

# CORPORATE PRESENTATION

September 2020

# PetroRio



**IBOVESPA B3** SMLL IBRX ITAG IGC IGC-NM IGCT IBRA



# DISCLAIMER

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This presentation contains forward-looking statements. All statements other than statements of historical fact contained in this presentation are forward-looking statements, including, without limitation, statements regarding our drilling and seismic plans, operating costs, acquisition of equipment, expectations of finding oil, the quality of oil we expect to produce and our other plans and objectives. Readers can identify many of these statements by looking for words such as “expects”, “believe”, “hope” and “will” and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. By their nature, forward-looking statements require us to make assumptions and, accordingly, forward-looking statements are subject to inherent risks and uncertainties. We caution readers of this presentation not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements.

The following risk factors could affect our operations: the contingent resource and prospective resource evaluation reports involving a significant degree of uncertainty and being based on projections that may not prove to be accurate; inherent risks to the exploration and production of oil and natural gas; limited operating history as an oil and natural gas exploration and production company; drilling and other operational hazards; breakdown or failure of equipment or processes; contractor or operator errors; non-performance by third-party contractors; labour disputes, disruptions or declines in productivity; increases in materials or labour costs; inability to attract sufficient labour; requirements for significant capital investment and maintenance expenses which PetroRio may not be able to finance; cost overruns and delays; exposure to fluctuations in currency and commodity prices; political and economic conditions in Brazil; complex laws that can affect the cost, manner or feasibility of doing business; environmental, safety and health regulation which may become stricter in the future and lead to an increase in liabilities and capital expenditures, including indemnity and penalties for environmental damage; early termination, non-renewal and other similar provisions in concession contracts; and competition. We caution that this list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should also carefully consider other uncertainties and potential events. The forward-looking statements herein are made based on the assumption that our plans and operations will not be affected by such risks, but that, if our plans and operations are affected by such risks, the forward-looking statements may become inaccurate.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this presentation are made as of the date of this presentation. Except as required by applicable securities laws, we do not undertake to update such forward-looking statements.

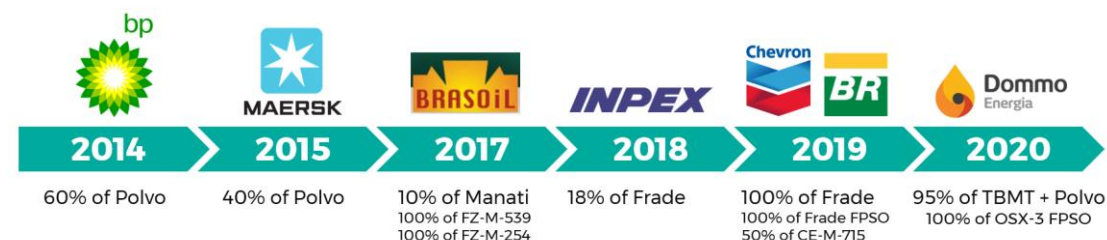
# EXECUTIVE SUMMARY

## The largest independent Oil and Gas producer in Brazil

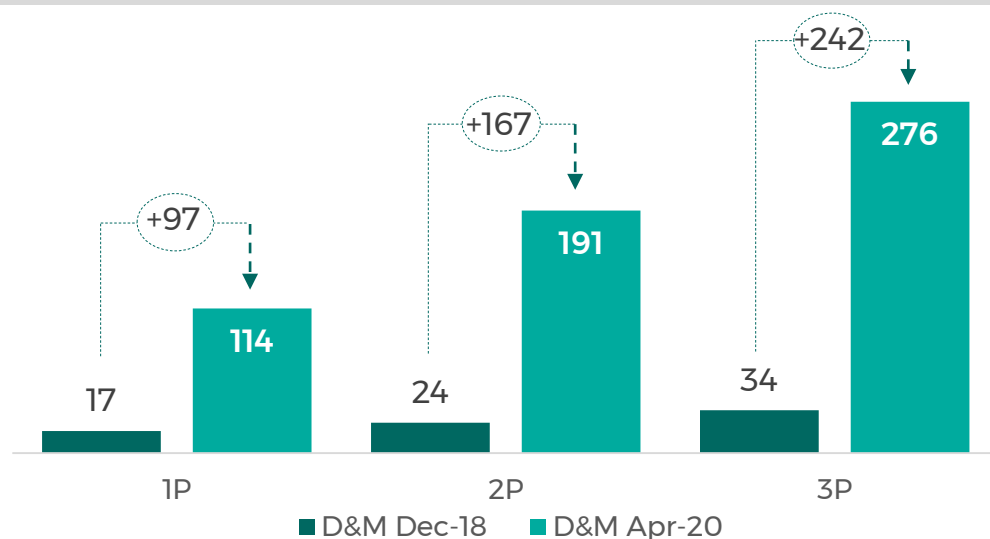
- PetroRio generates value in **producing fields** through cost **reduction** and **production revitalization**
- Unparalleled expertise in **redeveloping fields**
- Experienced technical team** – Qualification as an A-Operator granted by ANP
- Well positioned to attract capital** (Expected drop in Net Debt/EBITDA after recent asset acquisition allows for leverage; Governance level “Novo Mercado”; Current debt cost: 6,5%)
- Management extremely focused on **capital discipline** and **improving operating costs**
- Great **potential for synergies**, which makes PetroRio more competitive when compared to peers

## M&A Timeline

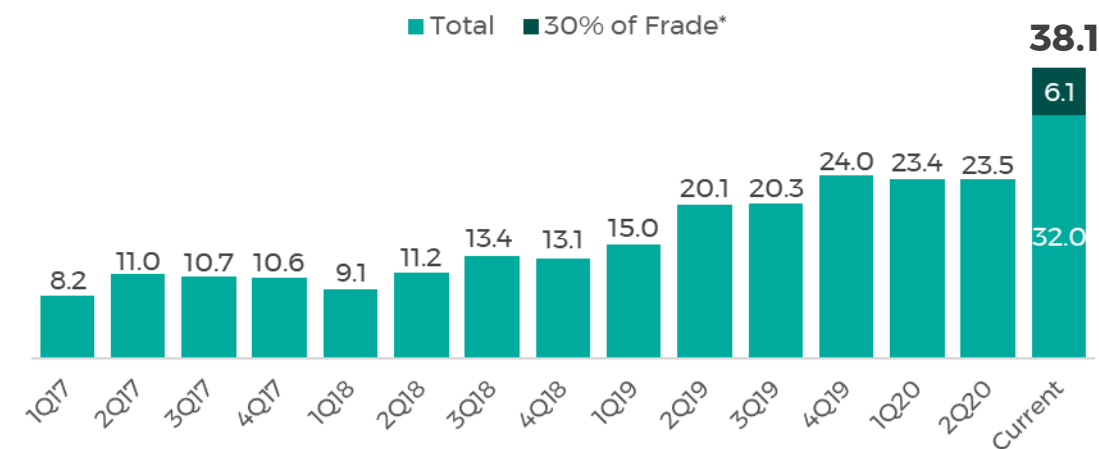
- Unique M&A track-record with additional opportunities available on the market



## Increase in Reserve Levels (MMboe)



## Production Evolution (kboe/d)



\*Pro-Forma figures, awaiting ANP approval.

# EXECUTIVE SUMMARY



FRADE



POLVO



TUBARÃO MARTELO (TBMT)



MANATI



## Assets Overview

	Frade	Polvo+TBMT	Manati	PetroRio
Operator	PetroRio	PetroRio	Petrobras	-
Working Interest	100%	95% <sup>(6)</sup>	10%	-
Own production units	1 FPSO	1 FPSO 1 Fixed Platform	-	2 FPSO 1 Fixed Platform
1P Reserves (MMboe)	60.2 <sup>(1)(3)</sup>	50.7 <sup>(1)(3)</sup>	2.8 <sup>(1)(3)</sup>	113.7
2P Reserves (MMboe)	92.3 <sup>(1)(3)</sup>	95.4 <sup>(1)(3)</sup>	3.0 <sup>(1)(3)</sup>	190.7
Production (boe per day)	19,100 <sup>(2)(3)</sup>	17,400 <sup>(2)(3)</sup>	1,600 <sup>(3)(5)</sup>	38,100
Water Depth	1300m	100m	80m	-
Capex per new well	US\$ 75M	US\$ 15M to 20M	-	-
% of total production	50.1%	45.7%	4.2%	-
Abandonment Forecast (1P)	2034 <sup>(1)</sup>	2035 <sup>(1)(4)</sup>	2027 <sup>(1)</sup>	-

1 – D&M Certification Report - 30/04/2020

2 – August/2020

3 – Proportional to PetroRio's interest in asset (100% Frade; 100% Polvo; 80% TBMT; 10% Manati)

4 – Considers Polvo + TBMT cluster

5 – Minimum consumption defined in the take-or-pay contract with Petrobras

6 – Pre Tieback: 100% of Polvo + 80% of TBMT/Post Tieback: 95% of Polvo+TBMT Cluster

**PetroRio**

### Health and Safety



3,000 days with no accidents in the Frade field (Feb/20)



77% reduction in Lost Time Incident Rate (2019 vs. 18)  
Zero accidents in 2020



Physical, mental and emotional health programs available for employees

### Environment



CO2 emission per barrel reduced by 8% (1H20 vs. 2018)



28% reduction in flaring gas per barrel (1H20 vs. 2019)



9% reduction in energy consumption per barrel (1H20 vs. 2019)

### Social



Sponsorship of social activities that foster the development and integration of youth in economic vulnerability



Teatro PetroRio Online: to support children in need through theatre activities



Instituto Reação NGO: to promote education and human development through sports and culture

### Governance



Listed on Novo Mercado (highest governance) & 62% of collaborators are shareholders<sup>1</sup>



Gender diversity in the Board of Directors and decision-making positions & Infomoney Award Best Oil and Gas Company

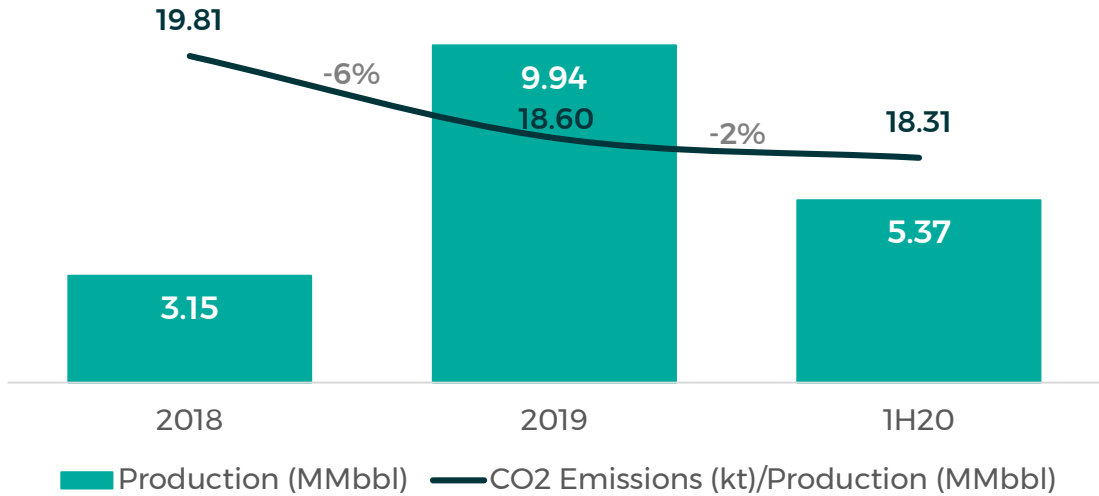


Majority of the Board of Director is currently composed by independent members

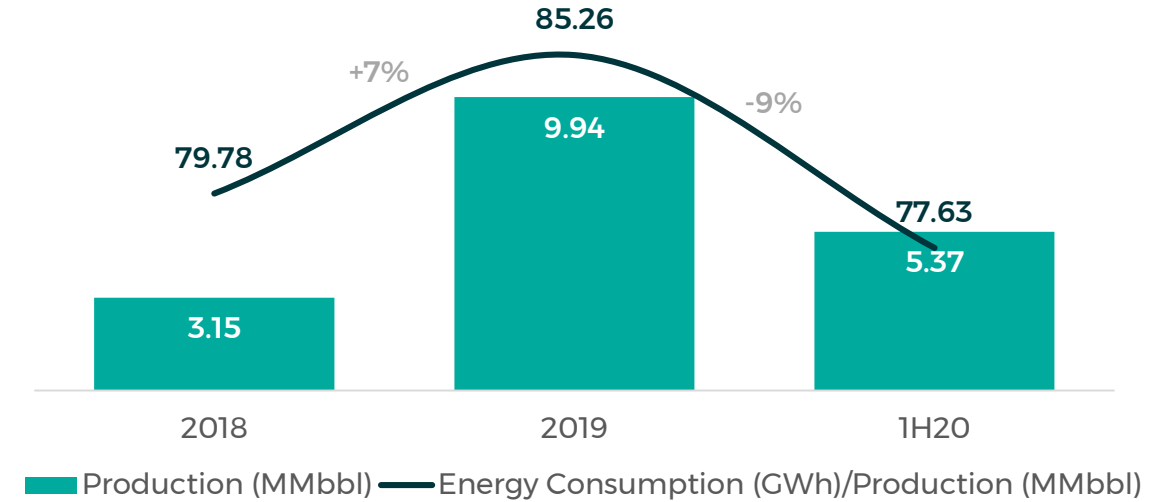


Added production through acquisitions provide synergies which increase efficiency and reduce total emissions

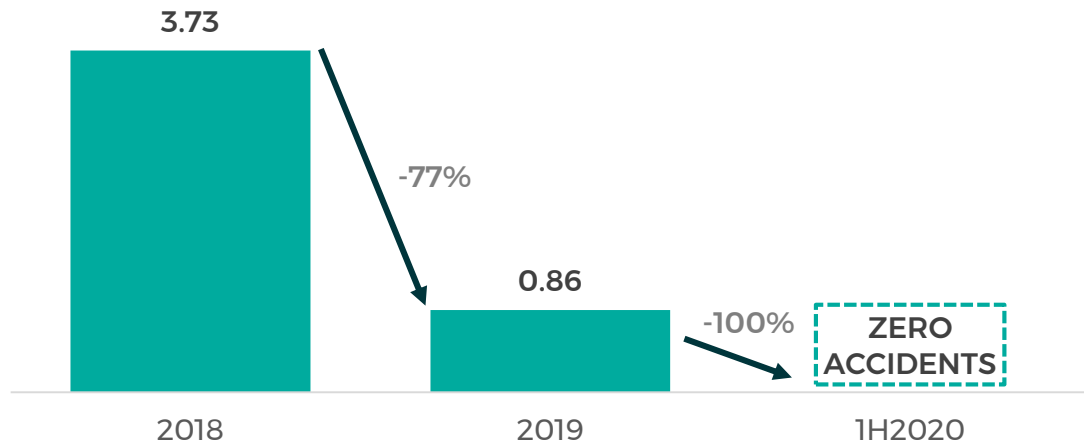
### CO<sub>2</sub> emissions/Production



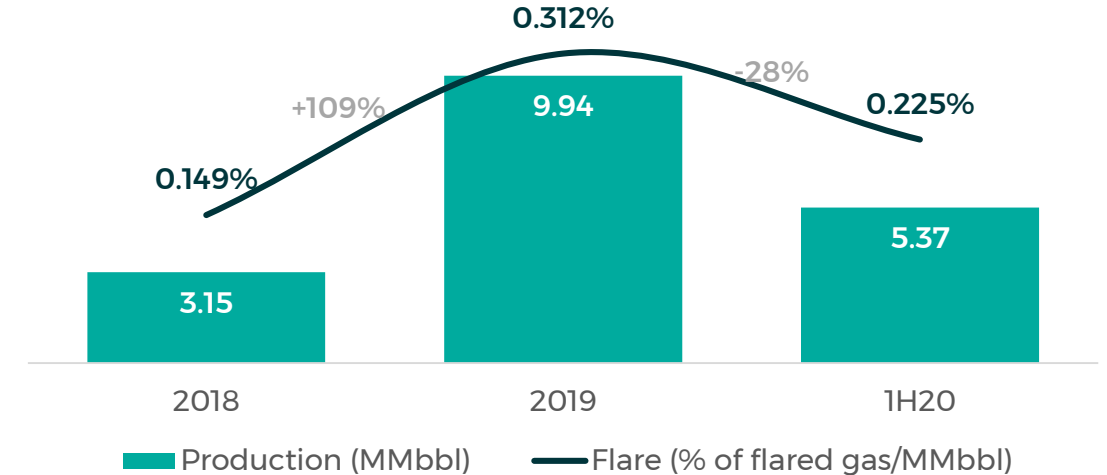
### Energy consumption/Production



### LTIR (Lost Time Incident Rate)\*



### Flare/Production



\*LTIR=(Hours of lost time incidents\*1.000.000)/Hours of work exposure

# VALUE CREATION STRATEGY

# C.R.P. TECHNOLOGY

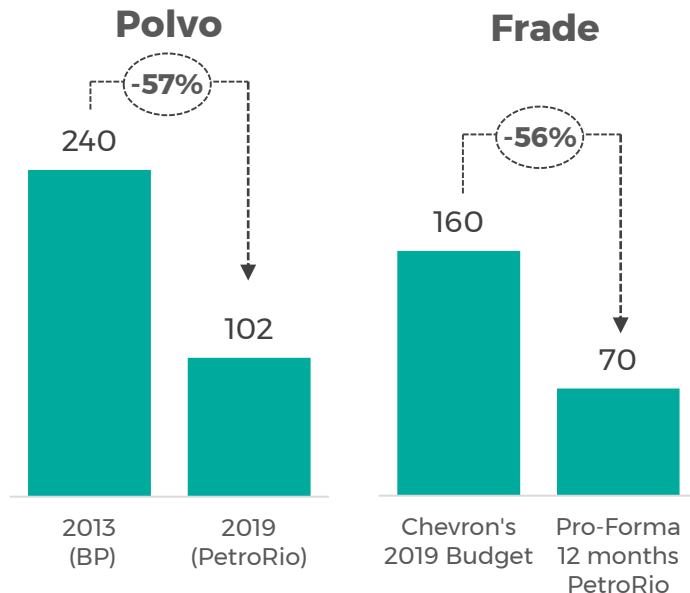
Value creation in producing fields through management technology created by PetroRio



## COST

- **Cost rationalization** techniques
- Operational synergies capture
- Contract renegotiations

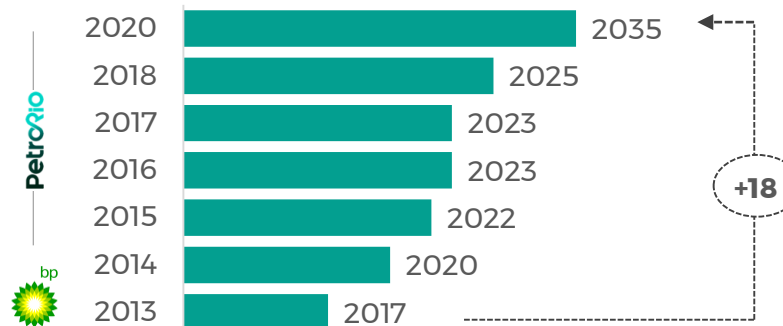
### Fields' Operational Costs - USD MM



## RESERVOIR

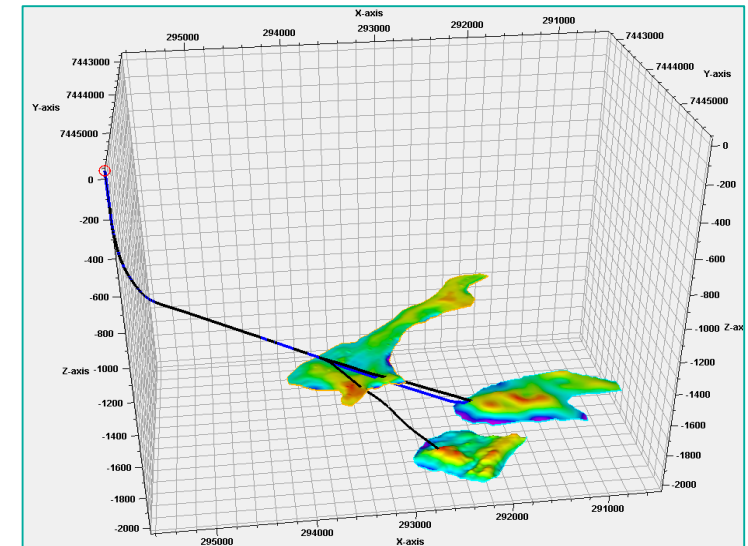
- **Meticulous reservoir management** extending the asset's economic life
- Use of E.O.R. (Enhanced Oil Recovery) techniques

### Polvo's estimated decommissioning Timeline (1P)



## PRODUCTION

- Redevelopment plans aimed at **increasing production**
- Increased operational efficiency
- *In-field development*
- Drilling Campaigns

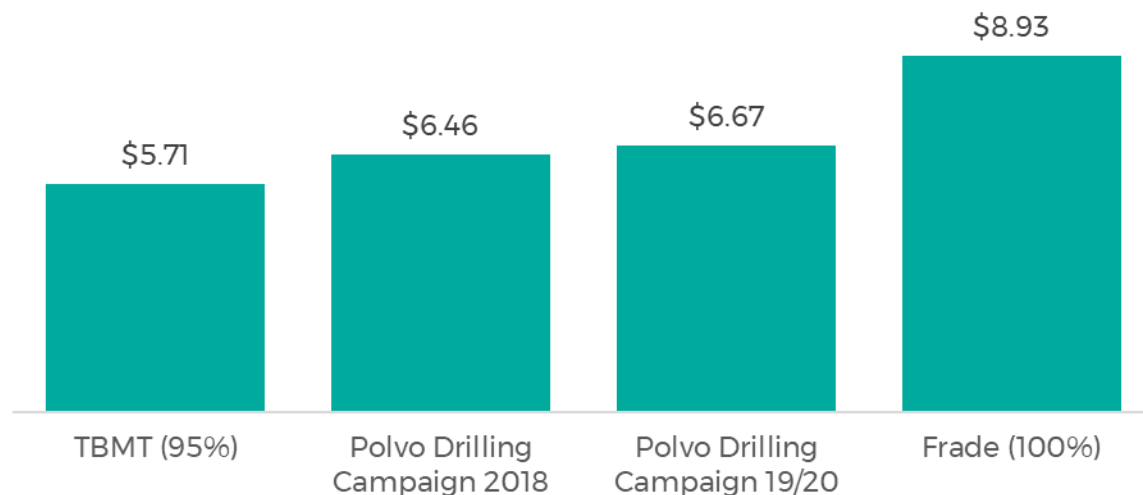




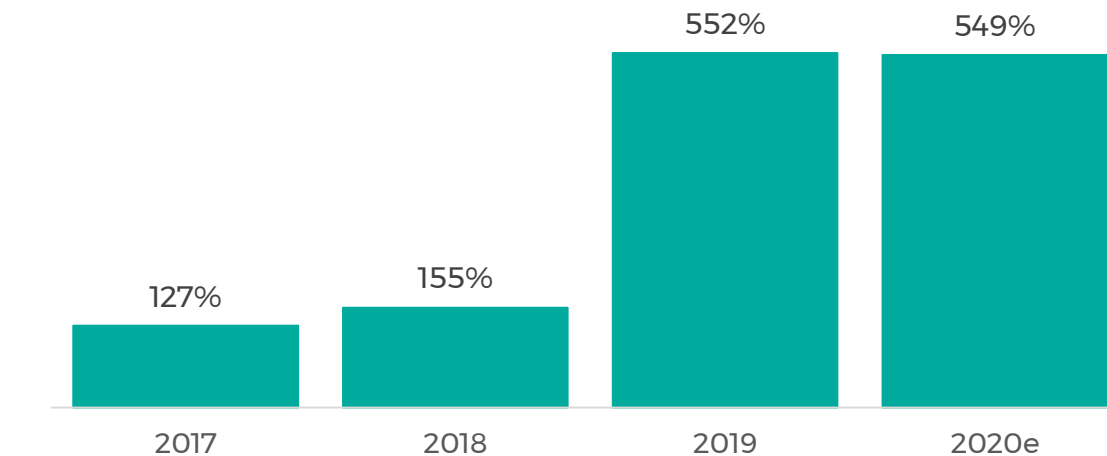
# DELIVERING GROWTH

Growth through acquisitions, reserve replacement above annual production, and greater representation in the country's overall production

## US\$/added bbl (1P)



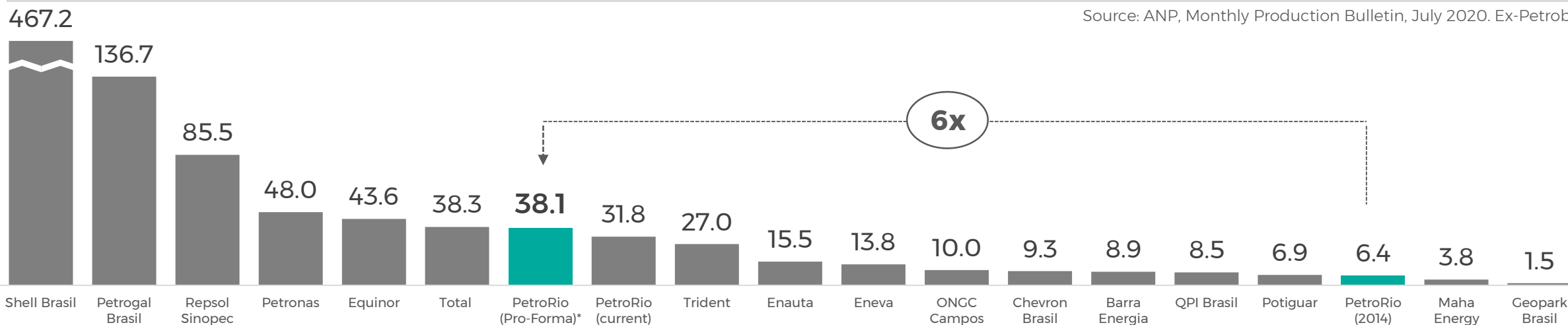
## Reserve Replacement Ratio\* (2P)



\*RRR = Added Reserves in D&M Certification/Company's Annual Production

## Oil and Gas Production Ranking in Brazil (Mboe/d)

Source: ANP, Monthly Production Bulletin, July 2020. Ex-Petrobras

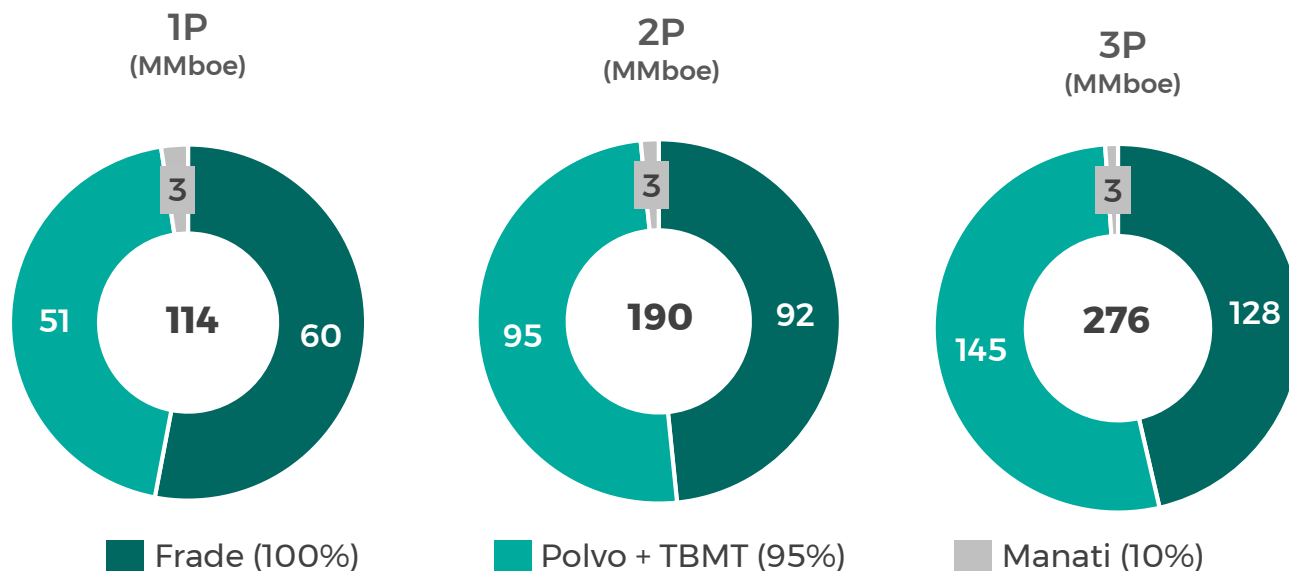


\*Pro Forma figures. Considers 100% of Frade + 80% of TBMT

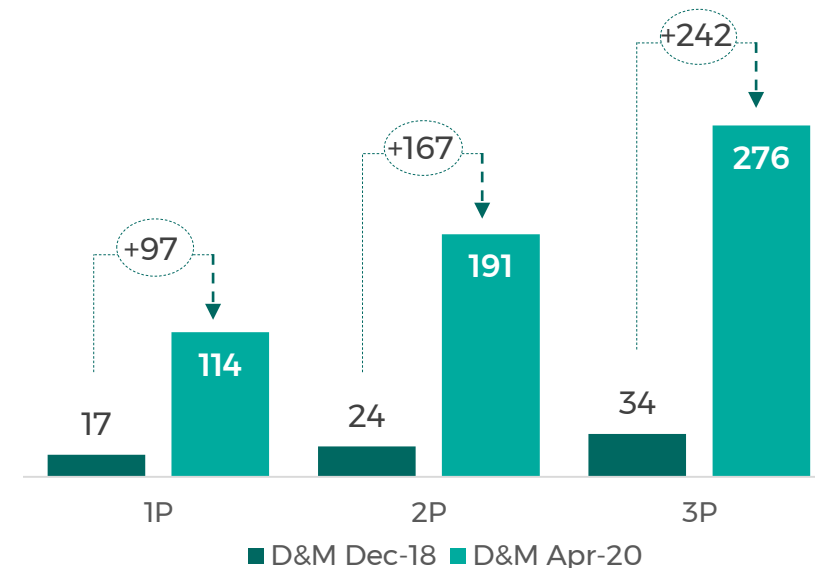
# RESERVES

April/2020 D&M Report shows significant increase in Company's reserves

## Company Reserves Estimates



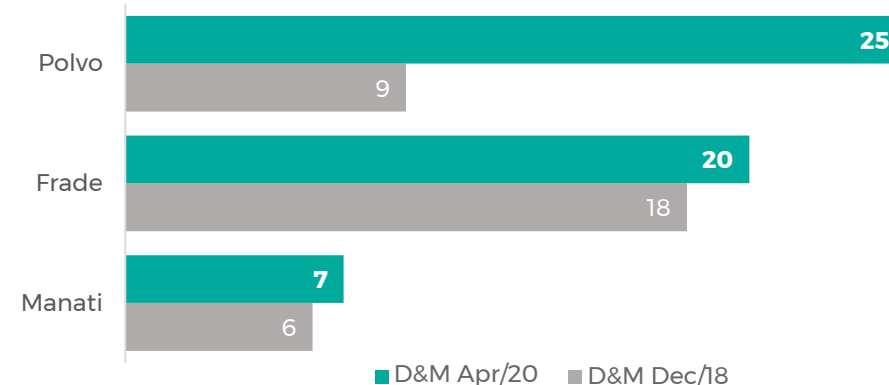
## Increase in Reserves (MMboe)



## Factors contributing to the increase in reserve levels

- > Farm-in of **Tubarão Martelo** and the tieback project with **Polvo**, which increases the recovery rates in both assets;
- > **Frade's** new production curve after a full year sustaining production levels;
- > The successful **Drilling Campaign in Polvo** has opened new infill drilling opportunities in the Eocene sandstone reservoir

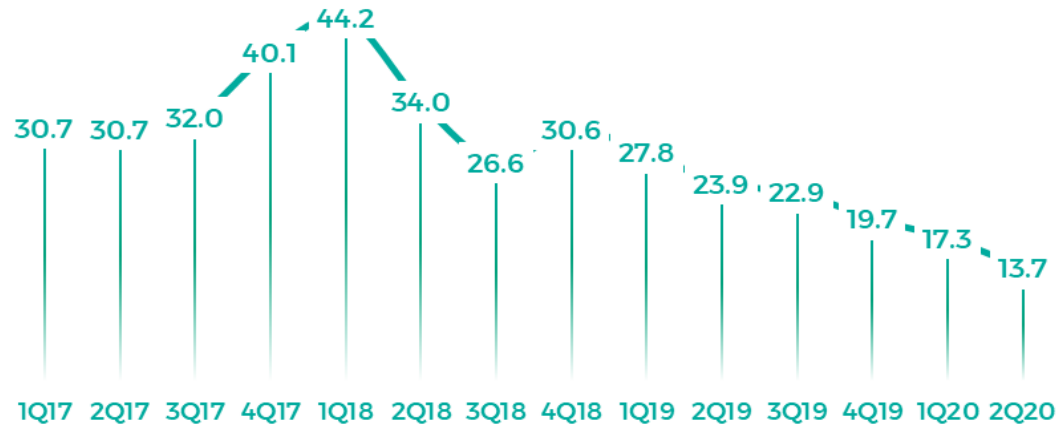
## Reserve Life (years) - 2P



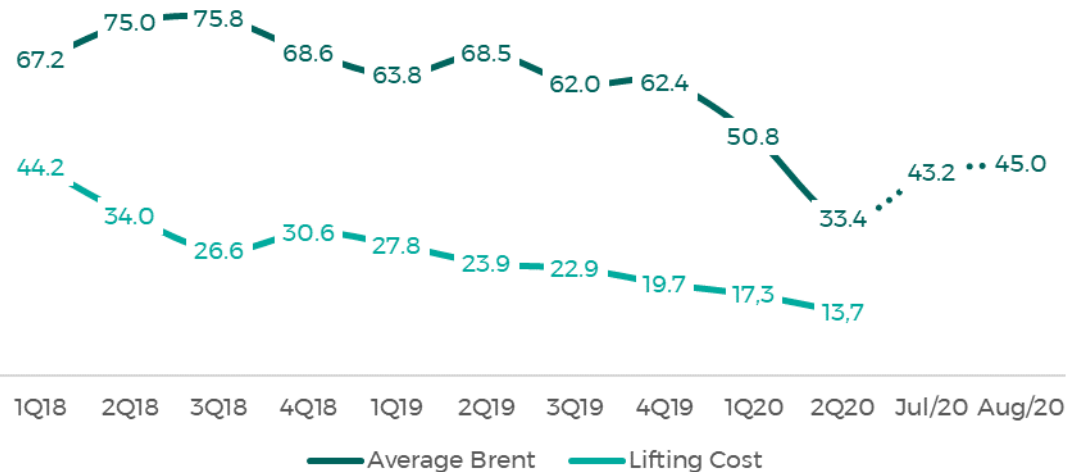
# LIFTING COST EVOLUTION (US\$)

Continuous lifting cost reduction over the years

Lifting Cost PetroRio (US\$/bbl)



Brent vs. Lifting Cost (US\$/bbl)



Lifting cost reduction is PetroRio's most important defense strategy against oil price volatility



Continuous reduction of Lifting Cost due to the optimization of operating costs and accelerated capture of synergies:

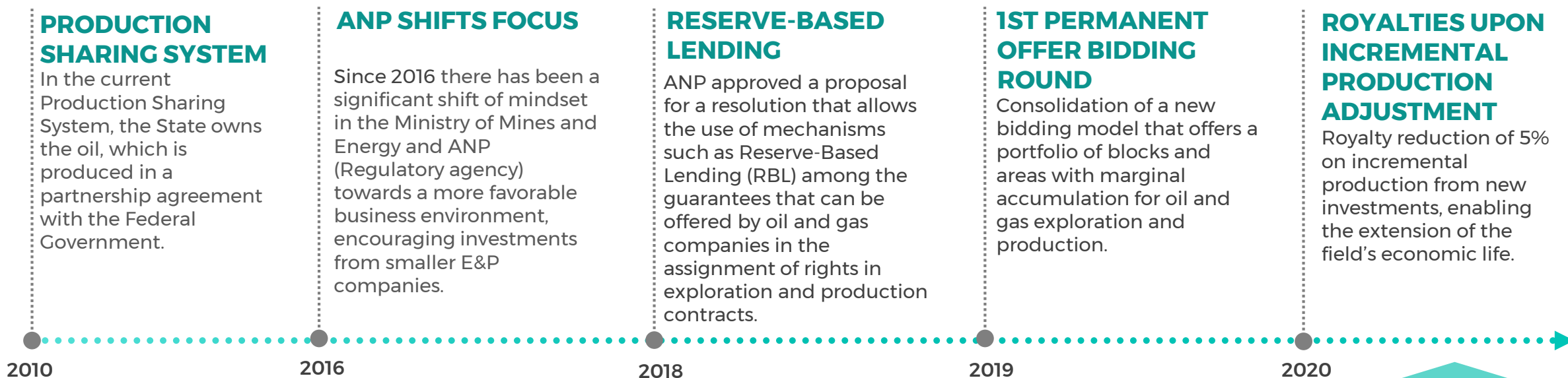
- Projects and services' scope review
- Service internalization
- Contract Renegotiations
- Postponement of non-essential services



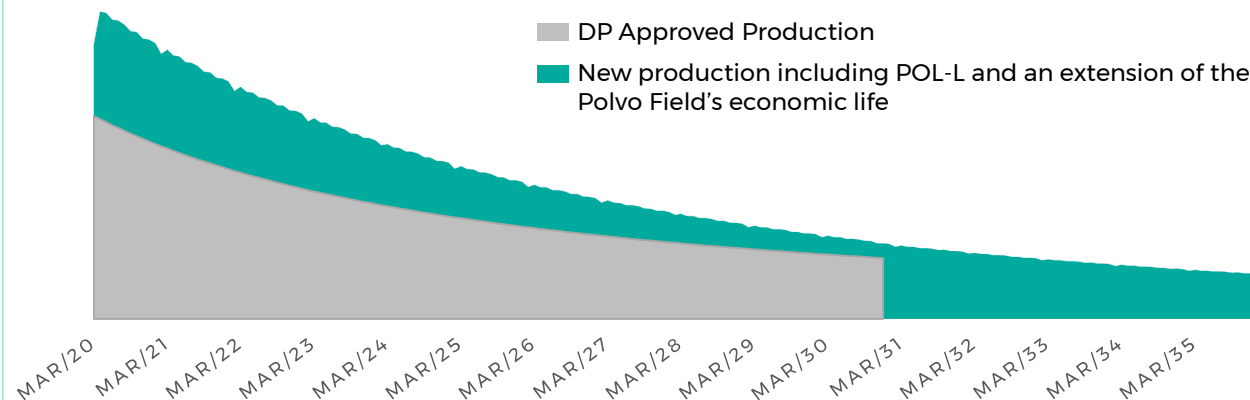
The reported figures will likely be improved with **Frade's** 30% working interest acquired from Petrobras and the recent **TBMT** acquisition (concluded on August 3, 2020)

# FAVORABLE REGULATORY FRAMEWORK

Significant changes in industry regulations have favored PetroRio in recent years



DP Production Curve (ANP) x Polvo's New Production Estimate



**Incremental** production from the new POL-L well will have its royalty rates reduced to 5%

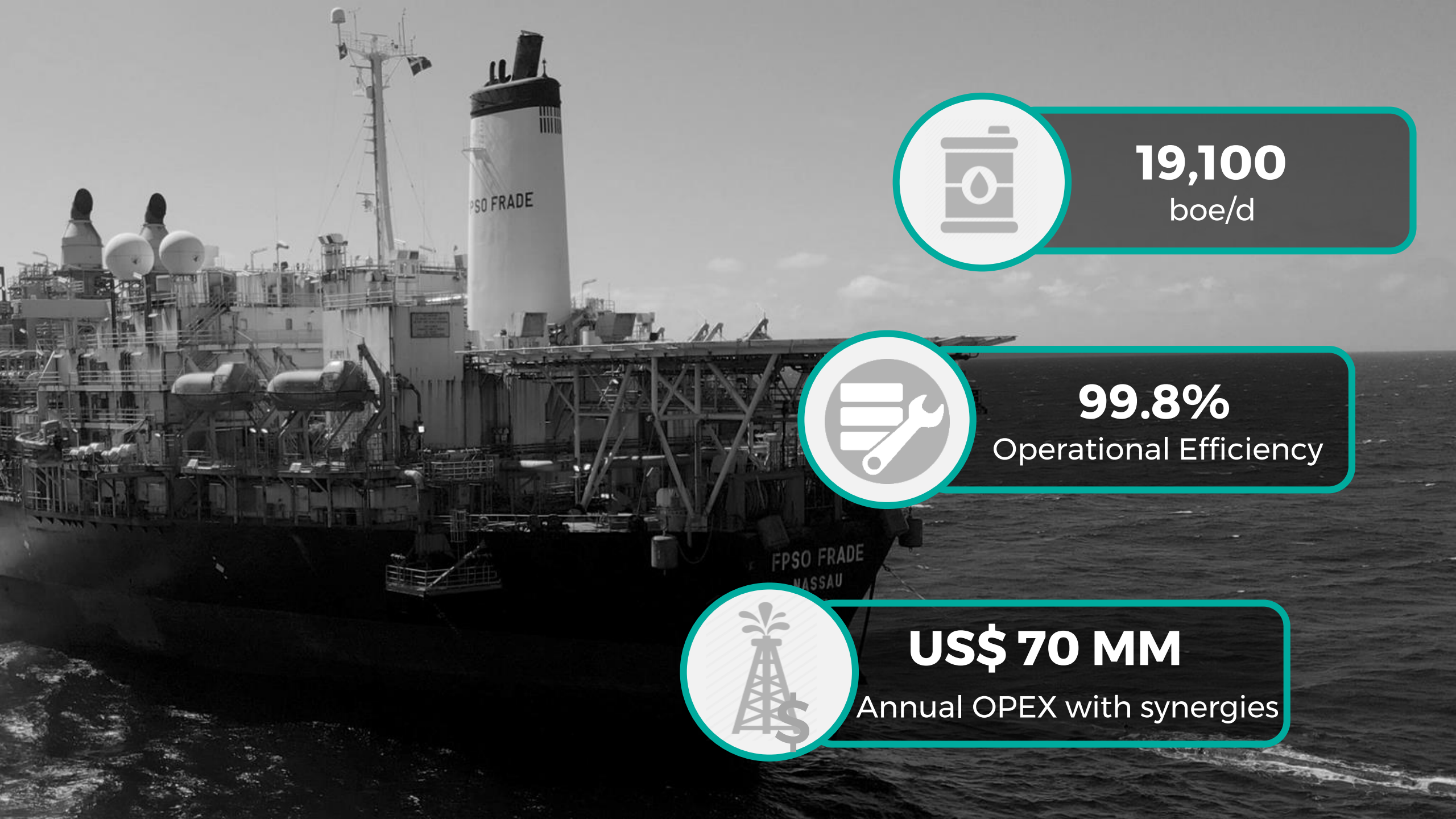


Any extension to Polvo's economic life beyond 2030 will have its rate similarly reduced, since it would exceed the current DP's cutoff

# FRADE FIELD

100% WORKING INTEREST





**19,100**  
boe/d



**99.8%**  
Operational Efficiency

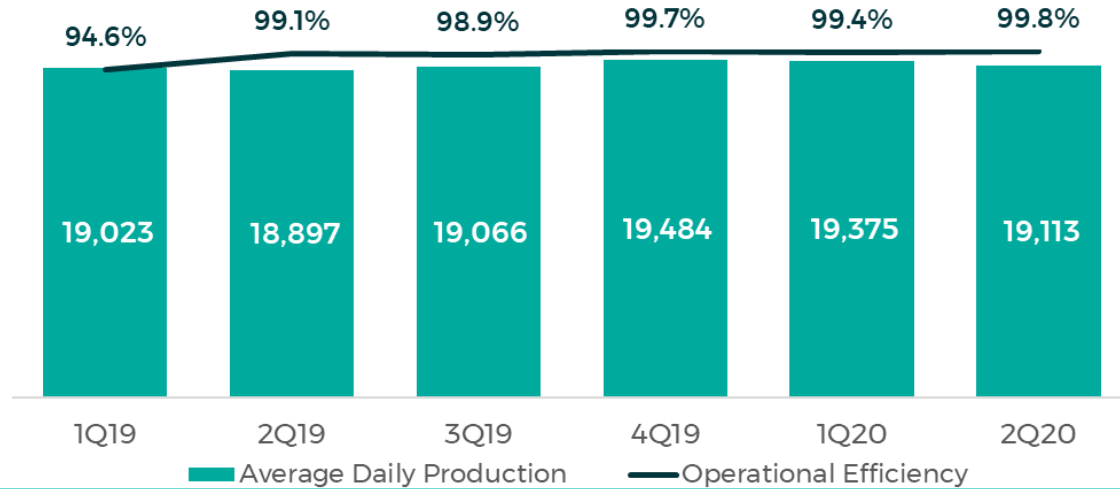


**US\$ 70 MM**  
Annual OPEX with synergies

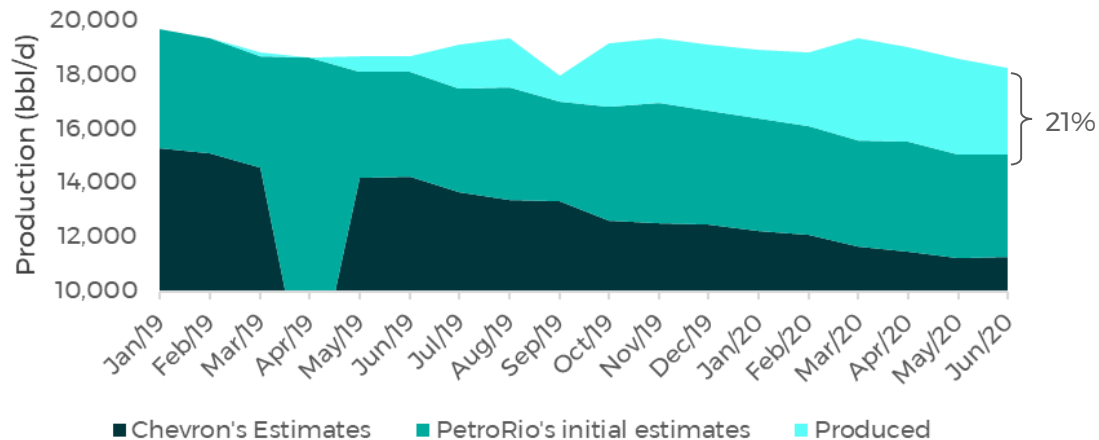
# OPERATIONAL PERFORMANCE

Increased production and operational efficiency due to field interventions

Average Daily Production and Operational Efficiency (100%)



Frade Field Production (bbl/d)

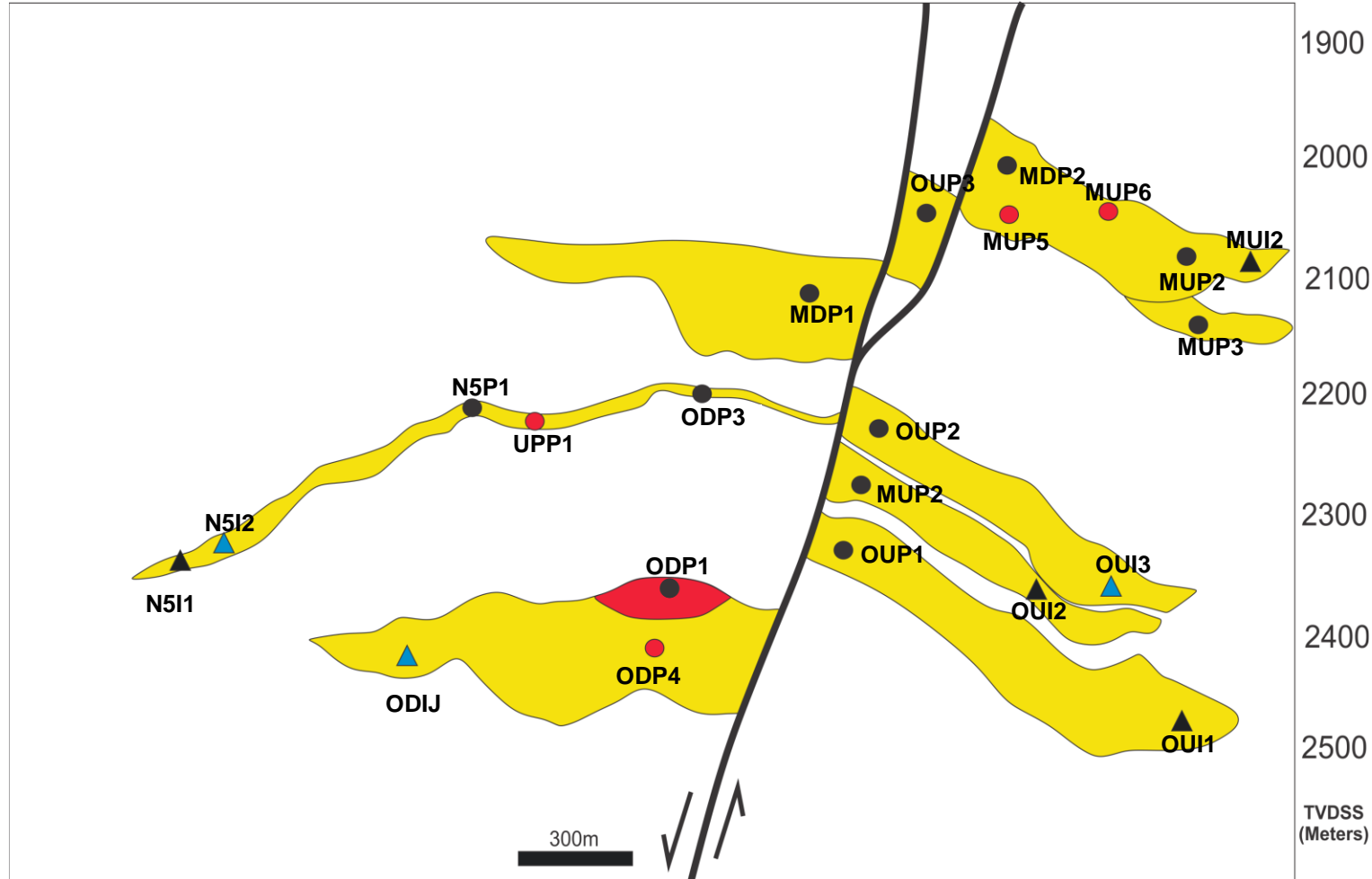


Measures taken to curb natural decline rates

- > **Short-term (completed)**
  - 1) Gas injection
  - 2) Well re-opening with hydrates
- > **Medium-term (ongoing)**
  - 3) Water Shutoff / RPM
  - 4) Well stimulation
- > **Long-term - Drilling Campaign**
- > Current production levels are **21%** higher than the Field's expected decline curve.

# DRILLING OPPORTUNITIES IN FRADE

The Revitalization Plan seeks to increase the asset's recovery rates and extend its concession until 2041



## Frade's Revitalization Plan

- > Global drilling project:  
4 producers and 3 injectors
- > Estimated CAPEX per well: US\$ 70 MM

- Current producers
- Scheduled producers
- ▲ Current injectors (disabled)
- ▲ Scheduled injectors

# TUBARÃO MARTELO FIELD

80% WORKING INTEREST





**10,000**  
boe/d



**97%**  
Operational Efficiency

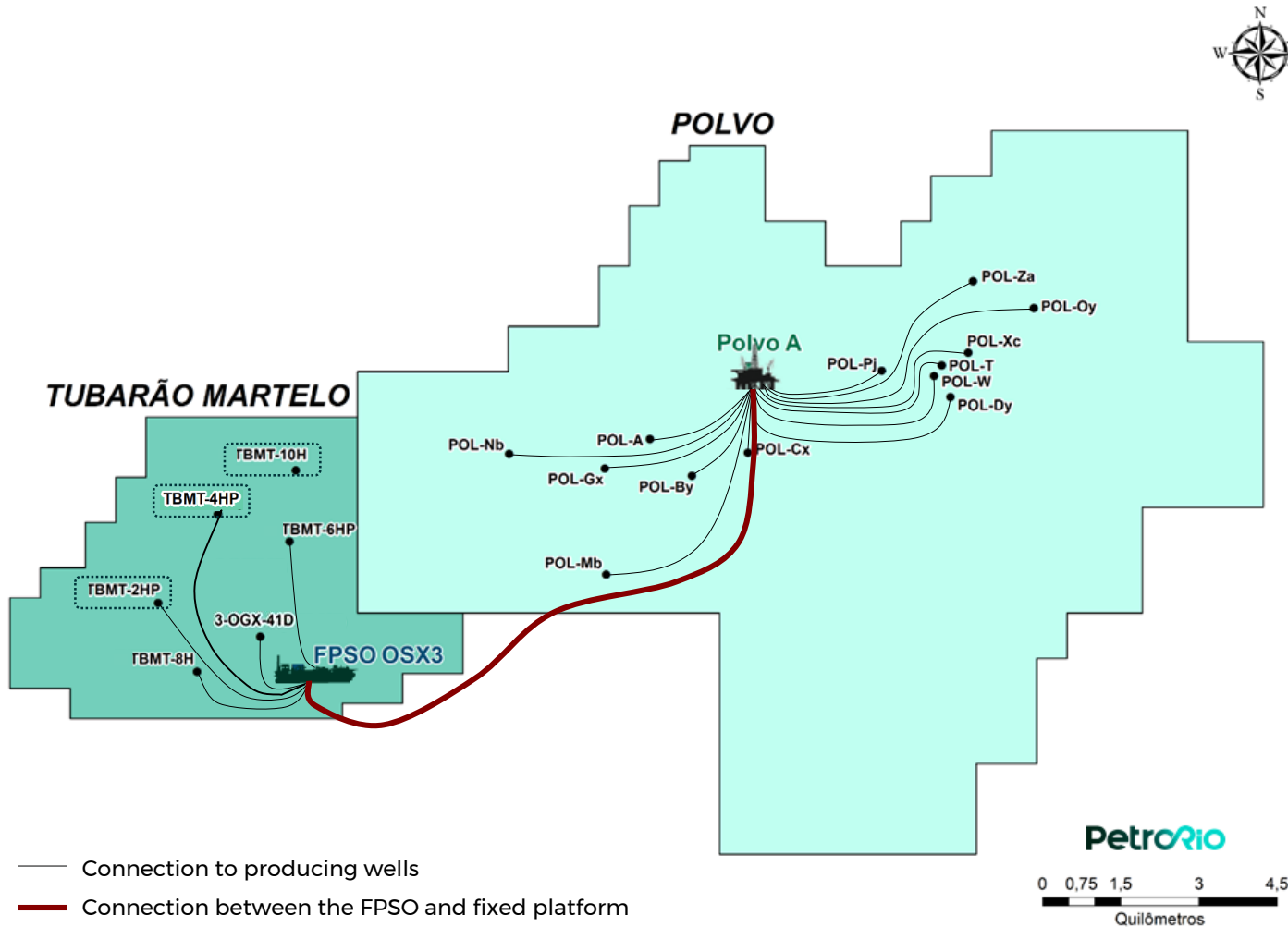


Great potential for synergies  
with Polvo Field



# TUBARÃO MARTELO REVITALIZATION PLAN

The Revitalization Plan seeks to increase the asset's average daily production



## 1<sup>st</sup> phase

- > Workover (replacement of submersible pump) in the **TBMT-2HP** well
- > Connection of a 5<sup>th</sup> producing well: **TBMT-4HP**
- > Production increased by 40% (~3 Mbbl per day)

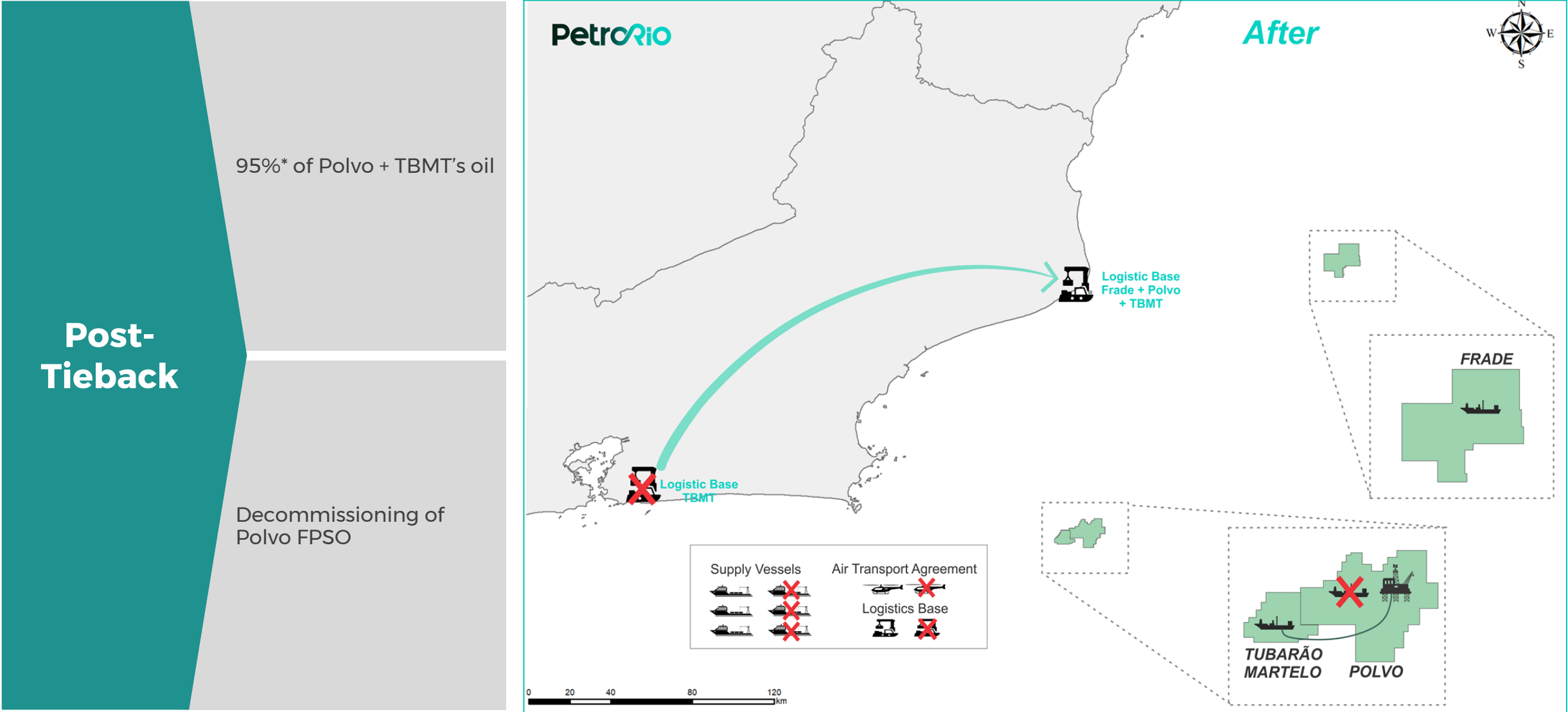
## Next Steps – 1<sup>st</sup> half of 2021

- > TBMT tieback with Polvo at US\$ 45 million CAPEX, with potential of US\$ 50-60 million OPEX reduction per year
- > Connection of a 6<sup>th</sup> producing well (TBMT-10H) at US\$ 25 million cost



# OSX-3 ACQUISITION AND TUBARÃO MARTELO FARM-IN

Acquisitions will allow the creation of a private cluster in the area, resulting in significant synergies



21 \*After 30 million barrels produced, this percentage increases to 96%

# POLVO FIELD

100% WORKING INTEREST





**10,600**  
boe/d



**95%**  
Operational Efficiency



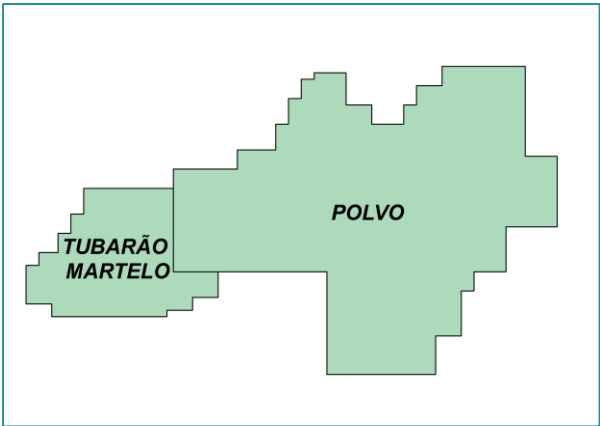
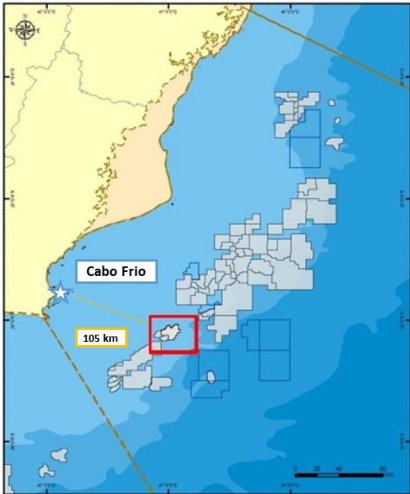
**Two Successful  
Drilling Campaigns**



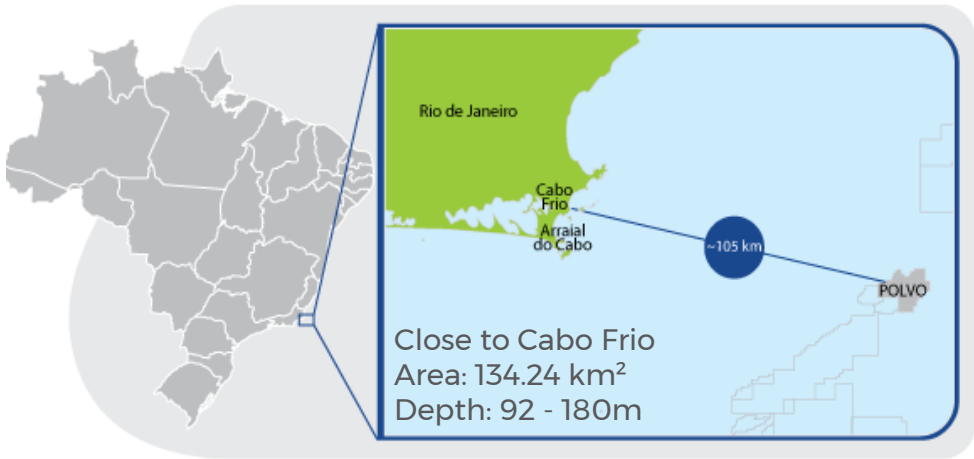


# OVERVIEW – POLVO FIELD

## Campos Basin



## Location



## Export Destination



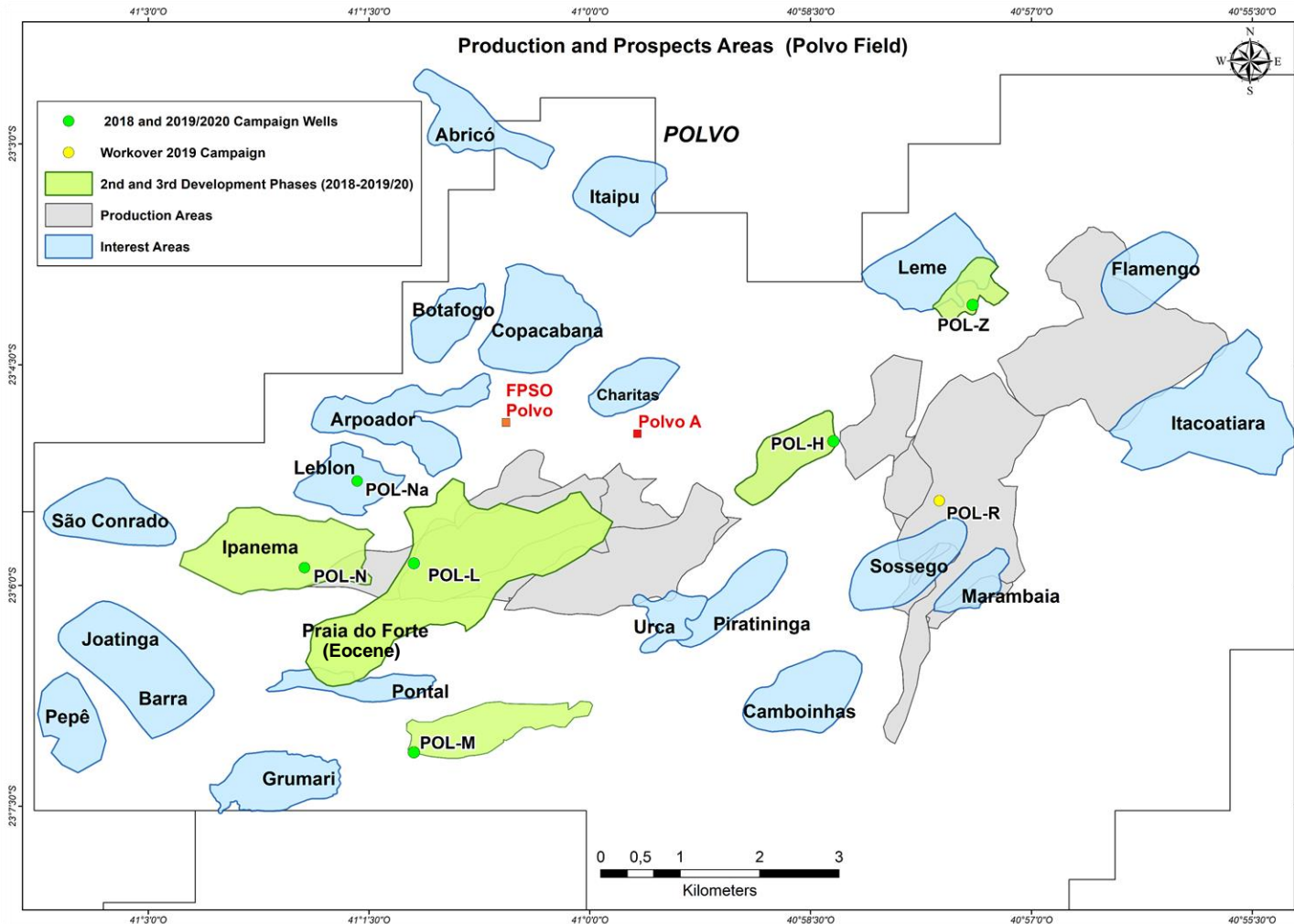
## Reserves

POLVO+TBMT RESERVES	OIL (million bbl)
Proved (1P)	50.7
Proved + Probable (2P)	95.4
Proved + Probable + Possible (3P)	145.1

Source: D&M Certification Report - 04/2020

# POLVO REVITALIZATION PLAN

Successful Drilling Campaigns has increased Field's production and reserves



## 2<sup>nd</sup> phase – 2018 Campaign

- > Drilled wells: POL-H, POL-Z and POL-M
- > Production increased by 50% (~5 Mbbbl/d)
- > Added reserves: 6.5 MMbbbl
- > Cost: US\$ 42 million

## 3<sup>rd</sup> phase – 2019/2020 Campaign

- > Drilled wells: POL-N and POL-L
- > Production increased by 30% (~2.5 Mbbbl/d)
- > Added reserves: 3 MMbbbl
- > Cost: US\$ 20 million

# MANATI NATURAL GAS FIELD

10% WORKING INTEREST





**1,600**  
boe/d



**Steady and predictable cash-flow**

“Take-or-pay” contract with Petrobras



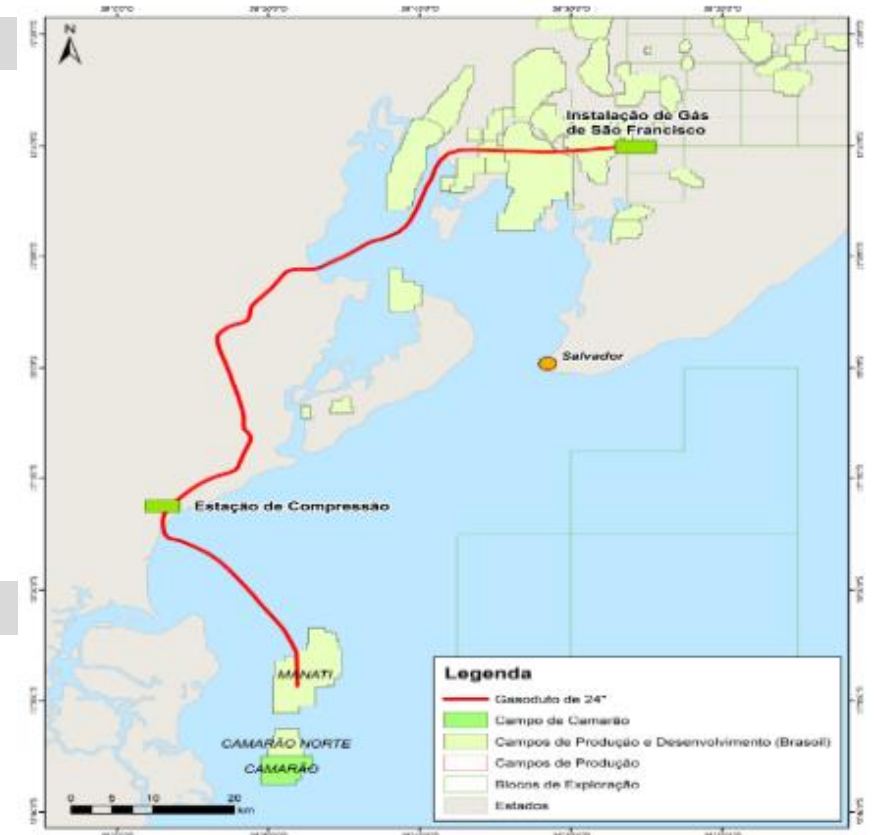
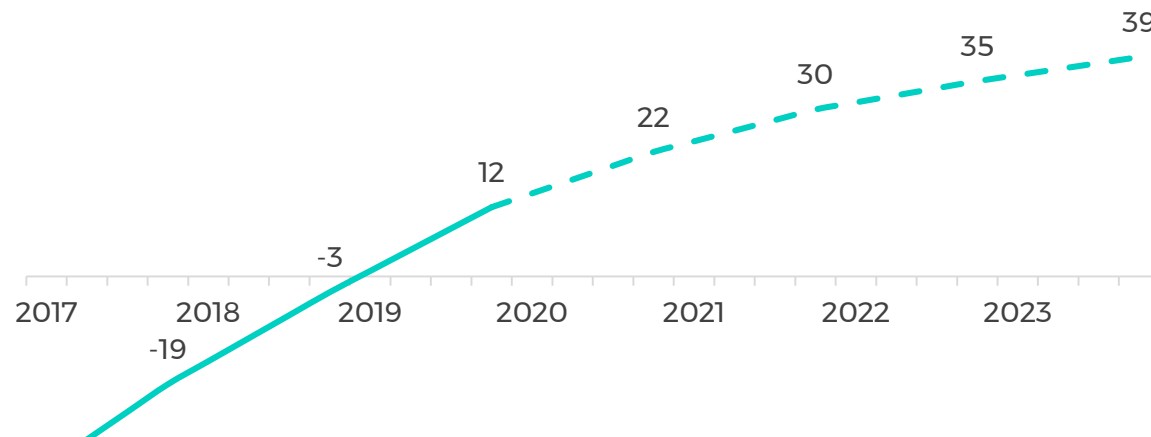
**2-year Payback  
and IRR of 66%**

# MANATI FIELD

## Natural Gas Producing Field

- ✓ Located in the Camamu-Almada basin, 65km from Salvador, Bahia
- ✓ Proved reserves of 3 million boe (net to Petrorio's 10% stake)
- ✓ "Take-or-pay" contract makes Company's cash flow predictable

## Manati Cumulative Cash Flow Since Acquisition (US\$ millions)



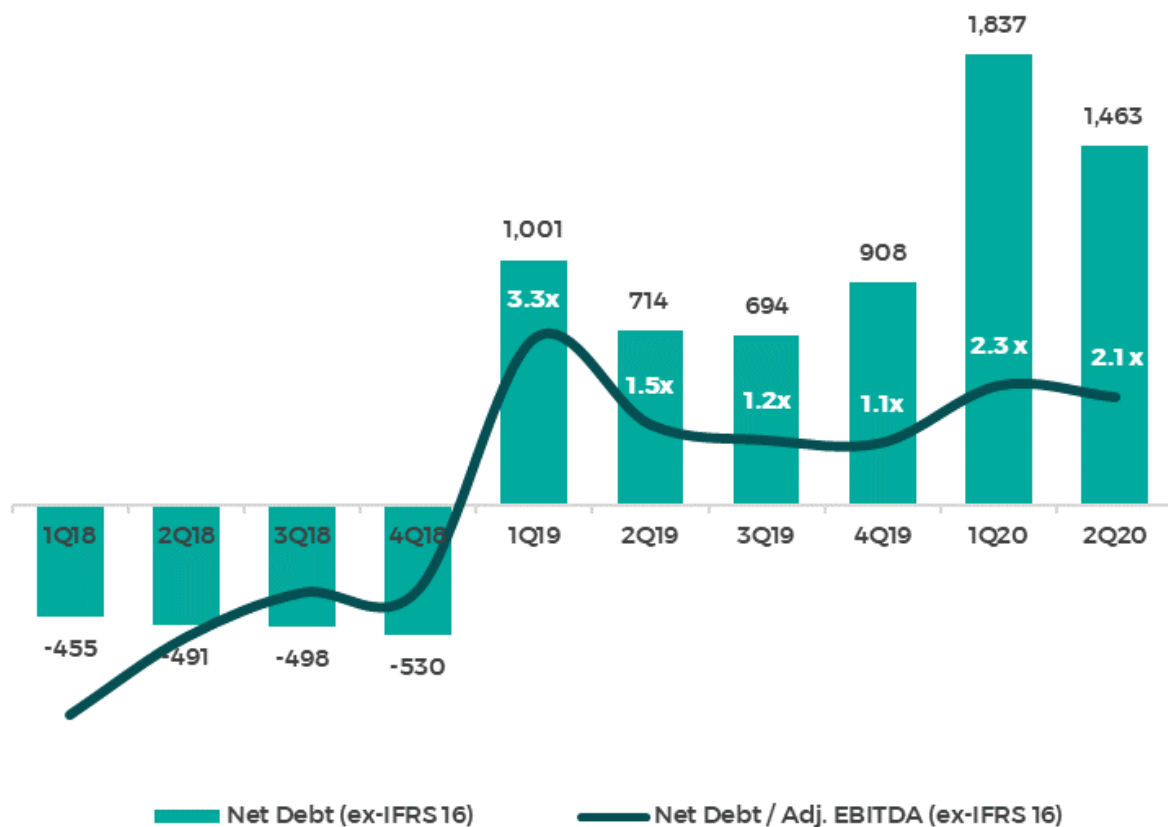
- ✓ 2-year payback and IRR of 66%



# FUNDING THE EXPANSION

# DELEVERAGING

Higher EBITDA stemming from recent acquisitions will enable leveraging



## Factors that affected Net Debt/EBITDA in 2Q20

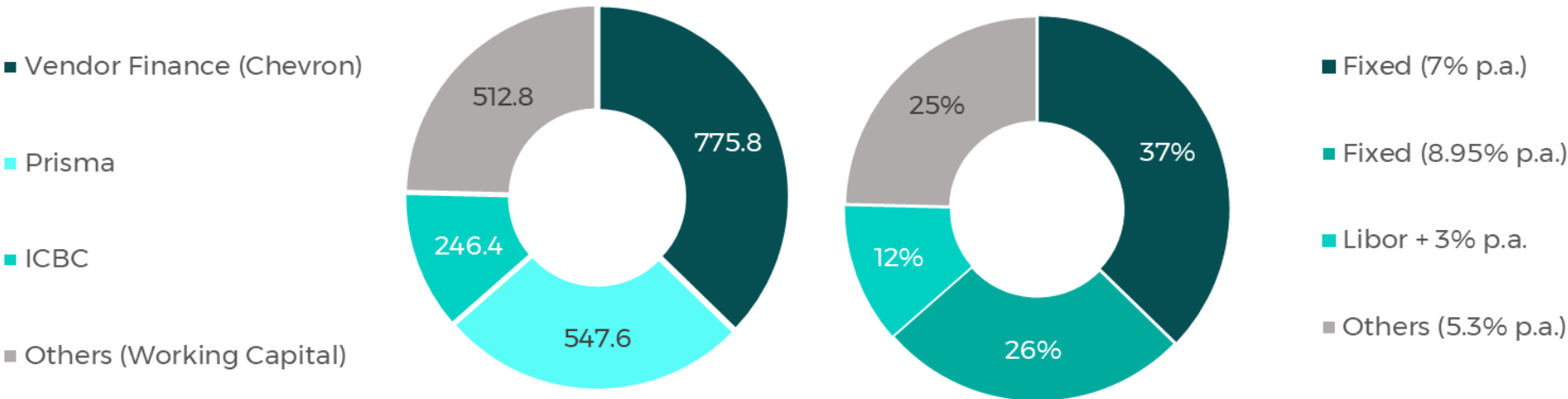
- > **R\$ 528.1 million** loan from Prisma Capital for the FPSO OSX-3 acquisition and farm-in of Tubarão Martelo Field. The debt has been entirely accounted for in the Company's balance sheet, without its corresponding LTM EBITDA, since the conclusion of the Tubarão Martelo acquisition took place on August 3, 2020;
- > **Offtakes Postponement:** Estimated oil inventory of **R\$ 415.5 million** at both assets by the end of the period, due to the postponement of Frade and Polvo offtakes to July in order to seek better oil discount conditions.

Adjusting for these effects, Net Debt/EBITDA reached approximately **1.1x**

# FUNDING

Funding towards the Company’s growth through acquisitions strategy and fields’ redevelopment

Loans and Funding (R\$ millions)

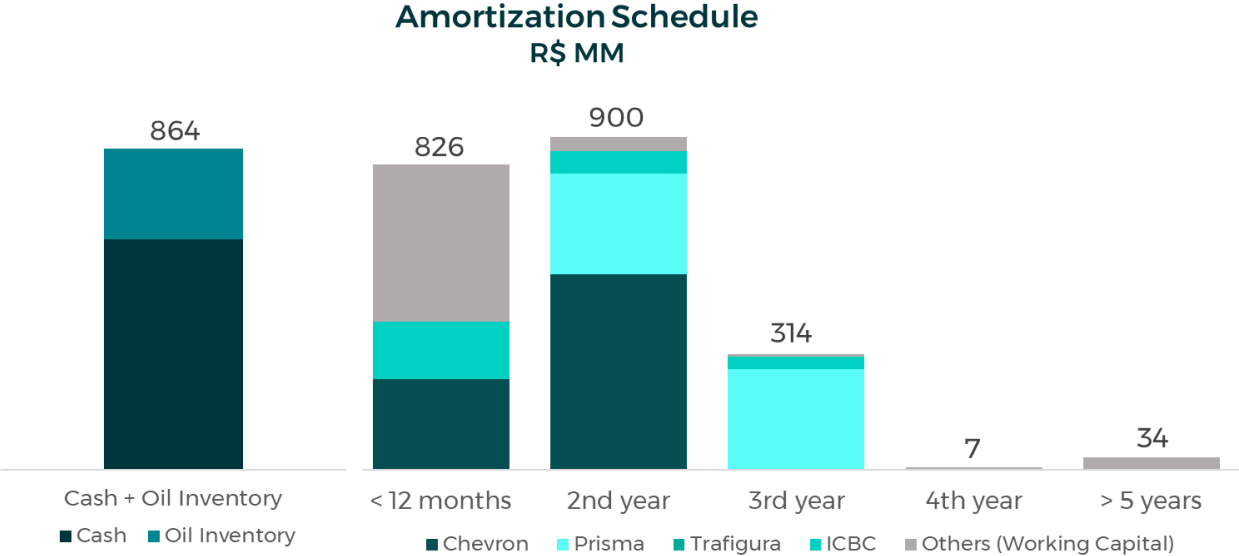
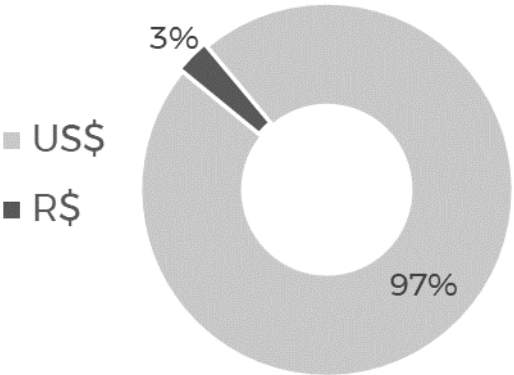


Vendor Finance (Chevron)		Prisma	PPE (ICBC)
Original	New Amortization Schedule		
US\$ 224 million	US\$ 15 million in Nov-20	US\$ 100 million	US\$ 60 million
2 year term	US\$ 30 million in May-21	3-year term	4-year term
Libor + 3% p.a.	US\$ 97 million in Nov-21	8,95% p.a.	Libor + 3% p.a.
Paying for the asset using its own cash flow with vendor finance	7% p.a.	Bridge loan for the OSX-3 FPSO and Tubarão Martelo deal	Guarantees Polvo production sales to PetroChina
		Conversion into a long-term Project Finance according to contractual arrangements	

# FUNDING

Funding towards the Company's growth through acquisitions strategy and fields' redevelopment

## Loans and Funding (R\$ millions)



### Vendor Finance (Chevron)

#### Original

US\$ 224 million

2 year term

Libor + 3% p.a.

Paying for the asset using its own cash flow with vendor finance

#### New Amortization Schedule

US\$ 15 million in Nov-20

US\$ 30 million in May-21

US\$ 97 million in Nov-21

7% p.a.

### Prisma

US\$ 100 million

3-year term

8,95% p.a.

Bridge loan for the OSX-3 FPSO and Tubarão Martelo deal

Conversion into a long-term Project Finance according to contractual arrangements

### PPE (ICBC)

US\$ 60 million

4-year term

Libor + 3% p.a.

Guarantees Polvo production sales to PetroChina

# CONTACT

## Investor Relations

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# ANNEX I: INCOME STATEMENT (R\$ thousands)

	Ex-IFRS 16			Accrued - Ex-IFRS 16		
	2Q19	2Q20	Δ	6M19	6M20	Δ
<b>Net Revenue</b>	<b>548,233</b>	<b>312,292</b>	<b>-43%</b>	<b>687,306</b>	<b>535,454</b>	<b>-22%</b>
Cost of goods sold	(183,924)	(87,108)	-53%	(252,460)	(205,025)	-19%
Royalties	(48,719)	(21,129)	-57%	(62,952)	(53,357)	-15%
<b>Operatin Income</b>	<b>315,590</b>	<b>204,055</b>	<b>-35%</b>	<b>371,894</b>	<b>277,072</b>	<b>-25%</b>
General and administratie expenses	(33,409)	(28,703)	-14%	(55,039)	(69,015)	25%
Other operating income (expenses)	(32,571)	113,821	n/a	(32,263)	228,924	n/a
<b>EBITDA</b>	<b>249,610</b>	<b>289,173</b>	<b>16%</b>	<b>284,591</b>	<b>436,981</b>	<b>54%</b>
<b>EBITDA margin</b>	<b>46%</b>	<b>93%</b>	<b>47 p.p.</b>	<b>41%</b>	<b>82%</b>	<b>41 p.p.</b>
Depreciation and amortization	(46,128)	(197,895)	329%	(61,307)	(303,222)	395%
Financial Results	(11,196)	(190,243)	1599%	(134,106)	(177,628)	32%
Hedge Income - Realized	9,340	130,619	1298%	(5,773)	337,234	n/a
Hedge Income - Marked to Market	1,107	(168,144)	n/a	1,101	(33,572)	n/a
Other financial income (expenses)	(21,643)	(152,718)	606%	(129,434)	(481,290)	272%
Income and social contribution taxes	(35,686)	22,953	-164%	(40,447)	14,063	-135%
<b>Income (loss) for the period</b>	<b>156,600</b>	<b>(76,013)</b>	<b>n/a</b>	<b>48,731</b>	<b>(29,806)</b>	<b>n/a</b>
	2Q19	2Q20	Δ	6M19	6M20	Δ
(-) Other operating income (expenses)	(32,571)	113,821	n/a	(32,263)	228,924	n/a
(+) Hedge Income - Realized	9,340	130,619	1298%	(5,773)	337,234	n/a
<b>Adjusted* EBITDA (inc. Hedge)</b>	<b>291,521</b>	<b>305,970</b>	<b>5%</b>	<b>311,082</b>	<b>545,291</b>	<b>75%</b>
<b>Adjusted EBITDA margin</b>	<b>52%</b>	<b>69%</b>	<b>17 p.p.</b>	<b>46%</b>	<b>62%</b>	<b>16 p.p.</b>

\*Adjusted EBITDA is calculated similarly to EBITDA, excluding the line item "Other Revenue/Expenses".

\*Adjusted EBITDA (inc. Hedge) is calculated including only the hedge of contracts exercised during 2Q20.

# ANNEX II: BALANCE SHEET (R\$ thousands)

ASSETS	4Q19	2Q20
Cash and cash equivalents	459,396	319,688
Securities	226,301	24,081
Restricted cash	52,223	276,071
Accounts receivable	374,598	210,437
Oil inventories	120,101	244,397
Consumable inventories	5,373	5,601
Derivative Financial Instruments	9,354	12,538
Recoverable taxes	116,773	140,727
Advances to suppliers	52,171	54,333
Advances to partners	86,278	101,187
Prepaid expenses	10,333	11,013
Other receivables	189	-
<b>Total Current assets</b>	<b>1,513,090</b>	<b>1,400,073</b>
<b>Non-current assets available for sale</b>	<b>-</b>	<b>-</b>
	<b>1,513,090</b>	<b>1,400,073</b>
Advances to suppliers	12,596	12,596
Deposits and pledges	27,249	27,993
Recoverable taxes	32,384	34,733
Deferred taxes	160,313	189,150
Right-of-use (Lease CPC 06.R2 IFRS)	452,067	438,896
Property, plant and equipment	2,602,523	3,746,097
Intangible assets	689,529	811,048
<b>Total non-current assets</b>	<b>3,976,661</b>	<b>5,260,513</b>
<b>Total Assets</b>	<b>5,489,751</b>	<b>6,660,586</b>

LIABILITIES	4Q19	2Q20
Suppliers	87,232	139,859
Labor obligations	39,359	50,663
Taxes and social contributions	83,441	48,114
Loans and financing	1,224,306	826,131
Debentures	-	-
Advances from partners	40	-
Contractual Charges (Lease IFRS 16)	223,049	295,247
Other liabilities	12,356	19
<b>Total current liabilities</b>	<b>1,669,783</b>	<b>1,360,033</b>
Suppliers	13,233	14,410
Loans and financing	421,270	1,256,473
Debentures	-	-
Provision for abandonment (ARO)	763,633	922,015
Provision for contingencies	65,613	74,091
Deferred taxes and social contributions	-	-
Contractual Charges (Lease IFRS 16)	389,433	450,697
Other liabilities	1,685	1,701
<b>Total non-current liabilities</b>	<b>1,654,867</b>	<b>2,719,387</b>
<b>Minority Interest</b>	<b>759</b>	<b>993</b>
Realized capital	3,316,411	3,326,998
Capital reserves	228,027	231,245
Other comprehensive income	150,335	713,624
Accumulated losses	(2,372,777)	(1,530,431)
Income (loss) for the period	842,346	(161,263)
<b>Total shareholders' equity</b>	<b>2,164,342</b>	<b>2,580,173</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,489,751</b>	<b>6,660,586</b>