STRATIS INTELLIGENCE | EARNINGS ANALYSIS

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Petrobras Q1 2026: Solid Numbers, Rising Debt, and a Refining Surprise

An independent assessment of what carried the quarter, what is being underpriced by consensus, and what the next six months will test.

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Petrobras Q1 2026 results dominated both general and specialised media — celebrated for record profits and scrutinised for missing market expectations. But there are other indicators that deserve close attention, as they will carry significant weight for the company's future trajectory. In a period of acute geopolitical tension, and with Brazil's presidential election on the horizon, reading the numbers correctly is more consequential than ever.

The headline profit of US$6.2B tells part of the story. The operational figure — US$4.5B, excluding FX gains and a one-time impairment reversal — tells a different one. That number declined 4.5% from Q4 2025. It is the figure that matters for forward modelling.

Three developments deserve more attention than they are receiving.

The refining segment delivered a 260% year-on-year EBITDA improvement — from US$1.1B to US$3.8B. This is the most significant positive revision to the Petrobras investment thesis in two years. It is not yet priced into consensus.

Gross debt reached US$71.2B, up 10.4% year-on-year. Free cash flow fell 15% in the same period. The capex cycle that drives both trends will intensify through 2027.

Brazil's October 2026 presidential election creates an incentive structure that historically pressures fuel pricing. The current administration has been more measured than its predecessors — but the political logic has not changed.

KEY FINDINGS

- **The RTC turnaround is the most important story of Q1 2026.** Refining, Transport and Commercialisation delivered EBITDA of US$3.8B — a 260% increase year-on-year and nearly double Q4 2025. This is not priced into most medium-term models.
- **The headline profit is misleading.** Reported net income of US$6.2B was inflated by FX gains and an impairment reversal. The operational figure — US$4.5B ex-exclusives — declined 4.5% from Q4 2025.
- **Gross debt is rising, not falling.** At US$71.2B, gross debt is up 10.4% year-on-year. This is structurally different from the financial debt figure (US$27.5B) frequently cited in headlines. The distinction matters for leverage analysis.
- **Operating cash flow is under pressure.** FCO of US$8.4B fell 17.3% from Q4 2025 and 1.2% from Q1 2025, dragged by a US$1.3B working capital headwind — primarily inventory build from export timing delays.
- **Q1 revenues did not capture the Brent rally.** Export pricing mechanics mean the Middle East conflict premium will flow into Q2 2026 results, not Q1. This is a near-term tailwind that consensus has not fully modelled.
- **BRL appreciation is compressing lifting costs in dollar terms.** Pre-salt lifting cost rose 10.6% to US$4.67/boe — driven by currency, not operational deterioration. This dynamic cuts both ways as BRL fluctuates.

01 Headline vs. Operational Reality

US$6.2B
REPORTED NET INCOME
+113.8% vs Q4'25

US$4.5B
NET INCOME EX-EXCLUSIVES
-4.5% vs Q4'25

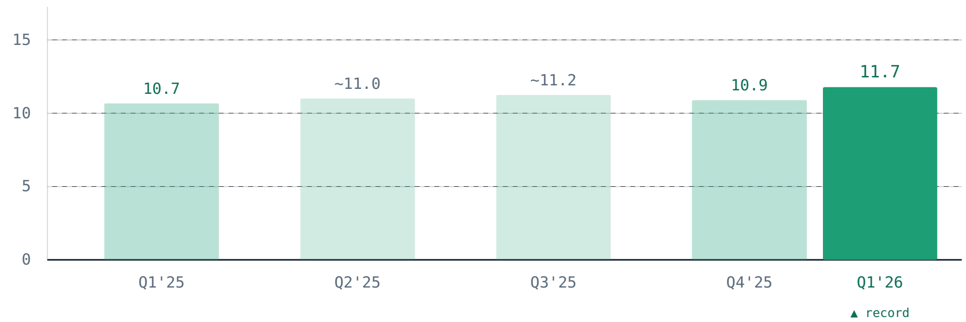
US$11.7B
EBITDA ADJ. EX-EXCLUSIVES
+7.3% vs Q4'25

US$8.4B
OPERATING CASH FLOW
-17.3% vs Q4'25

The gap between reported net income and the operational figure deserves explicit attention. Petrobras reported Q1 2026 net income of US$6.2B — a number that appears to confirm exceptional performance. The operational reality, measured by net income excluding exclusive events, is US$4.5B, down 4.5% from Q4 2025.

The US$1.7B difference is explained by two non-recurring items: a US$2.3B FX gain from BRL appreciation against the dollar, and a reversal of prior impairments at the RTC segment. Neither reflects the company's ongoing operational capacity. Both are volatile and directionally uncertain in Q2.

EBITDA AJUSTADO EX-EXCLUSIVES — US$ BILLIONS · Q1 2025 TO Q1 2026



Q2 and Q3 2025 are Stratis estimates. All other values from Petrobras official disclosures.

STRATIS VIEW

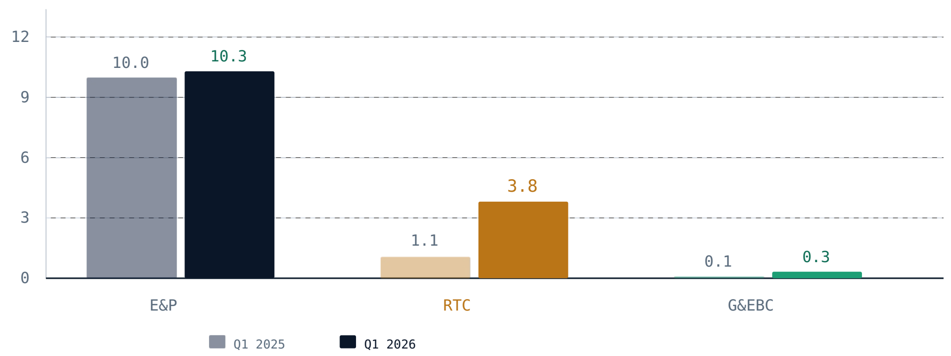
Analysts anchoring to the US$6.2B headline are carrying the wrong number. The operational trend — US$4.5B ex-exclusives, -4.5% quarter-on-quarter — is more informative for forward modelling. The EBITDA trajectory is genuinely positive. The net income trajectory is mixed and heavily influenced by non-operational items.

02 The RTC Turnaround: The Underpriced Story of Q1

The most analytically significant development in Q1 2026 is not in upstream — it is in refining. The Refino, Transporte e Comercialização segment delivered an EBITDA of `US$3.8B` in Q1 2026, compared to `US$1.8B` in Q4 2025 and `US$1.1B` in Q1 2025. That is a 260% year-on-year improvement. EBITDA margin moved from 5% (Q1 2025) to 17% (Q1 2026).

Three factors drove the turnaround. First, Brent rose 26.6% from Q4 2025 to Q1 2026, generating a positive inventory revaluation effect. Second, refinery utilisation rates increased by 6 percentage points, reducing reliance on imported refined products at elevated international prices. Third, fuel oil export margins improved materially as international prices rose.

EBITDA BY SEGMENT — US$ BILLIONS · Q1 2025 VS Q1 2026



Source: Petrobras 1T26 Performance Report · Stratis Intelligence

A structural note: the RTC improvement rests partly on the Brent rally — inventory gains are mechanical, not operational. The underlying driver that is genuinely structural is the increase in refinery utilisation, which reduces the exposure to imported products at unfavourable crack spreads. The degree to which this utilisation rate is sustainable determines whether the RTC re-rating holds.

> STRATIS VIEW
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> *RTC's Q1 performance is the most significant positive revision to the Petrobras investment thesis since 2024. The segment has moved from an earnings drag to a meaningful contributor. Whether that reflects structural improvement — higher utilisation, integration benefits — or cyclical Brent tailwinds will be answered in Q2, when the inventory revaluation effect normalises.*

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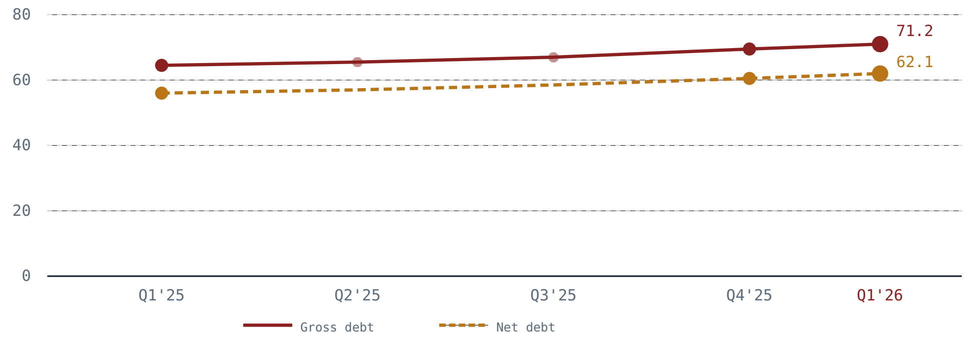
03 The Debt Trajectory: What Headlines Are Missing

GROSS DEBT VS. NET DEBT — US$ BILLIONS · Q1 2025 TO Q1 2026



Q2 and Q3 2025 are Stratis estimates. Q2 and Q3 estimates use a straight interpolation. Source: Petrobras official disclosures.

The debt narrative around Petrobras requires precision. Gross financial debt — the figure most frequently cited in coverage — stood at `US$27.5B` in Q1 2026. Total gross debt, including lease obligations, reached `US$71.2B`, up 10.4% year-on-year. Net debt reached `US$62.1B`, up 10.8% year-on-year.

The Net Debt/LTM EBITDA ratio of `1.43x` remains manageable — below the company's stated ceiling and consistent with investment-grade metrics. The direction of travel, however, is upward. Gross debt has risen in each of the last four quarters. The capex programme — `US$111B` over 2025–2029 — will sustain that pressure. The question is not solvency. It is whether free cash flow generation keeps pace with debt accumulation as the investment cycle intensifies.

> RISK TO WATCH
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> Free cash flow of US$3.9B in Q1 2026 is down 15% year-on-year. At this trajectory, the company's capacity to simultaneously service growing debt, sustain dividends, and fund capex requires Brent above US$65/bbl and BRL/USD within current ranges. A sustained correction in either variable compresses the buffer significantly.

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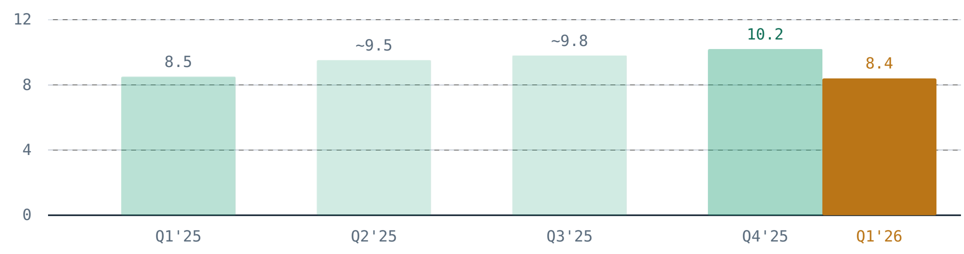
04 The Q2 2026 Setup: What the Numbers Do Not Yet Show

Q1 2026 revenues — `US$23.5B` — did not capture the full effect of the Brent rally triggered by Middle Eastern escalation. Petrobras's export pricing to Asian markets — its largest destination — is benchmarked to the month prior to cargo arrival, not the month of shipment. The price increase post-conflict onset will be fully reflected in Q2 2026 export revenues.

Additionally, Q1 contained `81,000 bpd` of exports in transit at quarter-end, with revenue recognition deferred to Q2 when title transfers at destination. This is a mechanical timing item, not a commercial concern — but it means Q1 understates Petrobras's realised position relative to market conditions.

The FPSO P-79 (Búzios 8), with capacity of 180,000 bpd, entered operations on May 1, 2026 — after Q1 close. Its ramp-up will contribute to Q2 production and revenue. Combined with the pricing lag effect, Q2 2026 is structurally set up to outperform Q1 on revenue and operating cash flow, assuming Brent holds above current levels.

OPERATING CASH FLOW (FCO) — US$ BILLIONS · Q1 2025 TO Q1 2026



FCO decline driven primarily by US$1.3B working capital drag — inventory build from deferred export recognition. Structural or timing? Q2 will answer. Q2 and Q3 2025 are Stratis estimates.

> STRATIS VIEW
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> *The FCO decline from Q4 2025 is largely mechanical — export timing and inventory build. The Q2 setup, with pricing lag resolution and P-79 ramp-up, provides a near-term revenue tailwind. The more important question for the remainder of 2026 is whether lifting cost inflation, driven by BRL appreciation and production ramp costs, erodes the margin recovery that Q1's refining performance enabled.*

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05 Three Variables That Will Define the Second Half of 2026

KEY VARIABLES — H2 2026 OUTLOOK

VARIABLE	CURRENT POSITION	DIRECTION	IMPACT
Brent price	US$80.61/bbl avg Q1	Uncertain · conflict premium	Dual: revenue and RTC margins
BRL/USD rate	Avg R$5.26 Q1 2026	BRL strengthening = cost pressure	Lifting cost in USD; EBITDA margin
Equatorial Margin licensing	Early drilling underway	Positive signal · not confirmed	Reserve replacement thesis; long-term
Pre-salt lifting cost	US$4.67/boe (+10.6% QoQ)	Rising · BRL + ramp-up costs	E&P margin compression risk
P-79 ramp-up (Búzios 8)	Started May 1 · 180k bpd cap	Positive · ahead of schedule	Q2 production uplift; revenue timing
Diesel subsidy receivable	US$142M outstanding	Government credit risk	Working capital; political dependency

The BRL appreciation dynamic warrants particular attention. A stronger real reduces dollar-denominated lifting costs on paper — but Petrobras's cost base in Brazil is predominantly BRL-denominated. When the real appreciates, dollar-reported costs rise even if operational efficiency is unchanged. Pre-salt lifting cost at `US$4.67/boe`, up 10.6% quarter-on-quarter, is almost entirely a currency effect. The same mechanism will compress margins further if the real continues to strengthen.

The October 2026 presidential election is not explicitly discussed in the earnings release but is the single most consequential political variable for Petrobras's fuel pricing framework. Any shift in the government's pricing flexibility — or public pressure to reduce pump prices ahead of the election — would compress RTC margins and test the equilibrium that Chambriard has spent two years constructing.

> POLITICAL RISK — H2 2026
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> Brazil's October 2026 electoral cycle creates an incentive structure that historically pressures Petrobras on fuel pricing. The 2022 pre-election cycle resulted in direct subsidy interventions. The current administration's approach has been more measured — but the political incentive to provide price relief before voting has not disappeared. This risk is not priced into current consensus estimates.

> INVESTMENT ASSESSMENT
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> Q1 2026 is a net positive quarter for Petrobras — but the operative word is net. The RTC turnaround is real and underappreciated by consensus. The Q2 setup is structurally favourable given export pricing lags and P-79 production contribution. The EBITDA trajectory is intact.
>
> Against that, three pressures deserve equal weight in any forward model: **gross debt is trending upward** at 10.4% year-on-year and will continue to do so as the capex programme intensifies; **free cash flow is declining**, down 15% year-on-year, narrowing the buffer between investment, debt service, and dividends; and **BRL appreciation is compressing unit economics** in dollar terms without any corresponding operational deterioration.
>
> The medium-term thesis remains positive at Brent above US$65/bbl and BRL/USD within recent ranges. The H2 2026 electoral risk is the variable most likely to create a buying opportunity — or to test whether the Chambriard pricing framework is as durable as Q1 suggests.

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and does not constitute investment advice. All figures sourced from Petrobras Relatório de Desempenho 1T26, published May 2026. Forward-looking statements reflect analytical judgements subject to material risks and uncertainties.

Brunno Braga · May 2026