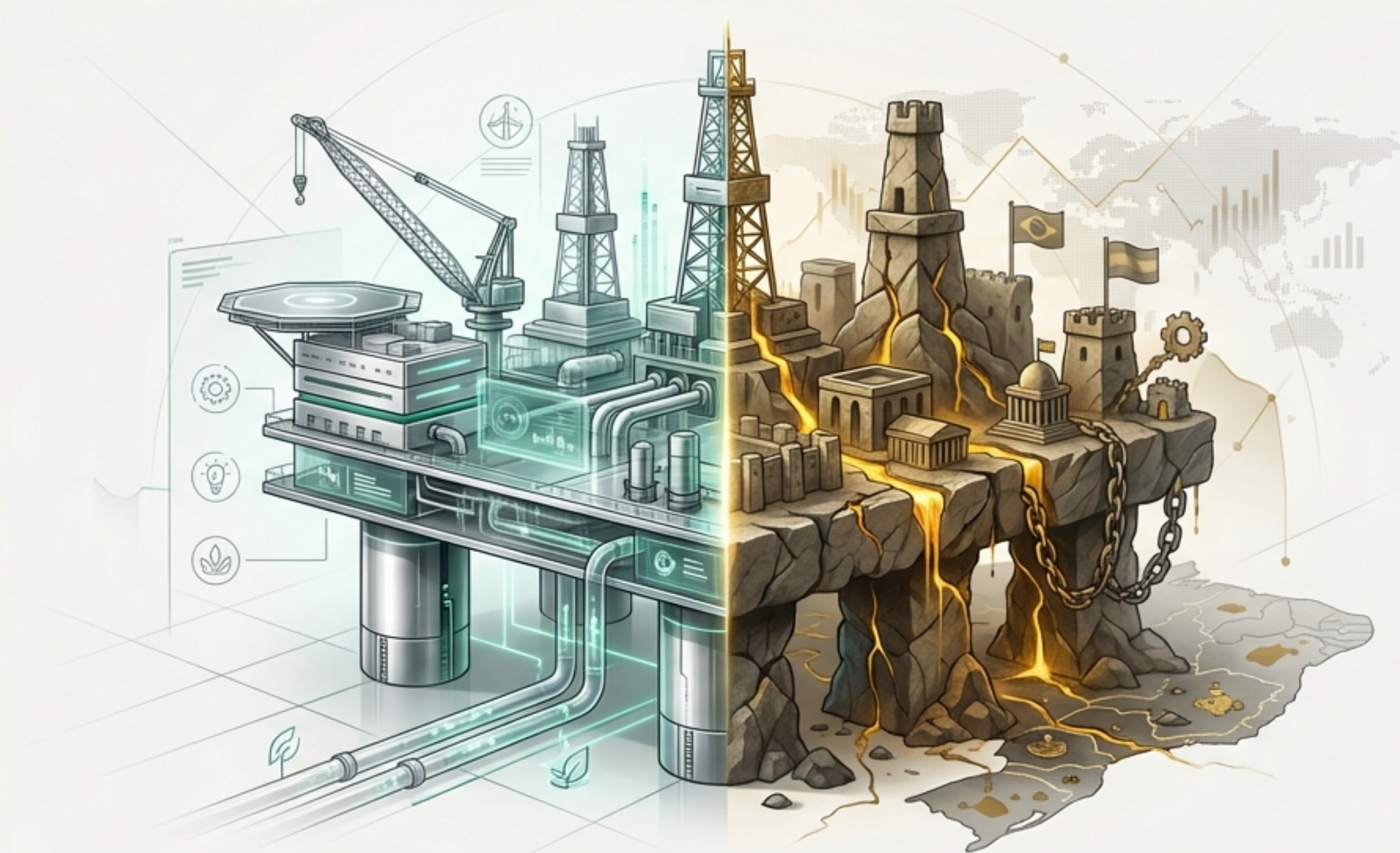


Petrobras: An Investment Duality

Analyzing the Tension Between a World-Class Operator and a State-Controlled Asset



The Core Tension: Exceptional Assets Weighed Against Sovereign Risk

The investment case for Petrobras is a direct trade-off. An investor must weigh the tangible, **low-cost barrels** produced from its **prolific pre-salt fields** against the **intangible** but potent risks emanating from its relationship with its sovereign controller, the Brazilian Federal Government.

Operational & Geological Excellence



World-Class Pre-Salt Asset Base



Industry-Leading Low Production Costs



Proprietary Technological Moat



Robust & Predictable Cash Flow Generation



Political & Macroeconomic Risk



Controlling Shareholder Influence



Strategic & Leadership Instability



Commodity Price & Currency Exposure



Regulatory Uncertainty

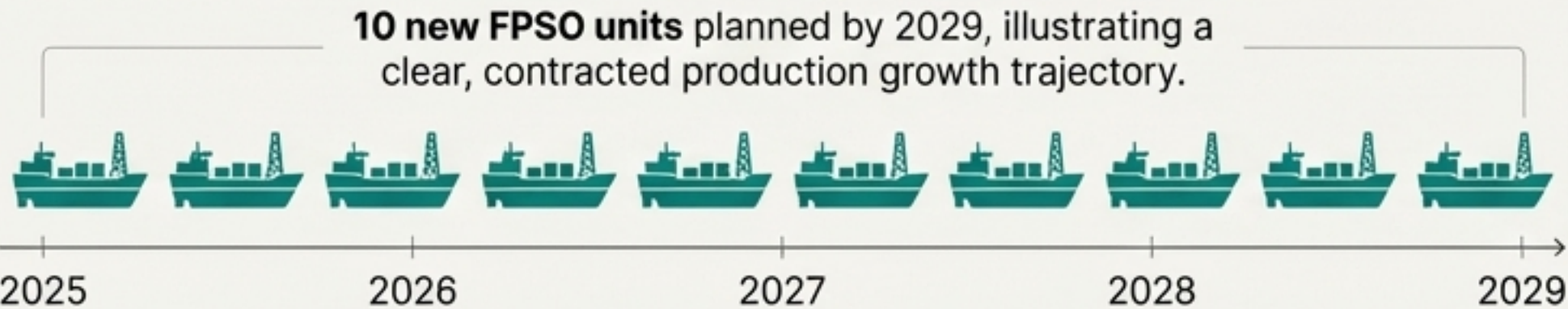
The Pre-Salt Engine: A World-Class Geological Endowment

Petrobras's value is anchored in the prolific pre-salt basins, one of the most significant hydrocarbon discoveries of the 21st century.

81%

of total production originates from pre-salt fields.

Systematic Growth Engine

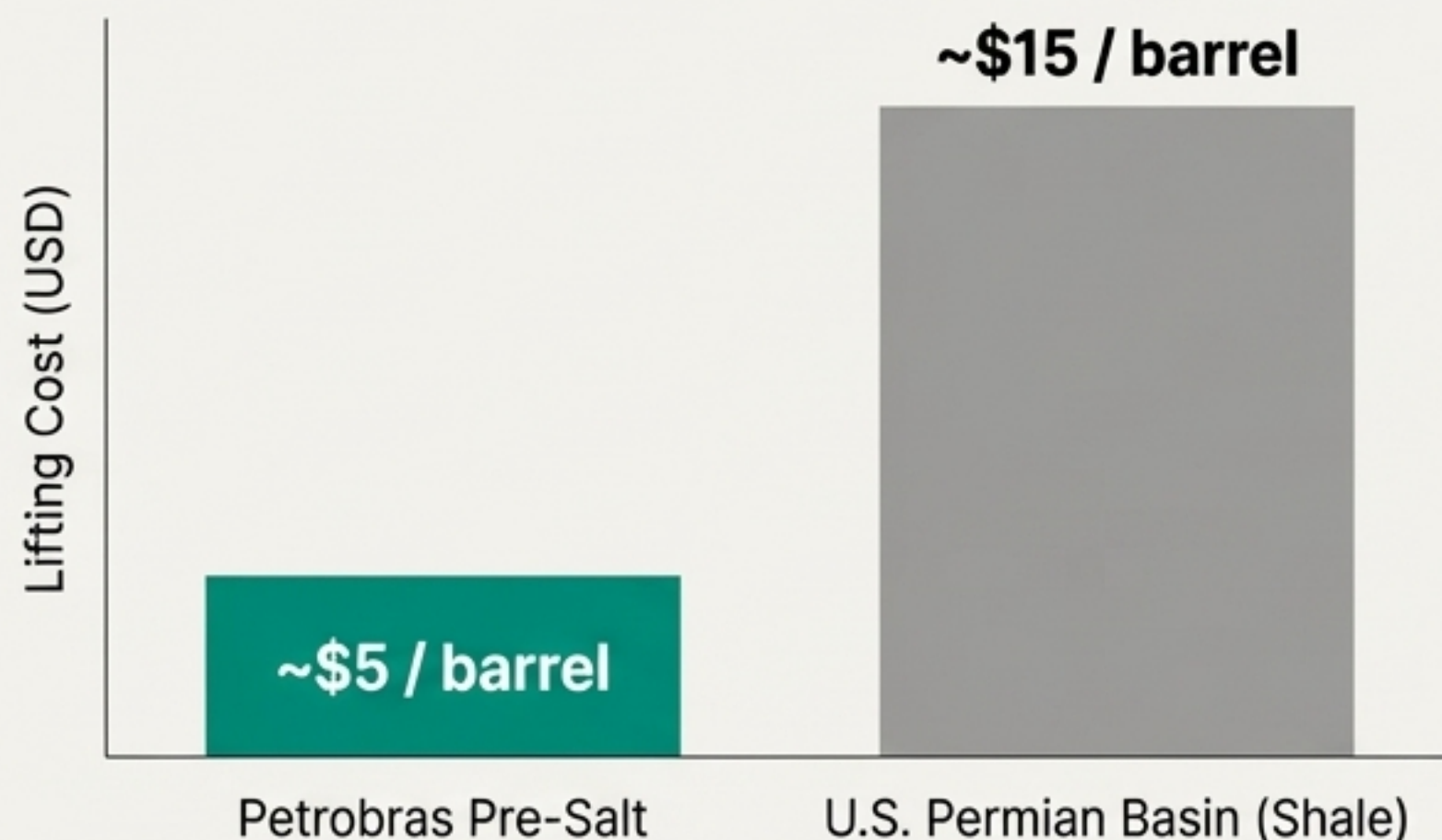


Dominant Operator Status (Key Fields)

Field	Petrobras Ownership Stake
Búzios	89.0%
Tupi	65.0%
Atapu	65.7%
Mero	38.6%

The Competitive Moat: Unbeatable Costs and Proprietary Technology

Industry-Leading Low Production Cost



This cost structure provides extraordinary resilience, allowing the company to remain highly profitable even in periods of depressed global oil prices.

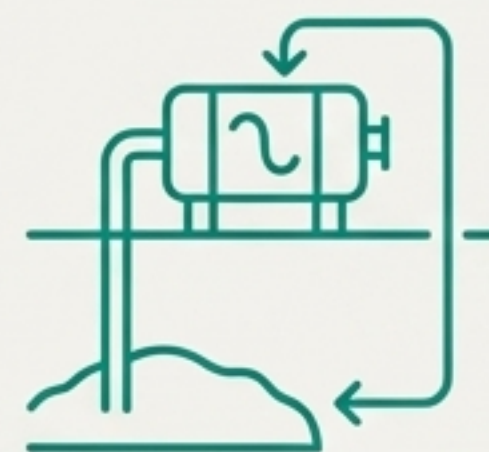
A Self-Reinforcing Technological Lead



Deepwater CCUS for EOR

World's largest program reinjects CO2 to reduce carbon intensity and boost oil recovery.

Over 40 million tons of CO2 reinjected by 2022.



Patented HISEP® Technology

Groundbreaking subsea separation of CO2-rich gas on the seabed, allowing for smaller, cheaper platforms and a lower carbon footprint.

An Integrated Downstream Powerhouse

While E&P drives profits, the downstream segment provides strategic integration, scale, and a dominant position in the vast Brazilian domestic market.

Brazilian Refining Market Share

>80%



2024 Refinery Utilization Factor (FUT)

93%

Highest level since 2014



Record 2024 Production

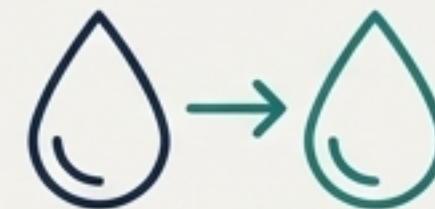
- Gasoline: **420,000 bpd**
- S-10 Diesel: **452,000 bpd**



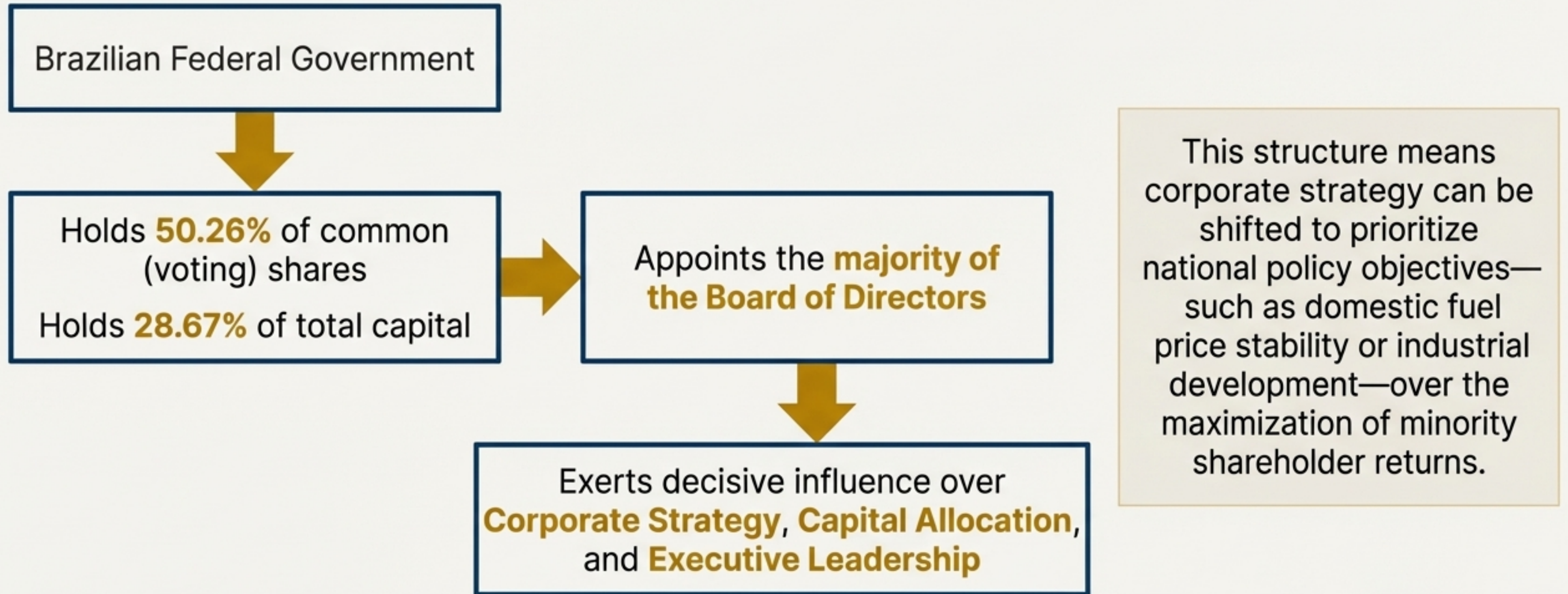
Pre-Salt Crude Feedstock

70%

Optimizes the product slate towards more valuable derivatives.



The Sovereign Shareholder: Where Political Risk Originates



The average tenure of the current executive management team is just **1.2 years**, indicative of high turnover that can accompany changes in government administration.

Strategic Whiplash: A Government-Directed Pivot in Capital Allocation

Previous Administration Strategy (2024-2028 Plan)

Focus on Divestment & Core E&P

- ✓ Reduce debt.
- ✓ Concentrate capital on highest-return pre-salt projects.
- ✓ Divest non-core assets, including downstream.

US\$102 Billion

Current Administration Strategy (2025-2029 Plan)

Focus on Re-Integration & Industrial Development

- ✓ Enhance domestic energy security.
- ✓ Leverage Petrobras as an engine for industrial growth.
- ✓ Halt divestments and increase investment in downstream.

US\$111 Billion

+17%
increase in
Downstream
CAPEX

Navigating External Headwinds and Domestic Complexity

Global Oil Market Outlook (2025-2026)



The U.S. EIA projects Brent crude could decline from **~\$71/barrel** in mid-2025 to potentially near **\$50/barrel** in early 2026 due to ample supply from non-OPEC+ and moderating demand growth.

A bearish price environment would create a challenging headwind for Petrobras's revenue and cash flow.

The Evolving Domestic Landscape



Pricing Policy Risk

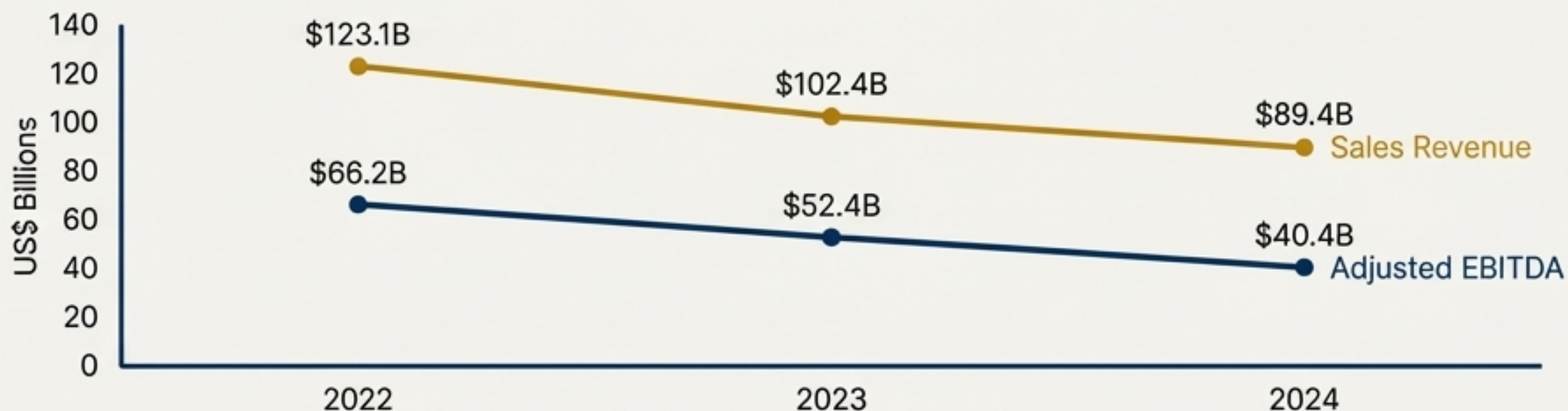
The government has historically pressured the company to subsidize domestic fuel prices. A revised 2025 framework underscores the ongoing **risk** of policy changes that can negatively impact margins.

The "New Gas Market"

A double-edged sword. While the reform dismantles Petrobras's midstream monopoly, it also aims to stimulate domestic demand, creating a larger market for the company's vast natural gas reserves. This shows the complexity, not just the negatives, of the regulatory environment.

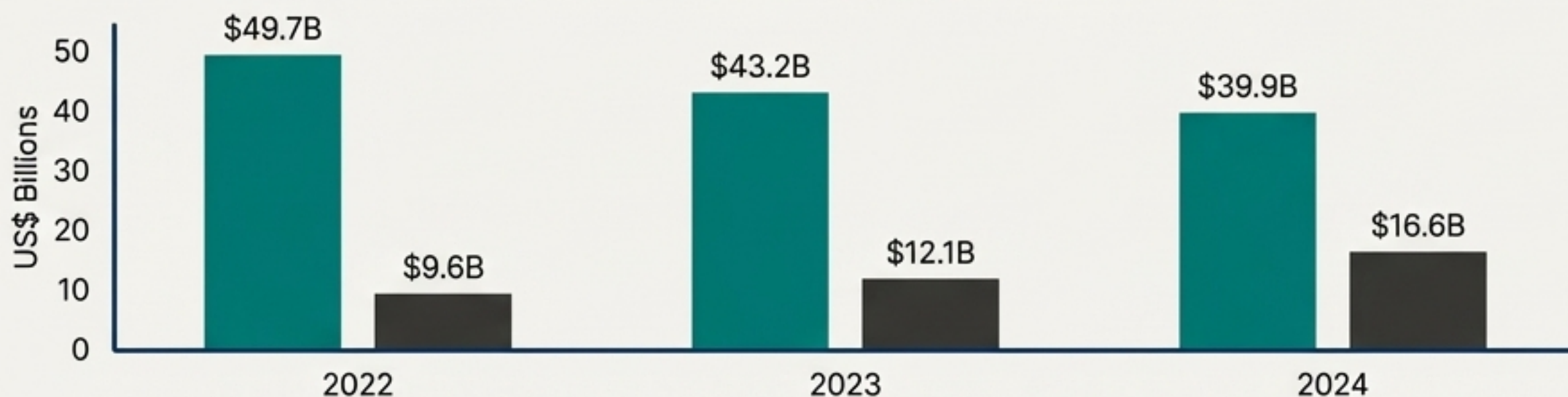
Financial Performance: Robust Cash Flow Proves Low-Cost Resilience

Profitability Follows Commodity Prices



Free Cash Flow
(2024):
\$23.3B

Cash Flow Consistently Covers Investment



Net Debt / Adj.
EBITDA (2024):
1.29x
(still-moderate)

Despite declining revenue from normalizing oil prices, strong and positive Free Cash Flow generation is a testament to the low-cost nature of the pre-salt production base.

The Dividend Policy: A Governance Guardrail for Capital Discipline

If Gross Debt \leq US\$75 Billion...



...Petrobras will distribute 45% of Free Cash Flow to Shareholders.

How the Policy Protects Minority Shareholders

- **Transparency:** Links shareholder returns directly to a transparent metric (FCF), creating a predictable framework.
- **Enforces Trade-Offs:** To reduce dividends, the controlling shareholder must either accept lower cash flow (e.g., via price controls) or approve higher CAPEX. This makes the cost of political intervention visible and explicit.

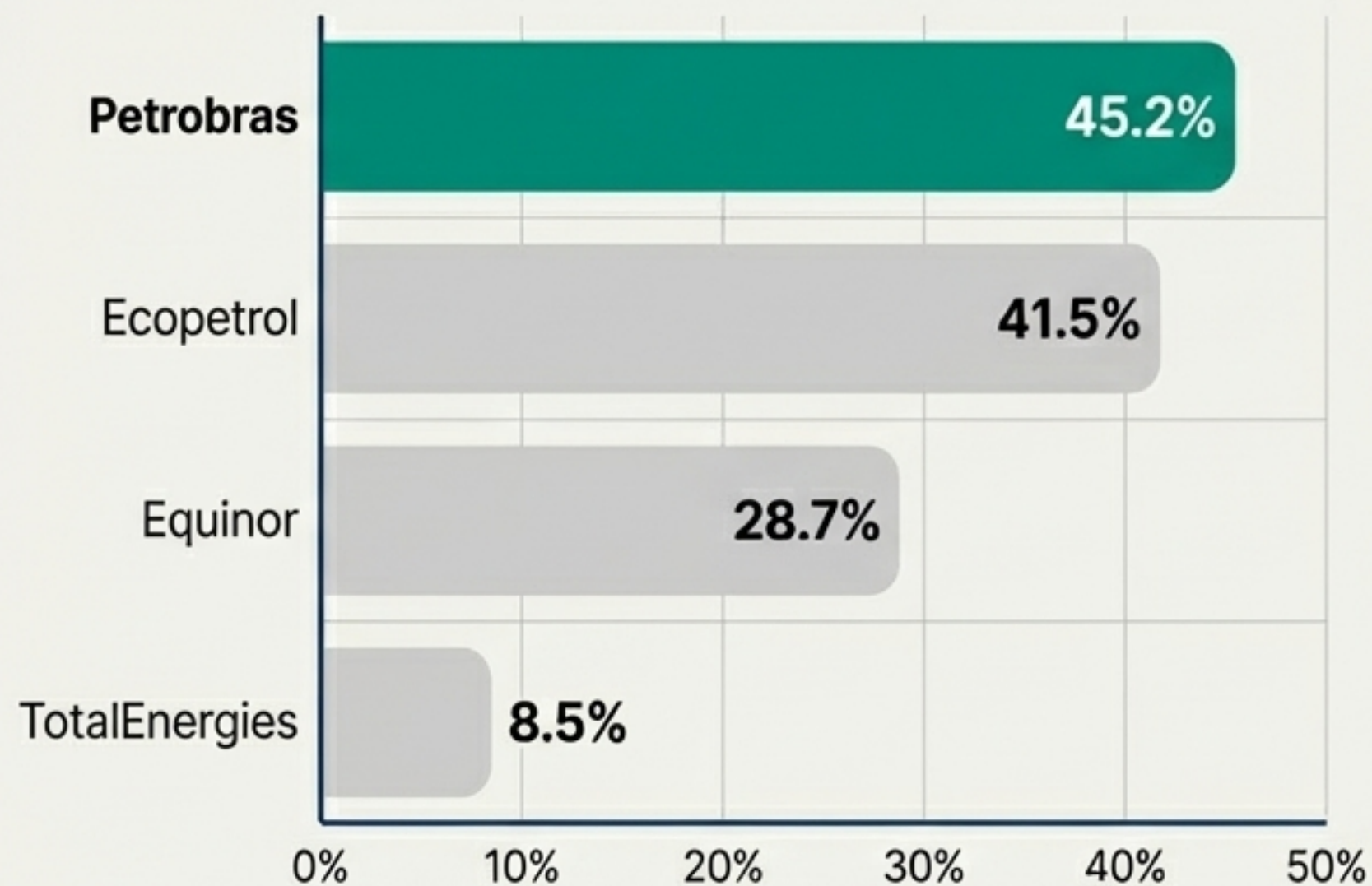
Historical Distributions

2023: **US\$19.0 Billion**

2024 Proposed: **US\$13.5 Billion**

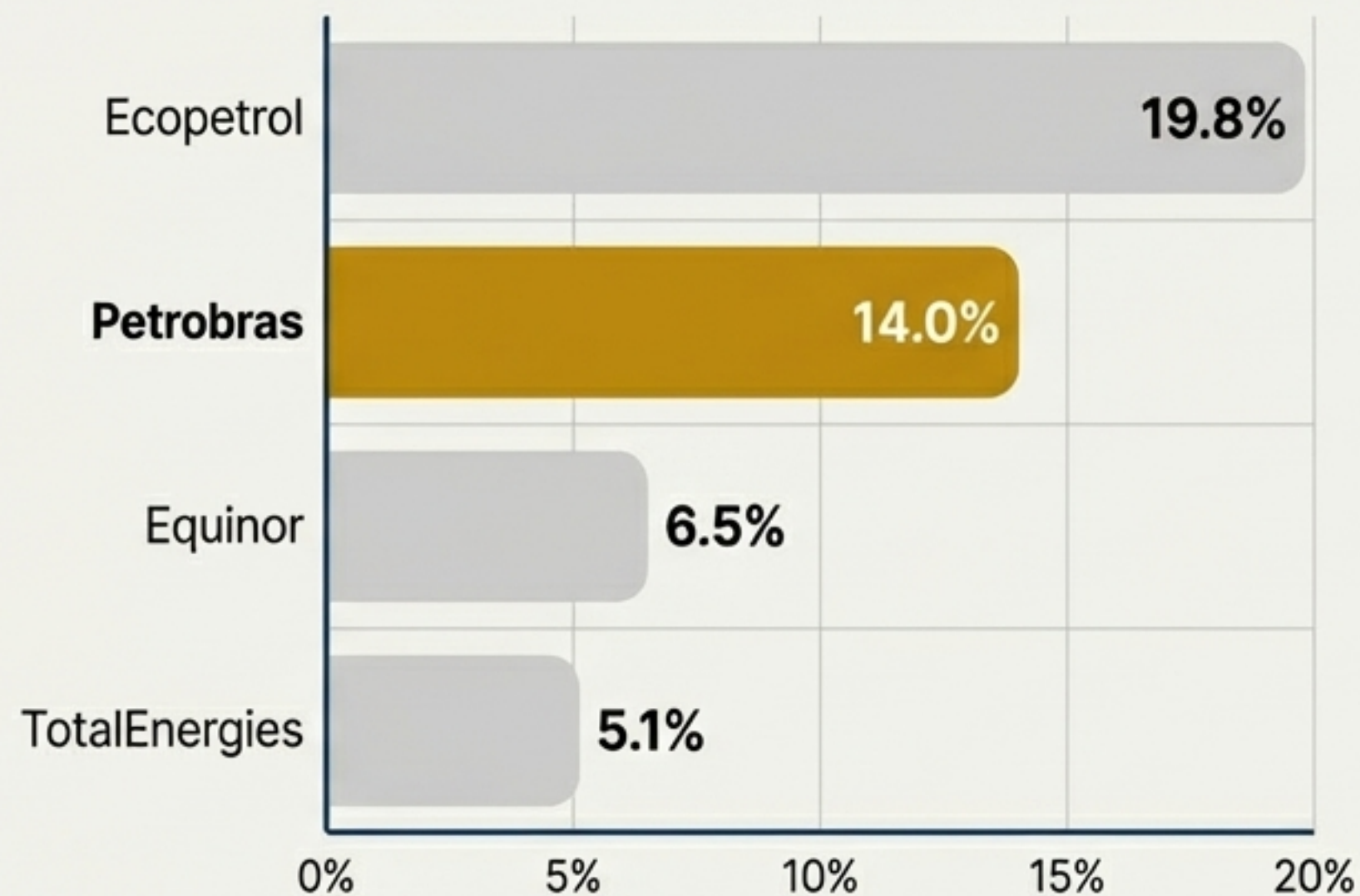
Benchmarking a Unique Hybrid: IOC Margins, NOC Risks

Adjusted EBITDA Margin (FY 2024)



Takeaway: Superior margin demonstrates the structural advantage of low-cost pre-salt production.

Dividend Yield (%)



Takeaway: High yield suggests the market demands a premium to compensate for perceived political and country-specific risks.

The Investment Calculus: Balancing Profound Value Against Potent Risk

+ Investment Merits

World-Class Operator

- **Unparalleled Pre-Salt Asset Base:** Giant, high-quality reservoirs providing a long-term resource base.
- **Structural Low-Cost Advantage:** ~\$5/bbl lifting cost ensures profitability and resilience across the commodity cycle.
- **Powerful Cash Flow Generation:** Self-funds large-scale CAPEX while providing substantial shareholder returns.
- **Dominant Integrated Position:** Control over the vast Brazilian domestic fuels market provides scale and stability.

— Key Risks

State-Controlled Asset

- **Political & Regulatory Intervention:** The primary risk; government can direct strategy, pricing, and leadership for political ends.
- **Strategic Misalignment:** Risk of capital being diverted to projects with suboptimal financial returns.
- **Commodity Price & Currency Volatility:** Inherent exposure to global energy markets and BRL/USD fluctuations.
- **Leadership Instability:** Politically driven management changes create uncertainty and disrupt long-term planning.

An investment in Petrobras is a calculated position that the profound economic rent generated by its unique assets will, over the long term, outweigh the inherent risks of its sovereign parentage.