

Q2 2018 Earnings Call

Company Participants

- Milton Rangel, Head of Finance
- Nelson Queiroz Tanure, Chief Executive Officer
- Roberto Monteiro, Chief Operations Officer
- Unidentified Speaker

Other Participants

- Unidentified Participant

Presentation

Operator

Good day, ladies and gentlemen, welcome to the Conference Call to discuss Second Quarter 2018 results of PetroRio. Thank you for standing by. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for analysts and investors when further instructions will be provided. (Operator Instructions).

This event is also being broadcast simultaneously over the Internet via webcast and may be accessed through PetroRio's Investor Relations website at www.petroriossa.com.br/ir by clicking on the banner 2Q'18 Earnings Release.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call related to Company's business perspectives, projections and upgrading and financial goals are based on the beliefs and assumptions of PetroRio's management and on information currently available to the Company. Forward-looking statements are not a guarantee of success. They involve risks, uncertainties and assumptions as they are related to future events and depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of PetroRio and could cause results to differ materially from those expressed in such forward-looking statements.

I would now like to turn the conference over to Mr. Nelson Queiroz Tanure, CEO; later to Mr. Roberto Monteiro, COO; and to Mr Milton Rangel, Head of Finance. Please go ahead, Mr Tanure.

Nelson Queiroz Tanure {BIO 20365123 <GO>}

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Good day, everyone, and thank you for joining us in this webcast to discuss the results of the second quarter '18. Before we begin, I see that there is a great number of people who work at PetroRio on this call. I'd just like to say that this makes me very happy. Folks, it's great to see so many of you listening to the results of our Company. For our investors, joining us today, a quick comment, all of us at PetroRio are also investors. There is a great alignment of incentive, which is good for us working here for the Company itself and for you who invest in PetroRio. So this is just a quick comment that makes me very happy.

I'll make some brief comments about the results of the second quarter because the afterwards Roberto, our Chief Operations Officer, will give you details on our drilling campaign and on the performance of our assets, then Milton Rangel, our Head of Finance, will make some comments on the financial performance of the Company.

Regarding the second quarter, it suffices to say that this was the best quarter in the history of PetroRio. We posted a record revenue for a quarter, the highest adjusted EBITDA ever and the highest operating result. So, all very positive. The drilling campaign is going very well. We have increased production at the field exactly when the Brent crude oil prices increased and when the dollar appreciated vis-a-vis the Brazilian real. That helped a lot to performance at the field. In addition, Manati field continues to perform very well with a constant, steady, solid performance. And PetroRio an independent company focused on costs has been making its contributions to the consortium where Petrobras is the operator.

So the quarter was very positive, but I would like to make some quick comments about this quarter, some reflection. The first consideration is that even with a very positive quarter, in line with some consecutive positive quarters one after the other and we expect to maintain the sequence in trend, what really matters to us is long lasting value creation. We want the Company to grow very sustainably with a short, medium and particularly long-term horizon that is very solid. I just wanted to share with you our vision to build a very solid company, a strong company. This is as important as or more important than delivering good quarterly results.

Next, I would like to congratulate our operational team that has been doing excellent work. We have dedicated a lot of effort to this campaign, both the reservoir engineering team were devoted to studying the seismic data, and the whole drilling engineering team. Roberto is going to give you more on that, but all of this has made us very, very proud.

Well, another quick comment about the Company's performance and mainly the performance of Polvo. Firstly, an oil and gas company that is independent and focused on mature fields can have its action more or less divided into two stages. The first part is when we acquire a mature field, then you focus on increasing production and having a very efficient cost structure. Always, privileging the part of health, safety and the environment. Healthier safe operation is of utmost importance. Anyways, this first phase is essentially to increase production and have a very efficient cost structure with a lot of safety. The second stage is the one that we have just completed. Actually, we had our pathway to it, but the fact that we have started it and completed some wells gives us in a way the credentials of being a very efficient operator of matured fields. Essentially, in

Brazil, we are now seen as a company that acquires matured fields, increases productivity and improve the cost structure.

And in this drilling campaign, we intended to drill three wells, we have drilled two and had some economic discoveries, we found a significant volume of oil in these two wells. And now we're drilling the third well. We have communicated these results to the market on a timely basis. But this period of drilling new wells concludes the cycle of a complete independent operator.

And my last comment about the drilling campaign that I would like to highlight is that our strategy, our mode of action to point the market is essentially to communicate the startup of operation and then when we get the results of the field -- of the drilling, we communicate the result. Oil and gas activities involve a lot of risks and uncertainties, so -- because we want to be in alignment and with consistency we prefer to communicate results. This is how we like to communicate with the market. The opposite would be to disclose expectation and then to have to justify and come up with excuses to explain why these expectations did not materialize. I just want to make clear our mode of action to communicate with the market, we have been working in this way, and we'll continue to do so, to communicate, we will.

And to conclude, I have spoken about how health, safety and the environment are vital and a priority for our company. What is most essential is to have a safe operation, respecting life, people's health and the environment. However, I want to share with you one last point, that makes me very happy, that actually makes for all of us at the company very happy, which is, every year, we launch an internship program, when we try to hire always 10 students, much more or less the number that we hire every year. And you go into the beginning of the life of the company back in 2015, when we opened these 10 positions, the demand saw a little lower our expectation, not many people get interested as we would have liked. As the company started to perform better and show more consistency, we saw the number of interested students increasing more and more.

But I just wanted to share something very very nice with you that you really like. Last year for 10 slots, we had more than 3,000 students interested in doing their internship at PetroRio. This year, the number was even better. We had 12,500 students interested in our internship program, 12,500 applicants for 10 slots. That makes our process very competitive and ensures that we are able to attract many -- very talented people, skilled people, who will bring more ideas to the company, more dedication. And this is the engine of our company to have very well prepared trained people, working under the management structure, that tries to always find what creates value to maximize its level and know what destroys value to minimize that. And with good people, we can have a better judgment process, to know what is really bad for the company. So this is all very good and that we are all very happy.

Well, with that, I now turn the floor to Roberto, Our COO, who will speak about the drilling campaign, about Polvo performance and Manati filed. Thank you.

Roberto Monteiro {BIO 16616322 <GO>}

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Thank you, Nelson. Indeed PetroRio had a very positive second quarter with many highlights to be mentioned. I will start the presentation on slide two speaking about Manati where PetroRio has a 10% working interest, that we're not the operator. Gas production was positively impacted by the fact that Southeastern thermal electric power plants, TPPs, worked at full power during the second quarter and also because of a depreciated exchange rate. Southeastern TPPs at full power limit the amount of gas dispatched from the Southeast to the Northeast and a depreciated exchange rate makes the Manati gas more competitive in the Brazilian market.

With all that, the volume corresponding to our stake was 41 million cubic meters in the second quarter, approximately 8% up compared to what was produced in the first quarter. Another good news about Manati is that in terms of cost, PetroRio is quite happy with our participation in the consortium. PetroRio has been always working closely with the operator making several suggestions for cost optimization. Most of the times, these suggestions have been implemented, and we have been having better and better results.

So, regarding costs referring to our stake at the field, in the first quarter of 2018, the monthly average was BRL1.7 million, 40% lower than the average of the first quarter '17. Thus, so far, Manati seems to be moving towards a good result in 2018.

I'll now turn our attention to Polvo on slide three please. As you all know, Polvo is our main asset. We are the operator at Polvo, we have a 100% stake in this asset. In the second quarter, Polvo was -- with positive achievements as well, most of them referring to the drilling campaign, but before I talk about the drilling campaign, I would like to highlight some operational marks that in our opinion were quite significant. In terms of volume produced, if I look at the second quarter compared to the first quarter '18, we've seen increase of approximately 30%, but in my opinion what illustrates this volume increase better which is obviously related to the drilling campaign is when we compare the average produced in April up 7,200 barrels a day with our current production of around 10,700 barrels, in other words, a 50% increase.

Regarding operating efficiency, the second quarter did very well too. We again hit the mark of 98.8% operating efficiency. This is the uptime of the field, in other words, the time during which the field was operational during the quarter, 98.8% of the time, even amidst a drilling campaign, when the good part of the team is concentrated on other activities other than production itself. These levels are comparable to the record marks we had in 2017.

Please go to slide four. Here we show you austerity and discipline with operating costs of the field which continue to run that way. With increased production, we were able to reduce our lifting costs from around \$40 per barrel to about \$27 per barrel. So costs continue under control. Operating efficiency is back at record levels and production is increasing satisfactorily with our drilling campaign.

Well, now I will speak about the drilling campaign itself. And this is on slide five, actually, slides five and six. Before I speak about this drilling campaign, I would like to convey a message regarding our strategy to create value in matured fields in our view actually. The

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first stage of value creation is marked by a strong cost reduction, an increase in operating efficiency, and increased production in existing wells. This was, for example, the case of the workovers campaign in 2016 when we increased production by 20%. Now obviously, costs and operating efficiency are items that are on our agenda every single day. Obviously, in terms of costs, cutting and reducing costs are always more dramatic in the beginning, but it's something that is part of our culture. We focus every day to have efficient costs and high operating efficiency.

Well, the second stage of value creation involves drilling wells near the field normally in reservoirs similar to those producing reservoirs and this is exactly about this that we will speak now, the drilling campaign that we are conducting in 2018 .

With that, I will go back to 2015 and tell you the history of this campaign. Firstly, we did a seismic reprocessing of over field. With the seismic reprocessing, we identified some opportunities to increase production, the simplest one were addressed in that workovers campaign in 2016. Those were opportunities that did not require new wells and we found opportunities that we required new wells and these became prospects. We then got these prospects around the year of 2017 -- 2017 I guess, we did a selection of these prospects and presented them to a group of geologists and reservoir engineers with a vast experience in carbonate and sandstone reservoirs in the composed basin. We called this a peer review. It is quite common in the oil producing companies -- in large oil producing companies. Here, since we do not have enough people, we have approximately a 100 people. So we don't have such multidisciplinary groups. So we called independent people to analyze our prospects, we did a presentation to these people and they -- these technicians also approved the prospects. So we created a portfolio of prospects. Of this portfolio, we selected three prospects to submit to our Board of Directors for approval. These three prospects were one in a carbonate reservoir and two in sandstone reservoirs, the Board approved drilling and an investment of about \$50 million to \$60 million for these wells, \$50 million to \$60 million as long as these wells have oil. So they would be drilled and then completed.

The first of them was Pol-H, it was drilled and completed in 50 days, a carbonate reservoir with an initial flow rate of 2,600 barrels a day and oil of about 20.5 degrees API in a reservoir with good porosity -- a carbonate reservoir of good porosity. The second well was Pol-Z, which was drilled and completed in 60 days. This was a sandstone reservoir with an initial flow rate of 2,000 barrels a day and oil of 19 degrees API, a slightly heavier oil in a reservoir with an average of more than 20% porosity. Well, currently we are drilling Pol-M which aims to reach another sandstone reservoir and you can find the drilling campaign schedule on slide six.

The whole drilling campaign as we mentioned should cost between \$50 million to \$60 million. We hope it will cost closer to \$50 million than \$60 million. Overall, we are very confident and happy with the results obtained so far with these two wells that are already producing oil. It is always important to remember that drilling wells is an activity that involves a huge diversity of tasks that needs to happen in synchrony with several different suppliers and teams working 24/7. So it is indeed a difficult challenge that we have handled quite well with excellent results. The series that we had, there we created when we reprocessed the seismic data were all concerned regarding the carbonate reservoirs

and sandstone reservoirs as well, which gives us more of visibility of being able to launch new drilling campaigns in the coming years. I would like to thank the whole PetroRio team for their dedication and discipline, for their teamwork, their methodology, always applying meritocracy all the time along this process.

I turn the floor now to Milton who will continue with the presentation. Thank you.

Milton Rangel

Thank you, Roberto. Very well, please go to slide seven where I would like to go over the financial highlights of the second quarter. As a consequence of everything positive mentioned by Nelson and Roberto, PetroRio reached its highest revenue ever reported in its history of BRL239 million and this is an important milestone for us -- a very important milestone. We knew that both the oil price and exchange rate worked as tailwinds for us to reach these results and when we add whole visibility to deliver and our financial discipline, which is a strong trademark of our identity, all of that allowed PetroRio to post also the highest operating result ever recorded in a quarter of almost BRL120 million, equivalent to more than 130% increase compared to the same quarter of the previous year. We also recognized the EBITDA of around BRL85 million and net income of over BRL70 million in the quarter, both with two-digit percentage increases, quite significant in the year-over-year comparison. Definitely, we see here one of the best results ever posted by PetroRio in its history consolidating our ability to deliver good results.

One point that I would like to underscore and which is relevant is that refers to well of this campaign as explained to by Roberto, Pol-H started production in the end of May. And the second well, Pol-Z, started producing oil in the end of July. So, my point here is that this quarterly result does not really reflect most of what has already been produced with this project. With that, we expect that all of this positive impact will be mainly captured in the next quarters of the company.

Moving on to slide eight please. Here we see a chart that tracks the Brent crude oil price recovery in the last 12 months, indicating an average of \$75 per barrel in the second quarter. In the bottom table that shows overall offtakes, we had one offtake happening in the first quarter and two offtakes in the second quarter totaling

1,255,000 barrels in the quarter.

And there is something very interesting to note here, all of this success that Polvo is delivering will allow us to increase the frequency of offtakes looking forward. And this is very positive proposal in PetroRio because with that we can increase the liquidity of the company, have more frequent offtakes and consequently reduce the need for working capital as well. So there are some important financial benefits resulting from this success.

Moving on to the next slide, slide nine please. We have here basically a summary of our income statement. Well, I will not dwell on the details of every line item and rather I will focus on what I think is most important about this statement. We had a significant EBITDA increase both in the quarter and in the first six months. And what is really interesting is

that, net of non-recurring items we observe that the adjusted EBITDA margin practically tripled in the first six months and more than doubled in the quarter, increasing to close to 40%, up from 15%. This is direct operational result for the company, it is a clear cash generation. This helps position PetroRio as a differentiated company with excellence in the recovery of matured fields with a focus on generating value to its shareholders through a highly efficient management of its assets.

Continuing on to slide 10 where we see the breakdown of our cash flow in the second quarter for the company, we can see that, from the operating standpoint, adding revenues, costs, and royalties, the company generated more than BRL18 million in the quarter. Also, we had a positive result in terms of our financial results and funding corresponding to some credit facilities for working capital and there was also an outlay of 47 million in the CapEx line which basically relates to the revitalization plan of Polvo. An important point to highlight is that what we see here impacting our cash is a lot more related to the consumption of cash in the Polvo campaign and reflects practically nothing in terms of cash generation resulting from this campaign. This will be captured for sure in the coming quarters. But still, the Company was able to end the quarter with a very robust position, BRL760 million including our oil inventories.

Well, now to end our presentation, please go to slide 11, I'd like to speak briefly about the outlook for the Company. We saw an improvement in our contribution margins with the stabilization of oil prices. Basically, as mentioned before, Brent crude oil price recovered in recent months. In addition, we managed to bring about a significant reduction in operating cost per barrel, so we begin the year with the lifting costs around \$40 per barrel and now closing the quarter in June lifting costs dropped to close to \$27 per barrel, which is very relevant, shows important resilience of the asset and this big difference is captured as cash generation for the Company.

In addition, as mentioned a couple of times before, we have a 50% increase in production with the two new wells. This 50% increase in and of itself is transformational for Polvo Field and proves PetroRio's excellence in the recovery of matured fields. And in addition, there is also the third well in which we are working hard and we hope for a positive result. As for deals and negotiations to acquire other matured fields, which is another big priority for the Company, we have a rather robust pipeline of opportunities, we try to find new angles to do business, and we are very optimistic regarding a positive outcome in the near future. We know that, unfortunately, these negotiations tend to last a little too long. There are many stakeholders involved, these are long fields that involve a lot of money so -- but we were very focused to bring good news in the foreseeable future for the Company.

Still on the M&A front, another aspect that is also very important to enable these acquisitions has to do with access to this credit market. PetroRio, with all these positive results and with this solid and robust balance sheet that we've been posting, we believe that the Company is at a mature moment now to increase its leverage in order to increase the Company's firing power to materialize these possible acquisitions that we are working on. Also, in this quarter, we had some really good news. Because of a re-evaluation by S&P, there was an increase in the rating of (inaudible) of three notches, we had an

upgrade from BRA plus BRAA plus in the national scale. So this reinforces there's excellent positioning of the credit thesis of the Company.

And finally, we also had another good piece of news that. PetroRio -- our PetroRio shares joined the Small Caps Index and also we have the start of the options series of PetroRio being traded at DJ. This joining the Small Caps Index is good because in addition to the whole operational success that we're seeing at Polvo, we started enjoying now recognition on the commercial and investor relations side and this is very positive for us because indeed we have been working hard to tell our story correctly to show our trajectory and how we are building the Company. We have been very well accepted by market, more and more we see greater interest on the part of different classes of investors from individuals to institutional investors that have billions in assets under management. And this to us is really great satisfaction. We can more and more deliver an increasing daily trading volume of our shares reaching much higher levels than -- much higher levels than what we had one or two years ago, putting the Company at a whole new level in terms of trading and liquidity.

Last but not least, I would like to thank all of you for joining us in this conference call. I would also like to thank all of PetroRio's employees. Each and everyone of you contributed a lot for us to deliver these very good and positive results which reinforces our goal to strengthen the fundamentals of the Company, to strengthen the history of PetroRio, and to prepare the Company for its future, which is undoubtedly very promising. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for analysts and investors. (operators instructions). We have a question sent via webcast by Mr. Marcelo Coutinho [ph] .

Q - Unidentified Participant

Regarding the second well drilled at Polvo, I would like to know if the flow rate was expected, and what is the lifting cost considering the current oil prices, if you are successful in drilling the third well?

A - Unidentified Speaker

Well, regarding the flow rate of the second well, yes, it was -- it met our expectations. It is important to highlight that our reservoir engineering team always works with a range of production values and this number is within that range. And this is why in the presentation, I said that our theories were confirmed with these two wells. So, yes, the flow rate was expected.

Regarding the production cost, it is a little hard to give you a guidance for the third well. At the moment, we are working on drilling the third well and then we will really depend

on the flow rate and so one and so forth. What we can affirm at this point is that our production costs already considering the second producing well should be at around \$27 per barrel, as we mentioned, and then the third well, yes, it starts producing oil, this amount should drop, but it's kind of hard to give you exactly what the number is with these because it really depends on the flow rate and the production range of the third well.

Operator

The next question was sent by Clougie [ph] Miller. What discounting dollars are for -- in the branch for Polvo oil.

A - Nelson Queiroz Tanure {BIO 20365123 <GO>}

Hello, this is Neloson speaking. Range regarding discount for Polvo is 2016. The Company is negotiating oil to Luxembourg and since they started trading our oil, the discount has been improving a lot year after year. Lately, in the latest offtakes, the discount was close to \$3.

Operator

(Operator Instructions) The next question comes from Daniel Alberuni [ph] , CTM.

Q - Unidentified Participant

Good day, everyone, and congratulations on the results that shows that you're doing fantastic work. Could you please give us more detail on the drilling campaign? Given the success of the drilling campaign and on the size of Polvo, can we expect any campaign for 2019? What is the potential size of Polvo Field in in terms of exploration capacity?

A - Roberto Monteiro {BIO 16616322 <GO>}

Hello, this is Roberto speaking. Well, this campaign was very, very interesting because it proved some ideas that we had regarding the productivity at the field and regarding some sandstones close to the field. So since 2015 when we started reprocessing the seismic data, we identified a number of prospects and we started filtering them down analyzing risks and so on and so forth, and came to our short list. We analyzed not just the lowest risk, but prospects that could prove our thesis. So we had a short list of three prospects, but having said that, we still have a number prospects that have not been filled. As we are successful with these three wells, these other prospects will become viable and very, very interesting. So, my answer to you is, yes, we do have a great expectation of running another exploration in at least one more in 2019 and perhaps others in the future. Another interesting thing is that in our platform we have licensed six plus to drill so we could put into production today without having to ask environmental licensing, without having to invest any additional CapEx than the CapEx for the wells, we could have another six. So the Company has the capacity, has prospects in our pipeline, there's space in our platforms, so I guess that 2019 most likely, we'll have another campaign.

Q - Unidentified Participant

Excellent. Thank you, Roberto.

A - Roberto Monteiro {BIO 16616322 <GO>}

You're most welcome.

Operator

Our next question comes from Juan Saldana [ph] with (inaudible) America.

Q - Unidentified Participant

Good afternoon, Nelson, Roberto, Milton. In the first place, I'd like to hear from you, how did you do the hedge for the offtake of oil for the second half? What volume estimates did you consider for that hedge?

A - Nelson Queiroz Tanure {BIO 20365123 <GO>}

Hello, Juan. This is Nelson. Thank you for the question. As for the hedge, we are growing company. So we have to be all the time managing our risks and analyzing possible upsides and downsides regarding our cash generation. So the hedge proposal for this quarter was made when we observed that the oil price had increased a lot, it was close to \$80 a barrel. We thought that, that level was a good entry point, so we decided to hedge approximately 1 million barrels, which is a good number that we will be selling in the second half of the year. So the hedge was done with the idea of protecting a good part of our production in the second half of the year. To quickly explain our strategy, we have a caller that basically ensures a minimum price of \$75 and a maximum price of 90 -- nine, zero. So the price of the barrel between \$75 and \$90, we will get our revenue of the value in that range, anything below that range, we can have a minimum price of \$75 per barrel, for us, for example, at this moment, this is a very successful strategy because the crude oil is trading at around \$72, \$73 per barrel. So, just quickly a correction, we had 2 million barrels, not one, two.

Q - Unidentified Participant

I have one question, you said a minimum \$75 and maximum of \$90, regarding this minimum price of \$75 per barrel, should we add the \$3 discount that Nelson mentioned earlier or this price interval already takes into account the discount of PetroRio oil compared to the Brent?

A - Unidentified Speaker

No, it does not include the discount. This is just considering the Brent reference price. Once upwards that, we would have to consider the discount.

Q - Unidentified Participant

So in a more conservative scenario, as far as I understood, you would be ensuring a price of \$72 per barrel of PetroRio's oil. Is that correct?

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A - Unidentified Speaker

Yes, it is an estimate, and just to be very accurate when we hedge, we have different windows for our offtakes, practically one a month. So we had this range of \$75 to \$90 for three of these offtake windows and by the end of the year I think the range is between \$70 and \$90. So depending on the offtake, we have a different range, but with the minimum being between \$75 and \$70.

Q - Unidentified Participant

Okay. For 2 million barrels for the second half?

A - Unidentified Speaker

Yes, 2 million barrels for the second half of a '18.

Q - Unidentified Participant

And I have a second question that has to do with lifting costs. On page six of the presentation you included a downward monthly curve, April, May, June, reaching in June, \$27.85. The June data corresponded to an average production slightly under 9,200 barrels. Roberto mentioned earlier that you would be running with a second producing well at around 10,700 barrels. So, I ask, you mentioned about \$27, won't you think that it is a little higher considering \$27 lifting costs would be too high for the second half?

A - Unidentified Speaker

I think that these \$27 would be like a cap or a floor. It would be an idea, a guidance. On the other hand, we have some few operational contracts that have an escalation considering oil prices. So let's take 27 is a good number for us to work with considering the second well, given the Brent crude oil price between \$75 and \$80 a barrel. And this is considering the production of the second well. Now obviously, we always are very keen to bring this number down something below 27. But I guess that first we do our math for now, this is a good number.

Q - Unidentified Participant

Thank you.

Operator

Our next question was sent by Mr. Leonardo Cotero [ph] . Dear all, congratulations on the results. Could you speak, how you see the capital structure of the company for the future and how the M&A strategy fits that equation having cash -- having cash the next M&A will be done with what ratio of equity.

A - Nelson Queiroz Tanure {BIO 20365123 <GO>}

Leonardo, thank you for the question. This is Nelson. In the first place, the company is very active in the M&A front. Both in Brazil and abroad, we dedicate a lot of effort to the M&A front to identify assets that could be acquired or that are already for sale. In terms of the

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cost structure, the company has few cash generating assets and we have very low leverage and a cash balance, which is quite solid. So, when we look at these acquisitions, we always seek to get some leverage higher than the assets can hold and we always consider partnerships with your companies and investment funds as long as everyone is on the same page regarding efficient management with 100% focus on safety and cash generation. So to recap, and to be very objective, the idea is to have some leverage to acquiring assets, we're talking about debt, partnerships with other companies and funds to share the equity with us, but depending on the situation, we'll also consider increasing our capital structure.

Operator

Next question is Juan Saldan [ph] .

Q - Unidentified Participant

My question has been answered. Thank you very much.

Operator

(Operator Instructions)

There's a question sent by Mr. Calvin. To add value to shareholders in the future, does the company intend to reinforce its cash or do you intend to have a dividend payout to shareholders?

A - Nelson Queiroz Tanure {BIO 20365123 <GO>}

Calvin, this is Nelson speaking. We're a company focused on growth and use our cash to acquire new assets. We don't really think about dividend payout, so we have a long-term vision, we believe there are many opportunities both in Brazil and abroad. And that's about (inaudible), with our current assets in Polvo, there is a lot of potential. So we want to use our cash to drive growth of the company.

Operator

This concludes today's question-and-answer session. PetroRio conference call for today is close. Thank you very much for your participation and have a good day.

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