

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
December 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the month of December, 2018
Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. PETROBRAS
(Exact name of registrant as specified in its charter)
Brazilian Petroleum Corporation PETROBRAS
(Translation of Registrant's name into English)

Avenida República do Chile, 65

20031-912 - Rio de Janeiro, RJ

Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

2040 Strategic Plan and 2019-2023 Business and Management Plan

Rio de Janeiro, December 5, 2018 – Petróleo Brasileiro S.A. – Petrobras reports that its Board of Directors has approved, in a meeting held yesterday, the 2040 Strategic Plan and the 2019-2023 Business and Management Plan, prepared in an integrated manner.

2040 Strategic Plan

The Strategic Plan brings a new vision of an integrated energy company, aligned with the needs and the evolution of society's habits that will increasingly seek diversification in energy sources and uses. The focus in oil and gas, present in the vision of the previous plan and still important for the coming years, will give more room for other energy sources, on the horizon until 2040.

The company clarifies its purpose and reaffirms its values:

Vision

An integrated energy company that evolves with society, generates high value and has unique technical capacity.

Purpose

Provide the energy that moves society to fulfill its potential.

Values

Respect for life, people and the environment; ethics and transparency; market orientation; resilience and confidence; and results.

The strategies of the company were adjusted, defining the focus of its actions by business segment, in view of the transition toward a low-carbon economy, risks relating to the geographical concentration and commodity, detailed below:

Exploration and Production

Maximize the value of Petrobras through active management of the E&P portfolio;

Ensure the sustainability of oil and gas production, prioritizing activities in deep waters.

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FORWARD-LOOKING STATEMENTS

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Natural Gas

Optimize the position in the natural gas and energy segment in Brazil and develop positions on the global market through partnerships.

Refining, Transportation, Trading and Petrochemicals

Maximize the value of Petrobras through active management of the portfolio for refining, logistics, trading and petrochemicals, integrated into the activities of national oil and gas production;

Leave the fertilizer business, LPG distribution, biodiesel and ethanol holdings and production.

Renewables

Operate in profitable renewable energy businesses, with focus on wind and solar energy in Brazil.

Corporate Strategies

Develop critical skills and a culture of high performance to meet the new challenges of the company;

Prepare Petrobras for a more competitive environment based on cost and scale efficiency and digital transformation;

Assess current and future partnerships seeking integrity and value generation;

Strengthen the credibility, the pride and the reputation of Petrobras among our stakeholders.

2019-2023 Business and Management Plan

Integrated into the Strategic Plan, the Business and Management Plan details the operational planning, with a focus on safety, as well as the financial planning and the pursuit of profitability in our businesses for the next five years.

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The Plan incorporates a new top metric, seeking to ensure profitability, in addition to maintaining the safety and debt reduction metrics that guide the company's strategies:

Total Recordable Injuries per million man-hour frequency rate (TRI) below 1.0 in 2019;

Net debt/adjusted EBITDA below 1.5 in 2020;

Return on capital employed (ROCE) above 11% in 2020.

The following assumptions were considered for the Plan's deliveries:

| | | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------|-------------|------|------|------|------|------|
| Brent crude oil price | US\$/barrel | 66 | 67 | 72 | 75 | 75 |
| Nominal exchange rate | R\$/US\$ | 3.6 | 3.6 | 3.7 | 3.7 | 3.8 |

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The 2019-2023 Business and Management Plan investment portfolio adds up to US\$ 84.1 billion and was built considering three central value generation engines for the company:

Exploration and production continue to be the most important value generation engine of the company, and the focus remains on the development of production in deep waters, notably in the pre-salt areas. Refining, transportation and trading will continue to operate in integration with E&P, but with a new participation model for Petrobras, considering partnership with other companies, and in the case of petrochemicals, its potential integration with refining will be better explored. With the expansion of gas production, the company will pursue greater value generation, considering natural gas as a vehicle for growth and establishment of a global position for Petrobras. The company will also seek partnerships in renewable energy businesses, as a new value generation engine with focus on a sustainable future for the company.

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Oil, NGL and Natural Gas Production

In 2019, oil production growth will be 10% in Brazil and 7% in total production, due to the entry into operation of 5 new systems in 2018 and 3 more in 2019. Throughout the Plan, it is foreseen the start-up of 13 new systems. For the period between 2020 and 2023, total oil and natural gas production will grow at an average rate of 5% per year.

Continuous cost efficiency and pre-salt lifting costs below US\$ 7/boe will drive the average lifting cost to levels under US\$ 10/boe from 2020.

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Repositioning in Refining

The Plan foresees repositioning in refining by means of partnerships in the Northeast and South *clusters*, which represent 40% of the installed refining capacity in Brazil, allowing to share business risks and establish a more dynamic, competitive and efficient sector, in addition to generating liquidity for the company.

Sustainability

This plan also brings a commitment to the decarbonization of processes and products, establishing zero growth of absolute operational emissions until 2025, considering 2015 as reference, even with increase in production. Targets are set to reduce emissions intensity by 32% in E&P and 16% in Refining between 2015 and 2025, when we will reach 15 kg CO₂e/boe in E&P and 36 kg CO₂e/t CWT in Refining.

Fundability

Through the discipline of costs, debt reduction and commitment to profitability, the company estimates a strong free cash flow generation in the plan period.

Petrobras will move forward with the divestment projects already announced and will continue with partnerships and divestments driven by active portfolio management, with potential cash entry of US\$ 26.9 billion over the period of the plan.

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These initiatives, combined with an operating cash generation estimated at US\$ 114.2 billion, after dividends, taxes, and contingencies, will allow Petrobras to carry out its investments and reduce its debt, without the need for new net borrowings on the horizon of the plan.

The company will seek an optimal capital structure, with leverage (net debt/(net debt+shareholders equity)) around 25%. The shareholder remuneration policy will be maintained and any change in the distribution of dividends will take into account the reduction of indebtedness indicators and new investment opportunities.

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Securities and Exchange Commission.

Risk Management

Petrobras continues to map its main risks and adopt specific initiatives for the improvement of risk management, including the identification and planning of mitigation actions, in order to allow timely and appropriate response, in any scenario.

Among the main risks identified in the 2019-2023 Plan horizon, the following stand out:

Implementation of major projects;

Trade policy;

Performance of partnerships and divestments;

Legal proceedings and contingencies;

Business continuity.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 5, 2018.

PETRÓLEO BRASILEIRO S.A PETROBRAS

By: /s/ Rafael Salvador Grisolia
Rafael Salvador Grisolia
Chief Financial Officer and Investor Relations
Officer