras before 2002 presents growing deficits and the attempts to solve this problem in the past have been unsuccessful. We are approving a much more effective equalization plan, which will reduce the impact on employees, and we are proposing a new defined contribution plan with a long-term solution.

Initiatives were launched with a focus on meritocracy, comprising incentives aligned with the interests of shareholders and helping to form a culture of value in the company.

Our Board of Directors approved an effective variable compensation plan with goals based on value generation. Bonuses relative to 2019 will be distributed after the General Shareholders' Meeting. At the same time, an EVA (economic value added) program will be phased in throughout 2020.

In addition to be a metric for variable compensation, the EVA allows for the identification of inefficiencies and, above all, empowers our employees by leading them to take over the role of entrepreneurs in charge of their own businesses.

Among several efforts to reduce costs, we launched a family of voluntary dismissal programs, with the adhesion up to the end of 2019 of 3,294 employees, of which 995 have already left Petrobras.

Slow processes are an important source of high costs and low productivity. We are addressing this issue by delegating powers to managers, while, of course, keeping high standards of corporate governance and compliance. At the same time, the use of digital transformation begins to generate positive effects in corporate areas, such as the legal department, where we were able to eliminate the issuance of 20,000 documents per year in a first wave, which saves a significant number of man-hours and results in efficiency gains.

We are preparing the future of Petrobras, which relies on people and on the quality of its human capital stock. One of our most relevant tasks is the identification of young talents, promoting them to management positions and preparing them to be the future leaders of the company.

The training program for employees was reformulated to meet long-term strategic demands, with a more careful selection of employees to be trained. At the same time, we eliminate waste, seeking to do much more with less. In addition to the mandatory disciplines required by regulation, we are giving emphasis, for example, on leadership, finance, geosciences, artificial intelligence and mathematical methods.

Likewise, R&D activities in our research center (CENPES), previously focused on meeting regulatory requirements, were redesigned for alignment with the Company's strategy.

In the social area, our programs are prioritizing investment in the early childhood, for children from 0 to 6 years old, where the social return rate is high, as it creates a powerful channel of economic and social mobility for those born in poor families. In addition, environment, science and sport for children and youth are priorities.

Our efforts were recognized and in 2019 we reached a score of 46.6% on the Corporate Human Rights Benchmark, a result higher than that obtained in 2018, of 17.6%, and also than the average of 29% for companies in the mining and oil sectors.

Petrobras is strongly committed to sustainability. We are a member of the Oil and Gas Climate Initiative (OGCI) and we are prioritizing the decarbonization of our operations, with goals and initiatives to reduce CO_2 and methane emissions and to increase carbon capture. The growth in water reuse is also an important concern, as our percentage is still low.

Our E&P operations discharged 17.3 kg of carbon equivalent per barrel of oil, which puts us in second place among the major oil companies in the world, only behind Equinor.

We continue to invest in research for the development of more environmental friendly fuels and in the acquisition of skills so that in the future we can enter the renewable business in a position to win.

Thanks to the quality of our oil, Petrobras is producing bunker oil with the low sulfur content of 0.5% required by the standards of the International Maritime Organization, IMO 2020. This new product helped to increase the utilization factor of our refineries to more than 80% in January, 2020.

Safety is our top priority and, in 2019, we reached the lowest total recordable injuries per million men-hour frequency rate (TRI) level. There were 0.76 accidents / million man-hours, a decrease of 24.7% in relation to 2018, establishing a new landmark for the global oil industry.

Despite this achievement, we will not stop there. We continue to pursue the goal of zero fatalities, and it is with deep regret that we recorded two fatalities in 2019.

We are in a long-horizon industry, where we have the challenge of mitigating the negative effects of the many mistakes made in the past, taking care of the short term and preparing for the coming decades.

Advances have been made, but we are still far from our goals. Petrobras remains one of the most indebted oil company in the world, with gross debt of US$ 87.1 billion, leverage above the oil industry standards and high costs. In addition, the return on capital employed still remains below the cost of capital.

Thus, despite the ongoing strategic initiatives, production records and the very favorable accounting figures we are disclosing today, we cannot relax. There are many challenges ahead of us and, in order to overcome them, we need to continue with our efforts and to count on the talents of our professionals, the true jewel in Petrobras' crown.

Finally, I would like to acknowledge and thank the important role played by our Board of Directors, which has been very supportive throughout this journey.

Roberto Castello Branco
CEO of Petrobras

Production and sales 2019

Main highlights

After several years of stagnation, we have delivered an excellent operating performance, reaching daily, quarterly and annual oil and gas production records.

In 2019, we recorded an average production of 2.770 million barrels of oil equivalent per day (MMboed), reaching the upper limit of the target set for the year, 2.7 MMboed, with a variation of 2.5% up or down, increasing 5.4% in relation to 2018. Oil production in Brazil was 2.172 million barrels per day (MMbpd), exceeding the target of 2.1 Mmbpd.

The operating result for the year reflects the better results in 2H19, driven by the ramp-up of new production systems, which more than made up for the challenges faced in 1H19.

The ramp-ups of P-67 and P-69 in the Lula field contributed to new monthly records for both our own and the operated production of 3.1 MMboed (November) and 3.8 MMboed (December), respectively. Also in November, with the start of production on P-68, we completed the implementation schedule for 8 production systems in less than 24 months, something unprecedented in our history. In addition, in December, we reached a new daily record in our own production of 3.3 MMboed.

The 2020 production target is 2.7 MMboed, with a variation of 2.5% up or down, corresponding to the commercial production of 2.4 MMboed and 2.2 MMbpd of oil. The numbers consider the effect, in Petrobras stake, of Tartaruga Verde and Nigeria fields sales, whose transactions have already been concluded and which, together, produced 86 thousand barrels per day (kbpd).

Production in the pre-salt layer continues to evolve, reaching 1.277 MMbpd in 2019, representing an increase of 28.4% against 2018. In 2019, oil production in the pre-salt came to represent more than half of total oil production in Brazil, 59% compared to 49% in 2018.

On November 6, we acquired the assets of Itapu and Búzios in the Transfer of Rights Surplus auction, reaffirming our focus on the exploration and production of world-class offshore assets, mainly in the pre-salt, in which we are the natural owners.

Búzios is the largest offshore deep water oil field in the world. It is a world-class asset, with substantial reserves, low risk and low lifting cost, being resilient to price scenarios below US$ 40 per barrel. It is an asset in which we are the natural owner, as we are able to extract a higher return than another operator.

We ended 2019 with 9,590 MMboe in proven reserves (Securities and Exchange Commission - SEC criterion), in line with the previous year. It is worth noting that the reserves of Itapu and Búzios assets acquired in the Transfer of Rights Surplus auction are not included in this volume. The divestment operations concluded during the year provided the anticipated monetization of 72 MMboe. Disregarding the divestments, we were able to replace 106% of the volume produced, mainly due to the good performance and the greater production history of the Santos Basin pre-salt reservoirs, in addition to incorporations related to the re-allocation of volumes due to the revision of the Transfer of Rights contract and the approval of new projects in the Santos, Campos and Espírito Santo Basins. The relationship between the volume of proven reserves and the volume produced is 10.5 years.

On January 24, 2020, the P-70 platform, which will be installed in the Atapu field, in Santos Basin pre-salt, arrived in Rio de Janeiro. An innovation was used to transport the unit from China to Rio de Janeiro: a dry tow. It was loaded on a semi-submersible vessel used to transport heavy cargo instead of being driven by ocean tugs. With that, we were able to reduce the average transportation time from 100 days to around 45 days. Time is an extremely important variable for the return of a project, which highlights the contribution of the decrease in transportation time obtained through the use of dry tow.

The P-70 has the capacity to process 150 kbpd and 6 million cubic meters of natural gas per day. The forecast is that it will start producing in the first half of this year.

On January 29, 2020, the P-77 reached its capacity of 150 kbpd, concluding its ramp-up in 10 months.

In the refining segment, we increased our production of bunker and low-sulfur fuel oil streams due to the appreciation of these streams in the international market due to the new specification of IMO 2020. In this way, we capture export opportunities and start supplying the domestic market with the new specifications.

Consolidated production volume

Production volume (kbpd)	2019	2018	Δ 2019 / 2018 (%)
Diesel	698	715	(2.4)
Gasoline	394	393	0.3
Fuel oil	205	178	15.2
Naphtha	78	67	16.4
Liquefied Petroleum Gas (LPG)	124	126	(1.6)
Jet fuel	105	110	(4.5)
Other	175	176	(0.6)
Total oil products	1,779	1,765	0.8

Consolidated sales volume

Sales volume (kbpd)	2019	2018	Δ 2019 / 2018 (%)
Diesel	725	731	(0.8)
Gasoline	378	402	(6.0)
Fuel oil	39	46	(15.2)
Naphtha	82	97	(15.5)
LPG	229	231	(0.9)
Jet fuel	119	123	(3.3)
Other	166	157	5.7
Total oil products	**1,738**	**1,787**	**(2.7)**
Alcohols, nitrogenous, renewable and others	7	17	(58.8)
Natural gas	350	345	1.4
Total domestic market	**2,095**	**2,149**	**(2.5)**
Exports of oil, oil products and others	735	594	23.7
Sales of international units	101	236	(57.2)
Total external market	**836**	**830**	**0.7**
Grand total	**2,931**	**2,979**	**(1.6)**

Net imports and exports

Thousand barrels per day (klbpd)	2019	2018	Δ 2019 / 2018 (%)
Net export (import)	381	243	56.8
Import	354	349	1.4
Crude oil	168	154	9.1
Diesel	70	59	18.6
Gasoline	28	19	47.4
Naphtha	8	30	(73.3)
LPG	62	67	(7.5)
Other oil products	18	20	(10.0)
Export	735	592	24.2
Crude oil	536	428	25.2
Fuel oil	133	121	9.9
Other oil products	66	43	53.5

Proved reserves in 2019

Our proved reserves of oil, condensate and natural gas, estimated according to SEC criteria, reached 9.590 billion barrels of oil equivalent (boe) as of December 31, 2019, as displayed in the table below.

Proved reserves volumes in 2019

Fluid	SEC Proved Reserves
Oil and condensate (billion bbl)	8.156
Natural gas (billion m^3)	228.404
Oil equivalent (billion boe)	9.590

The progress of proved reserves, in billions of barrels of oil equivalent, is shown in the table below.

Changes in proved reserves in 2019

Progress of reserves		Volumes in billion boe
a)	Proved Reserves in December 2018	9.606
b)	Appropriations in 2019	0.969
c)	Divestments in 2019	-0.072
d)	Production for the year 2019[3]	-0.913
e)	Annual variation (b+c+d)	-0.016
f)	Proved reserves in December/2019 (a+e)	9.590

In 2019, divestment operations provided the anticipated monetization of 72 million boe related to the conclusion of the sale of all of our interest in Pargo, Carapeba, Vermelho and Maromba fields in Campos Basin and in34 onshore fields in Potiguar Basin, and of the sale of 50% of our interest in Tartaruga Verde and Espadarte fields, in Campos Basin.

Disregarding the effects of the divestments made in 2019, we succeeded to replace 106% of the produced volume, mainly due to good performance and the greater production history in reservoirs in the pre-salt layer of Santos Basin. In addition, Petrobras incorporated reserves related to the rearrangement of volumes due to the revision of Transfer of Rights Agreement and to the approval of new projects in Santos, Campos and Espírito Santo Basins. The ratio between proved reserves and produced volume is 10.5 years.

Historically, we submit at least 90% of our proved reserves for independent evaluation, according to the SEC criterion. Currently, D&M (DeGolyer and MacNaughton) conducts the independent evaluation of our reserves.

[3] Production disclosed in table does not consider natural gas liquids -NGL as our reserves are estimated at a reference point located prior to the gas processing plants, except in the United States and Argentina. Production also does not consider injected gas volumes, the production of Extended Well Tests (EWTs) in exploratory blocks and production in Bolivia, since the Bolivian Constitution does not allow disclosure of reserves.

Financial performance 2019

Highlights of the 2019 result:

- The company's recurring net income and adjusted EBITDA were R$ 37.0 billion and R$ 134.7 billion, respectively, not considering the effects of special items.
- Considering the special items, net income reached R$ 40.1 billion, reflecting the capital gain from the sale of assets.
- Adjusted EBITDA was R$ 129.2 billion, an increase of 12.5% compared to 2018, due to lower production costs and lower contingencies.
- In 2019, the adjusted net debt/LTM EBITDA ratio increased to 2.46x versus 2.34x in 2018, applying the effects of IFRS 16. Once these effects were eliminated, the index would have been 1.99x in 2019.

Main indicators*

Table 1 - Main indicators

R$ million	2019	2018	Δ 2019 / 2018 %
Sales revenues	302,245	310,255	(2.58)
Gross profit	122,105	118,687	2.88
Operating expenses	(40,951)	(58,142)	29.57
Net income - Petrobras shareholders	40,137	25,779	55.70
Recurring net income - Petrobras shareholders	36,954	36,767	0.51
Net cash provided by operating activities	101,766	95,846	6.18
Free cash flow	73,232	55,450	32.07
Adjusted EBITDA	129,249	114,852	12.54
Recurring adjusted EBITDA*	134,696	123,150	9.38
Gross debt (US$ million)	87,121	84,360	3.27
Gross debt excluding IFRS 16 (US$ million)	63,260	84,175	(24.85)
Net debt (R$ million)	78,861	69,378	13.67
Net debt excluding IFRS 16* (US$ million)	55,000	69,193	(20.51)
Net debt/ LTM Adjusted EBITDA (x) **	2.46	2.34	5.13
Net debt/ LTM Adjusted EBITDA excluding IFRS 16(x)* **	1.99	2.34	(14.96)
Average selling dollar	3.95	3.65	8.22
Brent crude (US$/bbl)	64.30	71.04	(9.49)
Crude oil sales price (US$/bbl)	61.25	66.66	(8.12)
Domestic basic oil products price (R$/bbl)	296.01	299.70	(1.23)
TRI (Total Recordable Injuries per million men-hour frequency rate)	0.76	1.01	(24.75)
ROCE Adjusted excluding IFRS 16 - %	8.22	8.54	(3.75)

* See reconciliation of Net income and adjusted EBITDA excluding special items and the effects of IFRS 16 in the special items section. See the effects of IFRS in the Adoption of IFRS 16 section on page 15.
** Ratio calculated using the indebtedness in reais.

Net revenue

Table 2 - Net revenues by product

R$ million	2019	2018	Δ 2019 / 2018 %
Diesel	90,770	86,401	5.1
Diesel subsidy	–	5,461	-
Gasoline	38,710	42,706	(9.4)
Liquefied Petroleum Gas (LPG)	16,400	16,380	0.1
Jet fuel	15,113	15,430	(2.1)
Naphtha	6,579	9,017	(27.0)
Fuel oil (including bunker)	4,038	4,541	(11.1)
Other oil products	13,453	13,809	(2.6)
Subtotal oil products	**185,063**	**193,745**	**(4.5)**
Natural Gas	23,379	19,904	17.5
Renewable and nitrogenous	960	1,343	(28.5)
Revenues from non-exercised rights*	2,539	2,470	2.8
Electricity	5,196	7,549	(31.2)
Services, agency services and others	3,692	4,916	(24.9)
Total domestic market	**220,829**	**229,927**	**(4.0)**
Export of oil, oil products and others	71,612	56,111	27.6
International sales	9,804	24,217	(59.5)
Total external market	**81,416**	**80,328**	**1.4**
Total	**302,245**	**310,255**	**(2.6)**

Net revenues reduced 2.6% in 2019, despite higher volumes of oil and oil products exports and the increase in natural gas revenues, mainly due to the fall of 2% in Brent prices in Reais, to lower volumes of oil product sales, at lower prices, chiefly gasoline and naphtha. Also contributing to the drop in revenues, the reduction in revenue from units abroad, reflecting the sale of upstream assets of Petrobras America, a distributor in Paraguay and the Pasadena refinery.

Regarding sales to the foreign market, we have the following distribution of export destinations:

Table 3 – Crude oil exports

Country	2019
China	71%
USA	10%
Chile	5%
India	4%
Others	10%

Table 4 - Oil products export

Country	2019
Singapore	39%
USA	38%
Netherlands	3%
China	1%
Others	18%

Cost of goods sold

Table 5 - Cost of goods sold

R$ million	2019	2018	Δ 2019 / 2018 %
Operations in Brazil	**(172,237)**	**(171,136)**	**0.6**
Purchases and imports	(51,403)	(45,202)	13.7
Oil	(21,188)	(17,165)	23.4
Oil products	(17,010)	(17,388)	(2.2)
Natural gas	(13,205)	(10,649)	24.0
Production	(114,021)	(114,621)	(0.5)
Oil	(88,131)	(86,422)	2.0
Government participation	(33,692)	(35,148)	(4.1)
Other costs	(54,440)	(51,274)	6.2
Oil products	(14,789)	(15,114)	(2.1)
Natural gas	(11,100)	(13,085)	(15.2)
Government participation	(2,754)	(3,275)	(15.9)
Other costs	(8,346)	(9,810)	(14.9)
Services rendered, electricity, renewable, nitrogenous and others	(6,813)	(11,313)	(39.8)
Operations abroad	**(7,903)**	**(20,432)**	**(61.3)**
Total	**(180,140)**	**(191,568)**	**(6.0)**

In 2019, despite the slight drop in Brent prices in Reais, we managed to reduce the cost of goods sold in 6%, when compared to 2018, due to: (a) lower production costs of natural gas and oil products, (b) lower expenses with electricity due to lower generation and lower prices and (c) reduction in expenses with operations abroad, reflecting the divestments made, which more than offset the increase in spending on oil and natural gas imports, due to the higher volume.

Operating expenses

Table 6 - Operating expenses

R$ million	2019	2018	Δ 2019 / 2018 %
Sales, general and administrative expenses	(26,114)	(22,084)	18.2
Sales	(17,746)	(13,938)	27.3
Materials, services, rentals and others	(14,549)	(12,608)	15.4
Depreciation, depletion and amortization	(2,160)	(518)	317.0
Expected credit losses	(192)	(63)	204.8
Personnel expenses	(845)	(749)	12.8
General and administrative	(8,368)	(8,146)	2.7
Personnel expenses	(5,621)	(5,473)	2.7
Material, services, rentals and others	(2,119)	(2,267)	(6.5)
Depreciation, depletion and amortization	(628)	(406)	54.7
Exploratory costs for gas oil extraction	(3,197)	(1,904)	67.9
Costs with research and technological development	(2,268)	(2,345)	(3.3)
Taxes	(2,484)	(2,475)	0.4
Impairment of assets	(11,630)	(7,689)	51.3
Other (expenses) revenues	4,742	(21,645)	(121.9)
Total	**(40,951)**	**(58,142)**	**(29.6)**

Operating expenses reduced significantly in 2019 due to the gains with divestments in the amount of R$ 25.7 billion, mainly related to TAG and E&P assets. On the other hand, there were higher impairment charges, mainly in 4Q19, and higher selling expenses, due to the payment of tariffs for the use of TAG gas pipelines of approximately R$ 3 billion and higher logistic costs for exports associated with the stronger freight market and increase in export volumes, as well as depreciation of Real versus US$ dollar. The increase in the general and administrative expenses line was due to internal expense reclassifications. Excluding this effect, such expenses would have fallen by approximately R$ 100 million.

Impairment expenses, usually concentrated in the last quarter, increased 279% mainly as a consequence of the revision of assumptions on new Strategic Plan, as well as the postponement of the investments in the 2nd train of RNEST and the cancellation of the fertilizer unit (UFN III). On February 10, 2020, we announced the opening of the UFN III sale process.

On the other hand, other expenses reduced mainly due to gains in the asset sales and lower contingencies.

Below, we show the details of impairment recognized in 4Q19:

Table 7 - Impairment

Consolidated - R$ million		
Assets by nature	**Impairment**	**Details**
E&P producing fields	(6,590)	The expectation Brent curve revision
RNEST - 2nd Train	(2,199)	Postponement of the beginning of operations
UFN III	(824)	Provision for impairment of 100%
PO&G	(366)	Closing of the sale with price adjustment
Vitoria 10,000 drillship)	(194)	Sale conclusion on January, 2020
UTE Termocamaçari (Thermoelectric plant)	(101)	Mothballing of the plant
Transpetro's fleet of vessels	425	Improvement in the current freight market
E&P fields – under sale	365	Signing of Frade and Lagoa Parda cluster fields
Comperj	206	Utilities built in Comperj will become a service provider for UPGN
Termobahia	157	
Others	(4)	
Total	**(9,139)**	

Adjusted EBITDA

2019 Adjusted EBITDA reached R$ 129.2 billion, 12% higher than 2018 due to the reduction in production costs (R$ 11.4 billion) and lower contingencies (R$ 2.5 billion) and the adoption of IRFS16 (R$ 17.2 billion). This positive result was partially offset by an increase in abandonment expenses (R$ 3 billion), an increase in sales expenses (R$ 3.8 billion) and a reduction in refined oil products margins.

Net income attributable to Petrobras' shareholders

Net income in 2019 reached R$ 40.1 billion, a 56% increase compared to 2018, mainly as a result of capital gains on divestments (mainly TAG, BR Distribuidora and E&P assets), partially offset by higher financial expenses associated with liability management, higher impairments and lower Brent prices.

Recurring net income attributable to Petrobras' shareholders and recurring adjusted EBITDA

In 2019, net income and adjusted EBITDA excluding the impact of non-recurring items were R$ 37.0 billion and R$ 134.7 billion, respectively.

Adoption of IFRS 16

The table below shows the impacts on the main lines of the Balance Sheet, Income Statement and Cash Flow.

Table 08 - Effects of the adoption of IFRS16

R$ million	Disclosed on 12.31.2019	Effects of the adoption of IFRS 16	Balance without the effects of IFRS 16 on 12.31.2019
Balance Sheet			
Assets	**926,011**	**90,658**	**835,353**
Liabilities and equity	**926,011**	**90,658**	**835,353**
Statement of Income			
Gross profit	**122,105**	**892**	**121,213**
Operational expenses	(40,951)	774	(41,725)
Operating income (loss)	**81,154**	**1,666**	**79,488**
Net financial result	(34,459)	(5,973)	(28,486)
Results in equity-accounted investments	547	-	547
Income (loss) before taxes	**47,242**	**(4,307)**	**51,549**
Income tax and social contribution	(16,400)	1,464	(17,864)
Net income (loss) from continuing operations	**30,842**	**(2,843)**	**33,685**
Net income (loss) from discontinued operations	10,128	-	10,128
Net income (loss)	**40,970**	**(2,843)**	**43,813**
Statement of Cash Flow			
Net cash provided by operating activities	101,766	15,691	86,075
Net cash provided by (used in) investing activities	(7,952)	4,970	(12,922)
Net cash used in financing activities	(126,336)	(20,661)	(105,675)
Cash and cash equivalents at end of period	**29,729**	**-**	**29,729**
Net debt	**317,867**	**95,464**	**222,403**
Adjusted EBITDA	**129,249**	**17,211**	**112,038**
Net debt/Adjusted LTM EBITDA	**2.46**	**0.47**	**1.99**

The adoption of IFRS 16 does not change our deleveraging strategy, maintaining the goal of reducing the net debt / adjusted EBITDA ratio to 1.5x in 2020.

Investments

Investment amounts (Capex) encompass acquisition of property, plant and equipment, including expenses with leasing, intangible assets, investments in subsidiaries and affiliates, expenses with geology and geophysics, expenses with research and development and pre-operating expenses. For the Capex presented in this report session, the international accounting standard IFRS16 - Leasing is not applicable.

Table 09 - Investments by segment

US$ million	2019	2018	Δ 2019 / 2018 %
Exploration and Production	8,410	10,760	(21.8)
Refining	1,463	1,107	32.1
Gas and Power	543	433	25.3
Others	328	307	6.8
Total - ex Bonus	**10,743**	**12,607**	**(14.8)**
Signing Bonus	16,671	832	
Total - including bonus	**27,413**	**13,439**	**104.0**

In 2019, we reached US$ 27.4 billion in investments, US$ 10.7 billion of which without signing bonuses, in line with the target of US$ 10 to 11 billion, disclosed in 2Q19.

Portfolio management

Improvements in capital allocation are being implemented through portfolio management, with divestments of assets with low returns on capital employed. In 2019, we managed to make significant divestments, with signed and completed transactions contributing to a total of US$16.3 billion, including transactions signed in 2018 and completed in 2019, with cash inflow of US$ 14.7 billion. The main assets divested during the year were TAG gas pipelines, BR Distribuidora and Tartaruga Verde field.

Debt

Our commitment to deleveraging generated significant results in 2019. The inflow of divestment resources led to a 25% fall in gross debt as of December 31st, 2019, reaching US$ 63 billion without the effects of IFRS16. Including IFRS16 which added US$ 23.9 billion to our debt, we managed to have a gross debt of US$ 87 billion, roughly in line with the amount in December 31, 2018, which did not include leases.

In addition, liability management helped to increase the average maturity from 9.14 years in December 31st, 2018 and 10.42 years in September 30th, 2019 to 10.80 years in December 31st, 2019, while, in the same periods, leverage reduced from 46% and 45% to 44%. Average interest rate reduced from 6.1% on December 31st, 2018 to 5.9% in September 30th and remained in the same level on December 31st, 2019.

Net debt increased 4.6% due to the use of cash to pay the signing bonus of the Transfer of Rights surplus auction in December 2019.

*With the sale of BR Distribuidora, this subsidiary's investments were deconsolidated as of 3Q19.

Deleveraging is a priority for Petrobras, whose goal is to reduce the net debt/adjusted LTM EBITDA ratio to 1.5x by 2020, considering the effects of IFRS 16. On December 31, 2019, the net debt/adjusted LTM EBITDA ratio was 2.41x considering the effects of IFRS 16, an increase from 2.40x at September 30th, 2019.. Excluding the effects of IFRS16, the net debt/adjusted LTM EBITDA ratio would decrease from 1.96x to 1.95x.

Table 10 - Debt indicators

US$ million	12.31.2019	12.31.2018
Gross debt (without IFRS16)	**63,260**	**84,175**
Capital markets	35,944	42,947
Banking markets	21,877	33,700
Development banks	1,967	3,387
Export Credit Agencies	3,233	3,881
Related parties	-	-
Others	239	260
Finance leases (IFRS 16)	23,861	185
Gross debt (with IFRS 16)	**87,121**	**84,360**
Adjusted cash and cash equivalents	8,260	14,982
Net debt	**78,861**	**69,378**
Net debt (without IFRS)	55,000	69,193
Net debt/(Net debt +market cap) - Leverage	44%	46%
Average interest rate (%)	5.9	6.1
Duration (years)	10.80	9.14
Net debt/adjusted LTM EBITDA ratio	2.41	2.20
Gross debt/adjusted LTM EBITDA ratio	2.66	2.68
R$ million		
Gross debt (without IFRS16)	**255,697**	**326,876**
Finance Lease (IFRS 16)	**95,464**	**-**
Adjusted cash and cash equivalents	33,294	58,052
Net Debt	**317,867**	**268,824**
Net debt (without IFRS16)	**222,403**	**268,824**
Net debt/adjusted LTM EBITDA ratio	**2.46**	**2.34**

Shareholders' compensation

Our Shareholders' Compensation Policy has as principles, among others, to establish the rules and procedures related to profit sharing through dividendsand/or Interest on shareholders' equity, transparently and pursuant to legal, statutory and other internal regulations..

In 2019, the Policy was revised, establishing an objective parameter for the payment of earnings, giving investors more transparency on their compensation, considering our indebtedness level and cash flow.

The main change brought about by the new policy is the definition that, in case of gross indebtedness of less than US$ 60 billion, including lease commitments (IFRS 16), we will be able to distribute to our shareholders 60% of the difference between our operating cash flow and investments, as defined below:

Compensation = 60% x (Operating cash flow - CAPEX)

It is important to highlight that the following are not considered as CAPEX: proceeds from the sale of assets; payments in the participation of bidding rounds for oil and natural gas upstream; and payments relating to the acquisition of companies or equity interests.

In case of gross indebtedness higher than US$ 60 billion, we may distribute to our shareholders the minimum mandatory dividends provided for by law and in our Bylaws.

The new policy is in line with the strategy to reduce our indebtedness and the search for greater value generation for our shareholders.

The Shareholders' Compensation Policy can be accessed on our website (http://www.petrobras.com.br/ir).

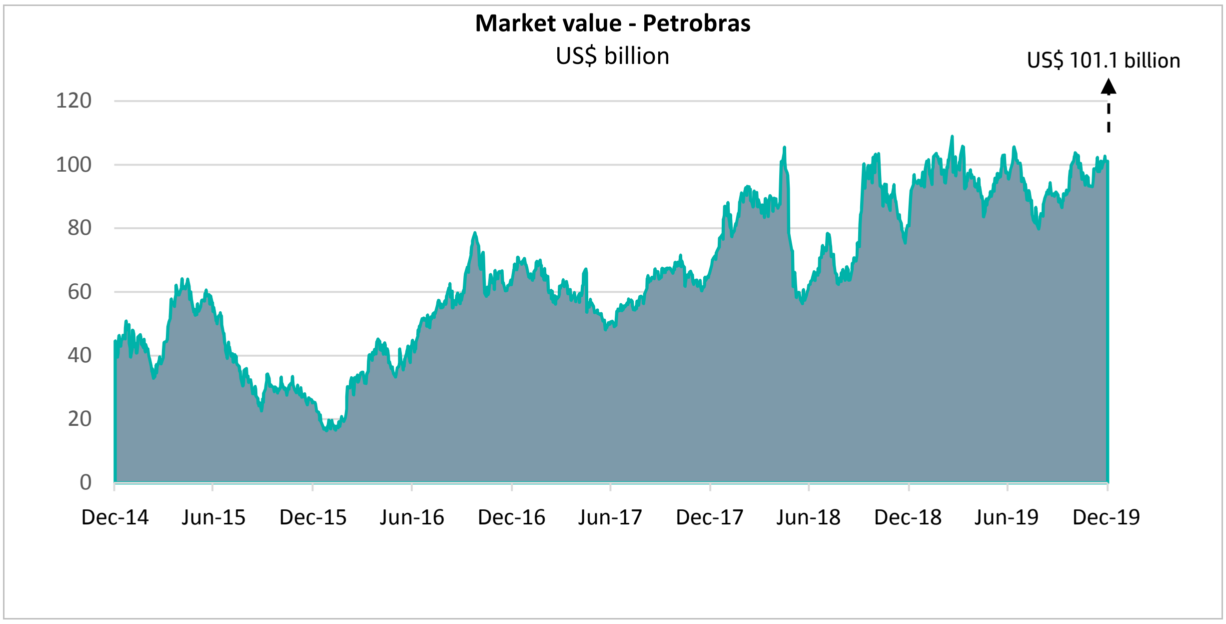
As provided for in the Policy, the decision to distribute dividends and/or other earnings, to be defined when calculating the 2019 fiscal year, will take into account several factors and variables, such as the company's results, its financial condition, cash needs, future prospects of current and potential markets, existing investment opportunities, maintenance and expansion of production capacity.

The shareholders' compensation proposal for the year 2019, which is being submitted by Management for approval by the 2020 General Shareholders' Meeting (AGM), in the amount of R$ 10.6 billion, includes the mandatory dividend in the percentage of 25% on the adjusted net income and a withholding income tax (IRRF) of 15% on total dividends anticipated as interest on shareholders' equity. This proposal meets the priority of preferred shares, whose criterion that prevailed in the year was 5% over the share of capital represented by this type of shares.

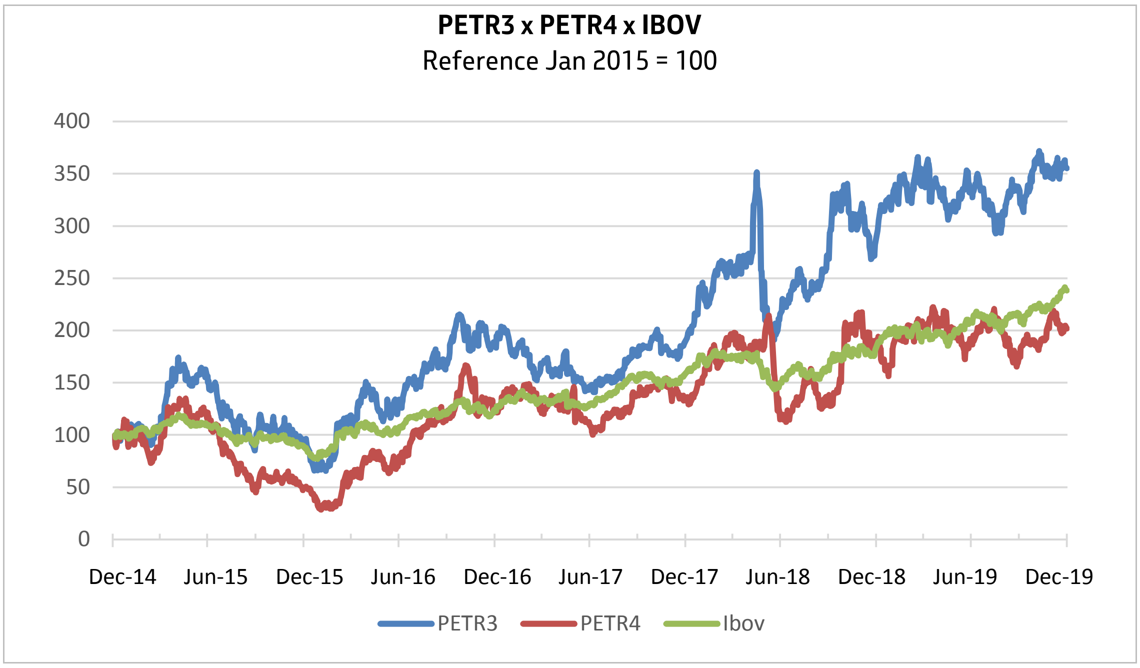
Generating value to shareholders and society

We are evolving towards a new, more sustainable and competitive Petrobras, which operates on safety and ethics, generating more value for its shareholders and society.

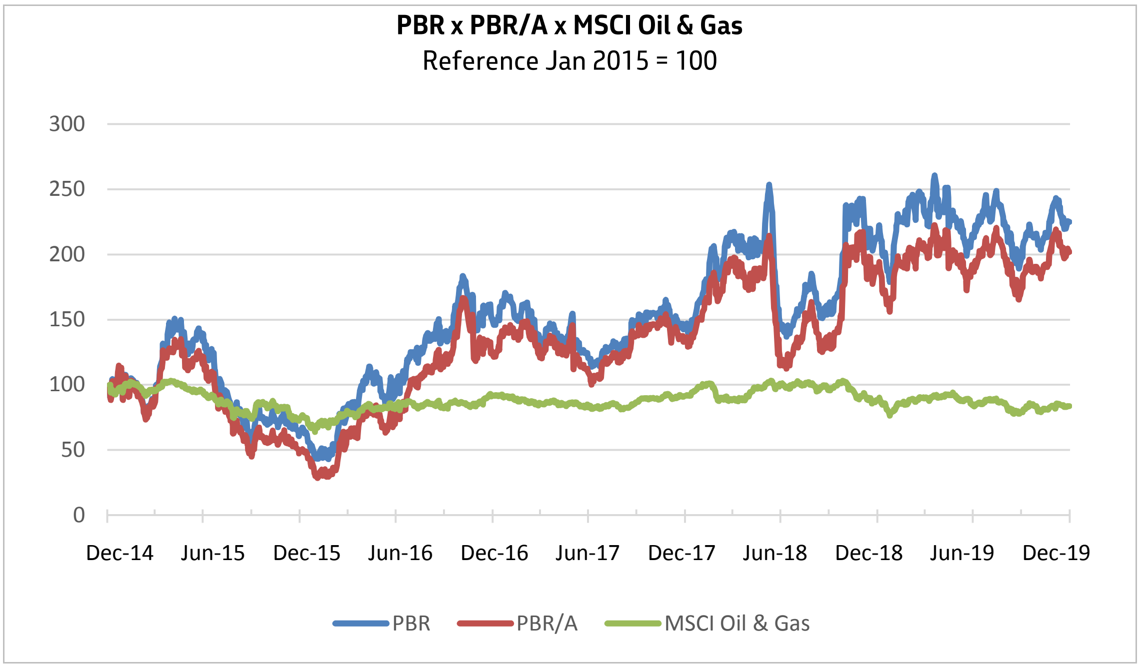
In 2019, the performance of Petrobras shares was positively influenced mainly by the change in management and, consequently, by our new Strategic Plan, despite the fall in Brent prices compared to the previous year. Our market value changed from US$ 80.9 billion in December 2018 to US$ 101.1 billion at the end of 2019, representing a 25% growth.



Our common and preferred shares appreciated, respectively, by 26.0% and 33.1% in 2019 and 249.6% and 117.7% in the last five years, while the Ibovespa index appreciated by 134.5% in the same period.



With respect to our shares traded on the New York Stock Exchange, American Depositary Shares - ADRs, our common (PBR) and preferred (PBR/A) shares appreciated by 22.0% and 29.2%, respectively, in 2019, and 139.9% and 117.7%, respectively, in the last five years, while the MSCI Oil & Gas index, which reflects the performance of the largest companies in the oil and gas industry in the world, decreased 12.2% in the same period.



In line with the goal of maximizing the return to our shareholders, Petrobras approved, in the 2019 fiscal year, three anticipated payments of interest on equity for common shares and four anticipated payments for preferred shares, reaching R$ 8.9 billion, distributed as follows:

Interest on equity (or JCP):

Common shares (PETR3)	Gross amount per share (R$)	Shareholding position date	Payment date
1st installment	**0.10**	5/21/2019	7/5/2019
2nd installment	**0.20**	8/12/2019	10/4/2019
3rd installment	**0.20**	11/11/2019	2/7/2020
Preferred shares (PETR4)			
1st installment	**0.10**	5/21/2019	7/5/2019
2nd installment	**0.20**	8/12/2019	10/4/2019
3rd installment	**0.20**	11/11/2019	2/7/2020
4th installment	**0.42**	12/26/2019	2/7/2020

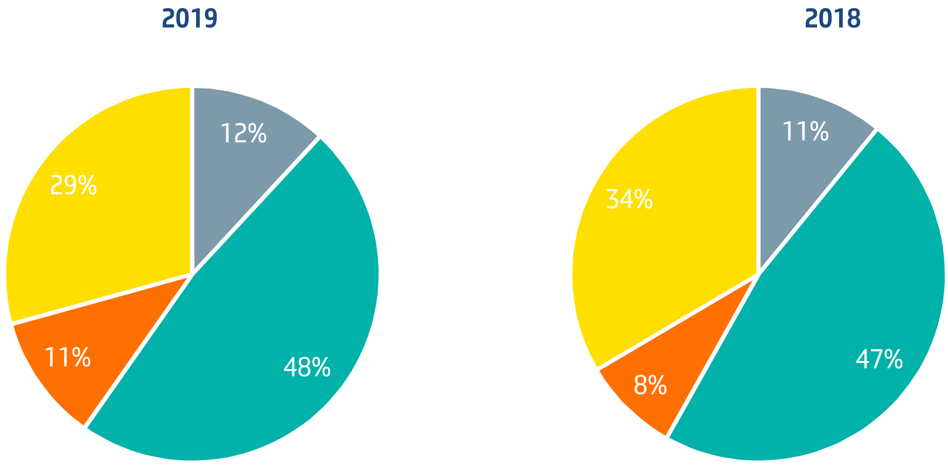
In addition to the aforementioned anticipations, is being submitted for consideration by the 2020 General Shareholders' Meeting (AGM) the proposal for the payment of additional compensation to our shareholders, in the form of dividends, in the amount of R$ 1.7 billion, which, added to the aforementioned anticipations, made up a total of R$ 10.6 billion, being 0.73 for common shares and 0.92 for preferred shares.

Dividends

Common shares (PETR3)	Gross amount per share (R$)	Shareholding position date	Payment date
Single installment	**0.233649**	4/22/2020	5/20/2020
Preferred shares (PETR4)			
Single installment	**0.000449**	4/22/2020	5/20/2020

In 2019, we generated R$ 271 billion in value for society. Our largest contribution was through taxes (federal, state, municipal and foreign) in the amount of R$ 129 billion, followed by financial institutions and suppliers in the amount of R$ 51 billion. The compensation and benefits related to personnel and management reached R$ 32 billion and the compensation to our shareholders (including the results of non-controlling shareholders and retained profits) was R$ 31 billion. The chart below shows the distribution of value generated:

Distribution of value generated
(%)



Personnel and managers | Taxes | Shareholders | Financial institutions and others[1]

[1] Considers the amount referring to discontinued operations, resulting from the sale of BR.

Vision, purpose and values

The following shows our new vision and purpose, as well as our values, which were reaffirmed:

Vision

The best energy company in generating value for the shareholder, with a focus on oil and gas and with safety, respect for people and the environment.

Purpose

Provide energy that ensures prosperity in an ethical, safe and competitive way.

Values

Respect for life, people and the environment; ethics and transparency; market-orientation; outperformance and confidence; and results.

Our strategies were adjusted by defining its actions by business segment, as detailed below:

Exploration and Production	Maximize portfolio value, focusing on deep and ultra-deep waters, seeking operational efficiency, recovery factor optimization and partnerships.
	Grow sustained by world-class oil and gas assets in deep and ultra-deep waters.
Gas and Power	Act competitively in the trading of its own gas.
	Optimize the thermoelectric portfolio focusing on self-consumption and trading of its own gas.
	Withdraw from gas distribution and transport completely.
Refining, Transportation and Marketing	Operate competitively in refining, logistics and oil products trading activities with focus on Southeastern operations.
	Withdraw from fertilizers, LPG and biodiesel businesses completely.
	Act competitively in global oil trading.
Renewables	Develop research aimed at long-term operations in renewable energy businesses focused on wind and solar segments in Brazil.
	Make renewable diesel and BioQav commercially viable as a response to the sustainability policies of the Brazilian energy matrix.
Transversal Strategies	Transform Petrobras digitally by delivering solutions to challenges, empowering our employees, generating value, and increasing operational safety.
	Develop critical skills and a high-performance culture to meet the new company challenges using economic value added as a management tool.

	Constantly pursue a competitive and efficient cost and investment structure with a high safety standard and respect for the environment.
	Strengthen our credibility and reputation.

Strategic Plan 2020-2024

Our 2020-2024 Strategic Plan, defined as Mind the Gap, brings a transformational agenda, which aims to eliminate the performance gap that separates us from the best global oil and gas companies, creating substantial value for our shareholders. In addition, the plan is consistent with the five strategic pillars that we have defined:

We undergoe a moment of cultural and digital transformation and, seeking to provide an effective return on capital employed for our shareholders, we decided to incorporate a new management tool into the plan: EVA® (Economic Value Added), representing the beginning of a performance evaluation focused on value generation, transforming our culture through clear incentives for managers and professionals. The EVA aims to empower people and make each of our employees act as an entrepreneur, in charge of their business, striving to generate results.

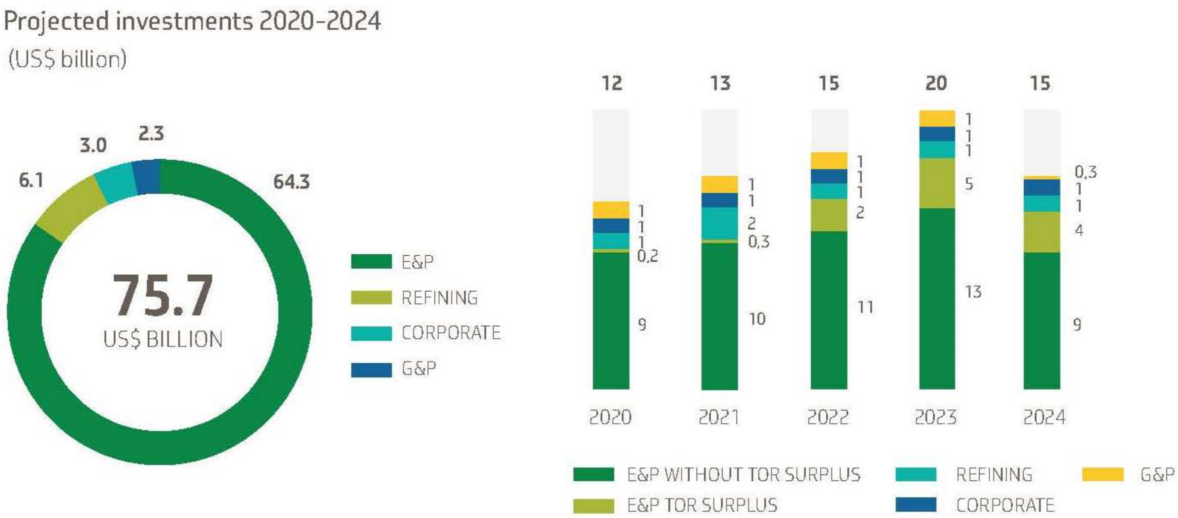
In the future, we seek to be a company with a return on capital employed greater than our capital cost, positioned in world-class assets, with operations focused on oil and natural gas, advancing in the exploration and production of the Brazilian pre-salt, with an efficient refining system. With regards to renewable energy sources, we will act in research, seeking to acquire skills for the eventual positioning in the long term in wind and solar energy.

The plan has three top metrics, focusing on people safety, debt reduction and value creation:

* TRI: Total Recordable Injuries; ** NET DEBT/EBITDA: Net Debt / LTM adjusted EBITDA (including IFRS16); *** EVA: Economic Value Added

The CAPEX forecast for 2020-2024 is US$ 75.7 billion, of which 85% is allocated to the E&P segment.

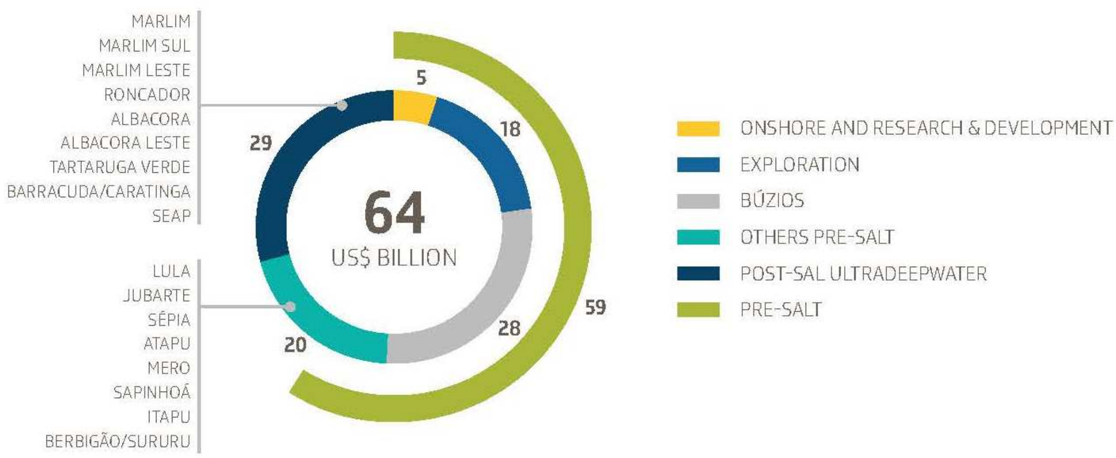
This allocation is in line with our strategic positioning, with a focus on E&P assets, especially in the pre-salt, in which we have a competitive advantage and which generate greater returns.



Note: CAPEX expected for ECO assumes the start-up of construction of wells in 2013 and proprietary platforms.

The E&P investment plan focuses on activities in deep and ultra-deep waters, where the lifting cost is lower, providing greater returns. Thus, 59% of our investment in the segment will be directed to assets and projects in the pre-salt layer, with emphasis on the Búzios field, which represents 28% of the total investment in the segment.

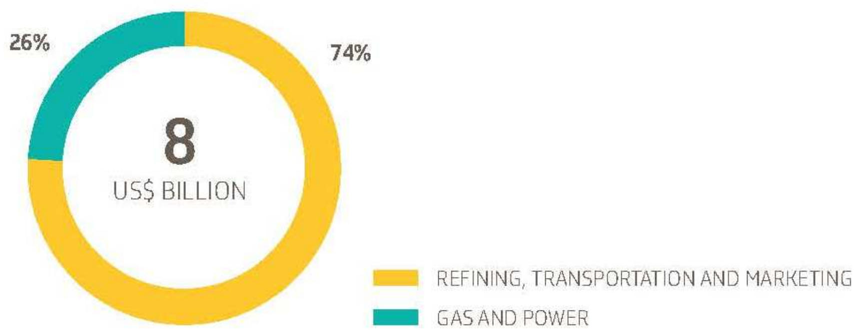
Projected E&P investments 2020 - 2024 (%)



In the Refining, Transport and Marketing (RTM) segment, our efforts are focused on investments in maintenance (refining and logistics) and hydrotreatments (HDTs) at Replan, REDUC and RPBC, and on catalytic hydrocracking (HCC) at REDUC for the production of high quality lubricants.

In the Gas & Power segment, our investments are focused on natural gas processing units and on Route 3, which allow the flow of natural gas from pre-salt production. In addition, we plan to invest in Research and Development (R&D) in solar and wind energy.

Projected Refining, Gas and Power Investments 2020 – 2024



Divestments foreseen in the plan vary between US$ 20-30 billion for the period 2020-2024, with the highest concentration in the years 2020 and 2021. The divestment portfolio may undergo adjustments with the addition of new opportunities, in order to accelerate our deleveraging.

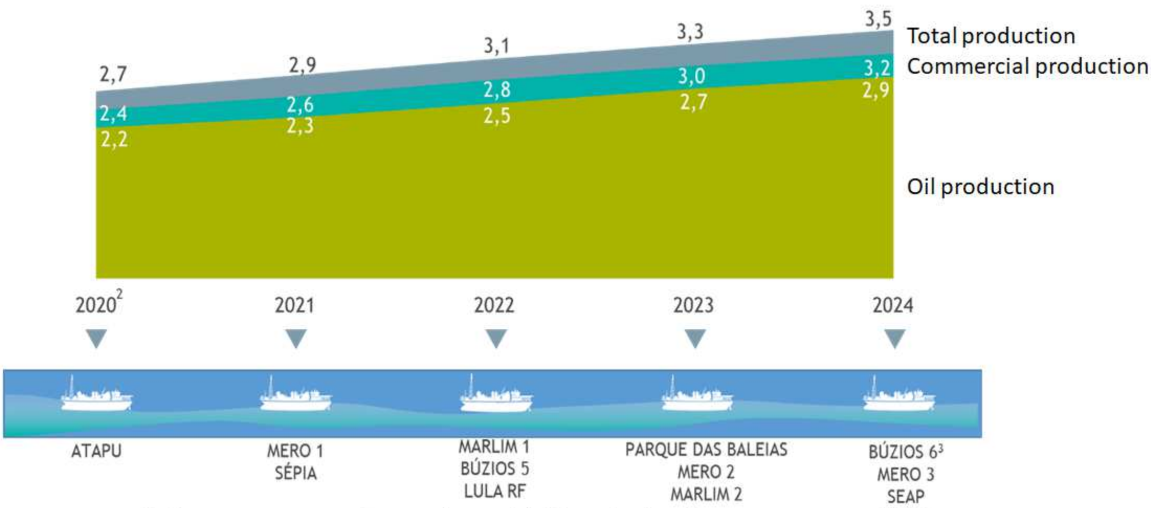
Production of oil, NGL, and natural gas

The oil and gas production curve estimated for the period 2020-2024 indicates a continuous growth of 200,000 boed. During this period, 13 new production systems are expected to begin operation, all of which are allocated to deep and ultra-deep water projects.

We decided to present a commercial production vision in order to represent the financial impact of production on our results, deducting from our natural gas production the volumes of gas reinjected in the reservoirs, consumed in E&P facilities and burned in production processes. In addition, the production curve does not include divestments, except for approximately 100,000 boed relating to the Nigerian fields and Tartaruga Verde field, which sale transactions were concluded on January, 14, 2020 and December 27, 2019, respectively.. The production curve estimated in the Strategic Plan is presented below:

Production of oil and gas[1]

(MM boed)



1 Does not account for divestments, except POG and Tartaruga (-100,000 bpd of the total production)
2 2020 includes +/- 2.5%
3 Regarding the sixth production system in the Búzios field (chronological order) to be deployed in the area of Module 7

For the 2020 production target of 2.7 MMboed, we considered a variation of plus or minus 2.5%. Oil production in 2020 mainly reflects losses in volumes related to natural decline of mature fields and higher concentration of production stoppages to increase the integrity of the systems, safety and reliability, partially offset by ramp-up of new platforms. Our growth path is supported by the 13 new production systems particularly in the pre-salt, with higher profitability and value generation and also by the Campos Basin production stability.

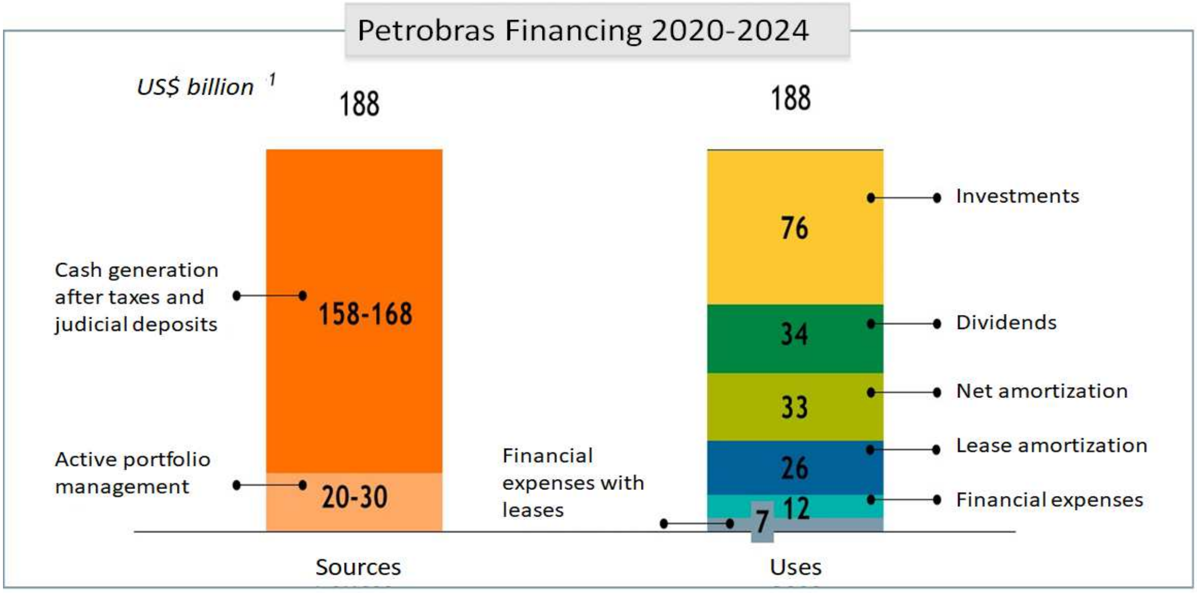
Operational Costs

According to our strategic pillar, we are constantly seeking low costs and greater efficiency.

The 2020-2024 Strategic Plan includes initiatives to optimize and reduce costs, with cost reduction targets of 10% and a 15% reduction in corporate spending in 2020.

Financing

The 2020-2024 Strategic Plan includes strong cash generation after taxes and judicial deposits of US$ 158 - 168 billion and divestment of assets US$ 20 - 30 billion. With these cash inflows, we will be able to make investments of US$ 75.7 billion, reduce our debt and leases, pay for debt costs and interest and still pay dividends.



¹ Numbers calculated with Brent @ US$ 65/bbl.

Low carbon and sustainability commitments

So far, we have already advanced with a series of decarbonization measures in our processeses, which involve reducing the flaring of natural gas, CO_2 reinjection and energy efficiency gains. We maintain our commitment to the decarbonization of processes and products, with a robust action plan comprising carbon resilience and efficiency.

In this sense, we have set ten commitments to the low carbon and sustainability agenda:

1. Zero growth in absolute operational emissions by 2025[4];
2. Zero routine flaring by 2030;
3. Re-injection of approximately 40 MM ton CO2 up to 2025 in carbon capture, utilization and storage projects;
4. 32% reduction in carbon intensity in the E&P segment by 2025;
5. 30% to 50% reduction in methane emission intensity in the E&P segment by 2025;
6. 16% reduction in carbon intensity in refining segment by 2025;

[4] Carbon commitments related to 2015 base. Other commitments based on 2018.

7. 30% reduction in freshwater capture in our operations with focus on increasing reuse by 2025;
8. Zero increase in residues generation by 2025;
9. 100% of our facilities with biodiversity action plan by 2025; and
10. Maintenance of investments in socio-environmental projects.

With the execution of this Strategic Plan, we reaffirm our commitment to become a more financially robust company, with low indebtedness and capital cost, aligned with our industry peers and focused on world-class oil and gas assets, always acting ethically and transparently, with safety and respect for people and the environment.

These initiatives, associated with an operating cash generation, will allow us to deleverage, make investments and increase compensation to our shareholders pursuant to the new policy.

Sustainability

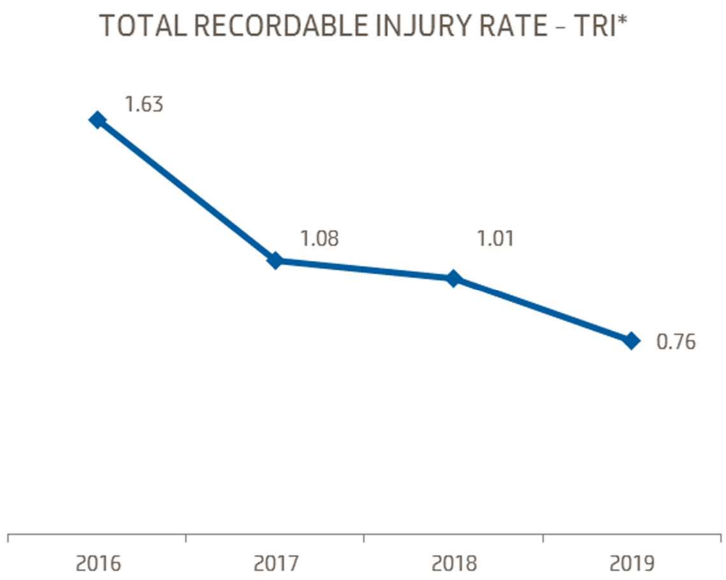
Respect for life, people and the environment is a value in our strategic positioning.

We aim to operate within the best worldwide safety standards. One of our top metrics is the Total Recordable Injury per million man-hour frequency rate ("TRI") below 1.0.

In 2019, we reached a TRI of 0.76, below the benchmark history of the peer group at 0.80. The good result was supported by programs to reinforce health, safety and environment (HSE) management and the commitment to life program, which comprises actions focused on preventing accidents and preserving life and the environment. Actions under this program are structured based on the results of HSE management assessments, the basic causes identified in the accident investigation processes and the critical analysis of our processes. The program was launched in October 2016, and is reviewed every year, when new actions are introduced.

The program is currently in its 4th cycle. In this phase, the project "Saia do Automático" (Get out of Automatic) was developed, which aims to develop the decision-making process, in order to make safer and more informed decisions. Another initiative that is being implemented is the standardization of safety practices, with remote training of the entire operational workforce. The valuation of expected conducts, such as compliance with rules, standards and respect for legislation, is also another goal to be achieved in this new phase.

The reduction in TRI is a direct result of the implementation of the various initiatives to promote our safety culture.



* TRI below the benchmark history of the peer group (0.80).

With regards to climate, our climate strategy focuses on the decarbonization of our operations, aiming to ensure a greater reduction in the intensity of carbon emissions and strengthening the resilience of our oil and gas businesses. We have a mitigation program, with a dedicated budget, and implemented strategies to improve the assessment of impacts of emissions on our decision-making processes, besides to financially quantifying the carbon risk.

In addition, we work to strengthen our long-term options, focusing on research and development and evaluating opportunities in selected low-carbon businesses that have synergies with our activities and offer competitive advantages.

Our “zero emissions growth” target encompasses 100% of the assets operated in all of our businesses, including power generation, for all greenhouse gases (GHG)[5].

In 2019, our performance in GHG emissions was as follows:

- Total GHG emissions of 60 million tCO_2e, well under our zero-emissions growth target[6];
- Carbon intensity in E&P of 17.3 $kgCO_2e$/boe, on the way to reaching the medium-term target of 15 $kgCO_2e$/boe in 2025[7];
- Carbon intensity in refining of 42.5 $kgCO_2e$/CWT, on the way to reaching the medium-term target of 36 $kgCO_2e$/CWT in 2025[8].

Our carbon intensity targets (E&P and refining) represent a coverage of 74% of emissions from activities operated by Petrobras, considering the year 2019.

We collaborate with climate development initiatives and continue to partner with other companies and with the science, technology and innovation (ST&I) community. We highlight, as an example, our participation in the Oil and Gas Climate Initiative (OGCI) and our support for the "Zero Routine Flaring by 2030" initiative of the World Bank, which is one of our 10 sustainability commitments. Low carbon solutions were one of the themes selected for the first public call for the Petrobras Connections for Innovation program - Startups Module, held in July 2019 in partnership with the Brazilian Micro and Small Business Support Service (or SEBRAE).

Because we are an energy company with a focus on oil and gas, in doing our activities, we use natural resources and impact ecosystems. The main impacts in the last three years were as follows:

[5] We included direct and indirect operating greenhouse gas emissions from the purchase of electricity and/or thermal energy produced by third parties.

[6] The zero growth considers the absolute Petrobras emissions for the year 2015, which reached 78 million tons of CO_2e. The Petrobras' commitment is not to exceed 78 million tons of CO_2e in any year until 2025, unless there is a marked pressure for generating electricity from thermal plants due to national water stress events.

[7] The kg CO_2e/boe indicator considers gross oil and gas production in its denominator (“wellhead”).

[8] The kg CO_2/CWT indicator was developed by Solomon Associates specifically for refineries and was adopted by the European Emissions Trading System (EU ETS) and by CONCAWE (association of European oil refining and distribution companies and gas). The CWT (Complexity Weighted Tonne) of a refinery considers the emission potential of greenhouse gases (GHG), equivalent to distillation, for each process unit. Thus, it is possible to compare emissions from refineries of various sizes and complexities. Petrobras monitor the kg CO_2/CWT indicator, according to its original identity. We also monitor an adapted indicator: kg CO_2 and/CWT, to enable the inclusion of emissions from other greenhouse gases (e.g. methane), which, however, represent a small portion of our refining emissions.

Main impacts

	2019	2018	2017
Emissions (million tons CO_2 e)	**60**	62	67
Biodiversity and Ecosystems (Events with a confirmed or probable impact on fauna, flora or habitat)	**17***	31	20
Hazardous solid generated in industrial processes (thousand ton)	**118**	120	113
Effluents (million m^3)	**271.6**	289.1	293.2
Spills (m^3)	**415.3****	18.5	35.8

* Spill events greater than 1 barrel of oil or refined oil products that reached onshore or offshore environments were considered. The volume criterion (> 1 barrel) is used in the corporate indicator of Oil and Oil Products Spill Volume and is aligned with the ANP Manual for reporting incidents in E&P activities.

** The increase in spills compared to 2018 was mainly due to two events: (i) spill of 251.8 m^3 of oil at sea during the transfer of oil from the P-58 platform; (ii) disposal of water with oil in the sea during the stop and start of wells on the P-53 platform, generating a spill of 122 m^3. In both cases, immediate remediation procedures were implemented in order to minimize the impacts generated by such spills, and causes were investigated for prevention purposes.

We systematically evaluate in investment projects, the main risks to the elements of health, safety, and environment. Results of these evaluations are monitored, periodically, by the safety, environment and health committee of the Board of Directors, made up of three executive officers and two external specialist members.

In 2019, we applyd R$ 6.26 billion in initiatives to improve our performance in HSE, to comply with specific legislation and contribute to ensure operating practices at our units are safe, cost-effective, and environmentally responsible.

In addition to investments in HSE, we apply resources in several socio-environmental projects, primarily through the “Petrobras Socio-Environmental Program”, with a greater focus on actions aimed at early childhood development, and in sponsorships for cultural, sports and business, science and technology events, primarily through the initiatives "Culture", "Sport" and "Business, Science and Technology".
Our sponsorship budget, as well as several other areas, has been reduced because of the Resilience Plan released on March 8, 2019. Thus, the sponsorship portfolio was reduced, through the non-renewal of some partnerships. We have revised our sponsorship policy to readjust the budget and in alignment with our brand positioning, with the intention of promoting greater focus on the science & technology segments and seeking projects aimed at early childhood.

In 2019, we apply R$ 115.65 million in socio-environmental projects, 33% more than in 2018. The projects we sponsor through the Petrobras Socio-Environmental Program are currently concentrated in six initiatives: (i) education; (ii) sport (educational), (iii) rights of children and teenagers; (iv) water; (v) biodiversity, and (vi) forests and climate.

We estimate that more than 85,000 people will be benefited through activities such as complimentary education in alternate school shifts, environmental education, educational sports and teacher training in developed methodologies, besides the activities developed by several specialists in project management and leadership. In its activities, these projects engage children and teenagers, women, black people,

people with disabilities, indigenous peoples and traditional peoples and communities, fostering inclusion actions for these audiences.

For more information about the low carbon and sustainability commitments made in our Strategic Plan 2020-2024, please refer to the Strategic Plan 2020-2024 item in this report.

For more information on socio-environmental policies and projects sponsored by the company, please refer to items 7.8 and 10.9 of the Reference Form.

Human Resources

We ended 2019 with 57,983 employees, a reduction of 8.5% compared to 2018, with 9,331 women (16%) and 48,652 men (84%).

Our employees' profile

	2019	2018	2017
Employees	57,983	63,361	62,703
Female	9,331	10,518	10,411
Male	48,652	52,843	52,292

Geographic distribution of Petrobras employees

	2019	2018	2017
Geographic distribution - Holding	46,416	47,556	46,979
Midwest	157	179	177
Northeast	7,400	8,608	8,963
North	929	969	986
Southeast	36,077	35,699	34,456
South	1,853	2,101	2,397
Geographic distribution - Subsidiaries in Brazil	10,691	13,935	13,914
Midwest	292	491	511
Northeast	2,328	2,793	2,999
North	758	918	926
Southeast	5,697	7,830	7,606
South	1,616	1,903	1,872
Subsidiaries abroad	876	1,870	1,810
Total employees of Petrobras	57,983	63,361	62,703

Education of employees of the Petrobras Holding

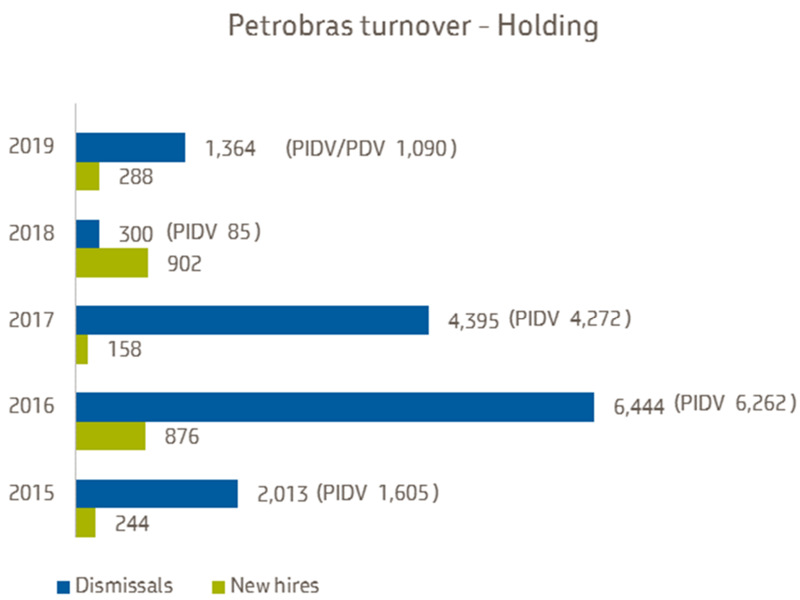
	2019	2018	2017
Education			
Elementary education	547	611	626
Secondary education	17,387	17,987	17,872
Higher education	19,255	19,530	19,097
Specialization, Master and PhD	9,227	9,428	9,384
Total employees of Petrobras - Holding	46,416	47,556	46,979

New hires and dismissals

In 2019, we launched three Voluntary Separation Programs (or PDV). The first was for retired employees, the second for employees in areas undergoing divestment, and finally, another for employees in corporate areas. Of the 3,294 employees enrolled in these three programs, 995 left the company by December 2019.

In 2019, 95 employees also left the company due to separation programs launched in previous years, reaching 1,090 employees.

The total number of employees who left the company due to voluntary separation programs is 17,590 until December 2019. The total severance paid as a result of these programs was R$ 5.83 billion, representing, in December 2019, a financial return of R$ 28.34 billion in avoided costs.



As one of the measures adopted to adjust our staff to meet our goals, in 2019 no public hiring process was carried out. However, a total of 288 people were hired, 199 of whom were approved in selection processes in 2017 and 2018, still in force in 2019.

Additional information

Relationship with independent auditors

Our independent auditors cannot provide consulting services during the term of the audit contract, pursuant to Article 30 of our Bylaws. Since December 20, 2016, KPMG Auditores Independentes (KPMG) has been responsible for providing independent auditing services in the years 2017 to 2019, with the possibility of renewal for another two years.

During the year 2019, KPMG provided us with the following services, including those provided to our subsidiaries and controlled companies:

Services provided by the independent auditor

	R$ thousand	%
Services*		
Accounting audit [1]	39,932	89%
Additional audit-related services [2]	3,872	9%
Tax audit [3]	1,062	2%
Total services	**44,866**	**100%**

* CVM Instruction 381/2003

(1) Includes fees charged related to the audit of our annual financial statements, quarterly information, audits of our subsidiaries, comfort letters, consent letters and review of periodic documents submitted to the Securities and Exchange Commission - SEC.
(2) Additional audit-related services refer to assurance and related services that are reasonably related to the performance of audit or to the reviews of our audited consolidated financial statements and are not classified under "accounting audit".
(3) Tax audits are fees related to tax compliance reviews conducted in connection with the audit procedures in the financial statements.

Acquisition of debentures issued

We report that in the last fiscal year there was no acquisition of debentures issued by us, for an amount equal to or less than the nominal amount.

Information on affiliates and subsidiaries

In compliance with article 243 of Law no. 6404/76, we report that our investments in affiliates and subsidiaries are listed in note 29 - Investments in the Petrobras Financial Statements.

Information related to the decisions taken based on guidelines received from the controlling shareholder and investments made as a result of the exercise of public policies

As a mixed capital company, we can have our activities guided by the Brazilian federal government, with the purpose of contributing to the public interest that justified our creation, aiming to ensure the supply of oil products throughout the country. However, the contribution to this public interest must be compatible with our corporate purpose and market conditions and may not jeopardize our profitability and financial sustainability.

Therefore, if the provision of public interests takes place in conditions differing from those applied to any other company in the private sector operating in the same market, as explained in our bylaws, the obligations or liabilities undertaken by the company must be defined in rules or regulations and be foreseen in specific document, such as an agreement or partnership, observing the wide publicity of these instruments, as well as the disclosure of their discriminated costs and revenues, including the accounting plan. In this case, the Brazilian federal government shall compensate us, at each fiscal year, for the difference between market conditions and the operating result or economic return of the undertaken obligation.

For more information on initiatives to serve the public interest, please refer to item "Additional information on public interest - Law 13303/16" of the Petrobras Financial Statements.

In addition, in our Annual Letter of Public Policies and Corporate Governance, we publish the investments made as a result of the exercise of public policies. For more information, please refer to the Annual Letter of Public Policies and Corporate Governance and item 7.1.a of the Reference Form.

Inflationary effects on result

Despite the fact that Brazil's economy does not experience hyperinflation since the Real Plan, we provide the following information on the results for the years 2016 to 2018, monetarily updated by the End-Consumer Price Index (IPCA), from the month it was created until December 31, 2019:

Unaudited information	2019	2018	2017	2016
Sales revenues	**302,245**	325,432	271,662	282,578
Gross profit	**122,105**	124,517	95,111	93,808
Operating expenses	**(40,951)**	(60,940)	(56,215)	(74,512)
Profit before financial income, interests and taxes	**81,154**	63,577	38,896	19,296
Net finance income (loss)	**(34,459)**	(24,649)	(33,766)	(29,875)
Income (loss) for the year	**40,970**	28,051	442	(14,606)

The figures for the year ended December 31, 2019 have not been updated and the average IPCA from 2016 to 2019 was 4.24%.