

Y 2021 Earnings Call

Company Participants

- Carla Albano, Head of Investor Relations
- Claudio Mastella, Chief Trading & Logistics Officer
- Fernando Borges, Chief Exploration & Production Officer
- Joao Henrique Rittershaussen, Chief Production Development Officer
- Rafael Chaves, Chief Sustainability & Institutional Relations Officer
- Rodrigo Araujo Alves, Chief Financial & Investor Relations Officer
- Rodrigo Costa Lima e Silva, Chief Refining & Natural Gas Officer

Presentation

Carla Albano {BIO 17540433 <GO>}

Good morning, everyone. Welcome to Petrobras Webcast with Analysts and Investors about our Fourth Quarter 2021 Results. It's great to have you join us today. I would like to inform you that all participants will follow transmission by internet as listeners. After an introduction, a Q&A section will begin. You can send us questions by email at petroinvest@petrobras.com.br. We also inform you that all executives are participating in the event remotely in their individual rooms respecting the health and safety protocols.

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

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

Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Carla. Hi, everyone, thank you for being here today with us. It's a great pleasure to be here with you to announce our results for the fourth quarter of 2021 and of course we're quite happy with the results that we had and deliveries that we made, especially when we consider that we were able to achieve all the targets that we set in the '21-'25 business plan for the year '21, so we're quite satisfied with the results, with our cash flow generation, our financial position and we're going to get into more details about the results of the fourth quarter.

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Next slide please. Next please. So starting with ESG, it's always very important to remind that safety is -- it's a value for us and it is a quite fundamental value and we're always aiming at our ambition of zero fatalities, unfortunately for '21, we had three fatalities in our operations but we're always aiming to eliminate all fatalities. We were able also to reduce our total recordable injuries per million man hours from 0.56 in 2020 to 0.54 in '21, that's below our top metric of the maximum acceptable limit of 0.7. But regardless, we're always focusing on improving safety and reducing the risks of our operations, so safety is something quite relevant for us.

Next slide please. In terms of our contribution to the Brazilian society. As you have seen in our '22-'26 business plan, we expect to return about 58% of our cash flow generation to society via taxes, dividends and the company is quite relevant in terms of its contribution to the country. And in '21, this was not different, we were able to return about 57% of our cash flow generation considering dividends being paid and taxes paid to different government levels in Brazil. Of course, this number of BRL230 billion does not include the dividends that we announced yesterday, the additional dividends for year '21. So here we're talking about the cash basis contribution, but again the company's contribution is quite relevant and we're quite satisfied with the results we had in '21.

Next slide please. In terms of our social performance, we had several different projects with relevant impacts in local communities, in places where the company is performing its operations. We have wide range of programs focused on education, on SDE, ocean preservation, marine water preservation and also forest preservation. And it's also relevant to remind you of the programs that we announced in '21, one of them focused on LPG for low-income families in Brazil, we have more than 4 million people affected by our program and we're very happy with the participation of other players in the oil and gas industry in Brazil as well as the Mangue Brazil foundation alongside with us. So we've been able to improve the impacts of this program by inviting other companies to join us in the actions that we're doing. And we also donated BRL4.3 million to the states of Minas Gerais and Bahia that were quite affected by floods caused by heavy rain in the beginning of '22 and also to Petropolis that has been recently affected by heavy rain in Brazil as well.

Next please. In terms of our level of emissions, the results that we have for '21 are quite compatible with the targets that we set in terms of E&P carbon intensity, we were able to reduce our emissions from 15.9 kilos of CO2 per barrel of oil equivalent produced to 15.7, that's below our target of 17. And in terms of the intensity in the refining segment, we were also able to reduce when compared to 2020 and also below the target that we set. This is part of our low carbon low cost strategy and we have relevant targets for '22 and also for the horizon of the '22-'26 business plan that we're going to show in the next slide please.

Next please. Okay, so we have targets for -- not only for 2030 but also for 2025, and especially when we compare to the level that we have in the upstream in 2009 and when we compare to level that we have -- and we had in the downstream in 2015, we've been able to substantially reduce our emissions and we're quite focused on both decarbonizing our upstream operations. As you know, we have set a decarbonization fund in our most recent business plan. And also in downstream, we announced in '21 a program called RefTOP that is focused on energy efficiency in the downstream segment, so we're being able to deliver important results in that area and we expect to continue

reducing our emissions and cleaning our operations over time and that's also compatible with the long-term ambition that we announced alongside with OGCI in September '21 of net zero ambition in the timeframe of the Paris Agreement.

It's also relevant to highlight, as I mentioned before, as part of our low carbon low cost strategy, the pre-salt oilfields are quite relevant in terms of low emission. When we look at the Buzios and Tupi fields, for example, the Buzios has an emission level and intensity level of 10 kilos of CO2 per barrel of oil equivalent and Tupi has 9.1 compared to the average of the portfolio that is around 15.7, so those are quite competitive assets and supported also by the portfolio management movements that we're making. We do expect to continue to reduce our emissions both from Scope 1 and 2.

Next please. And I've mentioned the decarbonization fund, but our total investment in the business plan is of USD2.8 billion, so we continue to move towards also programs realized biodiversity and climate. We had several important milestones that were realized in '21 both in terms of CCUS and also in terms of reforestation. It's always important to mention that Petrobras has the largest CCUS offshore program in the world. So we're quite focused on reducing our emissions and improving our environmental performance.

Next please. With respect to governance, the company continues to, alongside with its financial turnaround story, continue to improve its governance as well. We've received relevant awards in '21. We also had BRL1.3 billion recovered from investigations within the Car Wash Operation in '21. So that's an important recovery of funds that were misused by the company suppliers in the past and are returning to the company. We also had an important event, in the end of '21, Petrobras dialogs Integrity & ESG that was focused on ESG aspects, especially governance aspects as well. We had more than 30 speakers and about 13,000 participants. So we had a quite successful and relevant event to discuss best practices and ways to improve the company's governance and its ESG strategy.

Next please. Next please. With respect to our financial highlights and operational highlights of '21, we've had several important achievements in the year of '21 beginning with the level of reserves that we incorporated in '21. We had the highest incorporation of reserves in the history of the company 1.97 billion barrels of oil equivalent. We also had completion of the ramp up of P-70 and the start-up of FPSO Carioca both quite competitive assets in the pre-salt layer in Brazil contributing to improving the participation of the pre-salt in our total production.

We also had the bidding round for the transfer of rights of Sepia and Atapu in the end of '21. That was a quite competitive bidding round and we had international players quite interest in those assets and joining us in partnership for the exploration of the surplus of the transfer of rights of Sepia and Atapu, so we're quite happy to be part of the exploration of those assets and improve our production in pre-salt as well with the surplus of the transfer of rights, bidding round.

In terms of utilization factor in our refineries, we had a highest level in the last five years, so we had 83% of utilization in our refineries for the year '21, that level is already up to 88% in the fourth quarter of '21 and we expect to remain around that level, so it's quite

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important to add value through our operations especially when we think about FUT oil, for example, that we've been able to substantially improves our exports of FUT oil after IMO 2020 given the low-sulfur level of our FUT oil, so we're quite happy with our low carbon footprint and low-sulfur production that is supporting the improve of our commercial strategy, not only in Brazil but internationally.

In terms of production, we were able to meet our target for '21 and the pre-salt already represent 70% of our production. It's also important to highlight the power generation auctions that we had in the end of '21 where we had a fixed stream of cash flow that supports all the fixed cost of our thermal power plants, natural gas-fired thermal plant so that was quite relevant in terms of our energy strategy as well. We also had a record level of S-10 diesel production, the 10 PPM diesel production and also 10 PPM diesel sales, so we see that the phase out from the 500 PPM to the 10 PPM is moving quite fast and the company has been able to improve the quality of its refining assets and produce more S-10 diesel to support that transition as well.

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

In terms of the general financial results, we've achieved our USD60 billion debt target 15 months in advance. We also had our credit rating upgraded by Moody's. We had relevant inflows from the portfolio management highlighting RLAM, our refinery in Buzios and also BR Distribuidora, our retail business that we were able to finalize our divestment and had the last part of our follow-on in June 2021 selling the remaining portion of the stake that we had in BR Distribuidora.

We also had the conclusion of the obligations that we had in the agreement with DOJ in '21. We've returned to the Dow Jones Sustainability Index as well and we were also able to review our dividend policy to make relevant improvements in terms of predictability and supporting our commitment to distribute 60% of our free cash flow quarterly. So that's quite relevant in terms of dividend policy. And finally, in terms of cash flow and free cash flow, we had quite successful year that we're going to detail later on and we also were awarded in terms of transparency of our financial statements. So that's another relevant aspects for our governance sources.

Next please. Looking at the external environment, we had a year where the company set its targets based on a USD45 per barrel scenario and we had an year where the average Brent prices were above USD70 per barrel and that's quite supportive of our case. And it's interesting to see that we were able to navigate both 2020 with quite relevant results when we had very low oil prices and we were able to show the resilience of our portfolio. And then in '21, we were able to capture all the price upside that we saw during the year. So it's quite relevant to show the resilience and the quality of our portfolio that is able to capture upside when we see higher oil prices but it's also able to navigate through quite

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challenging scenarios, especially considering that our approval Brent price for the long run for our projects is USD35 per barrel, so we're quite conservative in terms of project approval and those results have shown to be quite relevant especially in '21.

Next please. In terms of our EBITDA, the recurring EBITDA has reduced in the fourth quarter of 2021 from 12.2% to 11.2%, that's mostly related to higher LNG acquisition costs. We had a relevant increase in LNG imports both volumes and costs in the fourth quarter of 2021 and given the dynamics of our natural gas contracts, those are quarterly adjusted, so we have some delay in terms of capturing price increases in the short run for natural gas contracts. Of course, we expect that to re-bounce over time but it was relevant in terms of impact for the fourth quarter of 2021. We also had an appreciation of 8% of Brent prices in the quarter that supported our earnings for the Q4 that were also impacted by lower export volumes and also lower gasoline, LPG and diesel margins in the quarter.

Next please. When we look at the EBITDA by segment, our upstream results were 5% higher than Q3 especially given the appreciation of Brent prices, but we also had lower production in the quarter given the scheduled stoppages that we had in the fourth quarter, we had relevant pre-salt stoppages in the fourth quarter, but we also saw an important increase in terms of the spread of our oil especially Tupi when compared to Brent prices and that's quite relevant results from our commercial strategy. We've been able to see oils like Tupi, Buzios and Atapu being -- having relevant spreads, positive spreads in the market. So that's part of our commercial strategy.

In terms of the results of our RTC segment or the downstream segment, we saw lower margins and volumes when we consider our EBITDA replacement costs, but when we look at the results of the quarter, we saw positive inventory turnover impacts supporting the earnings of Q4 as well. Finally, in terms of gas and power, I've mentioned before, we had a relevant impact of the increase in LNG import costs that impacted our fourth quarter results of '21, and as I mentioned, that's part of our natural gas contracting dynamics, but we do expect that should balance over time.

Next please. When we look at the cash flow from our operations in 2021, of course we had a very solid year in terms of cash flow from our operations. We had a USD37.8 billion cash flow from operations. After investments, we had a USD31.5 billion free cash flow in '21 considering the inflows from portfolio management and from the Buzios agreement, we had a total free cash flow after divestments of USD39.1 billion, that's a quite expressive results for '21 and pretty much that free cash flow was used for deleveraging the company, so we were able to reach our gross debt target to 15 months in advance, but at the same time, we were able to substantially improve our dividend distribution, so we paid USD13.1 billion in dividends for the year '21, resulting in a net cash change of USD1.3 billion negative net cash change for the year. So we were able to anticipate our dividend distribution given the fact that we achieved our gross debt target much sooner than we expected.

Next please. So looking at our gross debt, we were able to reduce our gross debt below USD60 billion, as I mentioned before. We don't expect that to continue to reduce substantially, we see that the optimal level for our gross debt is between USD55 billion and USD65 billion, but we do expect to continue to be active both in terms of bilateral

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transactions and debt capital markets as well, so that we can improve the maturity and reduce the cost of our debt.

If we look at the profile of our debt, we've been able to improve the maturity for 13.4 years, that's quite compatible with duration of the cash flow from our upstream projects, so that's quite important for us in terms of financial sustainability in the future. We also received a liability management award from Latin Finance for '21 and we're also able to issue the company's lowest 30-year bond ever with a yield of 5.75%.

Next please. With respect to portfolio management, as I mentioned before, we were able to sign and close relevant transactions over the year. I'm not going to go through each one of them, but I would highlight the follow on we have with BR Distribuidora and also the transaction involving RLAM that was signed and closed in '21, that's a very important milestone in terms of opening up the refining market in Brazil. We have also signed a SIX and Reman that we expect to close soon in 2022. So in total, we had a cash inflow of USD5.6 billion in '21 and we signed transactions in the total of USD6.8 billion.

Next please. So looking at our net earnings for the year, for the fourth quarter '21, we had USD4.3 billion of net income compared to USD3.3 billion in the third quarter looking at the recurring net income of course. The actual net income was USD5.6 billion compared to USD5.9 billion, so it's quite stable. We had higher volumes and higher prices but we also had higher costs in terms of import costs and government take as well. We also had a lower impact of the foreign exchange rate, the end period foreign exchange rate in our Q4 results.

Next please. I've already mentioned, our distribution of dividends in 2021. So we were able to anticipate 60% of free cash flow formula for the year '21, so yesterday, we announced an additional dividend distribution of BRL37.3 billion, BRL2.86 per share, that represents 60% of our free cash flow for the year. The dividend distribution is quite aligned with the company's financial sustainability and reinforces our commitment with the correct capital allocation and with the distribution of the value that we generate, so we expect to continue distributing 60% of our free cash flow and of course whenever we have the possibility depending on the price and market scenarios, we would be able to distribute additional dividends given the company's performance.

Next please. We also -- no, go back one please, okay. So alongside with our financial statements, yesterday, we also released our climate change booklet for the year 2021. So the climate change supplement is a quite relevant document that discusses our strategy in terms of climate change, our position in terms of energy transition and brings relevant information about our ESG strategy, so that's a quite relevant document in terms of our climate strategy. We're also having on March 14th a webinar to discuss our climate strategy and to talk about our climate change supplement in more detail. So I invite you all to join us for our webinar on March 14 to discuss our Climate Change supplement.

Next please. And finally, alongside with our financial statements, our tax report and our earnings press release yesterday, we also released our Annual Report and I would highlight that we included a specific chapter to discuss our economic value added

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

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

Questions And Answers

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. Thank you all for your attention. We can now move to the Q&A session. The first question that we receive comes from Frank McGann with Bank of America Merrill Lynch. The first question is for Joao Henrique. Are you seeing upside pressure related to inflation in oil service costs, equipment costs, CapEx or other costs?

A - Joao Henrique Rittershausen {BIO 22290162 <GO>}

Good afternoon, all. Thank you for the question, Frank. We have discussed a lot with our suppliers and we again see that they are very optimistic with the future market. But when we analyze our portfolio, for the next five years, we can observe that the big amount of the contracts are already signed with fixed price. So the impact in our portfolio, we think is very low and the risk of increase is only in the part that is not divided until now. In our analysis, we think that in order to have increase of the costs and inflation of the cost is off the equipment and services, we need to have a perspective that will remain with the oil in this high price for a long period, otherwise it do not make feasible for the market to implement or the projects that would have these increase of prices stable for a long time. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Joao Henrique. The next question from Frank is for Rafael Chaves. Rafael as part of the ESG strategy, the company has indicated it could start new technologies that could eventually lead to potential new business. Are there any concrete moves on this front?

A - Rafael Chaves

Hi, everyone. Thanks Carla. Thanks for the question. Yes, there are some moves. I should say that each member of our board and many high level executives are right now discussing the next strategic plan and new business opportunity matching our capabilities. Each one has its own preference but must acknowledge that must be suitable for the Petrobras.

Petrobras is good in building projects that are high intensive in technological contents, high intense in capital bid projects. So there are many options that are actually suitable for Petrobras, for example, nuclear, subsea mining, hydrogen and solar (inaudible),

geothermal and even only oil and no diversification at all right now on the table. So we are running more to discipline our discussions to reach a conclusion and one may expect that this one for the next strategic plan to be announced by the end of the year. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rafael. The next question comes from Christian Audi with Santander. And it's for Rodrigo Costa. Rodrigo, given Russia's attack on the Ukraine and the likely impact this could have on the natural gas prices and LNG, could the negative operational trends seen in the gas and energy sector continue during the first quarter of 2022?

A - Rodrigo Costa Lima e Silva {BIO 22136974 <GO>}

Petrobras has all the way to then has already implemented some structural measures to diversify its LNG acquisitions and sales in our portfolio. Here, I emphasize what Rodrigo mentioned during the presentation that we sold around 8 million cubic metres per day last year indexed to PPM in the bidding rounds, in the energy sector in Brazil last year and we guarantee fixed income to the company around BRL17 billion in the time horizon until 2041. This is a very good achievement for our portfolio. And we will continue to evaluate other commercial and financial measures to reduce the exposure in the variations of the cost of natural gas supply portfolio.

In the first quarter of this year, we are reducing our LNG volumes to around when we see January and February, around 14 million cubic meters per day that represent a decrease of 10 million cubic meters per day if we compare with the last quarter. This is falling the level of our reservoirs here in Brazil that we see a strong recovery, and we see that the level of prices in this first quarter is still high, yeah, it's around USD25 per million BTU, that's too strong level of price and probably could impact our results in the first quarter.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. The second question from Christian is about fuel imports and is for Mastella. Mastella, can you talk about your strategy for gasoline and diesel imports during the fourth quarter of 2021 and what do you expect for the first quarter of 2022?

A - Claudio Mastella

Thank you, Christian. Our imports in the fourth quarter 2021 and planning first quarter 2022 are dimensioned to fully meet our contractual obligations to our clients in addition to our refining operational production.

Specifically for November, we received a very typical additional demand, much higher than expected for the period. Thus, even with our refineries operating at the limit, it was not possible for us to meet the extra demand of around 20% for diesel and 10% for gasoline. Well, we observed similar behavior in January and February of this year. The Brazilian market, important to say, have not and will not be short of supplies. Currently, there are several places besides Petrobras distributors, importers, refiners which producing import products and are fully capable of meeting additional demands. What's happening is this, many sectors supplying the Brazil market. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thanks Mastella. We receive questions also from Gabriel Barra with Citi. And the first question is also for you, we believe that high fuel prices will continue in the short- to medium-term, but when we're looking at the import parity, we see that the company charging prices below import parity price. Therefore, I would like to better understand how Petrobras has been thinking about pricing policy for the current moment and also for the future? Is there any possibility of changing its strategy regarding the pricing policy?

A - Claudio Mastella

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

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Mastella. Now we receive questions from Leonardo Marcondes with Itau. The first question is for Rodrigo. Rodrigo, considering the current oil price scenario, does Petrobras consider to anticipate projects that are not in the current business plans to the short or mid-term?

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Leonardo. Thank you for your question. Well, I think that first of all it's good to remind you of what we included in our latest '22-'26 business plan about the level of commitment of our CapEx for the timeframe of the plan. And when we look at the first years of the plan, you can see that we have a high degree of commitment and of course that means that we don't have too much room for relevant changes in terms of CapEx for the beginning of the business plan, so much of our CapEx for '22 and '23 is already contracted and it's pretty much focused on projects that have already been approved. So we don't expect relevant changes in terms of CapEx for the short-term.

Also one thing that we're quite concerned about is making sure that all of our projects go through a very high threshold and go through our resilience scenario, stress test to be approved so we don't -- we're not going to approve projects that are not resilient in our Brazilian scenario of the business plan that considers a USD35 per barrel scenario for the long run. So even though of course we see price upside now, but we're always focused on making sure that the projects are sustainable and value accretion projects in the long run. So we don't expect to change our approval policy for projects in the short run.

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

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. Leonardo also sent another question and it's for you as well. Could you provide an update on the refinery that they're still under divestment process? Is there any expectation on the timing for the signing of those refineries?

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A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Leonardo. While we're still -- as I mentioned in the Portuguese earnings call, we're still negotiating (inaudible) with potential buyers. We don't have a time frame to share with you right now, but we do expect to see advances in the next months but we don't have any specific timeframe to share with you now. And considering the three processes that were unsuccessful in the first attempt Refap, Repar and Rnest, we're now looking at the projects with (inaudible) and talking to potential buyers and prospecting the market to see what best timing for those processes will be. Rnest has of course the specific challenge related to the conclusion of the second refining unit, but especially Repar and Refap looking at the market appetite and discussing with market participants potential buyers and the Brazilian antitrust authority about the best timing to relaunch those processes. Thank you for your question.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. We receive questions also from Luiz Carvalho with UBS and the first question is for you. The company has been very vocal in the sense of highlighting the company's potential contribution to society in the form of dividends, how can you see this developing in the next 12 months? Could Petrobras increase its dividends? How could we understand the potential limits for distribution? Could there be a case for potential high percentage than the 60% of the difference of operating cash flow and CapEx?

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Luiz, for your question. Well, I think that first of all, when we look at our turnaround story over the last six years, I think it's very clear that efficient management focused on a resilient portfolio and having value creation as the company's focus and the distribution of that value as a relevant contribution to the Brazilian society, I think that's quite clear that that's the corrective path for the company to go and we're quite focused on continuing on that trajectory that has brought us here with this very impressive turnaround. So I think that is something quite relevant for us and will continue to be our focus.

In terms of dividends, we expect to first comply with our 60% of free cash flow dividend policy. So over the next quarters, we expect to distribute the 60% of our free cash flow doing that on earnings calendar, so we expect to announce the results for Q1 and right after distribute the dividends the 60% of the free cash flow related to the first quarter, subsequently. But in terms of additional payments of course depending on the price scenario, the inflow from portfolio management and the company's financial sustainability and financial situation, we could see the distribution of additional earnings, but that's something we would expect to do closer to the end of the year not right now in the beginning of the year, but thank you for the question.

Sorry, I thought you asked something about CapEx, but no it was the 60% of the free cash flow, operating cash flow after CapEx. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. We receive questions from Bruno Montanari with Morgan Stanley, and the first question is for Mastella. Fuel prices in Brazil have been below international parity, while crude oil prices have rebased at a higher level, is Petrobras comfortable in sustaining a discount versus parity for prolonged time? When could you expect price adjustments to come?

A - Claudio Mastella

Well, Bruno, thank you for the question. We maintain our commitment to practice the competitive prices and in balance with the international markets. But at the same time, we avoid transferring the volatility caused by specifically to our clients. This is balancing it, we do believe there is equilibrium, that is naturally a result in the supply to the market on an economic basis, and we don't risk us our shortages by the different sectors, refiners or other producers, importers.

Recently, all international scene moved up observe it was on prices rising influenced by geopolitical tensions. And at the same time, we had the dollar devalued relative to Brazilian real. So for us, it was possible to maintain prices of gasoline, diesel at the same level since January trough. The current condition today specifically has further heightened the volatility of the markets. We still need to better evaluate what the impacts will be for us to take a position on that. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Mastella. The second question from Bruno is for Rodrigo Araujo. Rodrigo, cash CapEx disbursement in 2021 will have to increase over 70% to meet the 2022 budget, how confident is the company that it can execute on much larger disbursements this year? Should we think that CapEx will be concentrated in a particular quarter or well spread throughout the year?

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Bruno. Thank you for your question. Well, first of all, in terms of performing the planned CapEx, I think that over time we've been able to both using risk management and project management, we've been able to improve the level of assertiveness of our CapEx predictions. So if you look at the last three to four years, we're performing much closer to what we expected in the business plan. Of course when we have events like COVID-19 and disruptive events like that we definitely will see impacts in terms of performing CapEx, but again we are being able to move much closer to the planned level of CapEx, we are running relevant risk analysis for the CapEx that we provide in the business plan so that's also an important part of the project management framework.

So for '22, we do expect to perform quite close to what we announced in the business plan, we don't see any relevant disruptions at this point. In terms of the spread throughout the year or historically, we have some increase in the last quarter of the year, but of course it depends a lot on the scenario and what we can see for the upcoming months. We don't expect any disruptions now, so we do expect to perform somehow smoothly over '22. Thank you for your question.

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A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. The next questions are from Regis Cardoso with Credit Suisse, and the first one is for you. I would like to clarify two aspects of the dividend policy; first, should we interpret the USD65 billion gross debt as the limit to apply the formula or the USD60 billion remains as a threshold for the formula? Second point, how does the cash-in from divestments fits into the policy, should this cash be distributed as enter Petrobras balance sheet or the company could decide to distribute the excess of cash only at the end of the year?

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Regis. Thank you for your question. First, in terms of the USD65 billion threshold, I think this was one of the improvements that we made in dividend policy, the 2019 policy was drafted. Thinking about the scenario in which we were deleveraging the company and focusing on reaching the USD60 billion debt target. But after we reach that, it's reasonable to have some upside and downside room for specific events, for example, we're having an FPSO coming online that temporarily increases our debt level and not stopping the dividend policy because of that kind of events. So that's why we had that USD65 billion flexibility. So the threshold would be the USD65 billion. Of course the optimal level continues to be USD60 billion and we're going to be continually looking at the price scenario and what's happening in terms of liquidity and financial sustainability. Those aspects are relevant, but the threshold would be the USD65 billion.

And the way we expect to run the dividend policy is to have the quarterly payment off the previous quarter free cash flow of 60% of the free cash flow on an earnings calendar throughout the year. But then of course, we would have cash inflows from divestments that aren't usually spread throughout the year, so depending on the timing and the price scenario and market scenario, we would be able to distribute additional dividends, but those dividends would be probably more closer to the end of the year. We expect to first comply with the 60% and then consider potential additional dividends. Thank you for the question.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. Regis has another question for you. So how does Petrobras' possibility to divest from Braskem preferred shares still into 2022, what about the common shares?

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

Thank you, Regis. As you've probably seen, we had a failed attempt for a follow on transaction now in February basically impacted by the volatile market conditions, and of course, what we're seeing today is a quiet significant increase in terms of volatility. So we're going to continue to monitor the market scenario. At the meantime, we're discussing with Novonor, they're the relevant shareholder potential improvements in governance and potential movements that can be made in the meantime. But of course given the volatility that we have now it's quite difficult to make predictions in terms of timing, but what I can reassure is that the company continues to be committed with the divestment of -- divesting of its entire stake in Braskem, so that has definitely not changed.

What we're doing now is much more monitored the market conditions and trying to move with the governance improvement agenda in the meantime. Thank you.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. We have another question also from Regis to Fernando Borges. What are the expectations around timing for the closing of the transactions of the 5% stake purchase of option exercised by CNOOC. Which are the main precedent conditions for the closing? Regarding second, is there any update regarding the negotiations around the conversations, any expectations on timing for those receivables?

A - Fernando Borges {BIO 16446179 <GO>}

Thanks Regis for your questions. Considering Buzios closing expected for the second quarter of this year after the approvals by the Administrative Council of Economic Defense, CADE and the National Petroleum Agency and the Ministry of Mines Energy. And compensation second, negotiations are in progress with the partners because the deadline of the signing of the co-participation agreement established in the bid notes is April 29th. In this year, we expect that all amounts we be received within this month of April.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Fernando. Now we have questions from Rodolfo Angele with JPMorgan. The first question is for Rodrigo Costa. Rodrigo, on the earnings release, there was an USD87 million impact on gross profit in the gas and energy segment because of higher LNG prices, how do you expect the spread between Brent and LNG prices to behave during the year and how should that impact Petrobras' profitability?

A - Rodrigo Costa Lima e Silva {BIO 22136974 <GO>}

Rodolfo, the LNG price scenario is still uncertain as we are seeing today due to these geopolitical scenario. Here, we expect spread between 25%, 20% between Brent and LNG price, but we are seeing some forecasts on market specialists that point in the second semester a ramp down in these price scenario to USD15 per million BTU. So let's see, if this would be a new trend.

But here in Petrobras, we work with long-term and short-term contracts, our portfolio is major making by long-term contracts and short-term contracts. The commercial conditions is totally aligned with our costs, opportunity costs that at this time is our opportunity costs is LNG price. But in the medium- and long-term contracts, we following the previous conditions established and the way fulfill the contractor conditions and provide all the reliability to our customers.

For the new sales contract, Petrobras considering demand forecasts and the respective supply portfolio with the most update forecasts that we have inside the company and also contract mechanisms to our clients to reduce price volatility and different terms and flexibility conditions regard volumes, take or pay and ship or pay clause and we try to set these conditions, as I said in the medium- and long-term horizon.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Rodrigo. The second question also from Rodolfo is for Fernando Borges and Joao Henrique, is the increase in oil prices prove to be more structured. How much flexibility would you have on your production plan?

A - Fernando Borges {BIO 16446179 <GO>}

Rodolfo, Petrobras constantly monitor price in making its decision with the long-term perspective, without losing sight of the early perspective of resiliency of our projects. It's too early to say that what impact the current situation may have on long-term scenarios, this assessment will take place as part of the update of our strategic planning. And any change to our investment plan will be announced at the time of the next strategic plan.

A - Joao Henrique Rittershaussen {BIO 22290162 <GO>}

Yes. And complementing Fernando, when you see our business plan, we have 15 units already hired and they have just three new units that they are not divided now. In order to have you more oil in our business plan, the critical path for this is the capital construction and it lead at least in three years to four years. So we don't have a room to changing the plan in the short-term. The only space to some movement is when we consider single -- new single oils in the existing platforms. So there is not a room to change the production plan in the next three or four years.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Fernando. Thank you, Joao Henrique. The next question is from Bruno Amorim with Goldman Sachs and it is for Rodrigo Costa. Rodrigo, the utilization capacity of Petrobras gas-fired is below historical highs, but we saw an increase towards the end of last year. Can you please clarify the strategy for volumes and capacity utilizations at the refineries going forward. GDP internal fuel consumptions are expected to remain on the sidelines this year, so do you intend to gain market share versus imports by third-parties?

A - Rodrigo Costa Lima e Silva {BIO 22136974 <GO>}

Bruno, the main KPI of our refining segment was the high utilization rate of our part reaching an 88% in the last quarter, in the fourth quarter of last year. And in the average of last year, we reaching around 83%. This is the highest utilization level in the last five years reflects the improvements in our management efficiencies and the reliability conditions.

Last year, we invest around BRL2.3 billion on the maintenance of our refineries and we almost reached 4,000 equipments that will improve efficiency. We also highlight that the decision of the level of use of our refineries is complex because involve a lot of products around more than 50 products planning the turnaround logistic restrictions, yield of our equipments, prices and demand conditions. So that's a very tough scenario to planning all these variables. And all of our decisions is to add value to the company and we take this decision on technical and economic criteria. We are considering investing in our refineries updating our hardware and adapt to our oil output in the upstream segment.

A - Carla Albano {BIO 17540433 <GO>}

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Thank you, Rodrigo. The next question is from Vicente Falanga with Bradesco. And it's for Fernando Borges. Fernando, output has started very strong in 2022, any positive surprise or this was already expected when the company put out its output guidance for the year?

A - Fernando Borges {BIO 16446179 <GO>}

Vincent, January's high production performance was mainly due to fewer maintenance stoppage and the ramp up of FPSO Carioca in Sepia fields and good efficiency in other oilfields. However, considering the working interest reduction that we're going to have in Buzios field with the increased participation of (inaudible) and the Co-participation Agreement in Sepia and Atapu fields due to next May, this result is still in line with our production disclosed to the market of 2.6 million barrels of oil equivalent per day for diesel, considering the margin of more or less 4%.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Fernando. Now we've received two last questions from Andrea (inaudible) and it's for you as well Fernando. The results presented 21% quarter-on-quarter increase in pre-salt lifting cost. Is this a sign that inflation cost arise at E&P in Brazil pre-salt what can we expect in terms of cost increase for pre-salt for the next quarters?

A - Fernando Borges {BIO 16446179 <GO>}

Andrea, the lifting cost in the last quarter of last year and there has been slight increase due to assumption research and the level of activity the pandemic intends to decrease. For the first month of this year, we intend to maintain this level due to our need to carry out maintenance in convention that were minimized during the pandemic. After the reduction of this maintenance backlog in this year, the lift cost will stabilize at a lower level than the current base close to the USD5 per barrel.

A - Carla Albano {BIO 17540433 <GO>}

Thank you, Fernando. So we have our last question is for Rodrigo Costa also from Andrea. The negative result for the gas and energy helps Petrobras integrations with gas distributions over readjustments on sales price. Should we expect another net negative, sorry, should we expect another negative EBITDA for this segment in the first quarter of 2022?

A - Rodrigo Costa Lima e Silva {BIO 22136974 <GO>}

Andrea, the negative result of gas and power in the last quarter is a further evidence of the gap between the costs of LNG necessary to meet Petrobras' contractual commitment and the conditions previously established contractually. In our opinion, these litigations will represent a frac to the open enough natural gas market by putting legal certainty at risk and interfere to market price and future investments in the country. Along 2021, we're working hard for several months in the bid rounds of distributor companies to provide best conditions for our clients offering natural gas with terms of six months to one year, four years different reference of indexes in these contracts and a flexibility in the conditions of take and ship or pay. And we think that we will solve these litigations in the table meetings to reach a consensus around these conditions.

For this first quarter, we reduce our exposure in LNG volumes, we reduce around 10 million cubic meters per day if we compare the performance of January and February with the last quarter, but the level of price around USD25 per million BTU probably will impact our results in this first quarter.

A - Carla Albano {BIO 17540433 <GO>}

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

A - Rodrigo Araujo Alves {BIO 22236457 <GO>}

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

Thank you. Have a great day.

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