

## Webcast - First Quarter Results 2021 May 14, 2021

### **Carla Albano:**

Good morning, everyone. Welcome to Petrobras' webcast with analysts and investors about the 1Q21 Results. It's a pleasure to have you with us today.

We would like to inform you that all participants will follow the transmission by Internet as listeners. After introduction, a Q&A session will begin. You can send us questions by email, [petroinvest@petrobras.com.br](mailto:petroinvest@petrobras.com.br).

Today, we have with us Claudio Mastella, Chief Trading and Logistics Officer; Fernando Borges, Chief Exploration and Production Officer; Joao Henrique Rittershausen, Chief Production Development Officer; Marcelo Zenkner, Chief Governance and Compliance Officer; Nicolas Simone, Chief Digital Transformation and Innovation Officer; Roberto Ardenghy, Chief Institutional Relations and Sustainability Officer; Rodrigo Araujo Alves, Chief Financial and Investor Relations Officer; Rodrigo Costa Lima e Silva, Chief Refining and Natural Gas Officer.

The presentation will be available throughout the webcast on our company's website. We will start by watching a video of Petrobras CEO, Mr. Joaquim Silva e Luna.

### **Joaquim Silva e Luna:**

*Prezados investidores, obrigado pela confiança que nos tem sido hipotecada. Estamos seguros de que a grandeza e a solidez desta Companhia continuarão a merecer a mesma confiança que nos tem sido creditada. Depositam a garantia dessa afirmação no nosso ambicioso planejamento estratégico, na nossa gestão ativa de portfólio, no comprometimento e preparo dos nossos empregados e no forte time de gestores que conduzem a Empresa com firmeza, celeridade e consistência rumo ao futuro.*

*Conforme divulgado no dia de ontem, a Petrobras apresentou um sólido resultado no 1T21. Superamos neste período os desafios dessa complexa conjuntura com segurança, progressividade das ações e respeito ao meio ambiente, aos acionistas e à sociedade em geral, gerando expressivo valor para a Companhia.*

*Continuamos focados em crescer, sustentados por nossa robusta produção de óleo, gás e seus derivados. Somos reconhecidamente líderes mundiais em tecnologia e operação em águas profundas e ultraprofundas. Sabemos que a celeridade nos investimentos é decisiva para enfrentarmos a transição energética e não postergarmos a arrecadação de tributos para a sociedade.*

*Por isso, para os próximos cinco anos, temos um plano ambicioso de investimento, com previsão de entrada de 13 novos sistemas de produção em seis campos petrolíferos. Somados aos demais investimentos já planejados para o nosso negócio, serão US\$ 55 bilhões empregados no horizonte 2021-2025.*

*Com esse conjunto de ações, a Petrobras extrairá daqui para frente mais petróleo do que já extraiu em toda sua história. Repito, extrairá daqui para frente mais petróleo do que já extraiu em toda sua história.*

*Simultaneamente, estamos desinvestindo para investir mais e melhor, concentrando nossos esforços de refino na modernização e na expansão da capacidade das nossas plantas próximas da matéria-prima: óleo e gás do pré-sal e do pós-sal. E próximas da infraestrutura logística instalada: refinarias integradas entre si por rede de dutos até os mercados consumidores.*

*Essa ação planejada de gestão de portfólio irá dobrar a produção de diesel S-10 do sistema Petrobras nos próximos anos. Ou seja, em um contexto de transição energética, teremos mais diesel com menos teor de enxofre, reforçando a estratégia de comercialização alinhada às necessidades dos clientes. Adicionalmente, estamos abrindo espaço para a presença de mais investimentos e mais competitividade ao mercado de refino brasileiro.*

*A Companhia investe também intensivamente na área digital e de inovação, busca permanentemente reforçar a segurança da informação, conta com o maior centro de pesquisas da América Latina, renova plataformas tecnológicas e potencializa processos com a adoção de modelo ágil em escala em ambientes colaborativos, fomentando parcerias com startups.*

*A Empresa já tem armas digitais e alma digital. Investimos fortemente no preparo dos nossos empregados, conscientes de que eles são o nosso principal ativo. Nessa jornada de fortalecimento sustentável da Empresa, consideramos a integridade e a transparência valores inegociáveis e o permanente diálogo com a sociedade nos permite uma interação saudável com todos os stakeholders.*

*Por fim, os resultados do 1T21 a serem detalhados a seguir permitem mensurar o nosso compromisso com a entrega de resultados para os nossos investidores, para o desenvolvimento do Brasil e para a sociedade em geral.*

*Muito obrigado pela confiança. Muito obrigado. Vamos em frente.*

**Carla Albano:**

Now, we will start the presentation. I will call our CFO, Rodrigo Araujo Alves. Rodrigo, you may start please.

**Rodrigo Araujo Alves:**

Thank you. Thank you, Carla. Hello, everyone. Good morning. It's a pleasure to be here with you for the first time as Petrobras Chief Financial and Investor Relations Officer. And I hope everyone is safe and doing well. So, first of all, let me start.

Next slide please, next one. Let me start with safety, which is of course a fundamental value for our company. And we have been very proud with the results we have achieved over time. And it's important that for the 1Q21, we have a total recordable injuries per million man-hours of 0.62, which is within the maximum acceptable limit that we have of 0.7. And of course, with respect to safety, we always have a zero fatalities ambition. And unfortunately, we had one fatality during the 1Q, but our ambition is always to have zero fatalities.

With respect to the recent actions that we developed to support the Brazilian society and to combat against COVID-19 pandemic, we have engaged in the donation of intubation medication to the Ministry of Health in a joint action with other Brazilian companies.

And we have also acquired mini oxygen units and to supply public hospitals and donated oxygen cylinders in an action that was involved the amount above US\$ 15 million. And we have also changed for certain platforms the boarding schedule in order to reduce the turnover and reduce the risk of contagion within our employees. Some of them have already returned to the original schedule, but some of them are still working on a different schedule to support lowering contagion.

With respect to the emissions in the 1Q, in terms of E&P carbon intensity, we have reached 16 kilograms of CO<sub>2</sub> per boe. And in terms of refining, we had 39.9, both within the acceptable maximum limit for the year that were defined as our 2021 target. And in terms of absolute GHG emissions, in the 1Q, we have emitted 15.4 million tons of carbon dioxide equivalent. And we are a little bit above our annual target, but we expect that we can recover throughout the year.

Next slide, please. So, now I am going to talk a little bit about our financial results in the 1Q. We had a very strong quarter with solid operational and financial performance. Our recurring EBITDA achieved a 34% growth in the quarter with 55% recurring EBITDA margin.

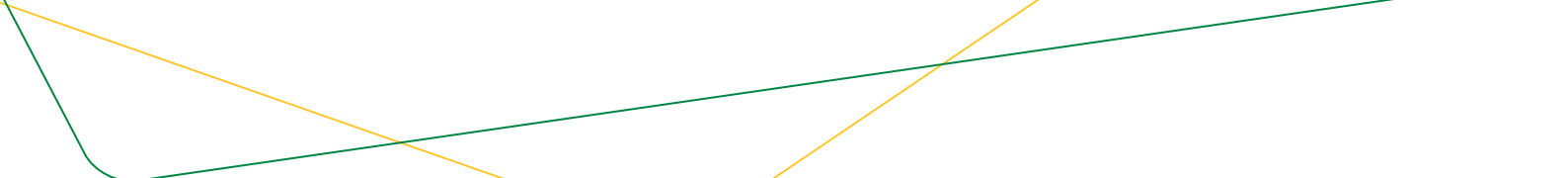
And we also posted a very strong cash generation of US\$ 7.2 billion, and when we reduce by the investments that we made in the 1Q, we have a positive free cash flow of US\$ 5.6 billion. And of course, it's important that this free cash flow is supporting our trajectory to reduce our debt and to improve our balance sheet. So, basically when we compare annually, we have reduced already US\$ 18.3 billion year-on-year and the quarterly reduction of US\$ 4.6 billion. And it's also good to note that we have reduced additional US\$ 3.2 billion after the end of the quarter to April 2021. So we are highly focused on our deleveraging trajectory.

In the 1Q, we repurchased bonds in the amount of US\$ 1.4 billion and we prepaid bilateral debts in the amount of US\$ 0.3 billion as well. We had a cash flow from our divestment proceedings that we have closed during the quarter of US\$ 200 million. And of course it's important to note that we have increased our natural gas and oil production in the 1Q 3%. And even more important is to point out that we had almost 70% of participation of our pre-salt layer production, which of course adds more value to our portfolio. So this was a very important result for the 1Q. And we also had record sales of our S-10, our 10PPM low-sulfur diesel.

With respect to production, it's good to mention as well that we had inventories made during the 1Q. So there is around 27 million barrels that were not realized as exports in the 1Q. So we already have an important improvement coming now for the 2Q with respect to exports that are ongoing by the end of the 1Q.

When we look at the external environment, we had an important improvement in Brent prices, 38% during the quarter. And of course, our performance was positively affected by the improvement on Brent prices. And we also had, in terms of the average exchange rate during the quarter, an improvement from R\$ 5.4 to R\$ 5.47. So this was almost flat during the quarter.

But when we look at the end of period exchange rate and this is important because there is a relevant impact in our earnings for the 1Q due to the non-cash foreign exchange



losses. There was a depreciation of the Brazilian real from R\$5.2 to R\$5.7 per dollar, so a 10% depreciation that affected our earnings for the 1Q.

Next slide, please. As I mentioned before, we are highly focused on reducing our debt and we experienced a US\$ 4.6 billion reduction in the 1Q and additional US\$ 3.2 billion until the end of April. But when we look at the amortization profile, it's also interesting to note that we have a very solid liquidity at this point and the profile of the schedule of amortization of our debt is very comfortable. We have increased average maturity of our debt to a point very close to 12 years, so we are at 11.84 years at this point.

The average cost of our debt had a marginal increase from 5.9% to 6%. But as we look at the portfolio and the schedule of amortization of our debt, we are very comfortable with the current situation.

Of course, we are continually monitoring opportunities to reduce the cost of our debt and to increase the maturity of our debt, but we are comfortable with our amortization profile. And it's also important to note that alongside with our US\$ 12.5 billion in cash of course that's been reduced after the end of the quarter with the prepayments that we made after the end of the 1Q. We also have US\$ 8.3 billion in revolving credit lines that give us enough support in terms of liquidity even during challenging times like what we had in 2020.

Next slide, please. Looking at the recurring EBITDA in the quarter. As I mentioned before, we have had a very strong quarter and it's interesting to note that our recurring EBITDA indicates that we had an increase of 34%, supported by the increase in Brent prices, as I mentioned before. But it was, in terms of both financial results and operational results, a very strong quarter. We had a very strong operational position in the quarter as well. And it's good to mention of course that we had also lower operating expenses in the 1Q, so our cost resilience is also supporting the improvement in our performance.

When we look at the adjusted EBITDA quarter on quarter, it's basically flat, a little bit of increase from US\$ 8.8 billion to US\$ 8.9 billion, but when we look at the recurring EBITDA, it points out that we had a quarter with less noise and very good financial operational performance.

Next please. Looking at our segment performance, of course, E&P was strongly impacted by the positive increase in Brent prices. So we had a Brent depreciation and also we had an increase in our production in the 1Q, especially because we had stoppages in the 4Q of 2020.

With respect to our RTC segment, we see a very important improvement in performance during the quarter, which of course was highly affected by the inventory turnover effect, especially coming from the increase in Brent prices. So we had higher realization prices and we have lower cost that were made in prior periods. So when we remove the inventory turnover effect, when we look at replacement cost EBITDA, we had a 7% decrease in the quarter, especially due to the seasonality, and of course to the lower levels at the end of the period, given the restrictions that are still remaining with the pandemic.

With respect to the Gas and Power segment, we had a 24% decrease, which was mainly affected by lower margins in the generation of energy and in the commercialization of natural gas, especially given the increase in the cost of importing LNG, especially JKM LNG has increased substantially in the 1Q. So this affected performance of our Gas and Power segment.

Next, please. As I mentioned before, when we look at the cash generation for the period, we had a very strong operational cash flow of US\$ 7.2 billion. Our operational cash flow was positively affected by tax credits by the decision of removing VAT from the calculation basis of this PIS/COFINS. So we had tax credits in the 1Q, which were almost offset by prepayments that we made to our pension plan in order to support our divestment of refineries. So we prepaid certain obligations that we had with our pension plan in order to streamline the process of divesting our refineries.

And as I mentioned, when we look at the financing part, we paid around US\$ 2.6 billion when we include leaseings and interest payments and we also had net payments of US\$ 3 billion in terms of financing. A substantial part of this payments were prepayments. So we had a strong free cash flow of US\$ 5.6 billion, supporting our deleveraging efforts. And it's also good to notice that we had US\$ 0.2 billion inflow of cash from our divestment procedures.

Next please. I've already mentioned before, but we are continually focused on liability management and capital optimization. So we have repurchased bonds after the end of the quarter. We had a tender offer of about US\$ 2.5 billion and we also have the extension of the maturity of revolving credit lines of around US\$ 2 billion to 2026, which supports our liquidity and helps us to reduce the optimal level of cash that remain in our balance sheet.

And looking at liability management from a broader perspective, we also settled tax contingencies during the quarter. This is very important for us. We are continually monitoring opportunities to settle tax liabilities and all kinds of contingent liabilities in terms that are favorable for the company. So we have paid around R\$ 500 million, a little bit less than US\$ \$100 billion to reduce liabilities of R\$ 1.5 billion in the 1Q. And we are also recovering around R\$ 0.2 billion in judicial deposits that we had. So it was a very relevant transaction and a very good transaction in terms of liability management that we were able to realize in the 1Q.

Next please. In terms of portfolio management, our portfolio management agenda is continuing very strongly. And we are trying to implement as fast as we can our M&A processes. We had already signed six transactions in 2021 and we have closed seven transactions. Of course, the most relevant is the RLAM refinery that we signed in the 1Q21. So, up until May 11, we have already signed US\$ 2.5 billion in transactions and we had cash inflows of around US\$ 500 million.

Next please. This is a general picture of our portfolio. We have around 50 transactions ongoing. And of course, we are highly focused on expediting our M&A transactions. And we have signed relevant procedures, with a highlight to the NTS, which is the natural gas transportation company that we sold the remaining 10% that we had, we closed this before May 2021. So this is the general picture.

Next please. And finally, with respect to our net income to our earnings in the 1Q, we had a recurring net income of US\$ 0.2 billion compared to US\$ 5.4 in the 4Q of 2020. And this is basically due to the impact of the devaluation of the Brazilian real. As you know, we have our debt indexed to US dollars and we look at the fewer than foreign exchange rate to mark our debt by the end of the period, so we had a negative foreign exchange loss in the 1Q non-cash, of course, but this impacted substantially our recurring net income. So this is the general picture of our financial highlights of the 1Q.

And now, I will give the word back to you, Carla. Thank you.

**Frank McGann, Bank of America:**

The new deadlines for refinery sale, though giving more time to complete the sales, still seem to be challenging in terms of time. How does the company see the process to sell the refineries advancing? What are the key challenges? Would contracts include any guarantee in terms of pricing or returns that could be provided by Petrobras?

**Rodrigo Costa Lima e Silva:**

Good morning, Frank. Thank you for your question. First of all, in terms of the general picture of our M&A process, it's good to highlight that they continue normally. And we are going through the predefined gates that you already know that occurred in our M&A activity. But of course, you know that especially for refining assets, this involves complex transactions that of course have several steps both from our side and from the buyer side and of course with the regulators as well. But we are highly focused on complying with the deadlines that were established by the Brazilian antitrust body. And in the 1Q, we have signed the sale of RLAM, our refinery. So we are focused on complying with the deadlines of the antitrust body in Brazil.

And in terms of guarantees and returns, we do not expect to provide those. Of course, each transaction has its own SPA, its own contract, but this is more of a general picture. Thank you for your question.

**Frank McGann:**

Ardenghy, in recent months, there seem to be a more focused effort globally to deal with climate change that could at least on the margin speed energy transition. To-date, understandably Petrobras has focused on maximizing its own privilege hydrocarbons asset base. Over the medium to long-term, what are the options, if any, the company could be studying to possibly adjust its strategy to meet long-term challenges.

**Roberto Ardenghy:**

Hello, Frank. Thank you for the question. And I divide the answer in two parts. The first, what we have accomplished over the years and it's true that Petrobras have been very focused on the recovery and the financial side. But also we have done a lot in terms of carbon performance because carbon performance fees are key to the future of any oil and gas company. It's recorded double resilience not just to have a good project, profitable project, but also low carbon project that we can market our products in the future. And in this particular area looking at the past, we have done a lot already.

The so-called carbon intensity for the exploration and production of Petrobras has been improving over the years. We have reduced the amount of carbon greenhouse gases produced by barrel in more than 47% from 2009 to 2020. So that's a good number.

In the pre-salt, that is today the key project for Petrobras, we have today the third largest carbon captured project in the world. In last year, we have been able to capture and put back to the reservoir 7 million tons of CO<sub>2</sub>. This is 18% of the world projects in a global scale. So this is what we have done.

Also, it's worth to mention the low sulfur diesel in our refining plants. We have already mentioned in our press release that the increase of the sales of low sulfur diesel is very important for Petrobras and it has been improving over the years. That's very important to Brazil as Brazil is very diesel prone. We are a country that is very high in terms of consuming diesel, especially for transportation and public transportation in our urban

areas. So, reducing the amount of sulfur in diesel brings a lot of benefit for the society. But looking at the future, because as you said, any transition is speed up and we have to be prepared.

So we are very focused on technology. Petrobras, as you know, a very technology-driven company. So we see opportunities in a project like the all-electric in our platforms. If we can receive the necessary authorization from the authorities to put these kinds of systems in our platform, they are going to be able to reduce in 20% our greenhouse emissions in our offshore projects in ultra-deepwater, especially in pre-salt.

The HISEP, that is a technology developed by Petrobras, in which we are able to capture the gas leaving the reservoir and separating the gas and returning back to the reservoir, the CO<sub>2</sub>. That's also very important.

And also, the renewable fuels that we are also waiting for the authorities here in Brazil to authorize us to produce the renewable diesel in our refining plants. And as a side effect of this production, the aviation biokerosene, as a jet fuel.

So those are the areas in which we are seeing the progress. So we are very much focused on progressing and improving our carbon efficiency over the next year. Thank you.

**Gavin Wylie, Scotiabank:**

Rodrigo, do you expect higher dividends to shareholders to remain a priority for Petrobras, staying consistent with plans to distribute US\$30 billion to US\$35 billion over the period of 2021 to 2025? Will the new Board look to review the various aspects of Petrobras dividend policy? In particular, do you expect any amendments to the 60% payout of free cash flow once gross debt plus capitalized leases moves below to US\$ 60 billion?

**Rodrigo Araujo Alves:**

Good morning, Gavin. Thank you for your question. First of all, we will stay consistent both with our dividend policy and with our expected dividend payments. Of course, our focus now is on achieving our debt target of US\$ 60 billion through 2022. So we are moving as fast as we can to achieve our debt target. And you can see that, as I mentioned during the quarter, we are using basically all the free cash flow that we have to reduce our debt.

Given the challenges that's imposed by the pandemic, of course, that we are still running on a higher cash level than what we think it's optimal, but our focus of the free cash flow at this point is to reduce our leverage.

And of course we want to improve the level of our dividend payments and once we reach our US\$ 60 billion debt target, our current dividend policy gives us enough flexibility to evaluate the timing and how to better implement our additional dividend payments in order to also ensure that we have a financial sustainability both in terms of our short-term, medium-term and long-term. So it's important of course to preserve our financial stability as well. So this is what we had in terms of targets and prospects. Thank you.

**Gavin Wylie:**

The five-year plan outlines the majority of capital spending will be allocated to upstream pre-salt developments and has de-emphasized exploration. Do you expect any changes to capital allocations relatively to what has been outlined in the current 2021-2025 plan? Do you believe the upstream production growth or exploration should be accelerated?

**Joao Henrique Rittershausen:**

Good morning, Gavin. Thanks for the question. Our expectation is to follow the premises of the plan presented to the market in 2020. The discussions for the next five-year plan, they are ongoing and we hope that we approve this in the next strategic plan. But we expect there are no major changes in this direction.

**Rodrigo Costa Lima e Silva:**

I would like to make the complement for this answer to Gavin. We have allocated for this five-year plan US\$ 6.5 billion in exploration and we have US\$ 6.5 billion allocated in upstream area. We think that this US\$ 6.5 billion is a huge amount of money allocated to exploration. We have to look out that we do this exploration in partnership with other companies. We are focusing on equatorial margin and first reserve could increase our uptake to deploy more efforts in the coming years.

If you look to development plan, we have, as already mentioned, 13 production units to come. We have declared preferential rights for Atapu and Sépia, is that already have a FPSO each one. Sépia will come on stream in the 2H21, and the production increase in this year is a result of the ramp-up of P-70 in Atapu area. And in these two areas, we have room for another production unit. So, we are doing, I think, a good speed on even production development and in exploration. Thank you.

**Christian Audi, Santander:**

With your continued strong cash flow generation and already lower debt, how could you prioritize the use of your cash between paying on debt versus increasing capex versus paying dividend?

**Rodrigo Araujo Alves:**

Thank you. Good morning, Christian. Thank you for your question. Well, in terms of, if we can talk about the financial framework, it's important to see that the first dollar from the cash flow of our operations in our M&A activity is of course directed to the payment of our commitments in the capex that is already committed in our business plan. Then, of course, the second dollar is to reduce debt. So, as I mentioned before, we are highly focused on achieving our 2022 US\$ 60 billion debt target.

If we look at the general picture for 2021, we are very close to achieving our annual target of US\$ 67 billion. And of course, when we reach the US\$ 60 billion target, our current dividend policy gives us enough flexibility to evaluate the timing in the best way to implement our policy and pay additional dividends, of course, making sure that it is sustainable in terms of our Finnish ability for short, medium and long-term.

With respect to future capex, of course we are now focused on executing our 2021-'25 business plan. And as you know, we annually review our business plan as Rodrigo mentioned before. But of course, our capex will always be focused on value-generating assets optimizing our portfolio in terms of maximizing returns and efficiently allocating

capital so that we maximize our returns. So this is the general framework that we have. Thank you for the question.

**Christian Audi:**

Could you just touch on potential start-up schedule and maintenance schedule for the FPSOs for the rest of the year, and how it could impact production?

**Fernando Borges:**

We had a very busy maintenance work in the 4Q20, just because of the COVID pandemic. We postponed at maximum the intervention, which brings more people to our units, but we had to do them.

Now, for this year, we see steady level of maintenance, not causing any special decrease in production. So, finally, we have come back to the normal in the speed of maintenance of our production units. That's it.

**Lilyanna Yang, HSBC:**

Rodrigo, how do you see Petrobras current strategy plan and what key issues pertaining to the plan do you foresee this new administration should review or improve? Could you please share your top three priorities for this year? Do you believe that Petrobras should raise capex toward US\$15 billion as opposed to the current US\$10 billion given the current levels of operating cash flow?

**Rodrigo Araujo Alves:**

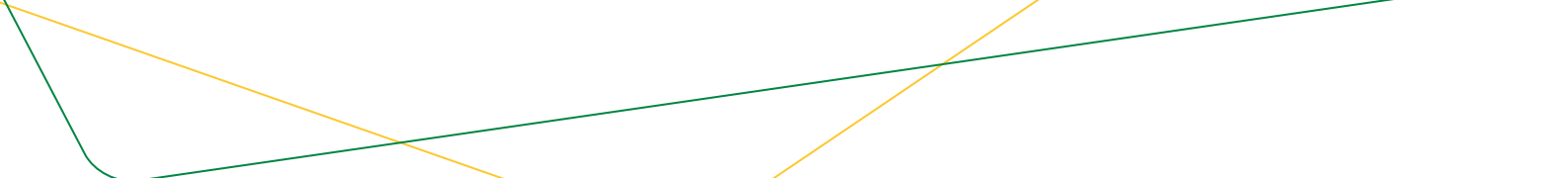
Thank you, Carla. Thank you, Lilyanna for the question. Good morning. First of all, with respect to our business plan, we have a very solid business plan in place. And of course, our focus will remain on the efficiency of our capital allocation and portfolio management in order to maximize our returns. So, this is a top priority for us and we are going to be continually focused on maximizing returns for our portfolio management. We have, as you know, a significant challenge of reducing our leverage, reducing our debt levels in order to be closer to what our peer companies have.

And this, of course, brings a lot of resilience both to our future plans and to our portfolio as well. Another important message that we have is our focus on resilient projects, so resiliency is a keyword. And as Ardenghy mentioned before, not only financial resilience but financial and environmental resilience is a main topic for us as well.

As I mentioned before, we have this annual process of reviewing our business plan, but we do not expect to see any major changes in terms of the general guidance.

Our capital allocation would be focused on maximizing returns and on having an effective portfolio management policy, again, focused on the dual resilience of being resilient for lower Brent prices as we experienced last year. All the companies have had a major experience in terms of realizing the resilience scenarios that they had and of course, focusing on our environment resilience as well.

Talking about the top three priorities, I would say that, of course, for 2021, our main priority is to ensure that our projects are on schedule. They support our cash flow generation, they support the cash flow of operations. So, our committed capex and making sure that the projects are on schedule for 2021 is very important for us. I would say also that our priority is to ensure that we are able to move as fast as we can with our



portfolio management agenda, which is also important both to improve the returns in our portfolio and to reduce our leverage as well.

And of course, I've mentioned before, reducing our debt is definitely very important for us in order to give us a solid financial position to support the additional dividend payments that would come from our dividend policy, which, as I mentioned before, gives us enough flexibility to analyze the timing and the best way to implement considering the need to support our financial stability as well. Thank you for the question.

**Lilyanna Yang:**

What are your thoughts about the privatization of refining assets in Brazil? Is it necessary for Petrobras to sell the assets that are in the company's divestment plan in the coming two years, or three to five-year agenda divestments is a more welcome one?

**Rodrigo Araujo Alves:**

Thank you for the other question, Lilyanna. Well, first of all, with respect to the refining assets, as I mentioned before, we have a committed schedule with the Brazilian antitrust body.

So, we are very focused on complying with that schedule. And of course, improving the number of players in the Brazilian refining market is good for the market, good for Brazilian society and good for Petrobras as well. So we have an important output that comes from our divestment. So, we are focused on complying with deadlines that we agreed with the Brazilian antitrust body.

With respect to the divestment to the portfolio management plan as a whole and to the three to five-year agenda, of course, we are always trying to anticipate those processes and just streamline and looking for opportunities that we have in the market. So we are focused on doing things as fast as we can, but we are comfortable with the plan that we have in place now. Thank you for the question.

**Luiz Carvalho, UBS:**

Mastella, the company has been successful in keeping with the international priority. And somehow the results of refining have been solid. It did make sense to think of a deadline of 24, 48 or even 72 hours for implementation of adjustments looking forward, what could change in the pricing policy?

**Cláudio Mastella:**

Thanks for your question, Luiz. Our internal pricing policy went through some learning process in previous years, with one period with a very low volatility and the other with very high volatility, even with daily adjustment.

Today, we are an intermediate level, so, in view, it provides a balanced with the international market, allowing us to compete efficiently and flexibly, without immediately passing on the volatility of the international prices or the exchange rate to the domestic market.

So, the adjustments, up or down, occur without a defined frequency, and they are announced one business day prior to their implementation. We find visibility on the prices practices by location and mode, and this information is immediately published on Petrobras' website.



**Luiz Carvalho:**

Rodrigo, BRDT stock price reached on Wednesday the level above the price of the last follow-ons. In your view, would this be a trigger to unlock the sale of the remaining 37.5% stake? Otherwise, can you give more color on the rationale of the process?

**Rodrigo Araujo Alves:**

Good morning, Luiz. Thank you for the question. As you know, we have announced, and it's of course in our 2021-2025 business plan, our intention to divest so far remaining stake in BR Distribuidora. What we are doing now is evaluating the timing of the transaction in order that we can maximize the value of the transaction for us. So this is basically where we are now. Thank you for the question.

**Bruno Montanari, Morgan Stanley:**

Does the company still intend to implement the enhanced dividend policy distributing 60% of free cash flow once the optimal capital structure is achieved?

**Rodrigo Araujo Alves:**

Well, good morning. Thank you for the question. As I mentioned before, Bruno, we are of course currently focused on reaching our debt target of US\$60 billion for the year of 2022. And we have been using all the free cash flow that we have actually with reduced debt.

We know that given the scenarios imposed by pandemic, we are still running on a higher cash level than we think it's optimal. But we think that it's necessary at this point. But we definitely want to improve our level of dividend payments. And as I mentioned before, our existing dividend policy gives us enough flexibility to evaluate the timing to implement the policy and to ensure, of course, we maintain our short, medium and long-term financial sustainability. Well, thank you for your question.

**Bruno Montanari:**

The company was recently granted an extension in the deadlines to sell refineries and also natural gas assets. If Petrobras is not able to meet the new deadlines, could it be subject to any sort of fines from CADE? In the case of REPAR refinery, the sale process had to be restarted. How to expedite the procedures in order to meet the new deadline?

**Rodrigo Araujo Alves:**

Thank you, Bruno. I've mentioned before that in general terms, our M&A portfolio management process are quite normally and are ongoing through the gates that we have defined to our M&A activity.

Of course, as I mentioned that the refining transactions are complex transactions that involve activities from our side, from the buyer side from the regulators. And of course, as I mentioned, we are highly focused on meeting the deadlines that were established by the Brazilian antitrust body. So this is where we are in terms of general picture of the processes.

Specifically, with respect to REPAR, we are still evaluating how to restart and evaluating with respect to the process, given our failed attempt in the first time. Thank you.

**Rodolfo de Angele, JPMorgan:**

Pre-salt lifting costs seem to have stabilized at very interest levels below US\$3 per barrel. Is there room for further improvements? What is the expected trend here?

**Fernando Borges:**

Thanks for the question. In a broader view, I could say, if you look back five years, we have our lifting cost of US\$9 per barrel of equivalent oil, the whole of Petrobras, today we are at US\$5.2. And our strategic plan for the next five-year, we hold on US\$5.2 even with the decline of the fields and increase of the cost of the assets we have to manage. And if you put a big eye on pre-salt, in the previous five years, we had US\$4.3 per barrel, today we are around US\$3 per barrel.

But in the next five years, we have a project of US\$3.84 per barrel and go steady with that. So that's the whole view of lifting costs. And so, for the whole Petrobras, we could focus something around US\$5 and for pre-salt something around US\$4 per barrel. Thank you for the question.

**Rodolfo de Angele:**

Can you give us an update on how things are moving along? Will all the new FPSOs have 225,000 barrels per day of capacity?

**Joao Henrique Rittershausen:**

Currently, we have four FPSOs in production in Búzios field, and we have hired three FPSOs that are under construction, Almirante Barroso, Almirante Tamandaré and P-78. We had planned to start production of these units in 2022, 2024 and 2025, and the capacity of these units will be 150,000 to Almirante Barroso, 225,000 per day to Almirante Tamandaré, and 180,000 to P-78.

We have already two new units on the procurement phase, P-79 and P-80, between 180,000 and 225,000 barrels per day, and another three units are on planning in the studying phase. These units will be contracted probably in the EPC format, and the idea is to have these units with production capacity of 225,000 barrels per day. On the end of development phase of the Búzios field, we expect to have a total production around 2 million barrels per day.

**Bruno Amorim, Goldman Sachs:**

Rodrigo, has there been any change recently to the offers previously made for assets up for sale?

**Rodrigo Araujo Alves:**

Thank you, Bruno. Good morning and thank you for your question. Well, we haven't seen any changes to offers previously made for assets. What we see of course is usual negotiation process that is part of any M&A transactions going through the gates that exist in our M&A activity process. And of course, what I can say is that we are focused on moving as fast as we can in our M&A transactions, but we haven't seen any specific changes. Thank you for your question.

**André Hachem, Itaú BBA:**

Amidst the recent volatility in the fuel price environment, how has the sale of the refineries have been evolving, and how the new management team see this topic? Is it reasonable to assume that the sale of Repar and Refap could still happen this year, and closing and signings could come through next year?

**Rodrigo Araujo Alves:**

Good morning, Andre. Thank you. Thank you for your question. As I mentioned before, we are focused on complying with the deadlines that were established by the Brazilian antitrust body, including Refap, of course. And so this is what we can say for now. We do not see any disturbance in the process at this point. But, of course, we remain focused on complying with the deadlines. And as I mentioned before with respect to Repar specifically. We are still reevaluating the process, given our first failed attempt. Thank you.

**André Hachem:**

The agreement over the ToR surplus with the Chinese NOC was expected to occur during the 2H20. How has this been evolving? When should we expect to see a final agreement?

**Fernando Borges:**

Andre, the negotiations are going well. It's a complex one because we have a field with all units installed, and we have room for more up to eight units. So it is comprising compensation.

So things are going very well, and we expect next September to finalize this. It is going to be an opportunity for Petrobras to receive its compensation and start sharing the production with the two partners. Thank you.

**Vicente Falanga, Bradesco BBI:**

Rodrigo, do you believe the sale of the BR Distribuidora positive for Petrobras from the perspective of capital reallocation.

**Rodrigo Araujo Alves:**

Thank you, Vicente. Thank you for your question. Good morning. Well, as I mentioned before, BR Distribuidora is one of the assets that we intend to divest from the remaining stake in our business plan. So, yes, we do believe that is positive in terms of capital allocation and what we are doing now is evaluating the timing in order to maximize the value of the transaction for us. Thank you for the question.

**Vicente Falanga:**

Mastella, in your view, what is an optimum price policy for Petrobras? Do you believe that the government will push for a stabilization fund?

**Cláudio Mastella:**

Vicente, good morning. Trying to answer your question, we do believe it's the one we are currently practicing, the best one. But of course, we want to always adapt to the

business environment taking into account our options and also our competitors' options, of course, aiming for the best profitability.

It's important to say that we try not to pass on the volatility in the internal market, but we maintain the alignment with prices in the international market. It is important to ensure that the market continues to supply without risk of shortages, not only Petrobras, but these several actors responsible today for serving different Brazilian regions.

In addition to Petrobras today, we have distributors, importers and the refiners doing their job. This competitive balance is responsible for price reductions when the supply goes in international market, as occurred throughout 2020, for example.

It is important to say that fuel prices practiced at Petrobras are not the only component, the price felt by the end consumers. We have to add federal taxes, state taxes, cost of acquisition, mandatory mix of biodiesel and ethanol in diesel and gasoline. On top of that, gross margins for distribution components in the fuel stations.

So, we do our part trying not to pass on volatility here, but it's very important for us and for the other actors in this market to keep on making our prices in equilibrium with an international market. It's very important for the good works of this market. Thank you.

**Regis Cardoso, Credit Suisse:**

Fernando, Petrobras recently declared interest in both Sépia and Atapu areas. Does it make sense to participate in the auction, with a consortium? Is there any synergy in replicating in Atapu, in the new surplus volumes auction, the same consortium of the construction contract? And for Sépia, would it make sense to enter in the bidding process alone?

**Fernando Borges:**

Regis, bidding strategy is something that any company used to open. But Petrobras has a policy, Petrobras has a better to go with partnership in our new activities in the ultra-deep waters or exploration. So we are a company that's open to share the risks and the profits of our activities, always with partners. That's the one component of our strategic plan. Thank you.

**Barbara Haubstadt, JPMorgan:**

Mastella, it would be great to get some additional color on the dynamic for the export markets after the 1Q21.

**Cláudio Mastella:**

Thank you, Barbara, for the question. I would like to share our crystal ball related to the future scenario. We have seen in the 1Q21 some weaker premiums, but since then market fundamentals, in our view, have improved significantly. China demand is picking up, and we are getting some strong support for premiums in *(inaudible)*.

Vaccines rollout in several places has also improved the market sentiment. And in our view, this provides a path for the recovery of the global demand. So, we do see some improvement in the premiums for crude oils over the next quarters. Thank you.



**Barbara Haubstadt:**

Rodrigo, what do you expect in terms of liability management for the rest of the year?

**Rodrigo Araujo Alves:**

Thank you, Barbara. Good morning. Thank you for the question. Well, first of all, as I mentioned that we are, of course, we are highly focused on reaching our debt targets, both the US\$67 billion for 2021 and US\$60 billion for 2022.

But we are, of course, always looking for opportunities to reduce the cost and to increase the maturity of our debt profile for the remaining portion of the debt that will still carry after we achieved our targets. So we are continually focused on this and when we think about liability management in a broader perspective.

As I mentioned during the presentation, we are continually looking for opportunities to settle liabilities that we have in general contingent liabilities in general. Whenever we find opportunities to settle them in favorable terms for the company. We are, of course, always looking for opportunities to do this. So this is how we view liability management as a whole. Thank you for the question.

**Carla Albano:**

Thank you, Rodrigo. At this time, we concluded our Q&A session. If you have any further questions, you can send it to our Investor Relations team. Rodrigo will now make his final remarks. So please, Rodrigo.

**Rodrigo Araujo Alves:**

Thank you. Thank you everyone for your time today for being here with us for our earnings call of the 1Q21. As I mentioned before, we have a, we had a very strong quarter, both in terms of operational and financial performance and we are highly focused on executing our strategy and delivering our '21-'25 Business Plan. So, thank you for being here today and feel free to contact our IR team with whatever questions you still have. Thank you very much.