

# 4Q20 & 2020 Conference Call

March 2, 2021

# 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.

# HIGHLIGHTS FOR THE YEAR

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1

Focus on health and safety, mitigating the risks of the spread of Covid-19, thereby reducing the impacts on PetroRio's core businesses.

2

**Bravo FPSO** and **Tubarão Martelo** acquisition and start of the tieback project with **Polvo**

3

Acquisition of 35.7% interest in **Wahoo**

4

9 million barrels sold in 2020, generating revenue of R\$ 1.9 billion

# HIGHLIGHTS FOR THE YEAR

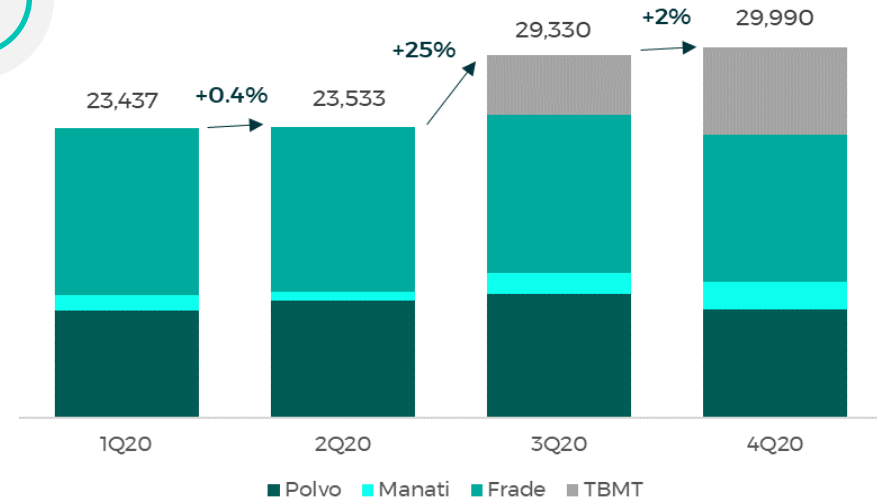
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Lifting cost reduction  
(US\$/bbl)



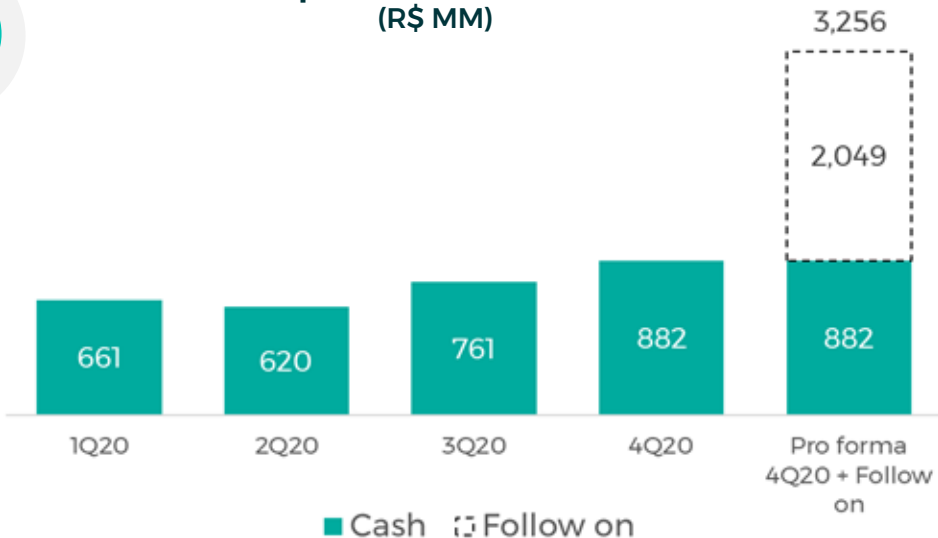
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Increase in production  
(boe/d)



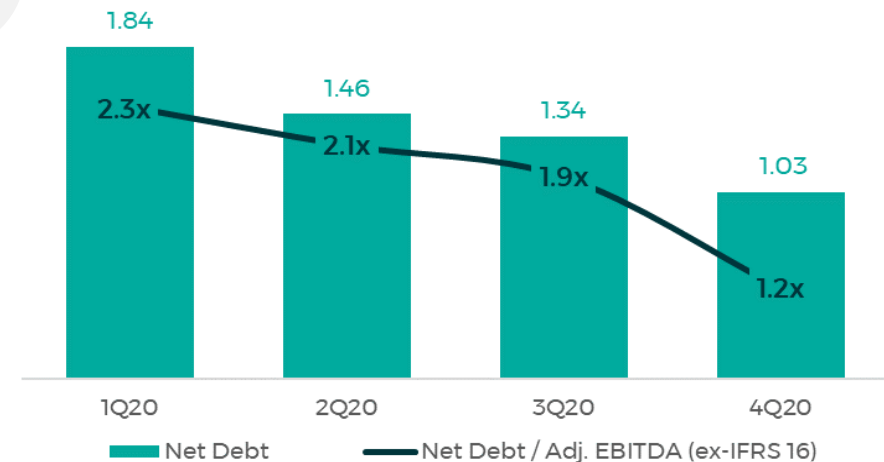
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Cash position + Follow-on  
(R\$ MM)



8

Decrease in Net Debt/EBITDA  
(R\$ Billions)



# OPERATIONAL HIGHLIGHTS

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Lifting cost reduction from US\$ 22.9/bbl (2019) to US\$ 14.5/bbl (2020)



9 million barrels sold and production of 26 Mboepd in the year, Company records



Polvo Drilling Campaign in the Eocene, with initial production of 2,500 bbl/d



Start of operation of **TBMT** Field and connection of the TBMT-4HP well in August 2020.



Start of the tieback project between **Polvo** and **TBMT's**, with physical progress at 42%.



High efficiency and production levels maintained, despite the Covid-19 pandemic.

# ASSET PERFORMANCE



	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020	2020 x 2019	4Q20 X 4Q19	4Q20 x 3Q20
Avg. Brent	\$ 62.42	\$ 64.16	\$ 50.82	\$ 33.39	\$ 43.34	\$ 45.26	\$ 43.21	-32.6%	-27.5%	4.4%
Avg. Sales Price	\$ 62.88	\$ 64.68	\$ 31.79	\$ 35.09	\$ 42.71	\$ 46.26	\$ 41.69	-35.5%	-26.4%	8.3%
Avg. Exchange Rate	4.12	3.94	4.47	5.39	5.38	5.40	5.16	30.9%	31.1%	0.3%
Final Exchange Rate	4.02	4.02	5.21	5.47	5.61	5.19	5.19	29.2%	29.0%	-7.4%
<b>Offtakes (kbbl)</b>										
Frade Field (70%)	1,398	3,368	982	950	993	1,943	4,867	44.5%	39.0%	95.7%
Polvo Field (100%)	930	3,008	470	447	1,002	988	2,907	-3.4%	6.2%	-1.4%
Tubarão Martelo Field (80%)	-	-	-	-	403	794	1,196	n/a	n/a	97.2%
<b>Total PetroRio</b>	<b>2,328</b>	<b>6,376</b>	<b>1,452</b>	<b>1,396</b>	<b>2,397</b>	<b>3,724</b>	<b>8,970</b>	<b>40.7%</b>	<b>60.0%</b>	<b>55.4%</b>
<b>Production (boepd)</b>										
Frade Field (70%) <sup>1</sup>	13,639	8,533	13,563	13,380	12,838	11,928	12,926	51.5%	-12.5%	-7.1%
Polvo Field (100%)	7,478	8,403	8,620	9,446	9,965	8,747	9,191	9.4%	17.0%	-12.2%
Tubarão Martelo Field (80%)	-	-	-	-	4,787	7,030	2,954	n/a	n/a	46.9%
Manati Field (10%)	2,859	2,273	1,254	707	1,740	2,285	1,498	-34.1%	-20.1%	31.3%
<b>Total PetroRio</b>	<b>23,976</b>	<b>19,209</b>	<b>23,437</b>	<b>23,533</b>	<b>29,330</b>	<b>29,990</b>	<b>26,569</b>	<b>38.3%</b>	<b>25.1%</b>	<b>2.3%</b>
<b>Lifting Cost (US\$/bbl)</b>										
PetroRio	19.7	22.9	17.3	13.7	12.8	14.7	14.5	-36.5%	-25.2%	14.7%

<sup>1</sup> From April through September 2019, PetroRio had a 52% W.I. in the Field. In October, the interest increased to 70%.

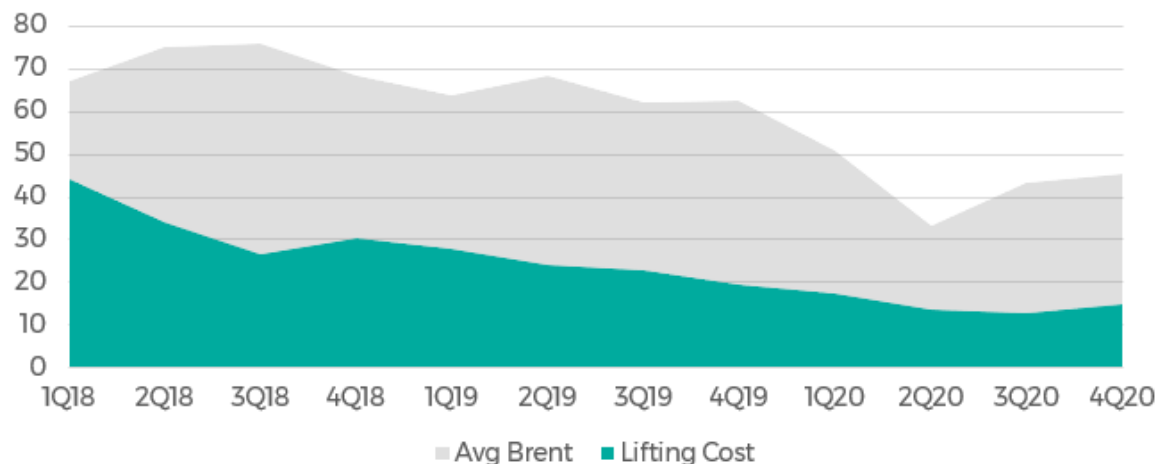
**38% increase in total production due to the TBMT incorporation and Polvo Drilling Campaign**

# LIFTING COST PER BARREL

Lifting Cost PetroRio  
(US\$/bbl)



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

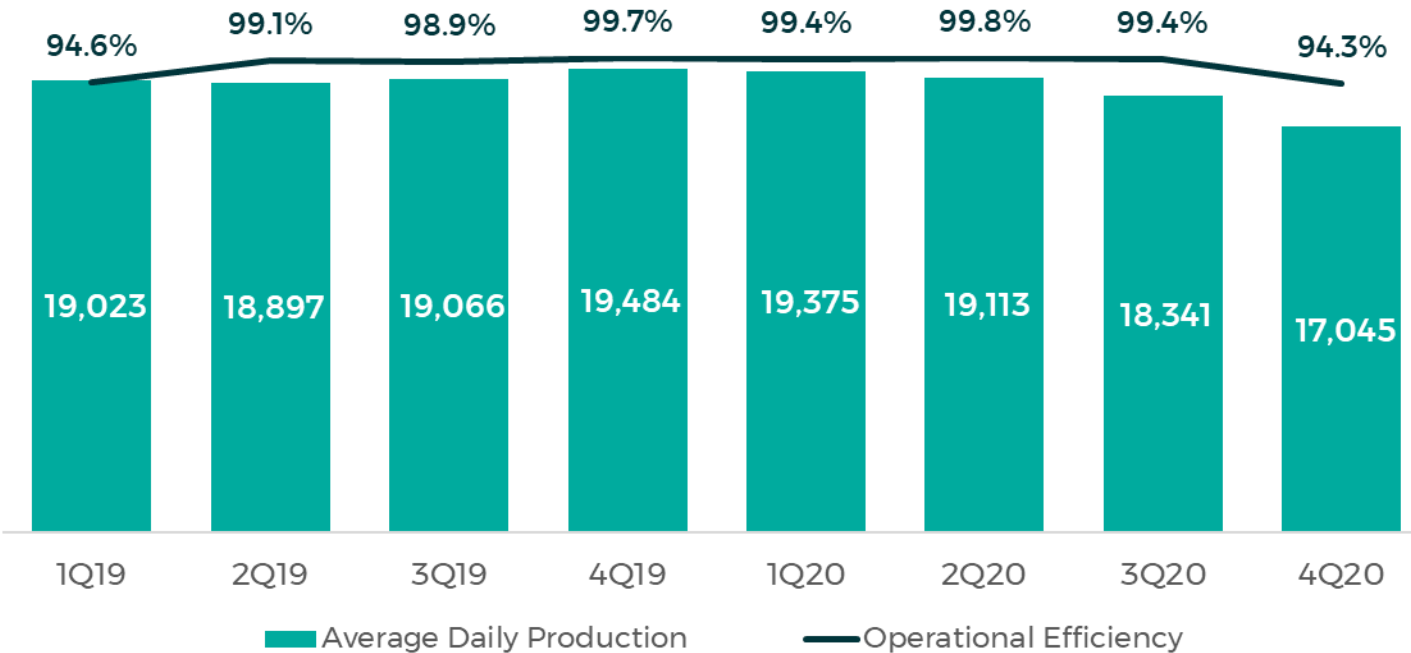


Lifting cost reduction is the most important protection strategy against oil price volatility

- ✓ Main reasons for lifting cost reduction in the year:
  - Rationalization of operating costs
  - Increase in production in **Polvo**
  - The devaluation of the Brazilian Real against USD
  - Measures undertaken in 2020 to reduce costs
  
- ✓ 4Q20 lifting cost impacts:
  - **Polvo** shutdown in November
  - Stoppage of MUP3 well by hydrate formation (production already resumed)
  
- ✓ The reported reduction does not consider **Frade's** 30% working interest acquired from Petrobras.

# OPERATIONAL PERFORMANCE – FRADE

Average Daily Production and Operational Efficiency  
Frade Field (100%)

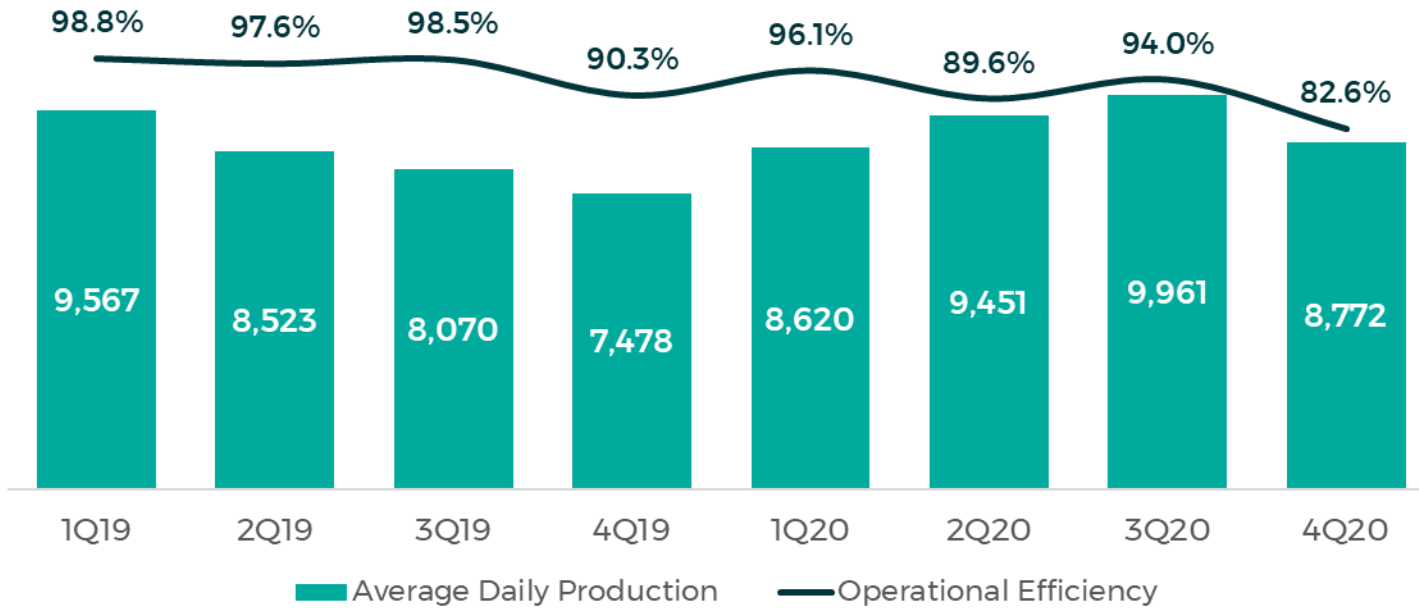


## Factors that impacted Frade Field’s production and efficiency in 4Q20:

- Stoppage of the MUP3 well in October due to hydrate formation (production already resumed)
- Failure in the compressor during the internal inspection of the heat exchangers of the gas dehydration system in November

# OPERATIONAL PERFORMANCE – POLVO

Average Daily Production and Operational Efficiency  
Polvo Field (100%)

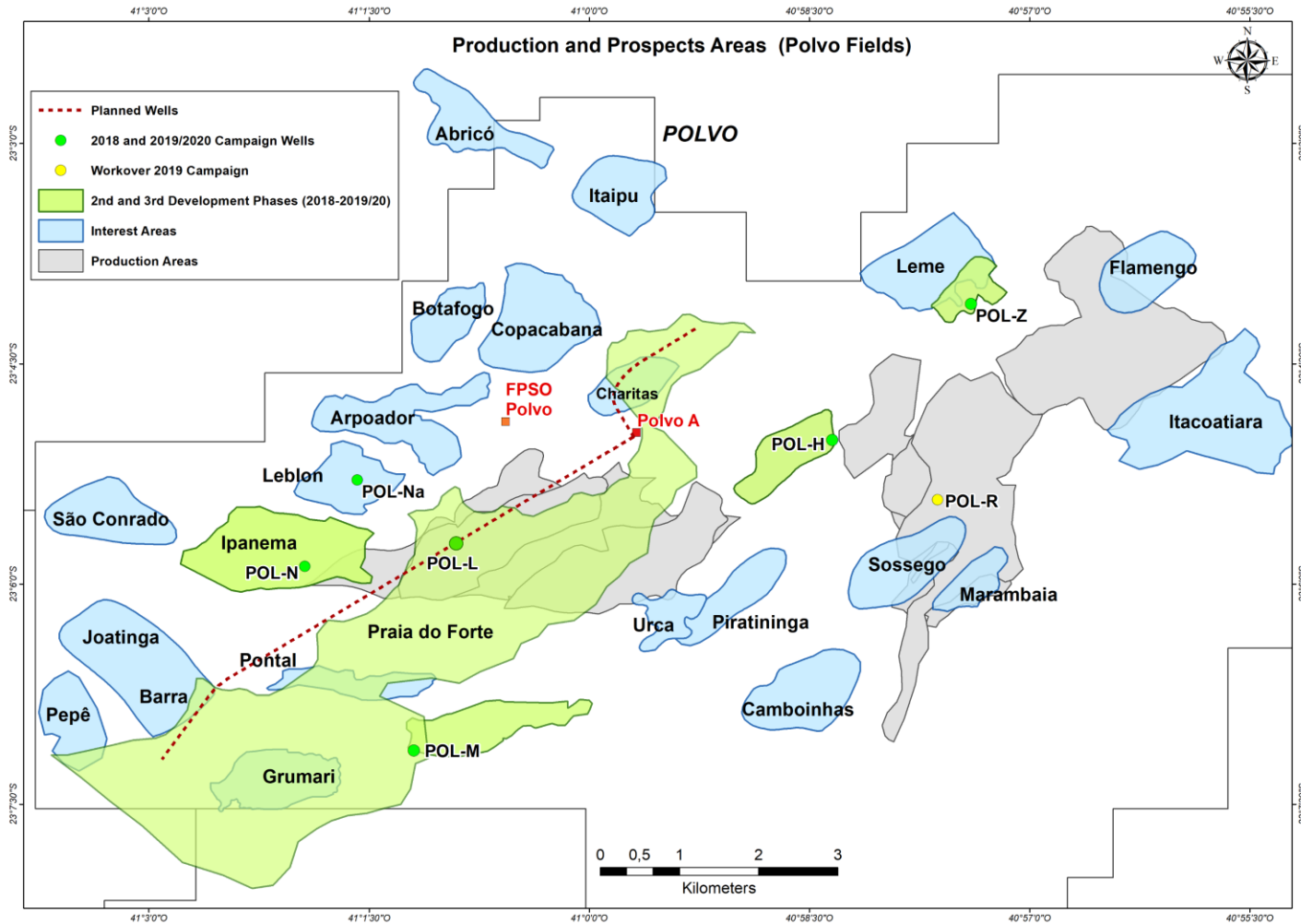


Start of POL-L production in March, adding approximately 2.5 kbb/d to the Field's production, due to the 2019/2020 Polvo Drilling Campaign

## Factors that affected Polvo Field's efficiency in 2020:

- Shutdown on the leased FPSO after the identification of Covid-19 cases
- 9-day shutdown for maintenance of the leased FPSO boiler

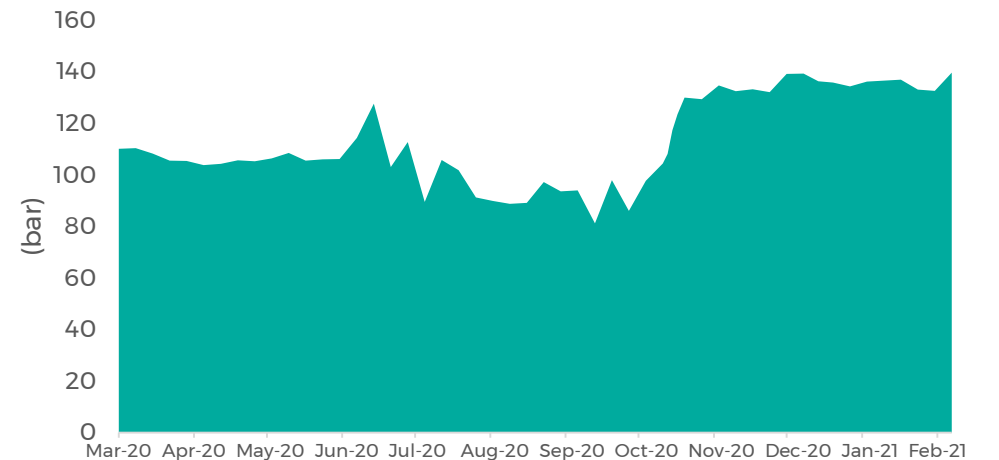
# POLVO REVITALIZATION



## 3<sup>rd</sup> PHASE RESULTS

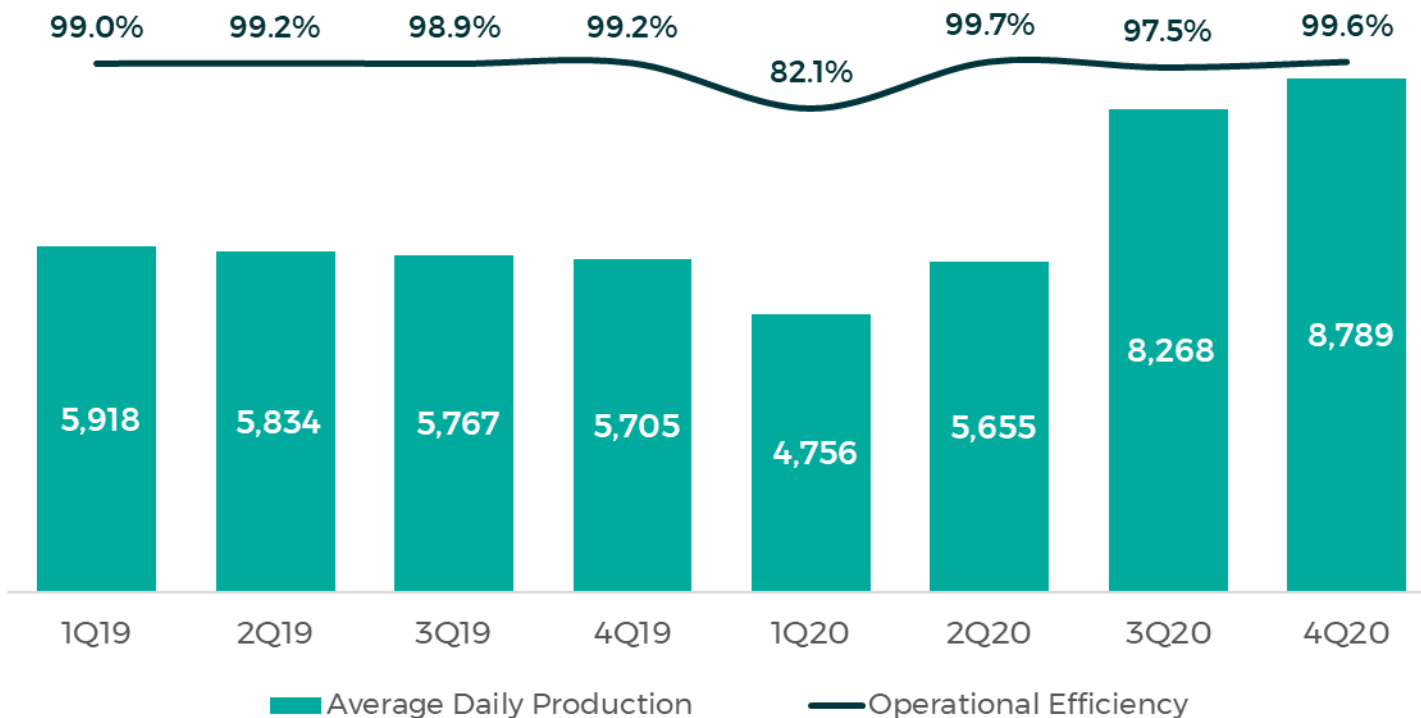
- > Less than expected decline in new Eocene well
- > Primary data indicates area larger than the initial estimates
- > Possibility for up to two new wells in the reservoir (infill drilling)

### New POL-L Well Pressure (Eocene)



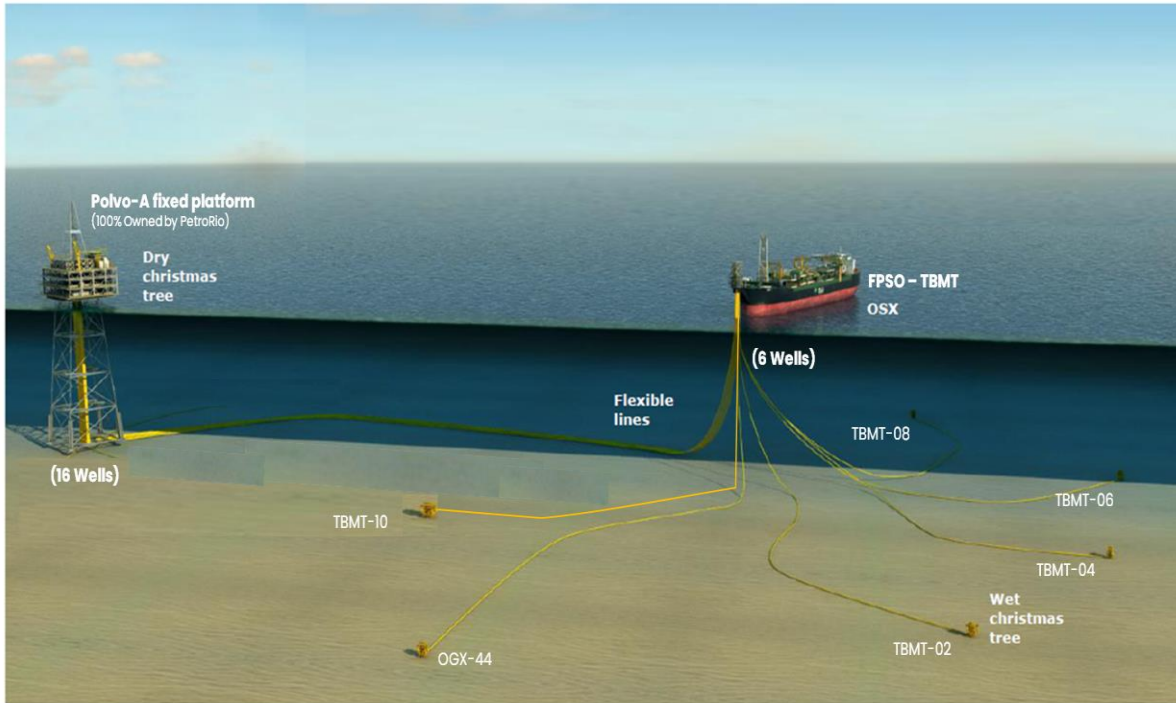
# OPERATIONAL PERFORMANCE - TUBARÃO MARTELO

Average Daily Production and Operational Efficiency  
Tubarão Martelo Field (100%)



- > PetroRio became operator in August 2020
- > Conclusion of the first phase of the Revitalization Campaign, with the start of production of the TBMT-4HP well, increasing the Field's production levels in 40% (up to ~8,8 kboed).
- > High standards of operational efficiency maintained

# TIEBACK POLVO-TUBARÃO MARTELO AND TBMT 10



- > 42% of physical progress and US\$ 20.5 MM spent on the **Polvo + TBMT** tieback project, including, mainly, the design, order and initial manufacturing of flexible pipelines, risers, umbilicals and equipment
- > Expected completion in Jul/21
- > Expected connection of TBMT 10 well in Sep/21



- > Manufacture of the spool of the new production line (Polvo A)



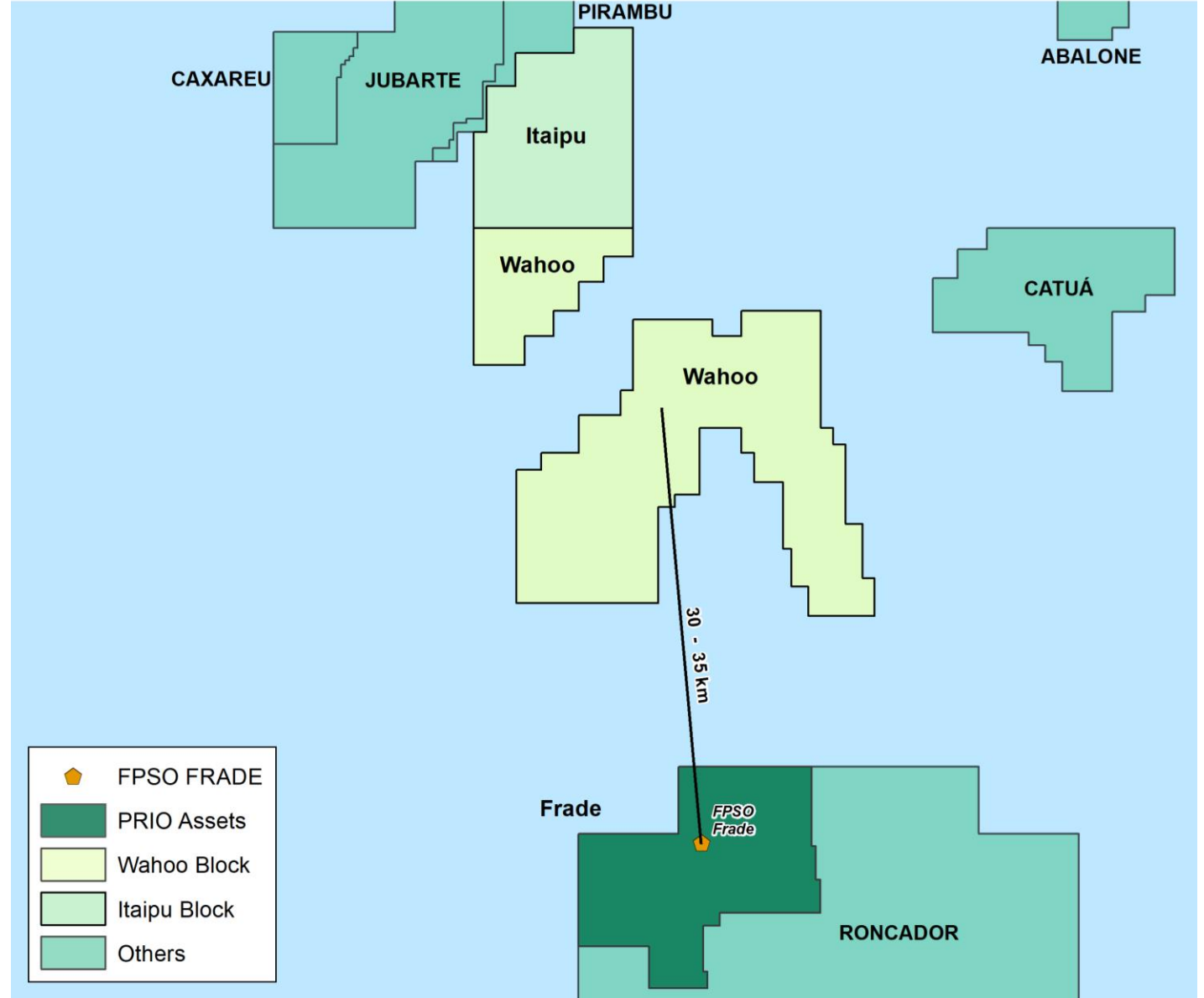
- > Manufacture of the flexible lines

# WAHOO ACQUISITION

- > In November/2020, PetroRio announced the acquisition of interests of 36% in **Wahoo** and 60% in **Itaipu**, two pre-salt blocks in the Campos Basin with significant oil discoveries.

## Wahoo Specifications

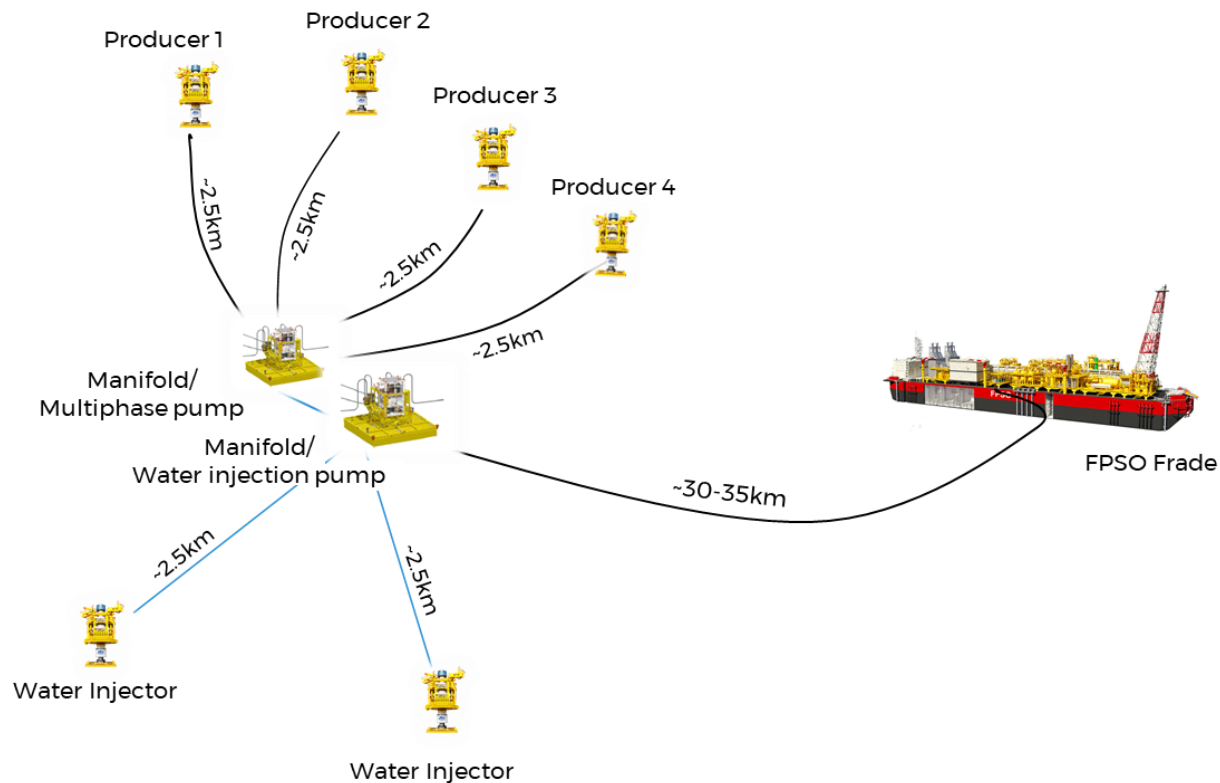
- > Potential to produce more than 140 million barrels
- > Located 30-35 km north of Frade
- > 1,400m water depth
- > Carbonate reservoir at the pre-salt layer
- > Oil with 30° API and low viscosity
- > Associated gas to generate energy at Frade FPSO



# WAHOO ACQUISITION



- > 4 pilot wells drilled
- > 3 wells with oil discovery and formation tests
- > New development project
- > Use of the existing Frade's infrastructure



## Technical Information

- > Drilling of 4 producer wells and 2 injector wells
- > Deployment of a subsea manifold with multiphase pumps
- > 30-35km tieback between the manifold and Frade FPSO

## Production

- > Expected production: ~10k bbl/d per well (~40k bbl/d for the Field)
- > Added reserves: ~140 MMbbl (100% of Wahoo)

# FINANCIAL HIGHLIGHTS

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- > Net revenues of R\$ 1,9 bn in 2020, 16% higher than 2019.
- > Adjusted EBITDA of R\$ 876,7 MM and net income of R\$ 528 MM (ex IRFS-16)
- > Reduction of Net debt/Adjusted EBITDA to 1.2x
- > US\$ 65 per barrel hedge contracts for the 1Q20 offtakes ensured cash generation in the pandemic
- > Debt renegotiation with Chevron and conversion of the Prisma financing into a long-term Project Finance
- > Conclusion of the follow-on in Jan/21, increasing the cash position by R\$ 2 bn
- > Closing of the acquisition of 30% interest in Frade

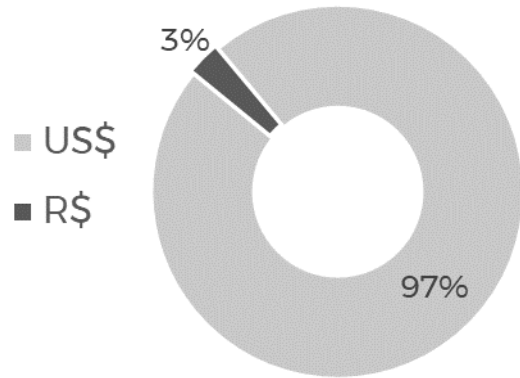
# FINANCIAL PERFORMANCE

(R\$ thousands)

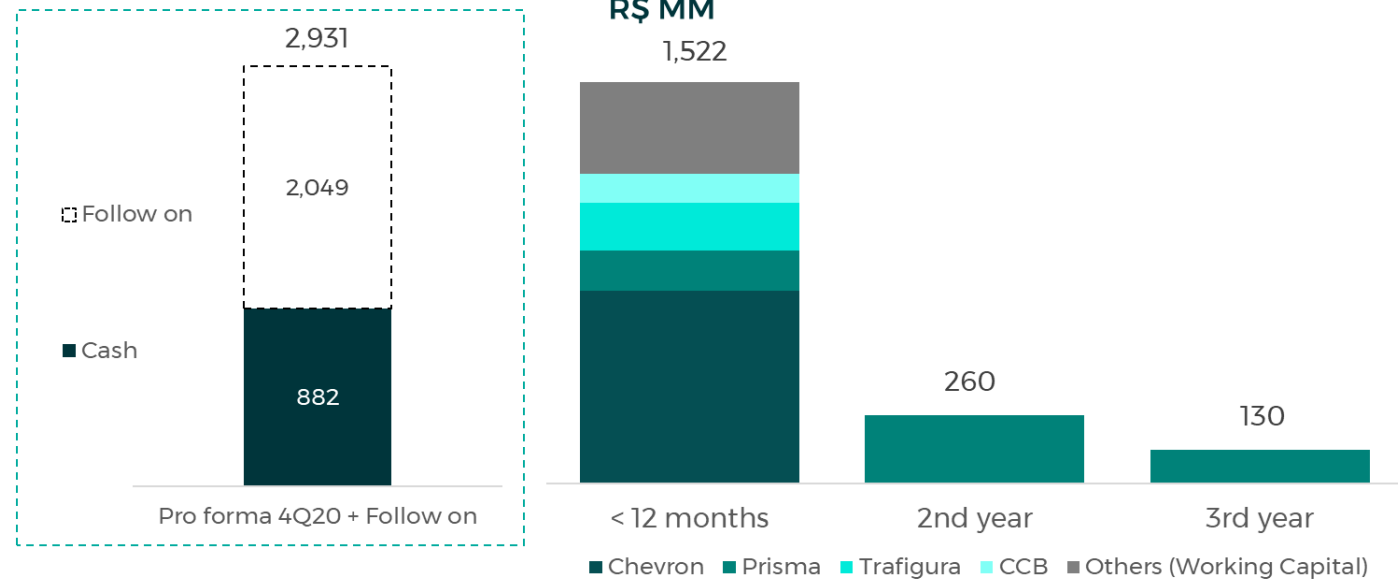
	Ex IFRS-16			Accrued - Ex IFRS-16		
	4Q19	4Q20	Δ	2019	2020	Δ
<b>Net Revenue</b>	<b>557,995</b>	<b>880,035</b>	<b>58%</b>	<b>1,644,346</b>	<b>1,904,185</b>	<b>16%</b>
Cost of goods sold	(168,742)	(295,836)	75%	(572,199)	(724,924)	27%
Royalties	(48,314)	(74,819)	55%	(143,780)	(152,552)	6%
<b>Operating Income</b>	<b>340,939</b>	<b>509,379</b>	<b>49%</b>	<b>928,367</b>	<b>1,026,709</b>	<b>11%</b>
General and administrative expenses	(39,876)	(44,291)	11%	(124,835)	(150,020)	20%
Other operating income (expenses)	517,819	430,222	-17%	420,007	692,354	65%
<b>EBITDA</b>	<b>818,881</b>	<b>895,310</b>	<b>9%</b>	<b>1,223,539</b>	<b>1,569,044</b>	<b>28%</b>
<b>EBITDA margin</b>	<b>147%</b>	<b>102%</b>	<b>-45 p.p.</b>	<b>74%</b>	<b>82%</b>	<b>8 p.p.</b>
Depreciation and amortization	(180,862)	(243,489)	35%	(370,754)	(702,088)	89%
Financial Results	(28,546)	32,787	n/a	(252,713)	(307,692)	22%
<i>Hedge Income - Realized</i>	772	(49,874)	-6562%	(3,902)	111,949	n/a
<i>Hedge Income - Marked to Market</i>	-	-	-	5,467	134,572	n/a
<i>Other financial income (expenses)</i>	(29,318)	82,661	-382%	(254,277)	(554,213)	118%
Income and social contribution taxes	164,664	(8,789)	n/a	301,344	(31,167)	n/a
<b>Income (loss) for the period</b>	<b>774,137</b>	<b>675,820</b>	<b>-13%</b>	<b>901,416</b>	<b>528,097</b>	<b>-41%</b>
<b>Adjusted* EBITDA</b>	<b>301,062</b>	<b>465,088</b>	<b>54%</b>	<b>803,532</b>	<b>876,689</b>	<b>9%</b>
<b>Adjusted EBITDA margin</b>	<b>54%</b>	<b>53%</b>	<b>-1 p.p.</b>	<b>49%</b>	<b>46%</b>	<b>-3 p.p.</b>

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

# FUNDING



## Amortization Schedule



### Vendor Finance (Chevron)

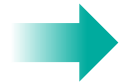
#### Original

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 (Bravo FPSO and TBMT acquisition)

#### Original

US\$ 100 million

4 months term

8,95% p.a.



#### New Amortization Schedule

US\$ 25 million in Jul-21

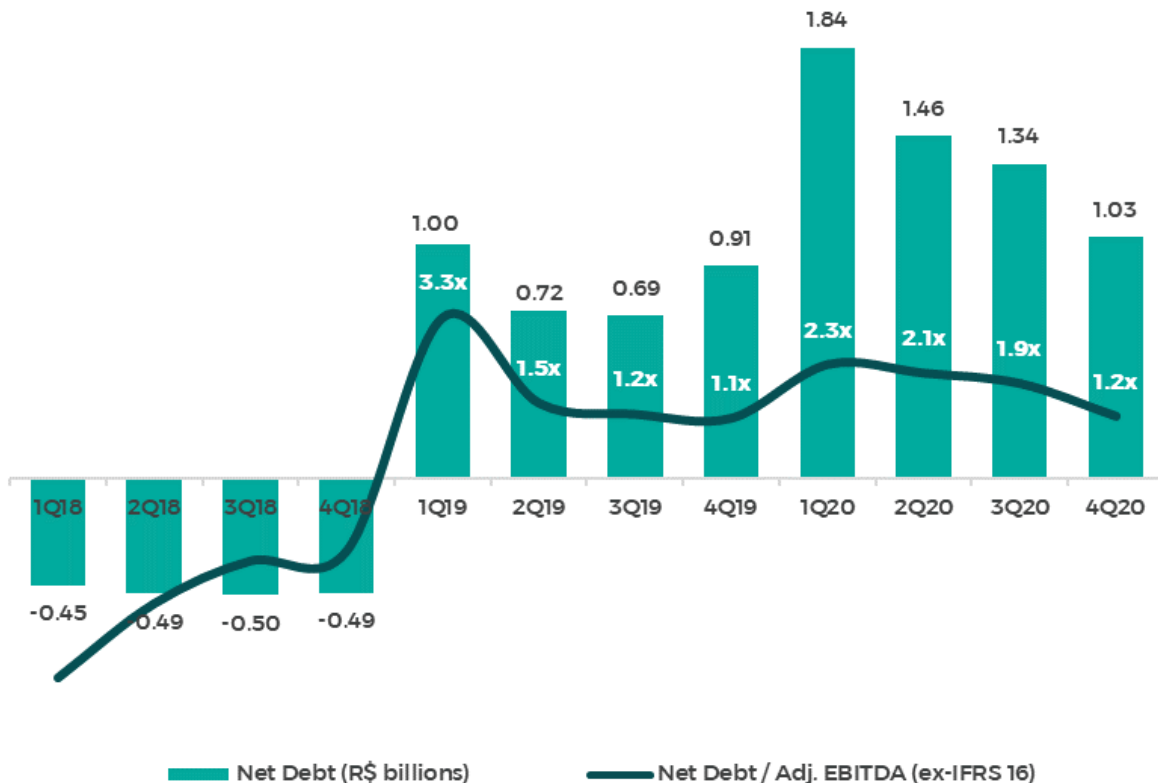
US\$ 25 million in Jan-22

US\$ 25 million in Jul-22

US\$ 25 million in Jan-23

8.95% p.a.

# DELEVERAGING



## Factors that impacted Net Debt/EBITDA:

- > The **R\$ 528.1 million** financing with Prisma Capital has been entirely accounted for in the Company's balance sheet, without its corresponding LTM EBITDA counterpart, since the conclusion of the **Tubarão Martelo** acquisition took place on August 3, 2020;
- > Does not include the funds obtained from the issuance of shares in the beginning of 2021, which will be recognized in 1Q21 results.

Upon adjustment considering the Follow-on, the Company would have approximately **R\$ 1 billion** in net cash.

# OUTLOOK

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Continuous focus on our employees and contractors' health and safety.



Conclusion of the tieback between **Polvo** and **Tubarão Martelo** expected for mid-2021



Organic growth: TBMT 10 well and Eocene well



Start of the **Frade** Drilling Campaign



Tieback project between **Wahoo** and **Frade** and declaration of commerciality after ANP approval



Inorganic growth through focus on M&A opportunities

# Q&A

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**PetroRio**