

Webcast - 3rd Quarter Results 2022

November 5, 2022

Carla Albano::

Hi, good afternoon, everyone. Welcome to Petrobras' Webcast with analysts and investors about the 3Q22 results.

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

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

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

Rodrigo Araujo:

Thank you, Carla. Thanks, everyone. Good afternoon, and thank you for being with us today and joining our earnings call for the 3Q22.

We had a very solid quarter, very important operational and financial results, and I am very glad to be here with you today to present our results and to go through the Q&A session. So, first of all, starting with our disclaimer with respect to future information and forecasts.

Next, please. So, starting with safety. As you know, safety is a main priority of the Company, is a strong value for us, and we are continually focused on improving our safety metrics. And as you can see, our total recordable injuries per million man-hours has been improving consistently over time, and of course, we are focused on achieving even better levels, both with process improvement and with technology as well.

We are substantially below the acceptable limit. Of course, we do have an ambition of zero fatalities and unfortunately, we had one fatality on 3Q22. That reminds us that focusing on continually improving safety has to be part of our mission and we are strongly focused on that.

Next, please. Starting with our ESG agenda, we look at our emission KPIs and we can see that we have been continually reducing the level of emissions, not only on the upstream segment, but also in downstream segment, both of them below the acceptable limits.

And the targets that we set for 2022 in the current business plan, you can see that the emissions that we have in Tupi and Búzios are getting more and more competitive. So, reaching 9.4 and 9.1 kilos of CO2 per barrel of oil equivalent. And of course, those are very competitive fields and support our strategy and our positioning as a low-cost, low-carbon company.

When we look at the refining KPIs, we can see that the RefTOP program focused on improving energy efficiency in our downstream portfolio has been achieving results, and we will continue to achieve relevant results. If we look at the refineries that are involved in the RefTOP program, we can see that their performance in terms of emissions is better than the average of the portfolio. And we will continue to improve over time as we can see downwards. They focused on our ambitions for reducing the emissions in the downstream segment as well.

Next, please. Talking about total operational emissions and oil and gas operational emissions, it's important to remember that over the third and 4Qs of 2021, we had a substantial level of thermoelectric energy being produced in Brazil, which increased our level of emissions on the nine months for 2021, but this is definitely not the case for 2022. So we continued the downward trajectory. So, not only on the oil and gas operational emissions, but also with respect to the overall emissions for 2022.

Next, please.. Looking at the CO2 reinjection. As you know, we have the largest CCUS program, offshore CCUS program in the world, and we are focused on continuing with CO2 reinjection. We have already reinjected the 7.6 million tons over the course of 2022, and since 2008, we have already reinjected 37.7 million tons of CO2. So very important part of our strategy in terms of reducing emissions and being a worldwide low-cost, low-carbon player.

Next, please. In terms of highlights for the environmental and climate agenda, it's important to highlight the first 13 projects that have been approved over the course of the 3Q as part of our decarbonization fund that we disclosed in the latest strategic plan, about US\$ 250 million of investments. So those projects represent US\$ 76 million of investments in monitoring fugitive emissions, more efficient vessels, ecotype vessels and also energy efficiency.

They all have the potential of reducing 1.05 million tons of CO2 equivalent per year. So we are very happy to announce that we have approved the first group of projects of our Decarbonization Fund, and we will continue to develop study and find additional projects and technologies that support our trajectory for emission reduction.

Next, please. In terms of our social environmental agenda, we have launched a public bid for waste treatment in Brazil in the city of Rio de Janeiro. We have the potential of reuse of about 600 tons per year of waste in several Petrobras buildings in Rio de Janeiro an investment of about US\$ 2 million, a little bit more than US\$ 2 million to be invested in three years with waste treatment comparatives in Rio de Janeiro, where we have the results for the bids coming out in November.

It's important to highlight that the players that are involved in this bid are mainly vulnerable public that will be involved. So there is not only an environmental impact, but also a very relevant social impact. This is one of our relevant actions in terms of circular economy, and we are very happy to not only reduced the disposal to reduce the waste that is disposed on landfills, but also contribute with income and employment generation for the comparatives that will support us in this relevant project. Next, please.

In terms of tax collected over the quarters, it's always important to remember that about 55% of the Company's cash flow returns to the Brazilian society via taxes or via dividends. So the Company has a very solid and relevant contribution to the Brazilian society.

Over the course of this year, we have already paid about R\$ 73 billion in taxes in Brazil, and on the nine months, already paid R\$ 222 billion in taxes that represent more than the entire year of 2021. So we continue to be a relevant part of the country's GDP and a relevant contribution to Brazil, not only with taxes, but also with dividends, income generation and relevant investments throughout the country.

Next, please. In terms of governance, we have advanced in our administrative accountability process program with an important increase in terms of fines that were levied against companies that were involved in acts of corruption. So this is a relevant contribution to the effectiveness of our integrity program, and also fosters sound and impartial business environment in Brazil, and the development of companies that have a strong sense of compliance and transparency like us.

We have also been evaluated with respect to the adherence of the Brazilian Corporate Governance Code for 2022, and we have about 95% of the recommended practices. So the Company has, of course, very relevant and strong governance that is quite adherence to the Brazilian Corporate Governance Code.

We also continue to be number one in terms of the Federal Court of Audit, transparency ranking and also have recently concluded the implementation of SAP S/4HANA, which is not only an important step in terms of digital transformation and efficiency for the Company, but also an important enhancement of our internal controls environment and developing the potential for an increase in terms of data-driven decisions. So this is quite relevant in terms of efficiency, in terms of technology and also in terms of governance from the lens of internal controls. Next, please.

It's important to remember that alongside with the financial transformation that the Company has gone through over the last five to seven years. We have also made substantial improvements in terms of our FID process for CAPEX. So the decision process to approve new projects has substantially evolved over time, not only talking about approving projects that are only a positive NPV in the stress case scenario, but also making sure that the projects are continually monitored by the Board of Directors.

So we do have an annual process that the Board of Directors goes through the entire portfolio of projects, considering the most recent assumptions from the strategic plan and also the most recent hurdle rate and looks for projects that have relevant variants in terms of NPV, so that the actions are taken to mitigate or to optimize the projects to make sure that they return to the positive trajectory that they had when they were approved. So this is quite important in terms of monitoring by the Board of Directors as well. Next, please.

Next. Getting into our financial and operational results. We had a very solid quarter as I mentioned in the beginning. From the production perspective, we start to see the ramp-up of Mero, Berbigão and Sururu. We have also announced recently an important discovery at the Sépia as well. We have been able to deliver the projects on time and to develop the projects on time. So we have recently announced the arrival of P-71 that we will produce in the Tupi, and we have also announced that FPSOs Anna Nery and Almirante Barroso have arrived in Brazil.

Of course, as you know, about 90% or more of the NPV of the projects are determined by the project decisions and how well we manage the project. So it's very important for us to deliver the projects on time. And in the case of P-71, we have anticipated the production startup that was forecast to be in 2023, it's going to be by the end of 2022.

We have also signed contracts for the construction of the units for Búzios 9, 10, and 11 continuing the development of our most relevant fields that will represent by 2023, about a-third of our production, and we are advancing substantially in the development of the Búzios project.

In terms of our logistics, we have also incorporated, as I mentioned before, our two Eco Type vessels that will reduce our carbon footprint in terms of the logistic operations. In the downstream segment even in this quarter where we had relevant scheduled stoppages in our refining portfolio. We had a very high utilization rate of about 88%. Eight of our refineries have their availability compatible with the best North American refineries. So we are developing very solid and reliable portfolio of refineries.

In Brazil, we have achieved the record daily energy efficiency at REDUC. So I was talking about the energy efficiency programs that we have and how we are focused on increasing energy efficiency. So we are already seeing results, and we will continue to be focused on that over the course of the business plan.

We have also produced record levels of and 10-ppm diesel, the low sulfur diesel in Brazil and have already produced and sold the first batch of the R5 Diesel that is our diesel with renewable content, showing the results of the initiatives that we have to deliver products with a lower carbon footprint and lower sulfur levels as well in Brazil.

And of course, we continued with the opening up of the gas market. We continue to be committed with the opening up of the refining and the gas market. We have the processing contract started for the natural gas trading unit of Cabiúnas and we also had the closing of Gaspetro the natural gas distribution financial investment that we had. So we are moving forward towards concluding the opening up of the gas market in Brazil.

So in terms of financial results, as I mentioned, we had a very solid quarter, the second highest in the Company's history; the first was the 2Q22. So a very solid quarter, US\$ 17.6 billion EBITDA, US\$ 12.1 billion cash flow from operations, free cash flow of US\$ 10.1 billion, net income of US\$ 8.8 billion.

As I mentioned in the previous quarter, we continue to maintain our leverage under control. We closed the quarter with US\$ 54.3 billion of gross debt, that is a little bit below the optimal range of US\$ 55 billion to US\$ 65 billion, but we do not see any relevant concerns with respect to leverage.

Especially, given the fact that over the course of 2023, we are going to have new FPSOs coming online and the leverage will automatically increase as those units start operations. So we will be back at the optimal range over the course of time. I have already mentioned the relevant taxes that we have paid in the nine months of 2022. We have already paid more than the entire year of 2021.

We have been acknowledged again as one of the 10 most transparent companies in Brazil by the Brazilian Association of finance executives. Our financial statements were therefore elected as one of the 10 best financial statements in Brazil.

And given all the financial performance and the solid cash position and capital structure that we have, we approved the distribution of R\$ 3.35 per share of dividends, that are

consistent with our dividend policy and also consistent with our short-term, medium and long-term financial sustainability.

So the Company has a very strong cash position, very strong capital structure position and is able to create more value and therefore, to return more value to its shareholders. And of course, definitely to the Brazilian society that receive a relevant portion of the dividends that we distribute.

Next, please. Looking at the external environment, as I mentioned before, we have seen a quarter with slightly lower prices compared to 2Q, 2022. In USD terms, when we look at the annual increase, we have 55% increase year-to-date compared to 2021.

In terms of exchange rate, we saw depreciation of the BRL from 2Q to 3Q, which reduced a little bit of the impact of the lower crude prices over the course of the quarter, but we did have a slightly lower performance compared to 2Q, given the lower prices. In terms of the annual change in the exchange rate, we see it's a slight depreciation of the BRL.

Next, please. As I have mentioned before, we are focused on delivering the projects on time and focused on making sure that the units start production on time. And therefore, we have anticipated the prediction of P-71 in Itapu for the end of 2022, and we continue to be focused on making sure that Anna Nery, Almirante Barroso, FPSO Anita Garibaldi and Sepetiba are concluded and start production on time over the course of 2023 as we disclosed in our latest business plan.

Next, please. In terms of EBITDA, as I have mentioned before, we have a very solid quarter, US\$ 17.6 billion recurring EBITDA. You can see that it was a very clean result with low impact of nonrecurring items. You can see that the EBITDA was very close to the recurring EBITDA impacted, as I mentioned before, by the valuation of Brent prices and also by lower export volumes.

This is something that we highlighted in our production and sales report. We had part of our production of the 3Q impacting the inventories and will be impacting the results of the 4Q positively. So we did have some of the exports ongoing by the end of the quarter. So, this will positively impact 4Q22.

Next, please. Looking at the performance for business segment. I have already mentioned the upstream segment was impacted by the reduction in Brent prices. The downstream segment had a very positive performance, when we look at the EBITDA adjusted debt by replacement cost, we can see that the operational performance was very solid with better results in terms of production and sales. So, this impacted positively the refining segment results for the quarter.

When we look at the EBITDA with inventory turnover, we had a negative inventory effect impacting 2Q. As you know, prices continually fell over the course of 3Q. So we basically showed inventories that were built at higher prices. So, when we look at the replacement cost, we can see that the operational performance was very solid.

In the Gas & Power segment, we had stronger results compared to 2Q, and we continue to improve our portfolio of natural gas commercialization, and also our portfolio of imports and production for the natural gas supply. So we continue to be very focused on improving the performance of our Gas & Power segment.

Next, please. In terms of free cash flow and cash flow generation, we come from an EBITDA of R\$ 17.4 billion after income taxes. We had an impact of government take over the course of 3Q. It's basically, since we had a quarter of lower prices compared to

2Q and the payment of an important part of government take is done at the month after the end of the quarter. So in July, we paid higher government take as a result of the higher prices in 2Q and now in October, we are going to pay lower government take coming from the lower prices in 3Q. So there's a negative impact in terms of cash flow coming from that.

The Company has also used all the previous tax carry-forwards that it had. So now we are basically painful, corporate income tax without the carry-forwards that we have used over time. After CAPEX of about US\$ 2 billion, we had a free cash flow of US\$ 10.1 billion with divestments of 0.7. We go to free cash flow after divestments of US\$ 10.8 billion. And as I am going to show later on, most of the cash flow was used to pay for the dividends that we declared in the previous quarter.

Next, please. So we can see that we have adjusted the cash levels to be much closer to the optimal of US\$8 billion, the optimal cash level that we consider, so alongside we are having a very strong capital structure position with the leverage under control, slightly below the optimal range. We now have adjusted the cash position, as I have been mentioning over the last couple of quarters that we were going to do. So we basically brought the cash levels much closer to the US\$ 8 billion. The cash position on September 30th was about US\$ 7 billion, and it has already risen to US\$ 8 billion after the end of October. So we are back to the optimal range.

And it's important to mention that over the course of the quarter, we have issued commercial notes, commercial papers in Brazil, basically to replace part of the BRL exposure that we have in the Brazilian debt capital markets. We paid some of the debentures that we issued back in 2017 and 2019 that were maturing over the course of the quarter. So we are basically recovering the exposure to the Brazilian debt capital market over the course of the quarter.

In terms of amortization profile, it's important to highlight that when we look at the financing amortization schedule, the lease, of course, is going to be paid by the operations that are underlying the leases, but the finance portion of the debt is substantially under control. We can see that the amortization levels and the schedule over the course of the years is quite consistent with the Company's cash flow generation. So we do not see any liquidity or leverage issue for the issues for the upcoming years. Next, please.

With respect to portfolio management, it's important to highlight that we have had relevant signings and closings over the course of the year. So basically, we already had about US\$ 4 billion of cash inflows over the course of 2022. And then with respect to the 3Q, the main differences are the teaser of the optical fibers and our investment in Argentina that we disclosed recently also the start-up of the binding stage of the mining rights that we have in the North of Brazil in development project of Pitu. We have also closed onshore fields in Bahia and shallow water fields in Espírito Santo over the course of 3Q.

Next, please. In terms of earnings, as I have mentioned before, US\$ 8.8 billion of net income over the quarter, the recurring net income is very close to the actual net income. So very clean result, earnings that were not relevantly impacted by my nonrecurring events. I think it's important to highlight, apart from the operational results that I have mentioned before, the fact that we had a smaller impact of FX depreciation on 3Q when we compare it to 2Q. So depreciation of the period in BRL over 2Q was higher than on 3Q. So we had a smaller impact of foreign exchange variation of the acquired. As you know, this is not a cash impact, but on 3Q, it impacted positively net income when we compare to 2Q. Next, please.

Finally, as I have mentioned before, considering the solid cash generation and all the value creation that the Company has been able to show and should deliver, we announced dividends according to our dividend policy. So 60% of our free cash flow and part of extraordinary dividends as well along side. So we of course, are quite responsible and focused on maintaining the Company's financial sustainability and also at the same time on distributing the results, the earnings and the value that we generate.

So of course, as you know, the assumptions behind the dividend policy is to make sure that we maintain the Company's financial sustainability over short, medium and long-term. So this, of course, has been achieved and will continue to be achieved over the course of time. We have maintained our capital discipline. We have leverage under control cash levels very resilient. So therefore, the results and the value that we create allow us to distribute this value to the shareholders. And of course, a relevant portion of the value that we create goes back to the Brazilian society as I have mentioned before.

Next, please. So just to summarize, a very solid quarter, not only from a financial perspective, but also from an operational perspective. We expect to continue to deliver the business plan and to continue to deliver the projects as we have committed ourselves in the '22 '26 business plan. Thank you once again for joining us in our earnings call today, and I will pass the floor back to Carla, so that we can jump into the Q&A session. Thank you.

Luiz Carvalho, UBS (via webcast):

Before we go to my questions, I would like to congratulate the management and the Board of Directors for the incredible transformation that you all have led Petrobras to over the past couple of years. I have been covering Petrobras for more than 10 years, and you can all be proud because you have built a legacy.

Salvador, about strategy and governance, we have noted several improvements on the strategy and corporate governance over the past couple of years. The new elected government already publicly demonstrate divergences in both fronts. In your view, with all that has been public in the press, what would you be the main changes and what cannot be changed, considering that the bylaws and the SOE laws are not changed? If you could bring some more color on divestments, dividends, pricing policy, it would be very useful. Thank you.

Salvador Dahan:

Thank you for the question, Luiz. I think first and foremost, it's important to highlight. Petrobras of today is not the same company as from before Car Wash, the Lava Jato operation.

Since 2014, 2015, we have been evolving and establishing a strong and robust corporate governance and compliance program. Many initiatives on top of the new State-owned Enterprise Act and the anticorruption act were created in this time frame, but today, we have on the operational level, many mechanisms of internal controls, ethics and compliance in place to prevent any risk related to regulatory issues, but also in terms of our decision-making process, our strategic level, we also have a stronger checks and balances in place to prevent any misuse of the Company and any bad decision that could lead us to the serious issues that we had in the past.

Of course, together with that and not only, as I mentioned in our bylaws, but because of the Brazilian legal framework that has been established also there is a personal and

even criminal liability of the Directors and Officers in case there is any misuse of violation in place.

So, any of those potential changes in our internal controls mechanism, they would lead eventually to at least public scrutiny, with full disclosure of all those changes in case they happen.

So, to conclude my answer, it's important to make sure that any changes in our rules, in our bylaws, in our internal policies, they need to go through our systematics. They can be done, there are different thresholds to be assessed and to validate the options. However, all the major changes in our corporate governance, they must be disclosed to the shareholders and make sure the transparency is there and is applicable to all the cases. Thank you for your question.

Luiz Carvalho:

Mastella, about pricing policy, there is a clear difference between the Company and some associations methodologies. Could you please share some thoughts about this difference? Today, do you see any need to adjust prices of gasoline and diesel?

Claudio Mastella:

Thank you, Luis. Really, the import parity estimates can be very different numbers depending on which reference used to calculate. One number that's often used by local press is the number generated by the local Importers Association, Abicom.

This fuel importers association has represented this year, 2022, less than 5% of the total imports of diesel and gasoline to Brazil. They are small scale actors. So, as small scale actors, they create an estimate, which is valid for them, based on small-scale actuation. They do not have access to facilities for discharge, and do not have access to competitive freight prices, for example, and neither frequent access to markets to search for better prices.

When you say 5% is from Abicom, you may think that the remaining 95% would be Petrobras, but no, that's not the case. In reality, Petrobras represents less than half of the total imports of diesel and gasoline to Brazil, which is a very clear translation that the market is being supplied and that the prices are fair in Brazil.

Bruno Montanari, Morgan Stanley (via webcast):

Congratulations for the continued solid results and constant capital discipline, both clear features from the management team in recent years.

Rodrigo, regarding the strategic plan and CAPEX, what would be the process to revise assumptions in the event of a management change in 2023? What would be the steps to change strategy and capital intensity in a material way? And how fast could that happen?

Rodrigo Araujo:

Thank you, Bruno. Thank you for your question, and thank you for the message. So as you know, the business plan is an annual process that is run by the Company every year and basically, it involves a relevant number of areas with assumptions, not only with respect to Brent prices and exchange rates, but also with respect to margin business

volumes, etc.. So we do have relevant assumptions for the various businesses that we are engaged in discount rates as well.

So basically, this is an annual process that impacts the entire company. The approval of the business plan is also a process that has some relevant governance around it. So basically, we have a committee that is called Investment Divestment Committee, where we have about 12 executive managers that is the level right below the C-suite, those managers, those executive managers are statutory similar to statutory directors whenever they vote on that committee.

So basically, their votes in terms of project approval or divestment approval or business plan approval, for example, is similar to the vote of a statutory Executive Officer at the C-suite. So basically, it has to go through the investment divestment committee. And then it goes through the Executive Officer Board, the C-suite and then it goes to the Board of Directors, of course, before being analyzed by the Board of Directors, it is analyzed by some of the Board committees, the investment committee and the Audit Committee as well.

So basically, we do have several steps of approval of the Company's business plan. We are now in the middle of preparing the most recent business plan, as we do every year. So we are going to be delivering the 2023-2027 business plan by the end of this year. So, the annual process will be concluded for 2022, and that's where we are in terms of business plan. So this is how the cycle goes.

In terms of capital intensity and actually spending money on new projects, of course, it's not only about the business plan. So the business plan has the main guidelines, the strategic positioning of the Company. There is the Company will be focused, the projects that will be pursued over time, but the plan by itself does not mean capital commitments have been made. So, the projects that are within the business plan have their own governance. So, similar to what we have for the divestments, we have a strong governance process for CAPEX approval as well.

As I mentioned before, the projects have to go through the same kind of committees and then to the executive officers and then the Board of Directors. They have to be positive NPV on the stress test scenario all the assumptions are also analyzed from a risk management perspective. So, we do not only run three deterministic scenarios that we use for planning. So, we do not use only the optimistic base case and stress test scenario that we have for the business plan.

We also run a probabilistic analysis with sensitivity analysis of several of the relevant variables for the project so that we can also analyze the probability of having a positive NPV project alongside with the resilient test that we do. Just to give an example in terms of assumptions, the current stress case scenario assumption for Brent prices is US\$35 per barrel in the long run.

So, after the project is approved, you still have the procurement process, and you can imagine the degree of complexity that exists for the kind of projects that the Petrobras, so we do have a very high degree of complexity, especially for onshore projects.

The procurement process is not simple, it takes a lot of time, not only because of the technical complexities that are involved, but also given all the governance and the status that we do have to follow in the procurement process as well.

So basically, number one, we have the annual cycle of the business plan. Then we have the projects that have to be not only designed and developed. They are scrutinized on

several different layers of the Company. And then you have the procurement process. And after all that, you start actually spending money. So, one of the relevant changes that we have done over time is that we only spend relevant CAPEX after we have gone through the FID of the project. We have a five gates project approval process, and we only start spending after gate number three. That is basically the FID.

So, this is a little bit of how it works in the business plan and the projects run. Thank you, Bruno. Thanks for your question.

Bruno Montanari:

The Company has delivered a robust divestment program, which contributed to clean up its capture structure, today at very healthy levels. Thinking about the Company's governance and procedures, if Petrobras were to become an acquirer of assets, what would be the evaluation criteria and approval mechanism? How fast could a material acquisition be made?

Rodrigo Araujo:

Thank you, Bruno, for your question. So first of all, a little bit similar to what we were talking about in terms of CAPEX. We do have the business plan as the main guidelines. So, any acquisition has to be, first of all, connected to the business plan somehow from on a strategic perspective. So, the strategic adherence is one of the criteria that is analyzed for any acquisition. And then similarly to what we have for divestments, we have a similar governance for investments as well, so for acquisitions as well. We have internal valuations that have to be done, we have different valuation scenarios that have to be done.

So, as I mentioned, optimistic base case and stress test case, we have risk analysis, not only quantitative but also qualitative for all the investment and divestment processes – most of them, of course, are approved by the Board of Directors, so they would all go through the kind of the same methodology that I mentioned before. So, they will go through the investment divestment committee, then they will go through the C-suite and then to the Board of Directors, including the Board committees.

Depending on the kind of acquisition, it might go through the Minority Committee of the Minority Shareholders Committee of the Board of Directors as well. So, we can basically think about the acquisition process as a little bit similar to the divestment process, not exactly the same, but it's similar. We also have a fairness opinion external third-party, fairness opinions for the transactions as well. So that's a little bit of color on what's the acquisition process.

Bruno Amorim, Goldman Sachs (via webcast):

Mastella, what is the current discount to international reference price that the Company is observing in diesel and gasoline? Does the Company see the need to an eventual price increase to reach the international parity?

Claudio Mastella:

Bruno, thank you for your question. And you help me address another topic that's usually misread by the people that comment on our pricing practices. As a matter of fact, as I was answering Luiz minutes ago, besides the many estimates of import parity prices, depending on which actor is estimating and which are their needs in terms of competitiveness, there is also our practice, and we have been repeating that a lot in the

last years, that we avoid passing on to our clients the volatility of the international markets.

With that, it's impossible, as a matter of fact, clearly, to have prices daily aligned with international parity. What happens is that, at a certain point, we are above, certain points, we are below, but we keep on looking for good alignment with international prices.

This translates into a competitive average price in Brazil, which is clearly proved by the actions, by the actors like other importers, big importers, the ones that we use as references for our pricing, their continuously operation in Brazil, they continue participation in the local market with their imports. So, that's a proof that our prices are fair, again, as I said, and that we will continue to avoid passing on volatility. So, the local differences are natural, but we are still aligning our prices to the market.

Relative to your question about when and how is the difference, for our worries on information on competitive issues, we cannot comment on that, but thank you for your question.

Christian Audi, Santander (webcast):

I would like to congratulate you on continuously solid operational results and strong capital discipline. The first question, can you give us a sense in the current plan of the criteria used for project approval in the upstream, refining and renewables? How different is timing and procedures for approving an upstream project versus refining versus renewables, for instance?

Rodrigo Araujo:

Thank you, Christian, for the question and for the message. So, I have talked a little bit before about the business plan approval, the annual cycle, the discount rate, the hurdle rate approval, that is also an annual cycle.

So, in terms of differences between businesses, what we do is basically, of course, we have a set of assumptions that is different for each business. The specific assumptions that are connected with that business in terms of margins, volumes, market and competitive behavior, etc., but we, of course, have similar assumptions for the for overall business plan, things like crude prices or FX, this inflation rates, these are all standardized for all the businesses.

We also have different discount rates for different risks and different businesses. So, this is a little bit of the differences in assumptions. But of course, the approval process is very similar to all of them. As I have mentioned before and described, first, the project has to be developed. It has to go through all the technical revisions. We have technical revision groups for all the projects, then it has to be approved by the investment divestment committee, then the C-suite and then the Board of Directors. So, this is a little bit of the of the approval process for new projects.

But it's important to highlight that I think that what differentiates the businesses and the projects is, of course, the level of maturity, so if you consider, for example, the development of ultra-deepwater projects that we have, we have focused on standardizing the project, standardizing the production units over the last couple of years.

Nowadays, we have a very solid standardized engineering and financial process for all of those projects, which of course makes the approval process for them faster than other projects where we have substantially less maturity in terms of project management.

So, for a segment, for example, like renewables, we do not have relevant maturities. So, it's a different business for the Company. Of course, we have our ongoing studies for different alternative businesses like CCUS, like offshore wind power, etc., but the level of maturity is much lower when we compare to the upstream and downstream projects that we have within the Company.

It's also important to highlight that we have different maturities also at the supply chain level. So, when we consider the offshore projects that we have in Brazil, we have a very consolidated supply chain, very solid suppliers. This is something that's also relevant, not only for the procurement process, but also for the development of the projects.

When we think about onshore projects, the supply chain is not as mature and the large and complex projects that Petrobras has, the procurement process tends to be slower and the project itself tends to be slower compared to what we have in the offshore segment.

But this is a little bit of the differences. The approval process is very similar, but the assumptions, of course, are different, and the degree of maturity of different projects and different businesses is also something that impacts the project approval process at Petrobras. Thank you, Christian

Regis Cardoso, Credit Suisse (via webcast):

Congratulations to the management team and Petrobras for another excellent result. This is a good example that good management can create value for society, as well as reconcile investments and shareholder return.

Fernando, what are the expectations around timing for the closing of the transactions of the 5% stake purchase option auction exercised by CNOOC in Búzios?

Fernando Borges:

The transaction should be completed in November, with an effective date starting on December 1. The steps to be completed this month are the approval of the guarantees referring to the commissioning by ANP and the payment of the transaction amount by the CNOOC.

Regis Cardoso:

Rodrigo, how does Petrobras see the possibility to divest from Braskem still in 2022? Can you also provide an overview on the progress of the ongoing divestment projects?

Rodrigo Araujo:

Thank you, Regis, for the question, and thank you for the message as well. So, with respect to Braskem, as you have probably seen, Braskem has announced that Novonor has requested Braskem to engage and support its sale transaction with potential buyers.

We are, of course, preparing ourselves to engage in the divestment process whenever it's convenient. So, we are making our own studies and preparing ourselves to be part of the sale transaction as things move forward with respect to Novonor. So, this is where we are with respect to Braskem. Of course, it's difficult to give you a sense of timing. But we continue to be engaged in the divestment transaction.

With respect to the rest of the portfolio, I think that, in terms of relevant news, it's important to highlight what we announced yesterday, the injunction that we have reverted with respect to Bahia Terra. So, now we are able to restart the process and continue with the divestment of Bahia Terra.

Over the course of the year, we have already signed six transactions on a total amount of US\$ 4.4 billion, and we have closed eight transactions over the course of the year. We, of course, continue to be strongly focused on closing the transactions that we have already signed, and we expect to close additional transactions over the rest of the year. And this is a little bit of where we are in terms of divestments. Thank you, Regis.

Gabriel Barra, Citi (via webcast):

Joao Henrique, could you give us more information about the operation start process of the FPSO Almirante Barroso? How long does it take to commission your equipment and production system? When can we expect the production of the first oil?

Joao Henrique Rittershausen:

Thanks for the question, Gabriel. The FPSO Almirante Barroso arrived at Brasfels shipyard in Angra dos Reis on October 5. Next month, we will have some steps before the sail away on the shipyard, which will happen early next year. The unit will complete integration, commissioning, inspections and the acceptance testing. We expect the startup of the unit until the middle of next year.

Gabriel Barra:

Rafael, today, we see the Company's investment plan focused on projects with high returns and low breakeven, mainly in the pre-salt region. Looking at the next investment plan, can we expect any changes in the Company's focus? Can we expect greater investments in renewables, for example?

Rafael Chaves:

Excellent question. There will be no change in terms of capital discipline here in Petrobras. Suitable risk-return reward is a key assumption for us to projects approvals. It makes Petrobras stronger. Stronger means sustainable.

On top of that, we are going to keep investing in decarbonizing our operations, for example, with the HISEP and new technological solutions that increase our ability to reinject CO₂ equivalent in our reservoir. We are going to keep growing with our renewable fuels production, investing in a dedicated plant for jet fuel with renewable content. We are going to keep investing through social responsibility area in forests, to keep forests alive and to increase forest area as it is a vocation here in Brazil.

In terms of more investments in renewables, as long as we see maturity investment with suitable risk return-reward, of course, we are going to invest on that.

That is a Group's decision. We have many executives inside Petrobras studying that. To assure that we have a positive NPV under risk stress scenarios, we have executives from financial department, risk department, people from our engineering that used to develop projects, we have people from market to select market conditions.

So, whenever we see a suitable risk-return reward in this type of project, we are going to invest. So, we need to wait for next strategic plan to see if there will be any innovation in our winner strategic plan that is in place here in Petrobras.

Gabriel Barra:

Looking at the new exploratory frontiers, we see the Equatorial margin as a great promise for the Company. However, there are some concerns, mainly regarding the environmental part of the region development. Could you tell us a little about the Company's vision in relation to the development of the region, what are the main challenges and potentials for the region in terms of CAPEX and reserves?

Rafael Chaves:

First of all, it's important to say that Petrobras contributes to sustainable growth and development of all country regions. Regarding the Equatorial margin, we expect benefits with our investments. We have already announced more than US\$ 2 billion in exploratory investments in the Equatorial margin. We are going to benefit population through tax, through generating income and employment, through investing in these regions with both directly and indirect benefits that will overcome to Amapá, Pará, Maranhão, Piauí, Ceará, Rio Grande do Norte.

So, it's very important that Petrobras be there to develop the Brazilian resource in the Northeast of the country, making into real wealth for population.

We focus on sustainable growth. It is unacceptable to have unsustainable growth, but it is also unacceptable to have no growth at all. And in Petrobras, we have the capability to provide sustainable growth of those regions, and we are going to develop this fossil resource in the North and in the Northeast of the country, and translate it into wealth.

We are going to take care of the people today and we are going to take care of the planet tomorrow. It's possible to develop in a sustainable growth with responsibility, and Petrobras will do that.

Monique Greco, Itaú BBA (via webcast):

João Henrique, could you please provide an update status on the contracting process for the new company of Route 3? Could you please comment on the expansion project status of RNEST and GasLub? Should they continue after the next business plan revision? What is the status of these projects?

Joao Henrique Rittershausen:

Route 3 Integrated Project is at 93% of physical progress. Subsea pipelines are 100% completed and the utilities are in the final phase of commissioning. Petrobras has already started the necessary contract to finish the remaining scope of the processing natural unit, and we expect to start operation by 2024. We are waiting to complete the contracting in order to have a detailed planning to have the exact date of the startup of the unit.

Also, in GasLub, the HCC and the HDT construction projects are still on the technical-economic analysis. It would be prepared to produce Group 2 base oil and increase S10 diesel and jet fuel production.

Regarding RNEST, following our portfolio management strategy in the refining divestments plan, we restarted the sale process on June 27. At the same time, it was

decided to finish the construction of the remaining scope of Train 1, which meets environmental conditions and adds value to the asset.

Rodolfo de Angele, JPMorgan (via webcast):

Rodrigo, in the elected President's government plan, there is a discussion on the importance of reducing fuel imports. Can you comment, from an operational point of view, if it's possible to increase production on the existing refining facilities? Are there alternatives for brownfield expansion? If positive, what would be the size of the potential production?

Rodrigo Costa:

Hi, Rodolfo. Good afternoon. Petrobras refineries operation rates are comfortable with our commercial commitments, and we respect the safety operations and logistics conditions.

This year, the refinery utilization level is close to 90%, despite several refinery turnaround that we did this year. This brings to mind that we are close to the first quartile of US refinery utilization rate according to Solomon's benchmarking.

In line with our current strategic plan, we are investing on capacity expansion, improvement in our conversion, focusing on high-margin, oil products and hydrotreating diesel.

As João Henrique said, we have some refining expansions underway, and when the GasLub hydrocracking unit starts operating. It will increase our capacity by 90,000 barrels per day of both ultra low sulfur diesel and jet fuel, and 12,000 barrels per day of lubricants of Group 2.

In addition, we have a project to revamp RNEST Train 1 and to conclude Train 2, which will increase the refinery capacity by 145,000 barrels per day. With this expansion in place, we will have an extra output capacity of 90,000 barrels per day of ultra low sulfur diesel.


We are also investing in expansion of our hydrotreatment capacity for ultra low sulfur diesel by approximately 145,000 barrels per day, with a new unit under construction at Replan and improvements of existing units at Reduc and Revap.

Carla Albano:

Thank you, Rodrigo. Thank you all. At this time, the Q&A session is over. If you have any further questions, you can send it to our Investor Relations team. Rodrigo Araujo will now make his final remarks. Please, Rodrigo, go ahead.

Rodrigo Araujo:

Thank you, Carla. Thanks, everyone, once again for being with us today in our 3Q earnings call. As I have mentioned before, a very solid quarter, very solid results. We are very happy with the results. Of course, results not only of the positive external environment, but also from the important strategic decisions that we have made over time and with the capability of properly executing portfolio management and project delivering that we have had over the last couple of years.



So, the Company has proven that it is not only ready to face stress scenarios like we saw in 2020, but also capture the upside, when the external environment is favorable.

So, we are very happy with the results. And thank you for being with us here during the 3Q earnings call. Thank you.