



Petrobras' Transitions

Pedro Parente – President & CEO of Petrobras
August 29th, 2016

ONS ²⁰/₁₆
EXHIBITION
CONFERENCE
FESTIVAL
29 AUG – 1 SEPT
STAVANGER – NORWAY



Disclaimer



FORWARD-LOOKING STATEMENTS:

The presentation may contain forward-looking statements about future events within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are not based on historical facts and are not assurances of future results. Such forward-looking statements merely reflect the Company's current views and estimates of future economic circumstances, industry conditions, company performance and financial results. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forward-looking statements. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. Readers are referred to the documents filed by the Company with the SEC, specifically the Company's most recent Annual Report on Form 20-F, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including, among other things, risks relating to general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates, uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves, international and Brazilian political, economic and social developments, receipt of governmental approvals and licenses and our ability to obtain financing.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason. Figures for 2015 on are estimates or targets.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this presentation.

NON-SEC COMPLIANT OIL AND GAS RESERVES:

CAUTIONARY STATEMENT FOR US INVESTORS

We present certain data in this presentation, such as oil and gas resources, that we are not permitted to present in documents filed with the United States Securities and Exchange Commission (SEC) under new Subpart 1200 to Regulation S-K because such terms do not qualify as proved, probable or possible reserves under Rule 4-10(a) of Regulation S-X.



SUMMARY

1 The external challenges of the international oil and gas industry

2 The internal challenges of political, economic and institutional situation

3 Petrobras' Transition

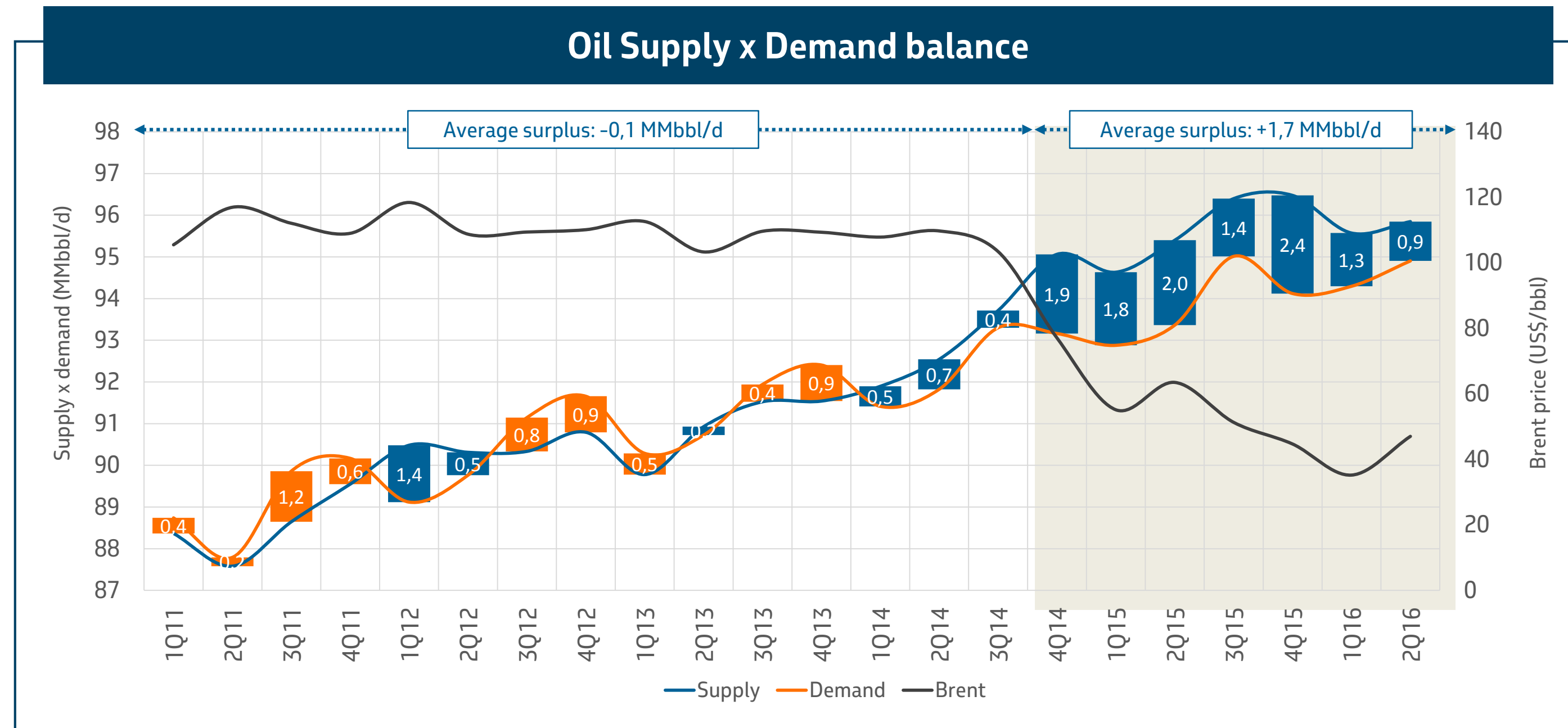
Autonomy and Governance

Efficiency CAPEX and Opex Savings

Partnerships and Divestments

4 Petrobras Market Value

Oversupply has driven oil prices down... forcing the oil industry to adapt



Source U.S. Energy Information Administration

Transformations in the industry:

- Portfolio Rationalization
- Divestments of noncore assets
- Lower Capex and Opex
- Capital and Financial Discipline
- Workforce rationalization

Petrobras has also faced other challenges

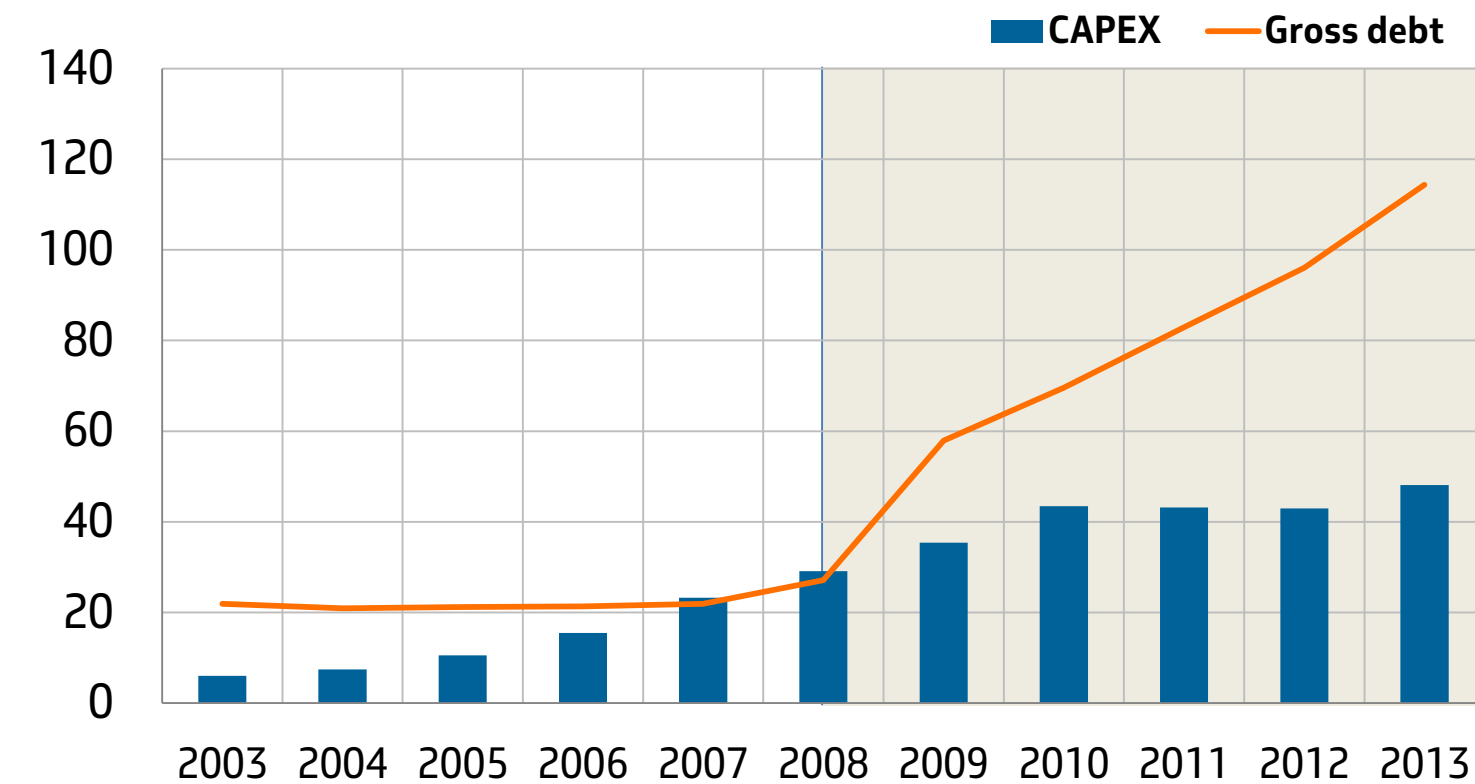
- Corruption scandal: “Lava-jato”
- Political instability in Brazil
- Economic crisis in Brazil
- Exchange rate volatility



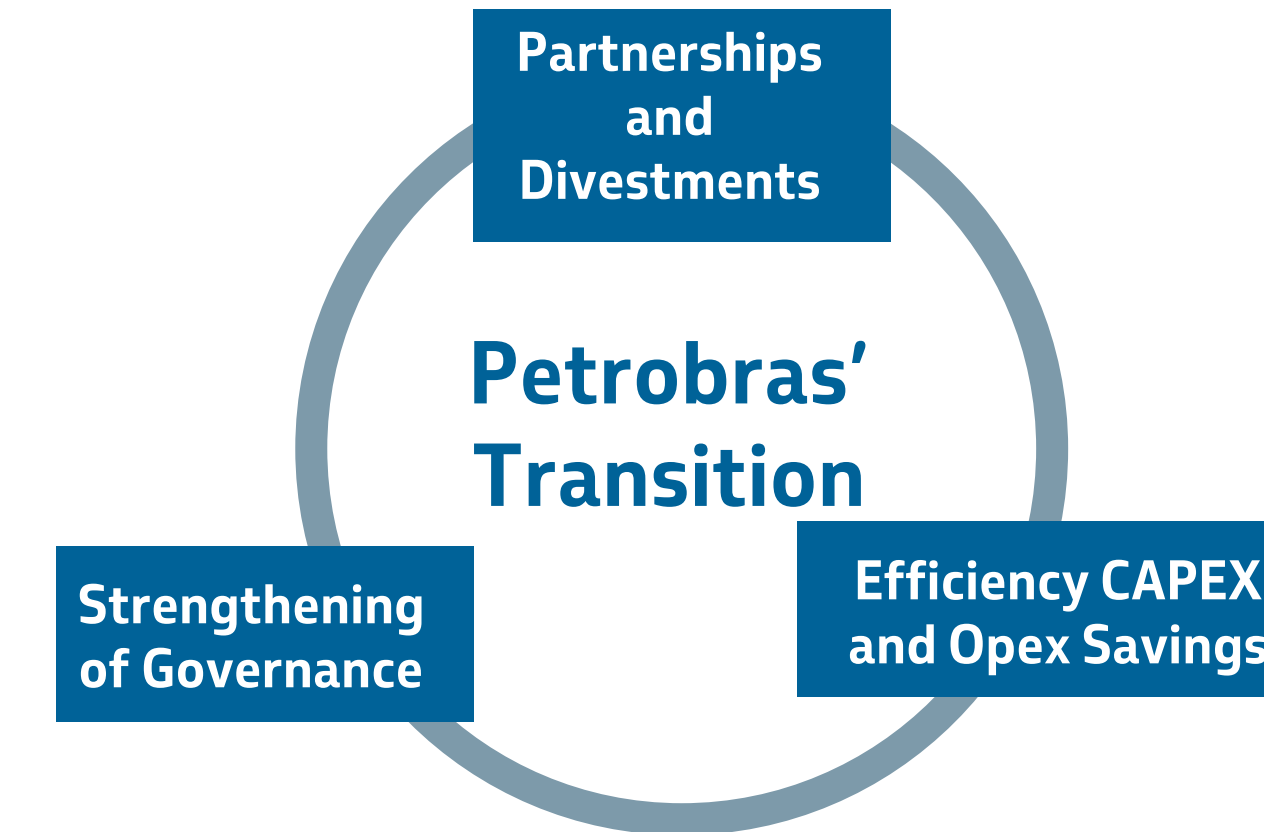
Petrobras has responded by adapting its priorities



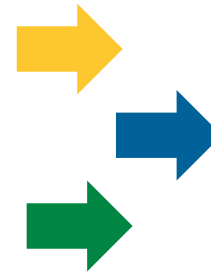
The CAPEX grew annually 23% and Debt grew 18%.
But from 2009, the Debt grew much above the CAPEX (US\$ bn)



The 3 pillars of change



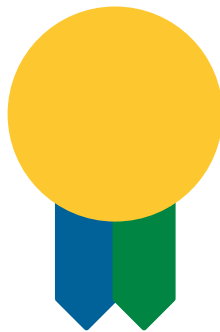
We have taken important steps to improve Governance and to have greater autonomy from the Central Government



Decision Process
<i>Collective and not monocratic decisions</i>



Internal Controls
<i>Higher transparency and accountability</i>

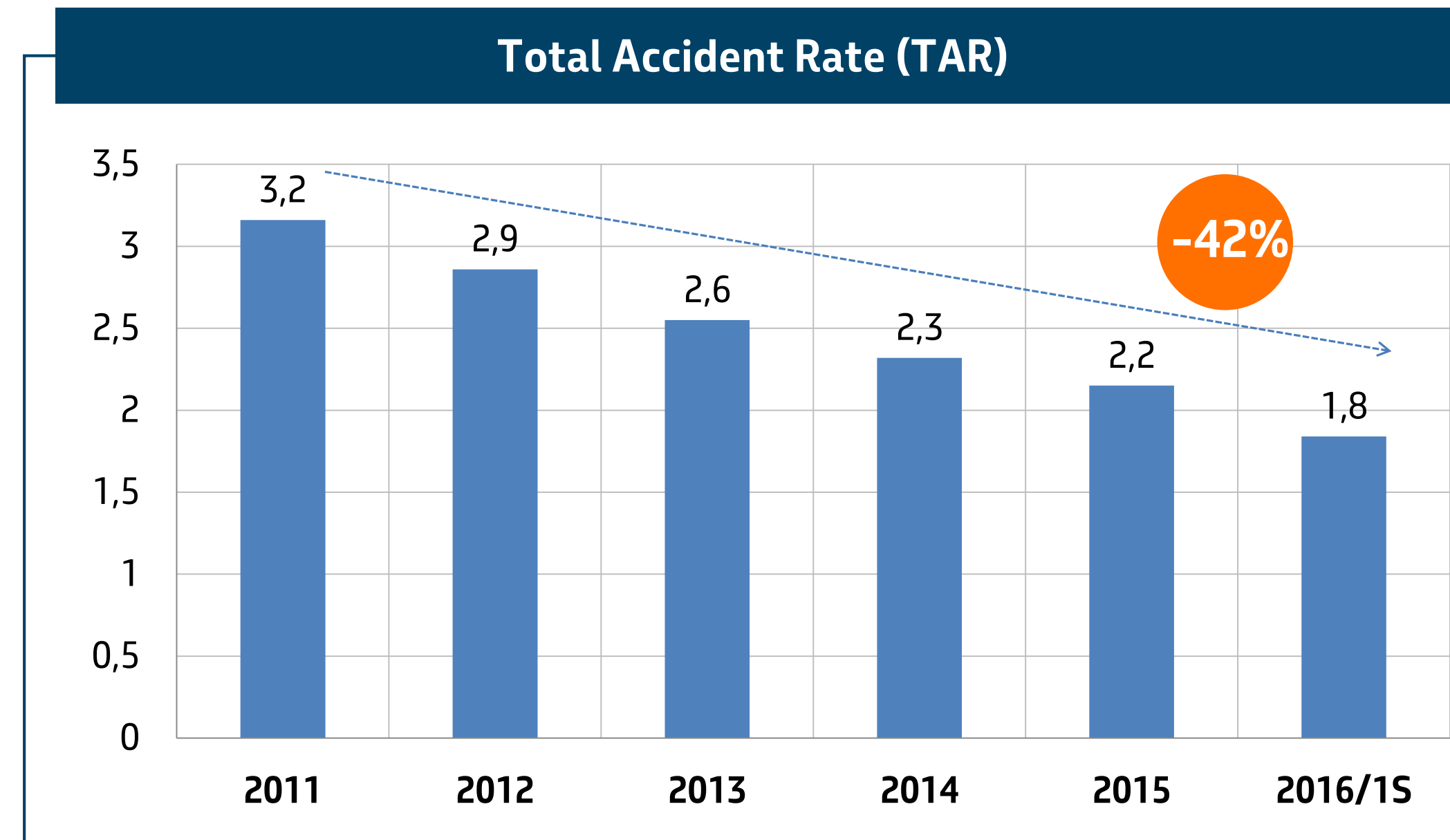


Meritocracy
<i>Board and Executive Team appointments based on merit</i>

We keep our high standards on safety
Our target is to achieve a TAR <1,5 before 2018

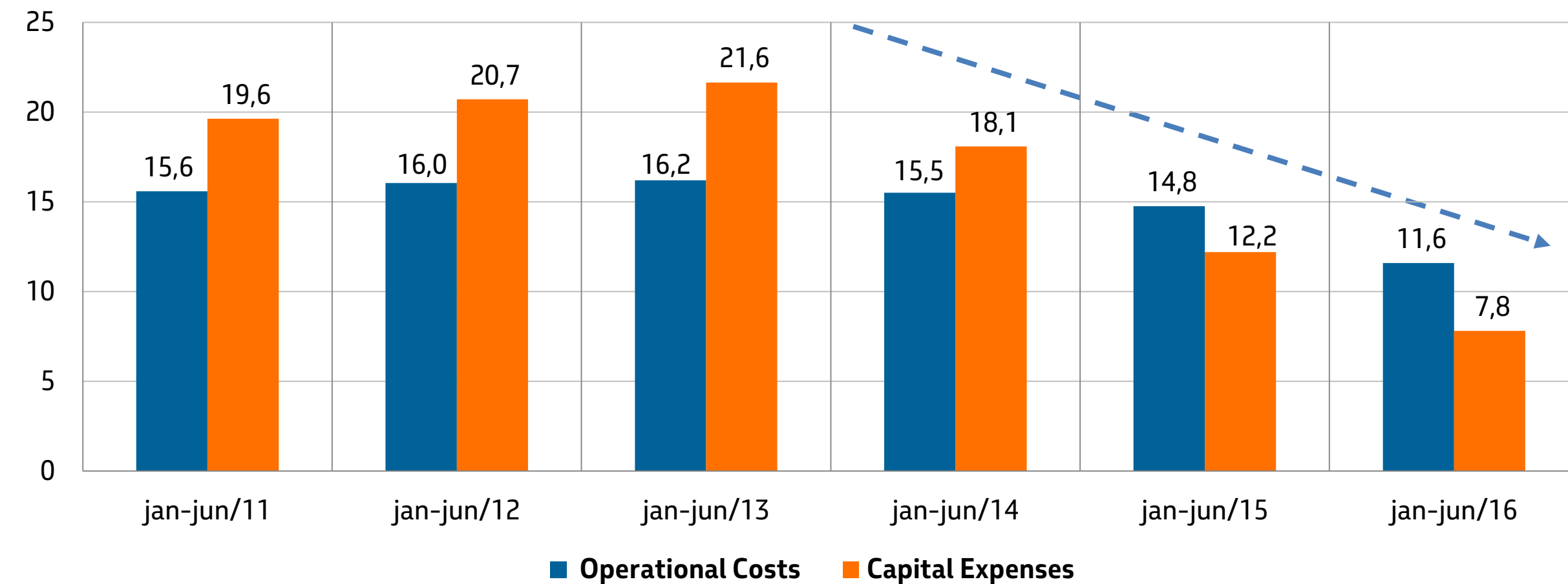


SAFETY FIRST!



OPEX and CAPEX have been trimmed down over the last years

Operational Costs and Capital Expenses (US\$ bn)



Main reasons

- Productivity increase
- Improved project screening
- Lifting cost reduction, especially in pre-salt



Our Divestment Plan aims at strengthening our cash flow by US\$ 15,1 billion by the end of 2016



2015

2016

COMPLETED TRANSACTIONS

Cash inflow of US\$ 0,73 billion

- Assets in Argentina to Compañía General de Combustibles: US\$ 101 million
- 49% Gaspetro to Mitsui: US\$ 540 million
- Price adjustments from Innova and assets in Colombia: US\$ 92 million

APPROVED TRANSACTIONS

Cash inflow forecast of US\$ 3,86 billion

- 67,19% stake in PESA to Pampa Energía: US\$ 892 million
- 100% of Petrobras Chile Distribución Ltda to Southern Cross Group: US\$ 464 million
- Farm-out from the exploration block BM-S-8 to Statoil: US\$ 2,5 billion

TRANSACTIONS UNDER NEGOTIATION

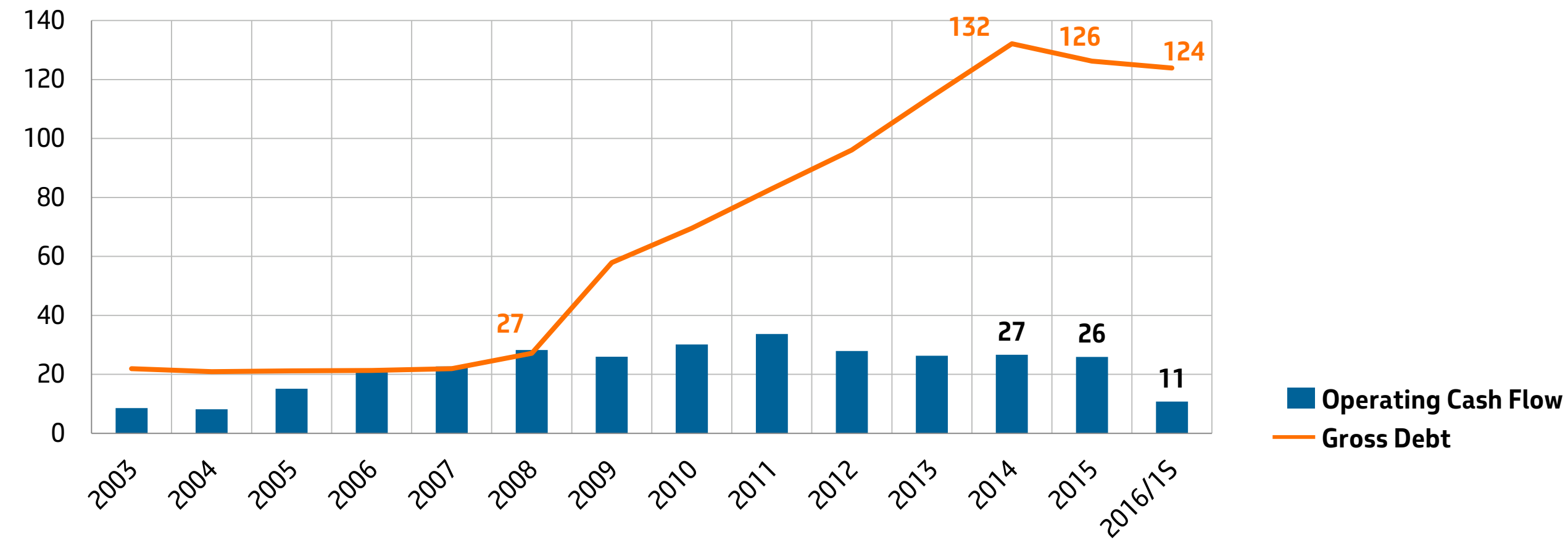
Subject to deliberation and approval by the competent authorities

- Midstream company - Nova Transportadora do Sudeste (NTS)
- Petrochemical company - PetroquímicaSuape
- Polyester polymers and filaments producing company - Citepe
- LGN terminals and associated thermoelectric power plants
- Stake in retail subsidiary - Petrobras Distribuidora (BR)
- Onshore and shallow water oil fields
- LPG Distribution Company (Liquigás)

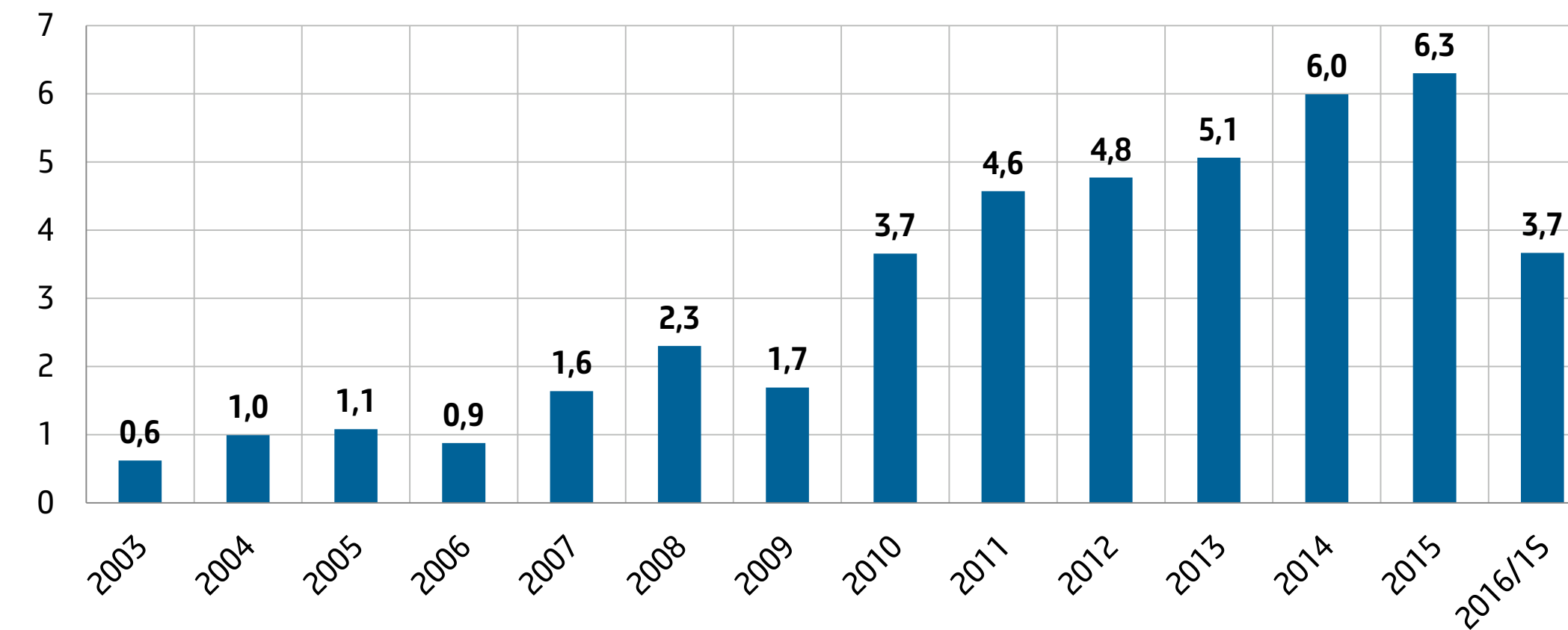
COMPETITIVE PROCESS FOR SALE OF OTHER ASSETS IN PROGRESS

Current efforts have already stabilized debt levels... ... and now our top priority is to reduce them!

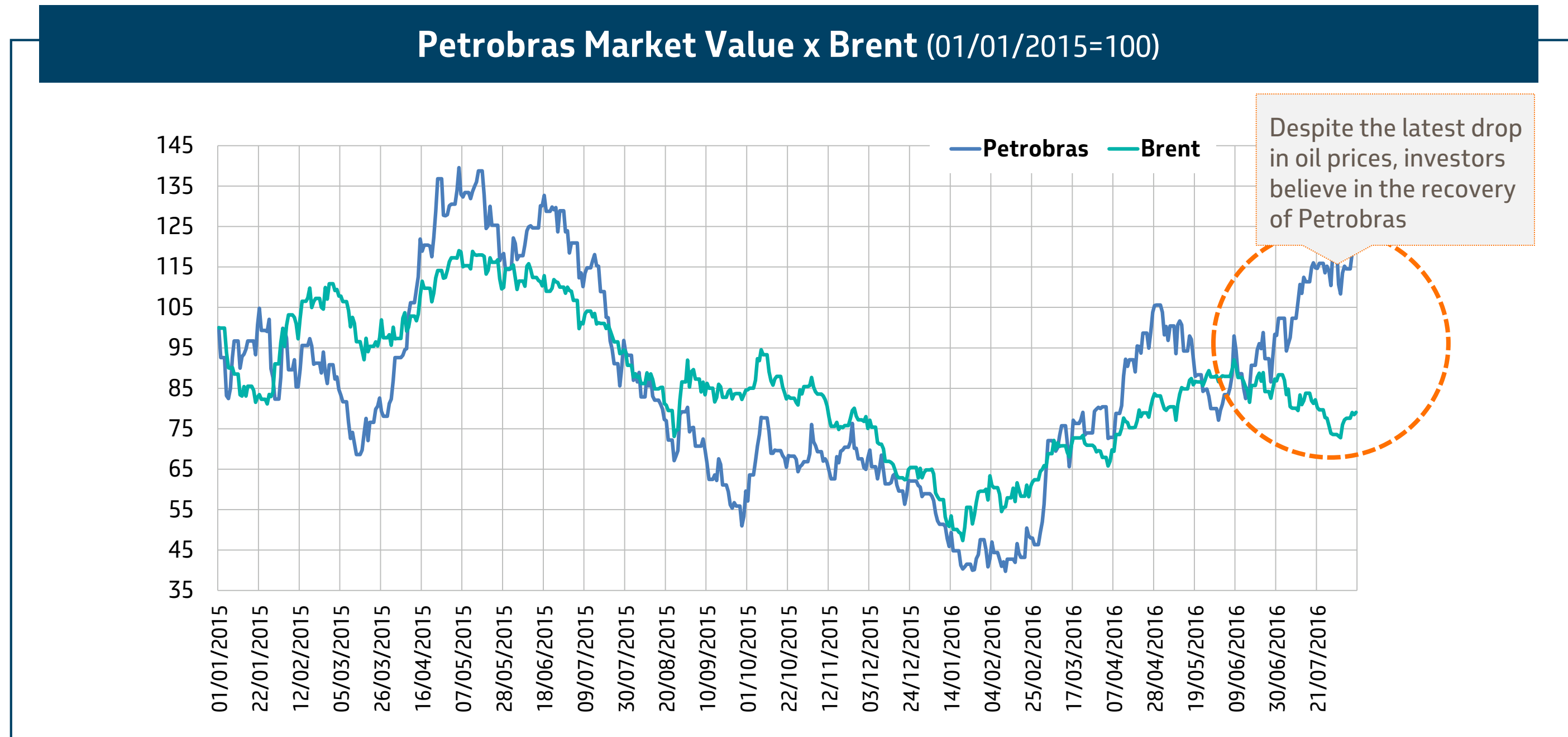
Debt versus Operating cash flow (US\$ Bn)



Interest payments (US\$ Bn)



Our efforts have been well received by the market



THANK YOU

The background of the slide is a panoramic view of Rio de Janeiro's mountains at sunset. The sky is a warm, hazy orange. In the foreground, the dark, jagged silhouette of a mountain peak is prominent. In the mid-ground, the Christ the Redeemer statue is visible on a distant peak. To the right, another mountain peak is topped with several communication towers. A thin yellow line runs diagonally across the right side of the image, separating the mountain scene from the white background on the right.