

# Q3 2019 Earnings Call

## Company Participants

- Andrea Almeida, Chief Financial and Investor Relations Officer
- Carlos Alberto Pereira de Oliveira, Chief Exploration and Production Executive Officer
- Roberto da Cunha Castello Branco, Chief Executive Officer
- Rudimar Andreis Lorenzatto, Production and Technology Development Director
- Unidentified Speaker

## Other Participants

- Analyst
- Bruno Amorim, Analyst
- Christian Audi, Analyst
- Frank McGann, Analyst
- Pedro Medeiros, Analyst
- Pedro Soares, Analyst
- Regis Cardoso, Analyst

## Presentation

### Operator

Good morning, ladies and gentlemen. Welcome to Petrobras Webcast and Conference Call with Analysts and Investors Concerning its 2019 Third Quarter Results.

We would like to inform you that participants will follow the transmission by Internet and telephone only as listeners. After an introduction, a Q&A session will begin, at which time introductions on how to participate will be provided. (Operator Instructions)

We'll start by listening to the Petrobras CFO Andrea Almeida with the main highlights results. Then the attendees questions will be answered. Please note that the presentation will remain available throughout the webcast and at the company's Investor Relations website. Attending today, We have Ms. Andrea Almeida Chief Financial and Investor Relations Executive Officer; Ms. Anelise Lara, Chief Refining and Natural Gas Executive Officer; Mr. Carlos Alberto Pereira de Oliveira, Chief Exploration and Production Executive Officer; Mr. Rudimar Lorenzatto, Chief Technology and Production Development Executive Officer; Mr. Eberaldo de Almeida, Chief Corporate Affairs Executive Officer; Mr. Marcelo Zenkner, Chief Governance and Compliance Executive Officer; and other company's executive officers.

Mr. Andrea, you may proceed please.

### Andrea Almeida {BIO 19358739 <GO>}

Good morning and afternoon to everyone in the line. We are very happy to present Petrobras' third current quarter results. We had excellent economic and financial performance in the third quarter. The results reflect our efforts to transform Petrobras into an increasing resilient competitive company capable of adapting to the most dynamic market in which we operate.

In recognizing the challenge of this market and its risks, if there is to add that's to focus on cost optimization, increased operational efficiency and definitely reducing our indebtedness. The strong growth in oil and gas production this quarter at lower cost exemplify the resilience we are aiming for. In the third quarter of 2019, production reached a new monthly record of 3 million barrels equivalent a day, in addition to a new daily record of 3.1 million barrels equivalent a day, both reached in August.

Although Brent price declined quarter-on-quarter, our EBITDA in the E&P segment increased 2% to BRL 32.1 billion. This was due to the ramp up of new platforms, especially in the assets in which we are the natural owners, the pre-salt, where we have achieved excellent results. The pre-salt represented 60.4% of oil production in Brazil, and the FPSO P-76 in the Buzios fields reached its ramp up in record time of 7.7 months.

In addition, our lifting cost reached slowest pre-salt level of about \$5 per barrel equivalent in the quarter, which will help to reduce the average lifting cost in Brazil to \$9.7 per barrel. These operating advances were reflected in the record operating cash flow of BRL 32.8 billion in the third quarter of '19, also supported by the successful transaction for the anticipation of receivables from Eletrobras, where whereby we received BRL 8.4 billion for a debt maturing until 2025 and which together with the sale of BR Distribuidora shares resulted in a record free cash flow of BRL 25.7 billion. We are building the new Petrobras, a sustainable competitive company that operate safely and ethically creating more value for its shareholders and society.

In this sense, we approved a new strategic positioning for Petrobras. The new vision is to be the best energy company in the generation of shareholder value focusing on oil and gas with safety, respect for people and the environment.

In October, we held the Petrobras Congress of SMS 2019. The event then mobilized all areas of Petrobras as well as participants such as Total, Shell, Equinor and others. On October 3rd, the 66th anniversary of Petrobras, and the last day of the Congress, we launched the fourth cycle of the Commitment to Life Program. Since the first cycle of this program, we have been able to reduce our recordable injury rate from 2.15 to 0.75 in the third quarter of 2019, our lowest quarterly rate still below the benchmark history of our peer group which is 0.8% -- 0.85%.

We will continue to deliver value in oil and gas production with the progress of divestments in onshore and shallow water assets, which are definitely not core assets for the company and for which recent transactions show that there is a strong interest from companies able to add more value. At the same time, we continue to recompose our portfolio exploratory approach focusing on deepwater and ultra-deepwater assets with significant investments as we did in the 16th ANP bidding round, and now we expect to do in the transfers of rights scheduled for November 6th.

In the refining segment, we also had good operating results with higher production following the quarter increase in demand. We are also adding value to our mix by increasing the 0.5% bunker output, in line with the IMO 2020 specifications, which meets the competitive advantage we naturally have. We have a (Inaudible) oil production, which will benefit economically from the limitations imposed by the regulation.

Continuing refinery, we are making progress in the refinery sale process in accordance with our divestment system and in line with the agreement signed with the antitrust authorities. We launched the second package for the sale of four refineries, and one of them REGAP has even progressed to the non-binding phase. We hope the others will migrate to this phase in the coming weeks.

We signed two important agreements in the third quarter, but first in July with the antitrust body in Brazil, CADE, to promote competition in the natural gas sector in Brazil, and the second in September with the government of Uruguay to exit natural gas distribution segment in the country.

In the third quarter of '19, we had a quarterly reduction of 9% in general and administrative expenses. And we launched the 2019 voluntary termination program, exclusive to the corporate segment. In terms of changing its structure, we created Digital Transformation and Innovation department to consolidate our information technology efforts and the company's transformation change process, providing more agility, productivity gains and cost reduction.

Another highlight of the third quarter was that Moody's increased our standalone credit rating by one level from Ba3 to Ba2 and kept our corporate debt risk level at Ba2 with a stable outlook. With this review, our standalone rating equals our global scale rating, which follows Brazil rating.

Our liability management movements carried out in the recent years has contributed to a better perception of our risk. From the beginning of 2017 until October '19, there was a 316 basis point decrease in Petrobras credit default swap, indexed for the five-year period. Improving these ratios enables lower interest payments on future fundraising, allowing for better management of our cash flow and further strengthening capital discipline.

Regarding our capital structure, we made excellent progress in our de-leveraging. Our debt reached \$9 billion in the third quarter with a reduction of \$11 billion quarter-on-quarter. We were able to reduce the cost of debt to below 6%, reaching 5.9% on September 30th, 2019, and at the same time we extended the debt term to 10.4 years from 10.25 years. This result was possible due to our efficient financial management and our focus on reducing Petrobras debt in achieving the 1.5 net debt-to-EBITDA target by 2020.

We have made several financial operations that will contribute to reducing the cost of debt, including the BRL 3 billion debentures issuance that was the largest market distributed infrastructure debentures in the history. We will continue to work hard on our transformational agenda seeking cost reductions, increasing the efficiencies of our operations and investments in line with our vision to be the best shareholder value energy company focused on oil and gas and safely respect for people and the environment.

I think we can now move to the questions.

## Questions And Answers

### Operator

We will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Regis Cardoso, Credit Suisse.

### Q - Regis Cardoso {BIO 20098524 <GO>}

Hi, everyone. Good morning. Thanks for taking the question, Andrea, Carlos, Anelise, Rudimar, everyone. So, two topics I wanted to discuss. First one, probably (inaudible) on downstream. I wanted to know whether you guys have quantified the impacts of IMO 2020. Could it either be in terms of crack spreads earning \$1 million impact in the quarter. And still in downstream, there are ongoing studies regarding verticalization in the downstream segment regarding the sale of refineries. So I just wanted to know whether the actual sale of the refineries is contingent on final say regarding whether distribution companies or integrated IOCs can actually have production, refining and distribution.

And then, lastly, if I may, just the second question in terms of the new position as board of executives on digitalization and unionization, I wanted to know whether you have mapped so far cost saving initiatives and how could you implement these new digital initiatives to actually reduce costs. Thank you.

**A - Andrea Almeida** {BIO 19358739 <GO>}

I have to apologize. I believe, Regis, you have to repeat the question because there was a problem in the line. We couldn't hear you. So, would you mind just repeating for us? Sorry about that.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Absolutely no problem. So, two topics, one downstream and the other one digital innovation. On downstream, if you have quantified the impact of IMO 2020 either in terms of crack spreads for fuel and oil bunker or in terms of \$1 million in the quarter. Still in downstream, whether the sale of the refineries or contingent on a final say regarding vertical integration either downstream to distribution companies or upstream to companies that also have production of oil. So, the actual sale of the refinery depends on a final say on whether vertical integration will be allowed.

And then on the digital initiatives, whether you have mapped opportunities to reduce cost and if you have examples of how these innovation and digital initiatives could be used in that sense? Thank you.

**A - Andrea Almeida** {BIO 19358739 <GO>}

Good morning, Regis. Related to your question about the impact of oil bunker to Equinor, what we've seen today is an increase in the crack spread of (inaudible), we are approaching \$18 per barrel and we expect next year to achieve \$22 per barrel due to these -- to the impact of the Bunker 2020, okay.

**A - Roberto da Cunha Castello Branco** {BIO 3193867 <GO>}

So I believe you asked about refineries. So, just a snapshot on that. The decision -- when we decided to sell the refiners, we took the portfolio of the refineries and reconsidered the operational efficiency of the refinery -- how the refinery is integrated to the E&P systems as well and how the refineries were integrated themselves. So, this decision on which ones would be sold, it's already taken. So there is -- it's not going to be impacting. So there is no final discussion around that. And that's how we decided which ones would be sold. So I don't know if it was the question, but I wanted to mention that before the digital transformation.

So, on the digital transformation, all areas had the chance, so we did a war room and all the areas had the chance to define what are most important projects that we have to develop to -- definitely to reduce cost or to improve efficiencies in the overall company. Maybe I'll give one example from the refineries. We do have, in some refineries, already what we call the digital twins, where we use a digital refinery to simulate the best feeds that we have to get into the refinery with the products that we wanted to produce or the products that are better demand by the market. And this simulation was done once a month before, we don't have that technology in place. With the technology, we can run the simulation and the optimization of the field and the refinery system every day. So, this is one of the examples that we would be implementing. In E&P, I would say, we would be focused as well on projects to allow us to shorten the time between the discoveries and the first oil into the markets. So, definitely this might be the best focus for the E&P digital transformation.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Thanks very much. And if I may, just a follow up regarding the topic on the vertical integration. I understand very clearly on the Petrobras perspective, but I wanted to know if you also have a view on whether the potential buyer for those assets could be someone vertically integrated. Because, I remember at a time, the CNP put out their guidelines for breaking Petrobras quasi-monopoly in refineries. One of the topics that raised attention to was the demanded studies regarding vertical integration of the potential buyers.

## Operator

(Operator Instructions) Speakers, you may proceed.

### A - Andrea Almeida {BIO 19358739 <GO>}

Concerning these verticalization issue, for the buyers, we understand that it's not -- it won't be an issue since Petrobras will be integrated company in the southeast of Brazil, right. We are going to have upstream and downstream in the southeast of Brazil. And we see that this behavior can also be used for other buyers.

Concerning distribution companies, it was -- there was restriction for BR to participate in the refineries divestment process, but it does not mean that other distribution companies cannot buy our refineries. It's clear that it was only to avoid Petrobras to increase Petrobras shares in the other regions also. So, for the downstream divestments, I think this unbundling or the verticalization issue won't be a problem for the potential buyers.

### Q - Regis Cardoso {BIO 20098524 <GO>}

It's very clear, Anelise. Thank you very much.

## Operator

The next question comes from Christian Audi, Santander.

### Q - Christian Audi {BIO 1825501 <GO>}

Thank you. Hello, Andrea and team. Congratulations on the results and on the continually improving disclosure because it's very helpful for us. Andrea, my first question was on the cost front. You've been able to improve lifting cost, for example, for pre-salt among others. So I was wondering if you could share with us your outlook of where do you see more opportunities for costs to go down. Could we expect further lifting cost reduction, what's the outlook for refining cost, and then, any other specific administrative cost that you see potential upside for them to be further reduced?

The second question was on the production front. After a difficult June, production has really turned around and, with this improvement, I was just wondering if you could talk in general terms or couple about how your conviction for this continued production growth is going to next year. Do you feel that you've really overcome the issues that you had in Buzios and how you foresee the outlook for next year?

### A - Andrea Almeida {BIO 19358739 <GO>}

Thank you, Christian, for your question. So, starting with the cost, we do have some goals more focused on 2020. So we will have goals for 2020. And there will be goals for all areas on cost reduction. So, let's say, what we have been doing in the voluntary business or programs will continue because this is the -- somehow this is how we can reduce the personnel costs in Petrobras. So we will use those kind of initiatives to reduce costs everywhere. We will have for the operations and for the refineries and from the E&P goals as well to reduce costs in 2020 and definitely, they will be attached to the strategy of that area. So there will be certain indicators we'll be looking for, but we'll give this guidance to you in December, but definitely we will see 2020 more focused goals and not 2023, so something that we will need to implement faster.

And now, I transfer the word to Carlos Alberto. I don't know if I answered your question.

### Q - Christian Audi {BIO 1825501 <GO>}

Yeah, Andrea, just as a quick follow up. Do you see -- where do you see the biggest opportunity on the cost reduction front going into next year? Is it upstream? Is it downstream? Are you able to give us a sense of where you see the biggest upside in terms of reducing costs?

**A - Andrea Almeida** {BIO 19358739 <GO>}

(Technical Difficulty) corporate areas and considering that all the operations are going to reduce. Somehow we have sales of assets in refineries. We have sales of assets in the shallow waters and onshore. So definitely the corporate areas that supports those business, they have to reduce as well. So those areas would be maybe more focused on head cost and are taking a look at the service cost that we have as well. So I think there will be opportunities everywhere. So we will have very good ways on improving this company moving forward. I would pass the words to Carlos.

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Hello. Good morning. Question regarding the production, and we are very close to our business plan. And at the end of the year, we are going to have these goals for 2020. I think that in terms of guidance for next year, we should think about that we have now higher production for sure. But at the same time, we will have -- we will enter into -- decline in sales of some systems that we have them. It's natural -- natural decline of production. And we have to consider that at the same time that we'll have more platforms and systems, we will have more production that will be less production that comes from the stoppage of those systems as well.

And also, we have to consider that we would be doing more inspections for the riser -- the subsea risers that we have and we want to control better the problems that we have been facing on the corrosion by this year too. So there are also some guidelines, we do not -- we should not forget as well that we are going to close an important transaction related to the Tartaruga Verde field and where we are selling 50% of our share on the field, which means something like 60,000 barrels per day, but also the participation that we have on the assets of Nigeria, which means something like 35,000 barrels per day. So we have to put it all together in the mix and to take what should the real production for the year 2020. We are really on a good perspective, but we have seen it all and see what's going to be the production that you have went through on 2020.

So, let's -- we also have some units that will go (inaudible) P-68 at the end of this year and P-70 next year. Also some wells that are going to come on stream and we'll fill those platforms. So, a lot of facts that we have to take into consideration, but the perspective is good, but so far I can't anticipate the number that we're going to project 2020. And I think that in two months from now, at least one month and something more, we will have this goal for the target that we are going to have to present to you for the year 2020. It's a lot of facts, but -- good facts but at the same time we have to think about what are the negative effects that we always face and we have to manage with them.

**Q - Christian Audi** {BIO 1825501 <GO>}

Very helpful couple. Do you feel that you've overcome and really understand the issues that impacted you back in June, so they're behind us the learning curve, behind us and therefore you're more comfortable with the Buzios dynamic with these more complex platforms from a natural gas production point of view dynamic?

**A - Rudimar Andreis Lorenzatto** {BIO 20949096 <GO>}

Christian, Rudimar here. I'd like to say that of course we have some problems in Buzios mainly in the commissioning of the gas plants of these platforms. I have to say that we got very good solutions, but it was partial and we are still studying how to improve this uptime of these platforms. We have a lot of specialists working hard for getting better results considering the operational efficiency of these platforms and is according with our target production.

**Q - Christian Audi** {BIO 1825501 <GO>}

Great. Thank you. And just one last follow-up, Andrea. On the topic of CapEx, you've done a very good job in your CapEx discipline lowering your target and sticking to it in terms of the yearly CapEx between BRL 10 billion and BRL 11 billion, but pre-salt production as you've highlighted is increasing. Does that mean that we could see a potential increase in CapEx purely due to those higher expenditure to pre-salt production or you feel comfortable that BRL 10 billion to BRL 11 billion per year is a sustainable level for the company?

**A - Andrea Almeida** {BIO 19358739 <GO>}

We will be doing that work definitely, we are doing right now to give you the new five-year sense of CapEx. But, we don't expect any huge increase in CapEx, that's what I can tell you. So, you might expect something similar coming for the next five years.

## Operator

The next question comes from Frank McGann, Bank of America.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay. Thank you very much. Just two quick questions if I might. One, just in terms of your lifting cost, and significantly special participation taxes, it seems as if with Buzios production rising, the special participation tax should decline. And I was just wondering how much you have seen already in terms of the average decline that we've seen over the last year that could be attributed to that, and how much additional upside or downside are you looking at it -- you could expect to see, because that should be, I think, a fairly important driver of cash flow as we go forward.

And then, secondly, just if you could comment on the status of the labor negotiations.

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Hello, Frank, about the lifting cost, for sure, we are having a very good performance on the pre-salt assets and particularly on the Buzios field. I think that Buzios field today, we could think about if you would like \$4 per barrel, based on the fact that we have our own platforms there, we do not share the FPSOs. And we are now with our production reaching the top of some platform, so the field is - I think for you to consider \$4 per barrel is a figure for the Buzios field could be very good number on the estimates for this. The field could be less as well. It depends on the performance that we are going to be facing over the next quarter.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay. \$4 would be lifting cost you mean?

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Yes, lifting cost for Buzios.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay. And in terms of just the special participation tax, I don't know -- yeah, at least at some point, we should begin to see a very substantial reduction or no paying of this type of special participation tax in Buzios and the other Transfer of Rights field. Just wondering how much impact that could have going forward?

**A - Roberto da Cunha Castello Branco** {BIO 3193867 <GO>}

I don't know if I listened you, Frank. We don't have special participation on the Buzios field because that Transfer or Rights regime and...

**Q - Frank McGann** {BIO 1499014 <GO>}

No, we've seen a sharp reduction in -- the formal reduction in the level of taxes over the last 12 months, which part of it clarifies of course, but I will still also part of it is just know special participation tax on some of this new production. So, I was wondering as you go forward, how much additional benefit you could -- we could see potentially in the special participation tax line?

**A - Rudimar Andreis Lorenzatto** {BIO 20949096 <GO>}

Well, on the following quarters, we -- as we don't have a special participation, we just have special participation on their Lula field. We can also increase their participation -- the special participation for those fields with the entering of the P-68 for instance. We expect it to grow, but it all depends on the profile that we are going to face on for the price of the oil. And particularly in this quarter, we have this phenomenon associated with the fact that we were considering to pay a special participation for Lula and also Cernambi, and by the decision from the -- our supreme judges (inaudible) Supreme Court. It was a decision from it and based on this decision, we are now -- we are not now paying the special participation for those fields. And the -- it is the fact that -- to make that we have this reversion, and that's -- on the government participation. But it was event isolated for this quarter, and we expect that it will continue and this is particularly with a -- we win this battle. And for the years to come or for the quarters to come, there will be an increase in special participation due to the fact that I mentioned regarding the platforms of that produced from Lula field.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay. Thank you very much.

**A - Unidentified Speaker**

By the lower negotiations, we've concluded the negotiations last week, so we didn't succeed in having a convergence in unions. We are hearing about 17 unions representing the employees of Petrobras. So, right now, we are discussing the labor justice here in Brasilia in order to avoid the strikes that were announced to start to commence tomorrow. But anyway, we are very well prepared to avoid the impacts on production and on society as well.

So now, we are running -- discussing these -- all this, the storms with the labor justice in Brasilia right now.

**Q - Frank McGann** {BIO 1499014 <GO>}

Okay, great. Thank you very much.

**Operator**

Next question comes from Pedro Soares, BTG Pactual.

**Q - Pedro Soares** {BIO 20879952 <GO>}

Hi, everyone. Thanks very much. I just have one quick question to Andrea. Andrea, regarding the \$9 billion amount to be received by the government related to the Transfer of Rights Agreement, the company has been staying shall use that amount in the surplus auction itself since the rate of the returns are worth it, that's the one, given the very strong results that pre-salt has delivered so far and also with the very promising outlook deriving from those suits, wouldn't it make sense to perhaps be even more aggressive, I mean, in other words it would be interesting to have a sense from you guys whether is there any possibility to disburse from more than the amount owed by the government in the surplus auction or is Petrobras really limited to that \$9 billion amount? Thanks.

**A - Andrea Almeida** {BIO 19358739 <GO>}



Thanks for the question. Pedro, We know how good those fields are. It will be balancing our objectives on the leverage with the quality of the fields that we'll be beating to decide how much we are going to use on the auction but we cannot anticipate to you. But we know it's very good, so we definitely agree with you that we have good fuels there. But that would be a balance between our overall strategy that is to focus on the assets that have higher return with the leverage, so that will be a combination. Thank you for the question.

**Q - Pedro Soares** {BIO 20879952 <GO>}

Yes. Sure. Makes sense. Just a very quick second question, if I may, maybe to Capo. Capo, concerning the production in the next quarter and considering the ramp-up of the pre-salt platforms and also the starting P-68 operations, is there any possibility of a no-growth scenario in the Q4? Like, any kind of stoppage or technical issues that might pose some threat for growth or not? Because it seems to us that, that's mainly given at this point.

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Well, as I had already mentioned, Pedro, one thing important to consider is that at the same time that we are now in the process of having this growth forward, keeping the production on the Buzios field, which is approaching its stop with new wells entering new platforms. But at the same time, we have to consider that we face a closing -- the closing of the Tartaruga Verde field and also the selling of the assets that we have owned on Nigeria. And this amount is something like 100,000 barrels per day. So it will depend on what we -- when it will happen, the closing; and at the same time, the capability that we'll have in the next quarter in order to keep this good performance on the Buzios field.

**Q - Analyst**

Okay. It's very clear. Thank you very much.

**Operator**

The next question comes from Mathias EnFelt [ph], Banco UBS. Mr. Mathias EnFelt, you may proceed. The next question comes from Pedro Medeiros, Citibank.

**Q - Pedro Medeiros** {BIO 16187063 <GO>}

Hi, guys. Thanks so much for taking this follow-up question. Okay. I have two additional questions. First one is, just to get an update on Petrobras interest and whether there was any progress for crafting a potential partnership for the Marlim field. This has been an ongoing process for a while. I think the last guidance was to potentially see some evolution in the third quarter. So if you have any incremental color on this, I would appreciate.

The second question is, in our last meetings, company has mentioned it was considering to look for alternatives for reducing its pension fund deficit or its -- the annual deduction and contribution to the pension fund from results. So just wanted to understand whether there was any evolution about a plan targeting that deficit and whether any of the alternatives could potentially involve commitments that would impact the trajectory to reach the gross debt target, okay, meaning there would be any kind of contribution that would impact that trajectory, okay? Thank you.

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Pedro, regarding the Marlim field, we're in the possible partnership with CNPC. We don't have anything to add right now. We are still with them evaluating because it's part of the strategic evaluation that we are making with CNPC regarding not only the Marlim field but also the Comperj asset. So we cannot anticipate to you what -- how we are going to close or the end of this, how it's going to end and then effect.

**A - Andrea Almeida** {BIO 19358739 <GO>}

Pedro, thanks for your question. So regarding Petros, we do have not some news, but something we have been working on that still have to be discussed then approved. But we might have a better solution to solve the deficit of the plan right now. And the solution might be to not just to increase the contributions of everybody, that was the solution we used in 2015, but to balance the increase of the contributions with the decrease of the benefits in the future and to increase the term that people would be able to pay those contributions. So I don't expect any negative impacts for Petrobras. Petrobras has to contribute 50% of that always, but I do expect some faster process to solve this problem.

**Q - Pedro Medeiros** {BIO 16187063 <GO>}

Very good. Thank you.

## Operator

The next question comes from Bruno Amorim, Goldman Sachs.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

I have three follow-up question on the Transfer of Rights surplus auction. At this point, are you discussing with potential bidders the amounts and mechanisms for the compensation that you have to give to Petrobras for the deferral of the production curve and also the CapEx you have made in that area or will that be discussed only post the auction? Thank you so much.

**A - Carlos Alberto Pereira de Oliveira** {BIO 3735081 <GO>}

Hello, Bruno. This is Capo. Right now, I can't anticipate to you what we are doing because it is -- in fact, it's part of our process of participation to be on the bid. I'm sorry about that.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Understood. Thank you.

## Operator

Thank you, all. At this time, the Q&A session of Petrobras webcast and conference call is over. Mrs. Andrea Almeida will make now her final remarks. Please, ma'am.

**A - Andrea Almeida** {BIO 19358739 <GO>}

Thank you very much, everybody, for joining today. We will be focusing on our strategy very well discussed with you over the last months, so you should not expect any difference moving forward. So increasing transparency, deleverage, continue the divestments and looking for all ways we can improve the efficiency of this company is going to be our biggest focus moving forward. Thank you very much.

## Operator

Thank you. Ladies and gentlemen, the audio of this conference call for replay will be available in Petrobras Investor Relations website at [www.petrobras.com.pr/ir](http://www.petrobras.com.pr/ir). Thank you very much for your participation, and have a great day.

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