

Webcast - 2nd Quarter Results 2023 August 04, 2023

Carla Albano:

Good morning, everyone. Welcome to Petrobras webcast with analysts and investors regarding our results for 2Q23. It's a pleasure to be here today.

This event will be presented in Portuguese with simultaneous translation into English. The links for both languages can be found on our Investor Relations' page.

We would like to inform that all participants will follow the broadcast over the internet as listeners. After our intro, we will have a Q&A session where you can send your questions to petroinvest@petrobras.com.br.

Today with us we have Carlos Travassos, Chief Engineering, Technology and Innovation Officer; Clarice Coppetti, Chief Corporate Affairs Officer; Claudio Schlosser, Chief Logistics Commercialization and Market Officer; Joelson Falcão Mendes, Chief Exploration and Production Officer; Mario Spinelli, Chief Governance and Compliance Officer; Mauricio Tolmasquim, Chief Energy Transition and Sustainability Officer; Sergio Caetano Leite, Chief Finance and Investor Relations Officer; and William Franca, Chief Industrial Processes and Products Officer.

To initiate, we will watch a video with a message from our CEO, Jean Paul Prates.

Jean Paul Prates:

Good morning, it is an honor to be here again to share our results with all of you. It has been 6 months of achievements and accomplishments, which reflect the quality of the work that we are doing within Petrobras.

In this first semester of management, we were able to establish a new commercial strategy that is producing the results we wanted so much, more flexibility and competitiveness for fuel prices.

At the same time, we are committed to leading the energy transition in the country in a fair, safe and inclusive way, driven by partnerships we are building with companies of technical excellence and by the growing decarbonization of our operations.

One of these results is the neutralization of Scope 2 emissions since all electricity purchased by Petrobras now has a proven renewable origin. It is important to highlight that we approved the revision of the strategic elements for our 2024-2028 strategic plan, as well as the driver to increase low carbon investors to up to 15% of our total investments.

In the operational side, FPSOs Anna Nery in the Campos Basin and Almirante Barroso in the Búzios field started up production. FPSOs Anita Garibaldi and Sepetiba are expected to join them soon, helping us to continue increasing pre-salt production.

The utilization factor of our refineries reached 93% with the highest level since 2015, even with several scheduled shutdowns at our refineries, respecting safety, environment and health issues.

And we achieved record sales in the 1H, with 10 ppm diesel accounting for 62% of the total diesel sales of Petrobras.

Regarding Diesel R, which is our diesel with 5% of renewable content, we project to increase our processing capacity by 146% later this year. We increased our investments to US\$5.7 billion in the 1H23 and we kept our debt under control at a gross debt of US\$58 billion while our operating generation reached US\$10 billion.

In the 1H23, we continued with our total focus on people. We had an unprecedented initiative with the launch of our diversity supplement to reinforce awareness among our internal public and our society at large.

All these results achieved in the 1H23 represent only the beginning of a journey that will take us increasingly further for our benefit and for the benefit of the shareholders and the society. Thank you very much.

Carla Albano:

We will initiate our results of 2Q23, and now I will hand it over to Sergio Caetano Leite.

Sergio Caetano Leite:

Good morning. I am very pleased to be here today to discuss our results for the 2Q.

During this quarter, our gross recurring EBITDA was US\$12 billion. Our operational cash flow demonstrates the resilience of our Company despite an adverse foreign scenario. We have approximately US\$10 billion, US\$9.6 billion in operating cash flow.

Our net debt over EBITDA also shows the control of our indebtedness and the financial soundness of our Company. That would be 0.74x. Now the return on capital employed is almost 13%. This is 12.8%, our net profit totaled US\$5.8 billion, free cash flow, US\$7 billion and we continue contributing sustainably.

We promote inclusive development, paying R\$56.1 billion in taxes contributing towards social development. Our dividends totaled US\$6.2 billion and we have a comfortable cash flow of US\$15.8 million. So despite external adversities, Petrobras financial soundness is positive and this is one of the 10 best years of the Company.

Now here, you can see the foreign environment. There was a drop in Brent. It was significant, we are talking about the 2Q22 to US\$114 in Brent. Now during this quarter, US\$78 per barrel. This is the drop of the barrel price was highly significant, although the exchange rate is in line with last year's quarter. The drop of Brent is another factor that I will comment subsequently. And this is why this dropped our results, although we continue with sustainable development and the Company continues resilient.

Our EBITDA demonstrates that we are aligned with the drop of the Brent and the appreciation of the USD. But there is an important interpretation since the beginning of

the year, I mean, 1Q and 2Q, our adjusted EBITDA is very close, almost at the same level of recurrent EBITDA or recurring EBITDA. This is because there has been a lower divestment program because of our asset portfolio, so our Company continues adjustment presenting very important value. Below, you can see the devaluation of Brent, which impacts significantly our operations.

There was a lower Brent reduction in exploration and production. Now refining and marketing captures the foreign scenario factors. If we consider the EBITDA with stock turnaround, we have a drop of 33% vis-à-vis 1Q with replenishment cost, we have an EBITDA minus 42%. Gas and power aligned with the refining area. So we have a 33% drop if we consider the 1Q in comparison to 2Q.

Now our cash generation, as I mentioned, continues strong and robust. There was a slight contribution of nonrecurring results that are because of the sale of Potiguar and Norte Capixaba complex.

Our debt management allowed us to amortize US\$0.7 billion. This is data that is aligned with the market. In reality, in oil and gas, Petrobras has presented one of the best results despite an adverse scenario. When we talk about our debt, there was a slight spike in our total indebtedness because of the leasing of Anna Nery and Almirante Barroso, but our financial debt maintains its dropping trajectory, we lowered 0.6 billion in debt. Our gross debt is within the limits that we establish and what we announced in our strategic plan.

Now, our next slide, portfolio management. This is a constant question mark from our investments. We have a dynamic portfolio in Petrobras. So this means that we are going to work with these divestments, with investments and with partnerships. There are assets that are of interest and we can do this through partnerships. So all our portfolio is being reassessed under a different view. This is a long-term view.

In addition, or aligned with what we announced regarding the signed contracts for divestments, they remain. There are fields, Albacora Leste that was sold. In 1Q, we have Norte Capixaba complex or Potiguar complex.

In terms of cash inflow generated from these divestments until June of 2023, we are talking about the end of the 2Q, this was US\$3.5 billion. Our net results reflect the strictness of the market, the drop of the Brent and the appreciation of the USD vis-à-vis the USD. What is important is the crack spread of the diesel. The market is being pressured by the low offering of Russian diesel dropping 40%, we will higher operating expenses, US\$0.4 billion and this has been reduced when we compare it to other quarters.

What do we give back to society? This is part of our ESG program. It is highly consistent and strong. We gave back to society in terms of taxes and we gave back R\$56.1 billion. Another important fact was we reviewed the shareholders' remuneration policy. In this policy review, we will maintain important aspects that will guarantee the financial soundness of the Company, the control of the debt.

We maintained the same periods. We continue with the same guide of indebtedness. We have of reference, we have our gross debt and how we pay out quarterly our dividends and we have reformulated our formula going from 60% to 45% of free cash flow destined to dividend payout. This level is in line with the major worldwide enterprises. I am here considering independent enterprises and also state companies.

Remuneration to shareholders, I would like to highlight the main dates that were already announced to the market. Here for the 2Q remuneration, the base date will be August 21st, the first tranche will be paid on November 21st, 2023 and the second December 15th, 2023. We continue controlling our debt using capital principle that is part of the guidance of the Company. And we continue committed to generate and to distribute value.

Now our buyback program. Well, Petrobras is one of the companies that communicate most with the market in Brazil and abroad. These are the shares that are mostly traded abroad. What we do have impacts and this is why we have to be careful. Therefore, our buyback program will start in a conservative fashion. We will buy 157.8 million preferred shares. This will be done with preferred shares, which represent a small amount of this free float. That would be 3.5%, and this is a pilot program will last around 12 months.

So to conclude this, we believe that this will not cause major price fluctuation and it's the first share buyback program that Petrobras will use to remunerate their shareholders, so they can be bought in parcels.

So this were the main highlights. Here, you can see more in our IR sites. And now I will give the floor to Mauricio Tolmasquim, Chief Sustainability and Energy Transition Officer.

Mauricio Tolmasquim:

Good morning, ladies and gentlemen. So, we are going to be talking about the main results from this new office at Petrobras, on Energy Transition and Sustainability.

First, let's start with natural gas. When it comes to natural gas, we want to highlight the new policy that we have for contracts that allows us to have more flexibility for our clients. We have contracts that have a longer term, from 4 to 11 years. The starting date for the products was 2024 to 2026. Before, we used only Brent as an indexer, but now we are also using Henry Hub, and we also have an option to deliver natural gas with City Gate or Hub.

Just to give you an idea, we have had R\$75 billion in new contracts with Comgás, Copergas and SCGas. This is 25% of the market we contracted from 2024 onwards in the new policy. Again, it's a total of R\$75 billion in the new contracts.

Next slide, please. When it comes to emissions, we have good news to give. Considering exploration and production of oil, in the 1H23, we have already reached levels below our target for 2025 and 2030.

It's worth highlighting that 50% of oil production is coming from the Tupi and Búzios fields, which have much lower emissions, 10.1 and 10.2 kg of CO2 per barrel, respectively, which is what is allowing us to have such a good performance.

Considering refining carbon intensity, we also see a positive downward trend. Emissions have gone down in the 1H23 in comparison to 2022, and we are coming close to our 2025 and 2030 goals. This can be explained by two factors: first, the higher utilization rate at refineries, but that is not the only thing. We also have RefTOP programs.

The intensity of carbon in thermoelectric has also been reduced, not only because we have taken measures adopting lower emissions, but since we dispatch fewer from electric plants, we only use the most efficient ones.

Next slide, please. When it comes to total operation emissions, the 1H23 had a lower amount than the 1H22, which maintains all of our operational goals that we had for this period.

A part of this reduction was due to better efficiency, but also due to lower thermoelectric dispatches. Efficiency is made clear on the right-hand side graph, which excludes dispatching from electric plans which supply the market, and we can see that, even with this lower dispatch, total emissions are going down during this time.

Next slide, please. To conclude, we see the main highlights in each area. As a reminder, the energy transition is cross-sectional, so several of these targets will be mentioned by others as well. They were obtained as a joint effort with other areas of the Company, so many of the directors will talk about them later on when they speak. I am just giving an overview.

So here we see a lower emission rate of greenhouse gases in refining since the beginning of the operation, which was in 2019. We signed the first charter contract for hybrid support vessels, meaning using batteries and marine fuel. This allowed us to reduce emissions by about 15%. We certified our energy production through I-REC, Renewable Energy Certificate, guaranteeing that 100% of the electricity purchased was generated by renewable sources, and we invested R\$200 million in a new gas treatment system at REPLAN and REFAP, which reduces emissions in particulate matters, which have a negative health impact. So these are Scopes 1 and 2, meaning decarbonizing the Company's processes.

In Scope 3, which refers to products with a lower carbon footprint, our goal is to expand our diesel production capacity with renewable content by 2023, especially through processing. So this was authorized by ANP to operate another unit with Repar, expanding our production to 12 million liters per day. We signed a cooperation agreement and we began a new test for maritime transport with a chartered vessel from Transpetro which has 24% renewable content, which also allows us to reduce emissions by about 17%.

So those were the highlights I had for you, and I will pass it over to my colleague here Joelson.

Joelson Falcão Mendes:

Good morning, everyone. It's a pleasure to be here. We are going to start by discussing the growth of our operated production. In the 1H23, we have seen significant growth. There was a slight reduction from the 1Q to the second, which is expected considering our maintenance operations, which have been programmed and planned.

Our own production is also in line with what we had planned. It seems like we are going to finish the year along what we have planned without major issues and in line with what happened in the 2Q22. Our pre-salt owned production, as expected, had a significant increase, which represents 78% of our own production already with more than 2 million barrel equivalents coming from pre-salt.

Next slide, please. In Búzios, we have a relevant production level. We are producing 800,000 boed total, it's very significant. And due to the relevance of this production, in 5 years only, we have an accumulated production of 1 billion barrels of oil, which was much faster than what we did in Campos Basin, Marlim, and in TUPÍ field as well. So it's extremely significant how quickly we were able to grow our production from Búzios with

these 5 units, which are the 5 original units foreseen. We have an additional 6 that will produce oil in excess to this.

Next slide, please. Another important activity that we had during the 2Q was returning all of our production from the Bahia Terra cluster. We had to adapt our production there according to the new requirements from the ANP and we had a long contact with them, with the risk analysis for all of the activities needed and it was a new outlook on safety and how our activities are done.

So next slide, please. At the end of last year, we also participated in a bid round and we were able to acquire 3 important blocks, an investment of over R\$700 million in the Norte de Brava field, which is the most significant one in investments. We acquired 100% of it and it's close to an area where we are already in production, which is very important. We want areas where we already have an infrastructure that can be used. Also Agua-Marinha, we had some partners there and also Sudoeste de Sagitario with other partners.

So this consolidates our exploration strategy with profitable assets close to our activities in borders that we already know very well. There are other frontier areas in Brazil, but these are well-known areas where we can produce with lower extraction costs and certainty of that exploration area. We are very confident that we are going to get good results from these areas. And we are planning to start this exploration next year. Wells are planned for 2024.

Next slide, please. Within our strategy of recovering more and getting more value from the assets that we have, we concluded a major seismic survey in Tupi and Iracema through partnerships. So this is a major area, we have very high-quality images, which will allow us to plan how this area will be explored. And of course, this is a deep conversation that we are having with the ANP to decide how we can have another production in this area. So it was an extension and we expect this to have a lot of value for Petrobras and for Brazil if we can increase the production time in these areas.

Next slide. This slide shows the extraction cost for pre-salt, which is in line with what we had during the 1Q. In mature areas, deep waters and shallow waters, naturally, we would see lifting costs go up. There's a reduction in production due to the depletion of these fields. And there are also other associated costs. So the total cost of oil produced is quite significant for our financial results, around US\$35 per barrel, which is in line with what we had been expecting, considering all of these production changes that make us very competitive.

That's my last slide. So thank you very much. And I will pass it on to Carlos Travassos. Thank you.

Carlos Travassos:

Thank you Joelson. Good morning. So I am going to start my presentation here by discussing some of the advances that we had in technology.

Our Company has the highest number of active patents in Brazil over 110,000. So for the second year in a row, we had a record number of patents licensed. 214 were made available for licensing, so were made available to the market.

During this time, we received some awards related to innovation. We received the MIT award as one of the most innovative companies in Brazil. There's no ranking, but we are among the topmost innovative companies there. We also received the Elite awards in

Nevada in the U.S. for our HAZOP program, and we also received the Valor Inovação award, as one of the most innovative oil and gas companies in the world and the second most innovative company in Brazil across all industries. It's our best historical results and it's a very relevant and important award for us. It shows that we are really valuing innovation, which is so important for transformation. This is what the Company has been doing and has been getting prepared for.

The next slide will show some of these innovations. You can see our FPSO all electric. And the next project will include our combined cycle technology. So we are going to use all of the technology that we have in our units to reduce our emissions rate. We also saw some advances in remote operating marine technologies. We have artificial intelligence being used by these drones, onshore monitoring as well. We also advanced through our PEP-70 well efficiency program. Our goal is to reduce the cost of each well in pre-salt. And PEP-70 was our goal, which is to reduce values of about US\$100 million to US\$70 million. So we concluded this program, achieving these results.

And in downstream, as Tolmasquim has said, we also had an agreement for industrial scale tests to produce bio-aromatics in Riograndense Refinery based on vegetable oils. So we were able to get plant-based products. And next year, they will be processed and tested, which can be very important for our refineries as we will increase our FCC load through plant-based oils, also generating products with a lower carbon footprint.

We advanced in our robotics program. So to the right, you see our Petro Robot, which is in testing for equipment inspection. And finally, on the right, we have our firefighting robot created in a partnership with some start-ups, which is now being tested in a smaller version to be used in our platforms.

Next slide, please. This slide discusses some of our projects. At the center, we see Almirante Barroso, Búzios 5. We started our operation there on March 31, and then Anna Nery with production ramp-up.

To the right, we see the auction for the P-32 area, to find a sustainable destiny for this platform. We had 31 new wells in operation in the 1H23, an increase of 35% in their interconnection. And you can see the whole P-78. This is our first project after we revitalized and reinvigorated our hiring strategy. So this is in own area that's going to operate in the Búzios field. We also have FPSO Sepetiba in Mero 2, which is headed towards Brazil. It's close to South Africa and expected to arrive by September. This will be our last unit to go into operation in 2023.

And we also have FPSO Anita Garibaldi and it's last few stages to go into production and it will start its operations in August. So Anita Garibaldi is the second unit that will go into operations in the Marlim Sul field.

Also, we are announcing that we are publishing today the Barracuda REVIT. So this is a call for bid for a production unit that has a capacity of 100,000 barrels. And this is also part of our renewal program for Bacia de Campos.

The next slide shows some of the advances that we have in downstream. We had some significant advances to expand and modernize our refinery. We also published today an option for the second train for RNEST. We are going to increase our processing capacity for that refinery from 115,000. This revamping will increase it by 15,000 and we expect to have 130,000 more in the second cycle.

So the processing capacity will be 260,000 barrels of oil per day. And it will generate 30,000 jobs in direct and indirect employment in Pernambuco. We also see our coke

drums at RPBC, which is a very challenging project. It was the biggest implementation that they ever had there. And it was revitalized and modernized in our coking activity there.

Here, we have an image of acid water in the REPLAN treatment plant. Here, we will add 10,000 m³ diesel asset. The works is according to the deadline. And here, we also recently celebrated the deployment of the Reduc HDT work. This was a revamped work where we added a new reactor. And we will have more diesel in Reduc.

And the last image you can see Gaslub. We resumed the work of Gaslub, I have to register in record time. The last time that there was a shutdown, we needed 30 months for analysis and for a new bid. And now we resumed the Gaslub works in only 6 months with engineering contracts, with building, assembling contracts and other contracts, we are here in Itaborai in the UPG work in Gaslub.

In Gaslub, we started the UTE. This is a project that is conditioned to an auction, and we will present a proposal throughout 2024, but we have started the contract. This is a demand for these type of auctions for this thermal plant unit.

And here, I end my presentation and I will give the floor to the Chief Industrial Process and Products Officer, William França.

William França:

Thank you, Travassos. So, during this quarter, our results were excellent in terms of operation in our natural gas plants and refining our natural gas plant had high results here, the best in the history, the sustainability plan excellent. We also had a burning rate that this measures the quality of decarbonization in our natural gas area. We had very good burning rates. This means that we are evolving in energy efficiency, lowering our carbon footprint, which is very positive.

I am sorry, I did not say good morning to everyone. Now in our refineries our utilization factor was 93%. This is a result of our planning and logistics and marketing and allowed us to increase the utilization factor guaranteed by the excellent operational availability of our assets. Here, you can see our refineries. Therefore, this is a very good result, the best result since 2015. This is the best result in the history of refining. Pre-salt oil in refinery input, we are almost 70%. The oil that comes from pre-salt, we are increasing the share of pre-salt in the processing of our unit. We increased gasoline days almost 70%. And this result was positive because we ended.

The Revap, Reduc, REPLAN shutdown and RPBC, although there were shutdowns in the refineries, we achieved this result. This means that we can make even more progress in the utilization factors of our refineries during the 2H.

Our result of oil byproducts, highlighting diesel oil, once again, we achieved a record with 2.11 million m³ of produced diesel, and we will reach another record in July with 2.38 million. Here, we have 2.38 million, and we will outperform in August because we started at the end of July with U2700. Our unit was readapted, we included another reactor and other off-site accessories.

Here, we have offsite structure to produce diesel S-10 with 4,000 m³ a day, and due to our operational availability and the trust on the unit, we will outperform. We will outperform in July, and this is due to the excellent working structure of our commercialization area.

As Tolmasquim mentioned, we have excellent results in gas emission and emission intensity. Here, we had 103.7 results, and we reached 102 in region. That is the best historic result in all refining. We are close to the standard number achieved by refineries. There are refineries with something lower than 90 like Refap.

So, emissions intensity, in June, we had the best historic result in terms of CO2 with 37.2. This shows that we are evolving in trust, increasing utilization factor and lowering our carbon footprint regarding the assets of our refineries.

I would like to broaden refining to (45:06 TECHNICAL DIFFICULTY). So we are studying some photovoltaic cells in our Company. We are working firmly in our decarbonization process.

So thank you, everyone. And I will now pass it over to my longtime friend, of 36 years, Director Claudio Schlosser.

Claudio Schlosser:

Thank you, William, and everyone else. It's a great pleasure to be here. I am talking about the highlights of the office, and we are going to start with this slide presenting sales of derivatives in our market, our oil product sales, which had an increase versus 2022.

We had some effects that led to this. One of them was the higher competitiveness for gasoline. We also had LPG seasonality and diesel. This diesel effect was partially offset because during this time, we saw a higher rate of diesel mix-ins from 10% to 15%. This happened in mid-April.

So if we look at the data from the 2H22, we were very aligned despite these divestments in the Reman refinery in Amazonas. One item that was mentioned by William was the excellent result of availability, which led to historical levels in refinery availability, which really supported the sales of these oil products.

As a consequence, we had lower margins, but our margins were still above our historical levels. This increase in refinement allowed us to capture this margin across all of our industries. So it reduced oil exports and we allowed the country to process more oil.

As another highlight, gasoline sales grew 5% this quarter. It happened especially due to the higher competitiveness against our main alternatives for clients. And in addition to that, we had an increase in fuels for light vehicles, that is automobiles, motorcycles, gasoline had more competitiveness versus hydrated ethanol due to tax reasons. This can be explained by tax reasons. And just for your reference, Petrobras gas participation in the 2H22 was 40.3%. And in the 2Q, it was 42.3% and it shows how we have significantly evolved during this cycle.

Looking at the foreign market, we had higher exports due to our production of oil products and our availability due to the concentration of programmed downtime during the 1H23 in refinement.

Next slide, please. So, this slide discusses oil sales. There was a reduction in exports, which was expected, due to this increase in availability in the refinery park and the higher utilization of pre-salt oil in refinery loads. And this adds a lot of value to how these assets are generating value. We had about 150,000 barrels per day produced nationally in comparison to other quarters. Another point that allows us to understand this variation was the inventory in the 1Q. So, it was favored in the 1Q because we were carrying out

some ongoing exports from the previous year, which ended up being carried out in the 1Q. So that had an impact of 100,000 barrels a day.

Next slide please. The next topic is the approval of the new commercial strategy. This was widely communicated, and I would like to take this opportunity to underscore that this was a very positive change for Petrobras. We started having more room to work in our commercial strategy. And of course, this is aligned with the best production conditions, our refinement assets, the use of our logistical assets to have much more competitive prices and to be able to compete in markets that add value to the Company. So overall, this measure optimizes our refinement and logistics assets.

Another essential value that was reported in this strategy was the mitigation of volatility peaks, which gives our clients a more stable price environment. This allows us to work in balance with the international market in a way that is sustainable and profitable.

Next slide, please. This is my last slide in the presentation. It was widely discussed and presented by Tolmasquim, our Director, and I would just like to underscore our hybrid vessel. Not only does it reduce emissions, but it also reduces costs. And this is a part of our Avanço Log program, which is focused on better reliability and safety, but also in logistics costs.

So this was an important effort that was carried out. We are advancing significantly in reducing emissions. And I can also mention the new test that we are performing using 24% biodiesel produced from plant sources. And there's also pioneer process of green recycling of one line, which is following international ESG best practices.

So that's all we have to say. Thank you for your attention, and I will give the floor back to Carla.

Vicente Falanga, Bradesco BBI (via webcast):

Sergio, how do you see the Company's minimum optimal cash, US\$28 billion? Can you work with less than that?

Sergio Caetano Leite:

Hello, Vicente. I hope you are doing well. We are still creating a strategic plan for 2024 to 2028. As you know, these answers will be addressed in the projections that will happen in this plan.

But I would like to remind you that our minimal cash is US\$5 billion in our PL. So our reference is US\$8 billion. So this is well in line. That's our idea. We want to keep it like that.

Vicente Falanga:

Schlosser, Petrobras is selling gasoline below marginal levels. For how long does the pricing committee believe that this kind of discount will be sustainable for?

Claudio Schlosser:

Thank you, Carla. Vicente, thank you for your question. As we presented before, the essential value of our commercial strategy is based on 3 points to be competitive, having competitive prices for our clients and generating assets through marginal value. And

another very important value is international volatility. So we are providing to our clients price stability.

What we are seeing right now is a lot of uncertainty about the global economy. And this affects the demand for energy, how much is expected and the supply of oil and fuel due to the geopolitical issues, the Ukraine war. So this short-term combination of factors led to high volatility in the market. The reference levels adopted by the international market fluctuated wildly.

And another important point is an inflow of Russian products to Brazil. Our monitoring shows that in July, Russian diesel was over 80% of our production in Brazil. So we are monitoring the market every day. And whenever it's necessary, we will have readjustments in our commercial strategy. Obviously, we cannot advance these decisions yet.

Gabriel Barra, Citi (via webcast):

Joelson, could you elaborate on the information regarding the government discussions and with the environmental authority, regarding the Foz do Amazonas and Margem Equatorial development? How much will you invest in exploration and development? Could Suriname and Guyana be an alternative for long-term investments?

Joelson Falcão Mendes:

Thank you, Gabriel, for your question. The Equatorial margin has 5 basins, that goes from Rui Grande do Norte until the Amazon Basin in Amapá. We initiated our environmental licensing projects in 2 basins, Foz do Amazonas and Potiguar, in a sequence of wells, one in Amazon and other well in the Potiguar Basin. And we already supplied all the information requested by Ibama for these 2 areas.

These 2 licensing processes are ready from Petrobras' point of view, and the government is informed of all of our actions and we have exchanged information with Ibama, which is the environmental agency trying to ask questions.

In July, we ended this communication. So now this is being analyzed by Ibama. We have no pending issues and we do not have to give any more information.

Regarding investments, we expect in our planning 16 wells in the 5 basins in 5 years. This is an exploratory investment of US\$3 billion in these areas. All the areas here in Latin America and also Western Africa are of our interest because they are similar to our activities. We have planned exploratory activities for Colombia, next year in Suriname, Uruguay and Africa. Our exploratory team is in communication and is paying attention to auctions and is talking to partners.

These are areas where we will possibly invest, but this is still under negotiation and we have to wait for the end of these negotiations. We are reassured that this year, we will be able to initiate one of the most advanced basins in terms of licensing process and this would be a first well.

Gabriel Barra:

There is a discussion regarding the sale of Braskem, some are interested in buying the control of the company. Could you give us the view of the management regarding the prospects for the oil sector and investment? Should this be a long-term focus for Petrobras, the petrochemical sector?

Bruno Montanari, Morgan Stanley (via webcast):

Regarding the Company's commercial policy, there are questions regarding market international reference with dispersion and parity accounts that go from 10% to 30% currently. Naturally, each player has a cost structure, which hinders the comparison. Now from the Petrobras system point of view, could you mention an average where the price of the Company is when we compare to the marginal bands and the cost of the client?

Claudio Schlosser:

Bruno, thank you for your question. Here we have the opportunity to reflect on each one of the agents that perform in the Brazilian market. For instance, you are talking about a parity, the dispersion of the indicators just demonstrates how the supply alternatives are different, or it can be different depending on the scale, infrastructure, logistic costs. And this is all reflected on the efficiency of this agent. And when they import certain byproduct in terms of Petrobras, we also have our own costs and productions opportunities and also the important export fronts of oil or fuel.

Our efficiency is significant because we have implemented this type of logistic. So when we implement this commercial strategy, we already incorporate within it all of these elements. These are the elements, these are differential competitive elements of Petrobras. So we have the best production conditions and logistic conditions. And this is one of the elements of our commercial strategy is a competitive price mitigating market volatility, as we see currently, as we mentioned.

Now regarding the current position of the price, regarding reference marginal value, we cannot disclose this, because we would expose data that is very sensitive for the Company from the competition point of view. So this is it.

Bruno Montanari:

Regarding the commercial policy, assuming that the independent importer is not competitive in terms of price, how can the Company believe that the market will balance from here due to the structural need to import diesel and gasoline? Can Petrobras import with competitive margins? What about Russian diesel? Would the Company consider importing Russian diesel for the market?

Claudio Schlosser:

Now regarding the market balance, it is very important to remember that the greatest diesel importers and gas for Brazil are the distributing companies. They make up their mix with different suppliers, national, international and this from different origins. This could be Russia.

When we analyze the month of July, we can see that over 80% of the imported diesel by third parties to Brazil came from Russia. This is a product that presents certain restrictions from sanctions, but it has flown in the international market.

From our side, we are meeting the commitments with our customers. We are optimizing a refining complex, broadening the use of our cluster and our logistic assets and complementing our national offering with very specific imports.

Petrobras tries to optimize its operations of foreign trade to use its logistic capacity and analyzing the synergies of its assets. With this, what happens at the end of the line with promising results is that we practice competitive margins regarding the margins offered by other players that are not integrated. So regarding opportunities, import of Russian diesel, we are constantly assessing the risks and returns. As I said, there are particularities regarding the sanction and this is why we observe closely the sanction laws regarding Petrobras global activities.

Bruno Amorim, Goldman Sachs (via webcast):

The new policy was very clear, but this means that all no free cash flow will be for dividend payout and buyback. Can you pay an extraordinary dividends at the beginning of next year? Do you intend to drop the net debt of the Company?

Sergio Caetano Leite:

Thank you for your question. In reality, our dividend payout policy is similar to our past policy.

Carla Albano:

Your audio is a little bit choppy.

Sergio Caetano Leite:

Unfortunately, the sound of my laptop is not very good.

As I said, the current policies anticipate the payout of extraordinary dividends. So yes, we expect to pay out these dividends. The decision is going to depend on the technical analysis of the Company in the short-, mid- and long-run and then the analysis of certain adjustments. These adjustments will be concentrated at the end of the year when we have a general outlook of the results of the Company throughout the entire year.

Regarding the net debt, the financial debt is dropping. Our debt is impacted by the charter, but it's at a comfortable level regarding our PL. And the levels are according to what we expect in our strategic plan, but we also follow-up. There could be a fine-tuning throughout our next strategic plan. And thank you for your question.

Lilyanna Yang, HSBC (via webcast):

In this management, will Petrobras take their investments to a new level? Can you talk about the strategic view regarding energy transition? Could you elaborate on the rationale in expanding investments in biofuel and negotiations with Unigel? And when can we expect an announcement about a complete strategic plan for 2024 until 2028?

Mauricio Tolmasquim:

I am going to start talking about energy transition and biofuels, and then I will give it back to William that will talk about fertilizers and Unigel, and he will give us necessary information.

So thank you very much for this question. There are 3 main reasons why Petrobras will embark in the biofuel business. Number one will be that Brazil is one of the countries with the greatest amount of available land, water and sun, and there are very few countries that present these 3 factors together.

Number two is that despite the electrification of a number of transportation means, all the logistic of the country is for liquid fuels. So to use biofuel, well, you leverage the existing logistic.

Factor number three is highly connected to Petrobras, that is that we can use, or we can adapt the existing refining units to produce this biofuel. So Petrobras has a comparative advantage when we compare it to other players because these are adaptations of existing units.

And Petrobras has an excellent trajectory in all segments. In highway transportation, it's put the vegetable oil, that would be between 5% and 7% together with oil, and this is produced through treatment, they produce diesel. And therefore, this is a patent from Cenpes, the research center.

Then we have air transportation with a unit that is dedicated where you can only use vegetable oil, and then you can produce a fuel and there will be a major demand throughout the world as of 2027, because there is a mandate that all companies will have to decarbonize themselves as of this period. There will be a worldwide demand for SAF, and Petrobras has an advantage.

Maritime transportation, where we mentioned we are carrying out an experience of vessels that combine biodiesel, and we also have a biodiesel production and we produce the bunker, and there is an advantage here.

And finally, the petrochemical industry, which is a major trend that produces plastics. So there is a test that will be performed in the Riograndense Refinery using bio-oil and vegetable oil.

Therefore, from the strategic point of view, if there is a country that has to embark in biofuel, it's Brazil, and if there is a company that is to embark in biodiesel in Brazil, it's Petrobras, because precisely we have all the refining investments and therefore it's possible to adapt our refining unit.

Now I will give it back to William that is in charge of refining and he will talk about fertilizers, and he will answer the question about Unigel.

William França:

Thank you very much, Lilyanna. Thank you for your question. It is interesting when you ask this. Number one, that the verticalization is important when you see how things complement themselves. I am talking about refining, petrochemical and the fertilizer production.

So we are studying fertilizers. We are analyzing the return of the Company to fertilizers. We are already working with a working group coordinated by the officers in order to startup this.

There is an advantage that it does not need natural gas. It could use asphalt residue from Repar. So the refinery from Paraná complements Ansa that is right beside the refinery. Therefore, we are assessing the economic feasibility as you mentioned, to start FN3, we have a work. This is a gas plant that is 80% mechanic. We are studying how we complete the FN3, Três Lagoas, which will have capacity of 3,200 tons day of ammonia.

Also, with Gaslub, we will have the production of lubricant using oil gas from Reduc. There's a plant that will start in the middle of the year, and in this plant, we will have a CO₂+ production.

This CO₂+ is rich in raw material to produce ethane to ethene, polypropylene. We have a non-compete with Braskem, but because of this, Braskem is very important, as Sergio mentioned. So it will be very important here, due to the important size and the integration of Braskem with this process.

So the integration with the refining industries is very important because they supply naphtha, natural gas because our refineries are right beside our complexes, like Camaçari, Rio de Janeiro, right beside Reduc, Mauá besides Recap, and Triunfo by Refap.

There is a strong integration with raw material, petrochemical, lubricants, and, also fertilizers as well, where Gaslub will have remaining 2 million m³ of gas that we will be able to use for fertilizers as well as for an addition integration for a fine biodiesel plant using totally green raw material and producing biodiesel, diesel R100 and our SAF, our sustainable aviation fuel, what is this? This is the use of a refined hydrogen with green raw material.

We will carry out a test in November in the Riograndense Refinery with Ultra and Braskem. This is a green refinery. We will have 2,000 tons of soybean in our catalytic cracking unit to produce green naphtha and green propene. We are talking about raw material that comes from renewable sources for petrochemical plants and this will be successful.

This is an international patent. We trust Cenpes, and this will be the first totally green refinery in the country. So we are complementing petrochemical, biorefining lubricants, fertilizers, and refining. Thank you for the question.

Rodrigo Almeida, Santander (via webcast):

After nearly 3 months of the new pricing policy being announced, what advances have you made in gaining competitiveness for the Company considering the competition with Russian diesel? How are internal production costs and commercial costs changed with the increase in production? Is there any significant cost dilution? How has the Company dealt with the higher production of products that have a limited demand in the domestic market?

Claudio Schlosser:

Rodrigo, our entire commercial work has its starting point a planning process that is quite complex. It involves over 100,000 variables, 40,000 restrictions, so it's a very complex process, but what I can tell you is that I joined the Company 36 years ago and our process was exactly that. It was based on that foundation.

And not only Petrobras, but companies around the world are adopting this planning mechanism. And it takes into consideration, for example, the production of each kind of oil per refinery, per unit and it also uses all of the logistics restrictions, which are also placed there. And why do we depend on the model? What information do we get from it?

As a final result, we optimize our refinement and logistics assets. So what we are seeking are economic assessments for each of our operations and for each production alternative that we have both taking oil to some refinery or exporting it.

Similarly, following this planning model, we have different production fronts from all sorts of oil products. It analyzes changes in quality. So its entire goal is to find a more efficient process. So the utilization of our refineries and increasing production was supported by these economic assessments and they had a very positive result for the Company.

Considering costs, as you mentioned, I would draw your attention to this. Most of the costs, or the cost of the product sold, is mostly including the entire business, a result of the raw material oil. If we add in the energy it takes for it to be produced, then it's basically over 90%. So the dilution effect is basically in existence. So we do not really take it into consideration in our planning and optimization plans.

So in the operational plan, we do not take this into account. A lot of it is connected to the brand. I do not know if William has any comments about this, but I will pass it over to him.

William França:

Thank you, Claudio. Yes, that was a good question, Rodrigo. Thank you. To add to what Claudio said, our refinery cost has a synergy across all of our refineries. Some of them have a higher cost due to their complexity, location, and others have a lower cost. But since there is a synergy across all kinds of refinement, our cost is about US\$2 or US\$2.5 per barrel, which is quite reasonable considering our refinement.

And even considering the last programmed downtime, which increased our cost, we were able to keep that stability around US\$2 to US\$2.5 per barrel. And I would also like to highlight this. We are getting very good utilization factors around the level of 93% to 95%. In May, we had 95%. In June, we were able to stay at 93%. Obviously, this depends on planning, as was said. So planning is what is going to define what load is received in each refinery, the different products, of course. And obviously we have availability, which is a significant factor.

Looking at our systems, they have a certain maximum load, but we also have maximum loads that are adjusted and authorized by agencies. So it defines the maximum loads that we have with environmental agencies.

So this is due to planning and we hope to work at 95% or even a bit higher, but of course, it will depend on the demand of our logistics provider.

Rodrigo Almeida:

Sergio, I would like to understand if the additional projects for energy transition being studied are influencing your minimal cash and your reference cash indications that you passed to us before. In theory, the Company will conclude 2023 with cash levels above the indications that we have for the minimum and for the reference, and it would be

interesting to learn a bit more about what will be done with this excess cash on the short term.

Sergio Caetano Leite:

Rodrigo, thank you for that question. As I said before, we are at a very comfortable position in cash. We do not have on the horizon any sort of radical changes to manage excess cash. And excess cash can be used to pay additional dividends. It can become additional dividends if the administrators understand that's the best use for our capital. So thank you very much again.

Pedro Soares, BTG (via webcast):

I would like to know a bit more about extraordinary dividend payouts. We know that this possibility is established in our payout policy, but we would like to hear from you if it would make sense to have a new statutory reserve to use resources to expand the Company or if that does not make any sense. And if there's an extraordinary payout, will it only be defined when we receive results from the 4Q?

Sergio Caetano Leite:

Pedro, thank you for your question. Some of it has been addressed in the previous answer, but yes, the extra results may be used for payouts, extraordinary or additional payouts. But if a reserve is created, considering what you said, since it does not exist yet, it would need to be approved by an extraordinary shareholders' meeting. And we would need to have a justification for it, it is feasible, but it needs to be connected to shareholders and their interests need to be represented.

Monique Greco, Itaú BBA (via webcast):

Spinelli, can you tell us a bit about the first impressions you have had since you took on this position? And if you can tell us, what has been your focus in your office?

Mario Spinelli:

Monique, thank you for your question. I knew this office because I was an ombudsman for the Company for nearly 6 years. So we have a governance system at Petrobras, which has already been robust, but can be strengthened. Our compliance participates in decision-making processes. So whatever decisions are received by the Board are examined by our governance department. And when it comes to compliance, we also have a very robust system. And this is paying attention to new challenges.

So in our compliance department, we have been looking at all acquisitions of sexual harassment in the Company, which is very important, even for our reputation. So we are going to try to make compliance come closer to the business, working with our managers. And similarly, it's important to highlight that when we need to work with a more repressive initiative, we just had the 10-year anniversary of the Anti-Corruption Act in Brazil, but you have to know that Petrobras is the Company that most enforces this act, that most punishes for corruption.

Of course, we do not want it to happen. But when it does happen, we need to punish it. So over 90 million have been applied in fines to companies. There's been a volume of sanction applied to all levels of the government and Petrobras represents 21% of them.

I had the opportunity of working with this bill and I am very happy to see how Petrobras is using it. And the most important part is that 61% of these sanctions or the initiative is being enforced by us, by our directors. So identifying regularity was done by the manager itself, which shows that our compliance culture is being spread across the Company. So these are some of our results and future challenges. Thank you.

Monique Greco:

William, even with the maintenance carried out in the last quarters, the Company has maintained high utilization levels for its refineries. Is there still some space to increase these utilization rates? And what would be the desired level for a refinery or for the entire refinery structure?

William França:

I have answered a similar question to that, but I will add in some information. We have been able to get very high utilization factors, increasing availability. So as I said, we have higher availability in our refineries considering our commercial and logistical plan, but there's an essential factor here.

We have good availability, but we have to ensure that all ascendant aspects are respected, including safety, environment, integrity, and that includes diversity. So we have talked about diversity before and we need to maintain the same levels. So we are very happy to say that we have recordable incident rates in our refinery infrastructure of 0.37, which is the global benchmark.

Of course, we cannot rest on those laurels. We know that SMS is a running truck. You always have to pay attention to the brake, because if you let go, it will go down. So you always have to keep attention and respect all of the procedures that will ensure that your activities are done safely, respecting the environment, respecting people, their global health and with integrity. It's very important to highlight that. Operational results are important, but they need to be done sustainably.

Gabriel Barra, Citi (via webcast):

Sergio, there's a discussion on selling Braskem and some people are interested in buying it. So can you give us the management's take on these investments in the petrochemical industry? Should this be one of the Company's long-term focuses?

Sergio Caetano Leite:

Gabriel, thank you. We did not get enough sound during the first part of my answer, but around May, we launched a review of the Company's strategic directives. And this guides a new plan, which is ongoing. It takes 1 year to generate these strategic plans. So it's at the end of its conclusion. So with diversification for petrochemicals and fertilizers, this will allow us to look at petrochemicals differently.

So it's also important to see that major integrated companies have a strong position in petrochemicals. Petrobras has a strong stake at Braskem because we understood that petrochemicals were important to develop our business as a whole.

So this integration provides value, and there's a matter of long-term security here since the long-term scenario is lower margins, for example, for gasoline. So we will require oil to be used in more noble purposes.

So if you consider these 3 things, that Braskem has a strategic compliance, allowing it to, or determining it to diversify in the petrochemical industry. If you look at the medium and long-term perspective and the importance for the resilience of our business, yes, we can consider that petrochemicals are very attractive and aligned to our long-term strategy.

Luiz Carvalho, UBS:

The national spread of gasoline on Brent was at negative levels. Other local products could export diesel at these levels, but from our understanding, both points represent that the Company is below the marginal price levels. So how do you understand this? Does this assumption make sense? Can Petrobras be below its pricing interval? Exporting for a marginal value, does that make sense for the Company?

Claudio Schlosser:

Thank you, Luiz, for your question. This topic involves marginal values for Petrobras. So I would like to highlight that this is the result of a complex operational plan, as we said before, involving different areas and the alternatives that we have to run our business. What I would add to what has already been said is that basically refining is a joint process. So when you are refining a barrel of oil, you are not producing a single product. You have a basket of gas products and the relationship between them influences the marginal value of one to the other.

So to summarize it, for these reasons, the marginal values is not limited to exportation. It involves production, importing the product. So it cannot be only compared to exportation. And the other value that we have to highlight here is the mitigation due to volatility peaks in the market. We have a very volatile market. If we looked at the previous strategy, Petrobras would make these adjustments immediately for this volatility and would provide stability for their clients.

So we were able to overcome this moment and we are still monitoring the domestic and international markets. And when we have to adjust the prices up or down, we will, according to technical parameters in our commercial strategy.

Luiz Carvalho:

Sergio, the strategical plan included diversification. Now as the plan is being developed, what have been your focus in your internal discussions? Will you make more organic investments or is there a potential for mergers and acquisitions? How much diversification is the Company considering? 6% or 15% of the CAPEX direction for low carbon, would that also include these activities, petrochemicals, renewable developments, or should we see new investments in M&As?

Sergio Caetano Leite:

This range between 6% and 15% is specific for energy transition. In the world, there is a business of low carbon actions and initiatives of low carbon. Today, 6% that we see in the CAPEX, the use of 6% of Petrobras' CAPEX is US\$4.4 billion, and it is used and it is part of our way of operating internally, decarbonizing our operations. And this has been successful. We are amongst the greatest investors in decarbonizing the operations of oil and gas.

It's obvious that Petrobras has to recover a space that was left behind. We did go toward Scope 3 of decarbonization and there is this range. We established this range between

6% and 15% specifically for energetic transition, decarbonization of our operations and new investments. Any M&A that emerges in the area will fit within the range between 6% and 15%. It has to be within the range of CAPEX allocation.

For these new investments, Petrobras has decided, the upper management has decided to embark in partnerships with big companies like Petrobras because we do understand that partnerships foster the accelerated transference of know-how and they mitigate a rate that is inherent when you embark in a new business area.

The Company may consider an M&A or a certain acquisition as long as it is between 6% and 15%, but these M&As must meet a number of criteria, strategic compliance, whatever is the M&A, it has to be accordance with our strategic planning. It has to be in compliance.

We are not going to invest in transition for the sake of investing. The economic part is important. We need a return. We need a consistent cost structure. So dimension and a strategic compliance would be the main criteria that we take into account when we think about mergers and acquisitions.

Regis Cardoso, Credit Suisse (via webcast):

Can we guarantee a country's supply when there is high volatility in international prices? Could Petrobras be forced to increase its import levels, although it could result in economic losses? What is the share of Russian fuel in Brazil?

Claudio Schlosser:

The Brazilian market is properly supplied and there is a number of agents that work in this market. So in addition to Petrobras, there are other national companies. We have distributing companies. We have diesel and gas importers, independent importers and even distributors are the main importers. And in addition, there is an alternative of biofuels now.

When we talk about Russian diesel, there has been an evolution since the beginning of the year reaching values above 80% in July, and this environment results in great competitiveness.

What Petrobras seeks is a market share that allows us to use our assets, our logistic structure and our refining assets, creating value in a sustainable fashion and also part of our commercial strategy.

Rodolfo de Angele, JPMorgan (via webcast):

In May, Petrobras published a new policy price. Seeing opportunity costs for clients and opportunities for Petrobras, how can the Russian diesel dynamic and the refining capacity will impact the 2nd semester? Could you talk about the range of gasoline prices currently?

Claudio Schlosser:

Thank you, Rodolfo. I would just like to highlight the commercial strategy and its evolution. In the past, there was a reference that was the price of import parity. Ours has been implemented. It is underway. We have 2 market references. One is the alternative cost of the client and the other 1 is the marginal cost. The Russian diesel is an additional

alternative for supply and we already mentioned this. Now simultaneously, the essential part of our commercial strategy is volatility of prices.

Nonetheless, we continuously are seeking the optimization of our refining assets and seeking other opportunities like import and the export of oil and byproducts to create more value for the Company.

Regarding margins and positioning, because of the competition, we cannot disclose our position vis-à-vis the internal references, but we want to clarify that each agent has its own characteristics for production, for import.

Here, we have a logistic system for supply and even with other alternatives and this results in commercial strategies that are totally different from these agents with diversity that results in a new dynamic for the market.

Carla Albano:

Thank you very much, Schlosser.

So now we bring our Q&A session to an end. Should you have additional questions, they can be sent to our IR team and the presentation of the event is available in our site. And in brief, we will make available the audio. Thank you very much and have a very good day.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the Company hosting this event, which was transcribed by MZ. Please, refer to the Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions."