



EARNINGS RELEASE

4Q19 & 2019

Conference Call 4Q19 & 2019

February 20, 2020

Webcast: ri.petroriosa.com.br

Portuguese

15h00 (BRA)

Tel: +55 (11) 3193-1080

+55 (11) 2820-4080

Password: PetroRio

English

13h00 (NYC)

Tel: +1 (646) 828-8246

Toll Free (EUA): +1 (800) 492-3904

Password: PetroRio

The conference call will be
in Portuguese with simultaneous
translation to English.

Investor Relations

www.petroriosa.com.br

ri@petroriosa.com.br

+55 21 3721-2129



Rio de Janeiro, February 19, 2020 – The Petro Rio S.A. ("PetroRio" or "Company") (B3: PRIO3) presents its results for the fourth quarter ("4Q19") and FY 2019. The financial and operational information described below, except where indicated otherwise, is presented on a consolidated basis and in Reais (R\$) in accordance with International Financial Reporting Standards (IFRS) and includes the Company's direct subsidiaries: Petro Rio O&G Exploração e Produção de Petróleo Ltda., Petro Rio Internacional SA, PetroRio USA Inc., and its respective subsidiaries and affiliates.

Stock Information		12M Stock Price: PRIO3 x Ibovespa	
Ticker (B3)	PRIO3	330%	
# Shares Outstanding ex-Treasury Stocks	135,160,900	270%	
Market Cap (02/14/20) ex-Treasury Stocks	6,149,820,950	210%	
Last Price (02/14/2020)	R\$ 45.50	150%	
12-month Low - High	R\$ 13.49 - 48.80	90%	
90-day average trading volume	R\$ 74,565,682	-30%	

HIGHLIGHTS FOR THE YEAR



Net revenue of over R\$ 1.6 billion in 2019, an increase of 94% vs. 2018.



Total annual production increase of 64.6% y.o.y.



Company lifting costs reduced to US\$ 19.7/bbl in the last quarter.



Adjusted EBITDA (ex-IFRS 16) of R\$ 803.5 MM. Highest ever adjusted EBITDA margin (49%).



Operating cash flow of R\$ 569 million for the year.



OSX-3 FPSO acquisition and Tubarão Martelo farm-in in early 2020.

MANAGEMENT LETTER

"Throughout 2019, PetroRio has significantly increased its production volumes and reduced its lifting costs per barrel, improving the Company's profitability. Despite the US\$ 8 drop in average Brent prices when compared to 2018, the Company managed to overcome the more challenging environment and deliver important results, all of which can be credited to our team's determination.

Moreover, these accomplishments have been achieved while improving safety levels. Loss Time Incident Rate dropped 77% as a result of the safety-procedure-oriented discipline of our operations team. We can witness a sense of ownership encouraging them to share this responsibility with their colleagues.

Our continuous efforts to reduce costs and capture synergies have reduced the Company's lifting cost to US\$ 20/barrel in the last quarter, further improving our cash generation potential, despite volatile Brent scenarios. We at PetroRio believe that reducing lifting costs is the best hedge strategy against lower commodity prices and will continue to make these efforts a key aspect in our projects.

2019 was a standout year for our M&A team. We managed to complete four accretive transactions which will pave the way for future acquisitions to potentially be carried out.

*We maintained intensity in the M&A agenda through the end of 2019, resulting in a long-pursued acquisition: the farm-in of **Tubarão Martelo**, announced in early 2020. This transaction enables a tieback between **Polvo** and **TBMT**, unlocking further value accretive projects.*

Our team's sense of ownership is strongly tied to the Company's compensation package. 2019 began with 80% of our staff voluntarily taking part in our Stock Option Plan. In December, this number had risen to 86%.

The Company has continued to invest in a team devoted to its culture of constant improvement. As such, we believe we can do more with less, and do it even better. Our culture is present in every component of PetroRio's value chain, from recruitment, to our compensation package, our mentoring program, our staff's autonomy, our lean structure, our norms, policies, procedures, and, most importantly, our business model, which we seek to carry out ever more efficiently.

*Our current business model was first shaped with the acquisition of the **Polvo Field** in 2014. The Company was able to reduce operating costs and carry out EOR (Enhanced Oil Recovery) measures, increasing the Field's production. From that point, PetroRio was a newcomer with new strategy and techniques in the local oil and gas industry, historically known for its market concentration and focus on exploration.*

C.R.P.: "More efficiency = Safer Operation"

*After acquiring **Frade's** operation, these techniques were replicated and improved, consolidating the built-up knowledge. Key procedures were documented within a new technology, which we like to call **C.R.P.**: this management technology consists of three core pillars: cost rationalization (**C**), efficiency and meticulous reservoir management (**R**), and redevelopment aimed at increasing production (**P**) of its fields, thus increasing oil recovery rates and extending the useful life of its assets, while ensuring that safety and the environment remain as top priorities.*

*Our **C.R.P.** technology enables us to act with more safety, agility and to explore opportunities that appear within the appropriate profitability parameters.*

*We believe that the results achieved by the implementation of this technology in **Polvo** and **Frade** allow our business partners to see PetroRio as a solid and reliable Company. This confidence is a competitive advantage when pursuing new acquisitions at attractive valuations.*

The recent results also inspire us to increase our contributions to society. PetroRio continued promoting social inclusion initiatives throughout the year and concentrating efforts on reducing our operations' environmental impact; two key elements within the organization's values and for the people who represent us.

PetroRio believes that our team's and the environment's health are crucial to our business' sustainability and social well-being. PetroRio has strengthened its health and wellness program, replicating these initiatives in our fixed platform and the newly acquired Frade FPSO.

*Last year, we also reduced our emissions by 13%. These initiatives were associated with the cost reduction efforts in **Frade** and **Polvo**, through leasing fewer support vessels and lowering number of flights to these fields.*

We continue supporting the Instituto Reação, an NGO created in 2003 by Olympic gold medalist Flávio Canto and his coach, Geraldo Bernardes, which promotes human development and social inclusion through sports and education, and shares PetroRio's values – the pursuit of results and high performance, achieved through ambition and team spirit. Further, we continue sponsoring Teatro PetroRio das Artes, in order to fund local cultural activities. The theater, which was renovated and reopened by the Company a year earlier, enjoyed 20 premieres of plays and cultural activities in 2019.

After a year of important accomplishments, we believe PetroRio is well positioned in its path of social and economic growth. We will continue looking for potential acquisition targets and seek out attractive return profiles in our investments, while we maintain financial discipline in the assets purchased to date. Most importantly, we will continue searching for new ways to contribute to a more inclusive society.

We're confident that the drive that brought us this far will continue to move us going forward, and we count on our highly qualified team, giving their all to deliver even greater results."

OPERATING PERFORMANCE

	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019	2019x2018	4Q19 x 4Q18	4Q19 x 3Q19
Avg. Brent	\$ 68.60	\$ 71.69	\$ 63.83	\$ 68.47	\$ 62.03	\$ 62.42	\$ 64.16	-10.5%	-9.0%	0.6%
Avg. Sales Price	\$ 63.23	\$ 69.69	\$ 64.40	\$ 68.61	\$ 62.31	\$ 62.88	\$ 64.68	-7.2%	-0.5%	0.9%
Avg. Exchange Rate	3.81	3.66	3.77	3.92	3.97	4.12	3.95	7.9%	8.2%	3.8%
Final Exchange Rate	3.87	3.87	3.90	3.85	4.16	4.02	4.02	3.7%	3.7%	-3.3%

Offtakes (kbbbl)										
Frade Field (70%)	n/a	n/a	n/a	975	995	1,398	3,368	n/a	n/a	40.5%
Polvo Field (100%)	1,108	3,056	545	1,025	508	930	3,008	-1.6%	-16.0%	83.1%

Production (boepd)										
Frade Field (70%)	n/a	n/a	n/a	9,824	9,865	13,639 ¹	8,533	n/a	n/a	38.3%
Polvo Field (100%)	10,055	8,598	9,567	8,523	8,070	7,478	8,403	-2.3%	-25.6%	-7.3%
Manati Field (10%)	3,025	3,075	2,033	1,776	2,413	2,859	2,273	-26.1%	-5.5%	18.5%
Total PetroRio	13,080	11,673	11,600	20,123	20,348	23,976	19,209	64.6%	83.3%	17.8%

Lifting Cost (US\$/bbl)										
PetroRio	30.6	32.6	30.8	24.0	22.9	19.7	22.9	-29.8%	-35.6%	-14.0%

¹ From April through September, PetroRio had 52% W.I. in the Field. In October, the interest increased to 70%.

The operational highlight for 2019 was **Frade Field's** contribution to PetroRio's 64.6% increase in production volumes compared to 2018 and 83.3% in 4Q19 compared to the previous year.

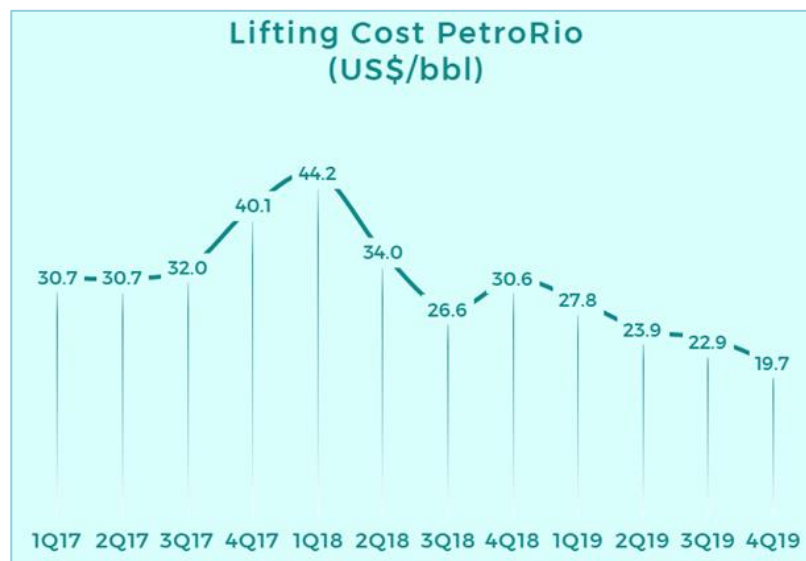
In addition, the field's production was 15% higher than the estimated volume for the year-end, considering the calculated natural decline for the period at the time the asset was incorporated. The increase is due to several well interventions undertaken to increase production and curb the Field's depletion, such as bullhead gas injection, reopening hydrated wells, flow improvement and choke openings.

Polvo's annual production fell 2.3% when compared to 2018, as a result of the Field's natural decline after 2018's successful Drilling Campaign, which had initially increased production by 65%. 4Q19's production fell by 25.6% vs. 4Q18 due to the temporary shutdown of the Company-owned fixed platform for well recompletion and workovers to start the new Drilling Campaign, as well as FPSO downtime for corrective maintenance.

In 2019, PetroRio sold approximately 6.4 million barrels of oil, having 3 million originating from **Frade** and 3.4 million from **Polvo**, in total representing a 90.8% increase compared to 2018. The gross sale price averaged US\$ 64.7 per barrel in 2019, 7% lower than the US\$ 69.7 recorded in 2018.

During the last quarter of the year, PetroRio had four offtakes, two of which in December. **Polvo Field** sold 930 thousand barrels and **Frade** another 1.3 million barrels, for a 2.3 million total in the quarter, representing a 110% increase over the previous year. Average gross sales price in 4Q19 reached US\$ 62.9 per barrel in line with 4Q18.

Total lifting costs improved significantly over the year, reaching its best level in 4Q19. The indicator saw a 36% drop YoY and was 14% lower than 3Q19. The improvement was due to cost cutting initiatives and synergies carried out through the year after **Frade Field's** operations were taken over by PetroRio, which resulted in the field's new operating costs level reaching a running rate of US\$ 70 million per year.

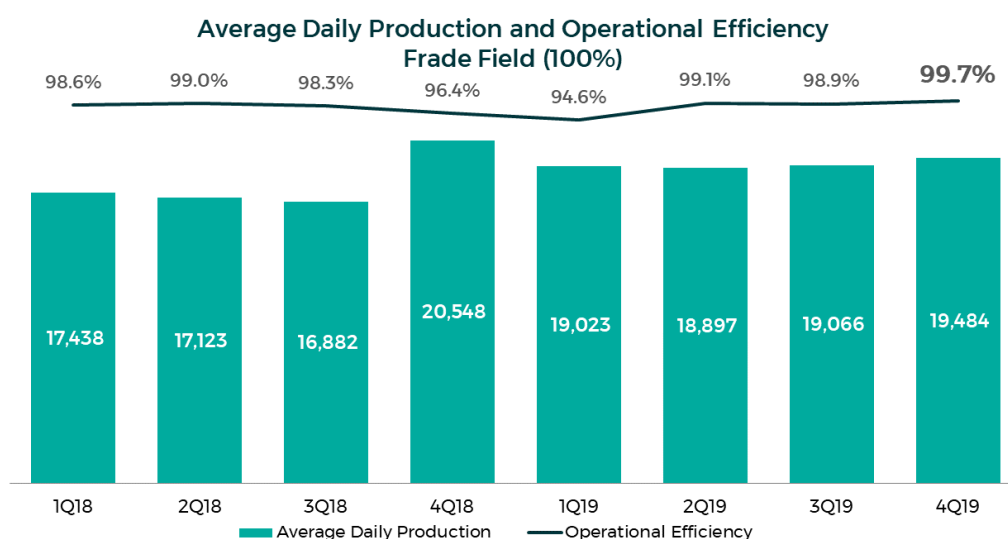


PetroRio's lifting cost: lower values are positive for the Company.

FRADE FIELD

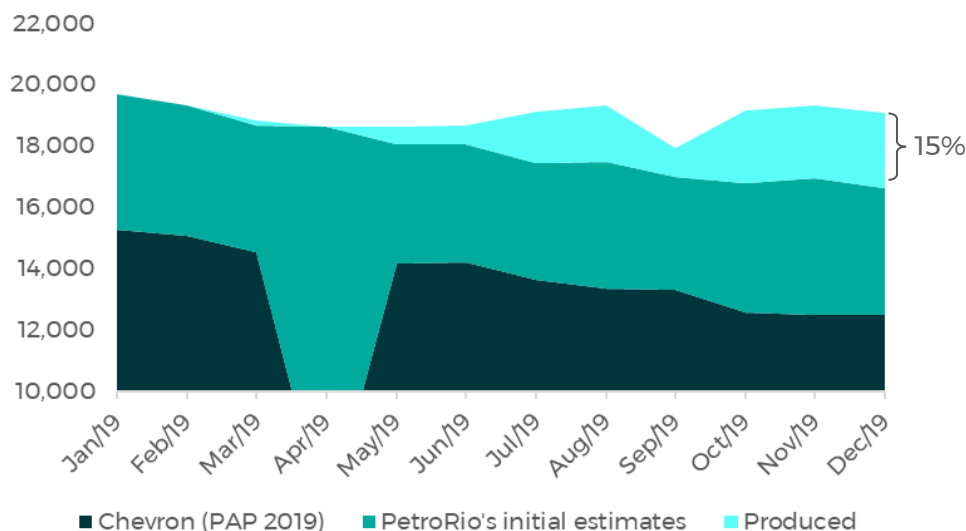
The Company has carried out, since the acquisition of **Frade's** operation (in March 2019), cost reduction measures through operational and logistics synergies with **Polvo**. In October 2019, PetroRio announced the conclusion of the acquisition of an additional 18% interest in **Frade**, which added 3.5 thousand barrels of daily production to the Company's total. Furthermore, **Frade** continued to benefit from operational synergies and logistics contract renegotiations.

Frade's operational efficiency in the quarter reached 99.7%, the highest yet for a quarter since PetroRio began operating the Field. In 2020, the Company has a 10-day planned shutdown for the Field. The chart below illustrates daily production and operational efficiency in recent quarters, having the operatorship been acquired by PetroRio on March 26, 2019:



PetroRio was successful in its short- and medium-term initiatives aimed at reducing the field's natural decline rates, such as gas injections and reopening hydrated wells which resulted in 15% higher production in December 19 when compared to the Company's initial estimates upon becoming the Field's operator.

Frade Field's Production (bbl/d)



On November 28, 2019, PetroRio signed an agreement with Petrobras to purchase the remaining 30% interest in the **Frade Field**. Once the acquisition is concluded, subject to ANP's approval, this interest will add another 5.8 thousand barrels of daily production to the Company's, further reducing overall lifting costs.

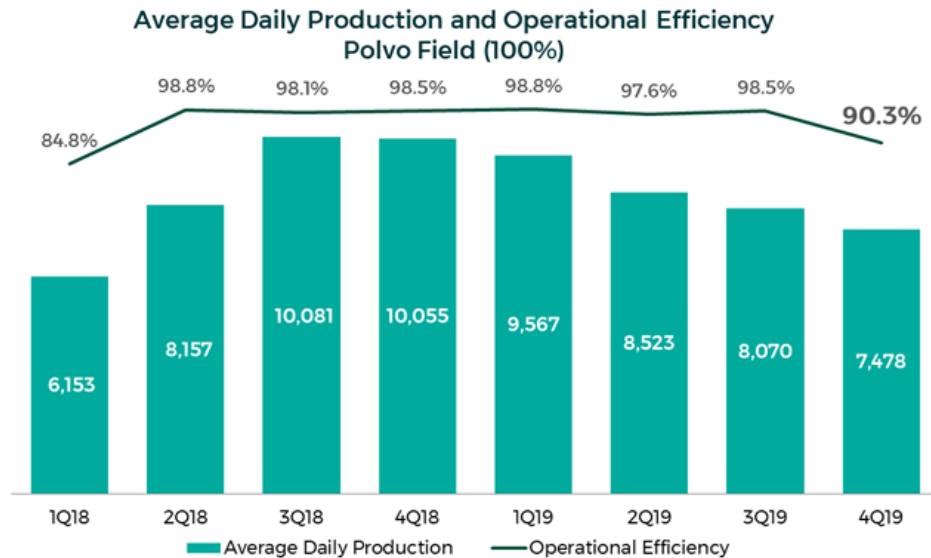
PetroRio plans to begin a Drilling Campaign in **Frade**, with the purpose of increasing the asset's recovery rates and meet ANP's conditions to extend the concession agreement to 2041. The overall project includes drilling 4 producing wells and 3 injector wells. The reservoirs were selected due to their low recovery rates (under 10% as of December 2019).

As part of the Project, the Company plans to begin drilling the first producing well during the second half of 2020.

POLVO FIELD

Polvo's operational efficiency was 90.3% for 4Q19, which includes a FPSO shutdown and pump replacement downtime not originally planned for the Drilling Campaign. Some wells were shut in during these procedures impacting production for the quarter.

The positive impact from pump replacement completed during the 4Q19 was reflected in January 2020's disclosed production figures, which were 10% higher than 4Q19. In 2020, the Company plans one maintenance shutdown, lasting approximately 7 days.



The Field's annual operating costs, in absolute terms, were in line with the previous year, with logistics cost reductions being compensated by higher FPSO leasing costs, as per charter agreement renegotiations from mid-2018. Operating costs for the year were US\$ 102 million, comparable to the US\$ 102.6 million in 2018.

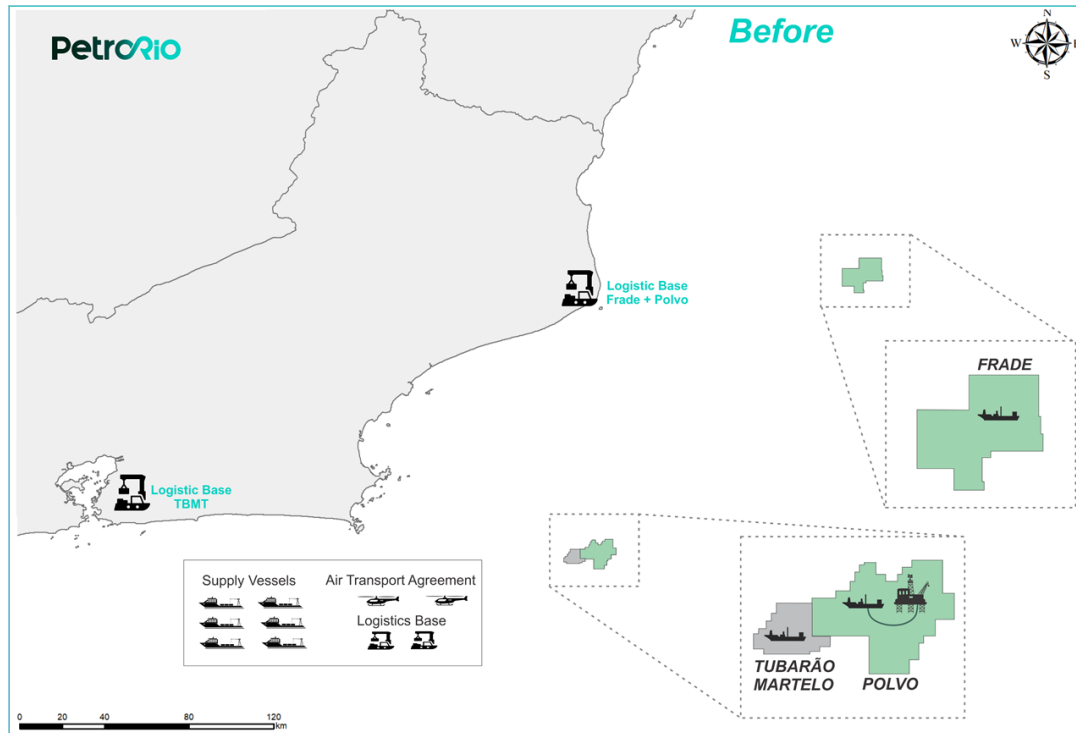
OSX-3 FPSO ACQUISITION AND TUBARÃO MARTELO FARM-IN

On February 3, 2020, the Company signed binding documents regarding the acquisition of (i) the **OSX-3** vessel for US\$ 140 million; and (ii) the farm-in of 80% in the **Tubarão Martelo Field** ("TBMT"), where the **OSX-3** vessel is currently chartered.

The acquisition will allow for the tieback between **TBMT** and **Polvo Field**, thus simplifying the production system and creating a private oilfield cluster, while enabling significant synergies, lifting cost reductions, and the extension of the useful life of both fields.

Once the tieback takes place, the Company estimates **Polvo's** and **TBMT's** combined Opex, which is currently over US\$ 200 million per year (US\$ 100 million for **Polvo** + US\$ 100 million for **TBMT**), be reduced to less than US\$ 80 million per year, after having captured these synergies. Additionally, lifting costs could be reduced to under US\$ 16 per barrel as result of air, sea, and land logistics synergies, and the decommissioning of the FPSO currently chartered to **Polvo**.

The cluster's Opex reduction will allow for a longer-term operation, during which more oil can be recovered. PetroRio estimates the assets' useful life could be extended to at least 2035 – a 10-year extension- and 40 million barrels added to **Polvo's** current reserves.

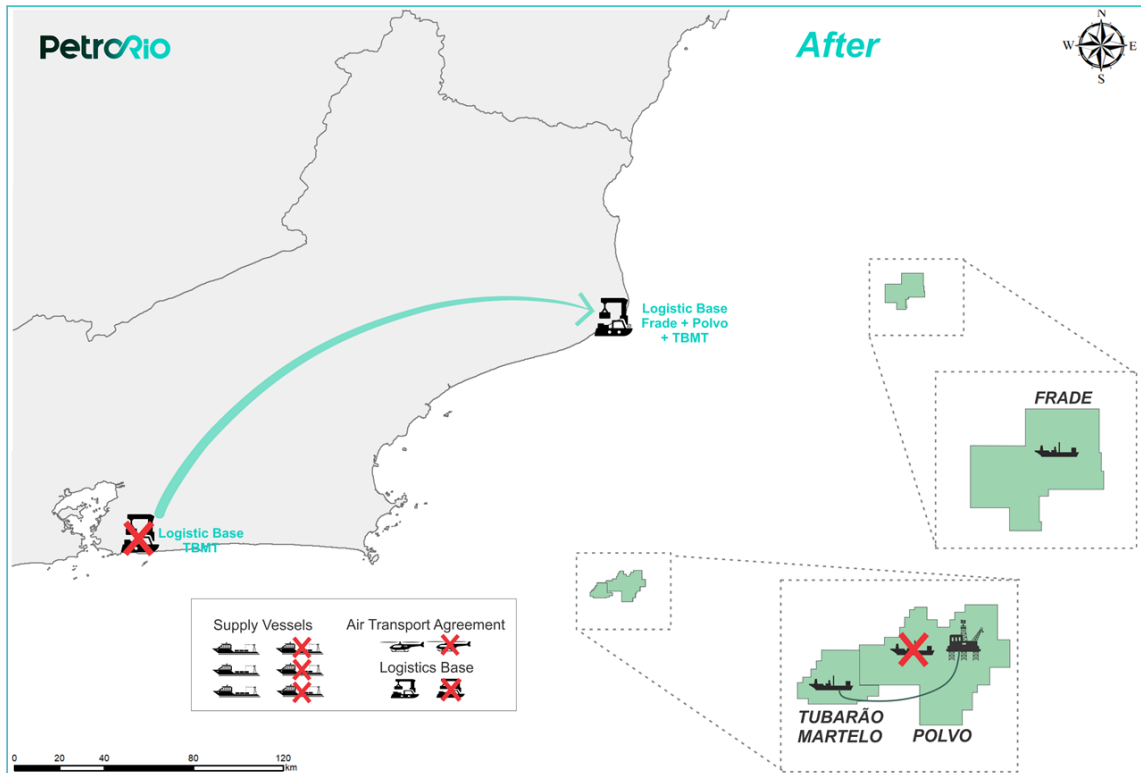


Current layout of the assets.

The tieback between **Polvo** and **TBMT** has been thoroughly assessed by PetroRio's technical and executive teams in the past years. Dommo Energia S.A. ("Dommo") has conducted its own independent studies that confirm positive economic impacts of the project, for both companies. Additionally, technologies developed for similar projects have been extensively employed by the industry in the past 5 years, primarily in the Gulf of Mexico and in the North Sea. The Company estimates the project's Capex will range between US\$ 50 to US\$ 60 million, to be disbursed during the first half of 2021.

Leading up to the tieback's completion, PetroRio will own rights to 80% of **TBMT**'s oil and will be responsible for 100% of the FPSO's charter, the Field's Opex, Capex and abandonment costs. During this phase, the Company will be reimbursed by Dommo at a monthly fee of US\$ 840 thousand, equivalent to 20% of Dommo's current Opex (ex-charter costs).

Once the tieback is completed (estimated for mid-2021), PetroRio will remain responsible for 100% of the abovementioned costs for the cluster, while Dommo will be relieved of the monthly fees. In this new phase, PetroRio will have rights increased to 95% of the oil produced by the **Polvo** + **TBMT** cluster up to the first 30 million barrels produced post-tieback, and 96% thereafter.



Layout after the tieback of the assets.

From an environmental perspective, the captured synergies will reduce the combined emissions by approximately 35% after the tieback's conclusion, as the result of a reduced number of operated assets in the cluster, therefore lowering the operations' environmental impact.

TBMT Field reached its peak in 2014, producing 14,000 barrels of oil per day. Today, the asset produces approximately 5,800 bbl/d and is currently undergoing a Revitalization Campaign that, once concluded, could increase **TBMT's** production. From the start of production, Dommo, as the asset's operator, has maintained high levels of operational efficiency, safety and resilience during periods of low Brent prices. The Company believes Dommo will be an important partner when the unified production system is concluded and operated by PetroRio.

OSX-3 is a world-class Floating, Production, Storage and Offloading (FPSO) vessel, built and delivered to the **Tubarão Martelo** Field in 2012. **OSX-3** has state-of-the-art technology and has to this date reported safety and efficiency levels within PetroRio's standards. The vessel has the capacity to process 100,000 barrels of oil per day and store 1.3 million barrels.



OSX-3 FPSO

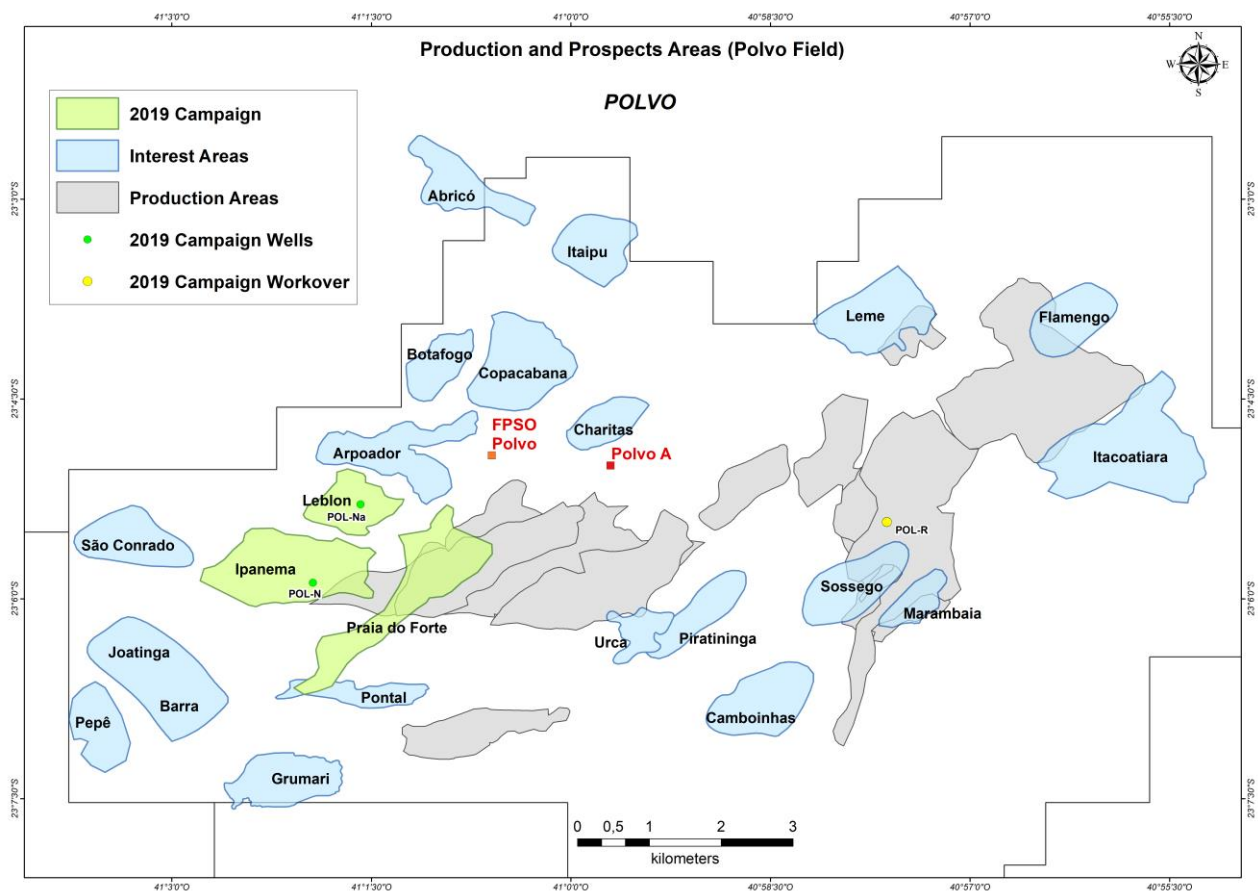
Prisma Capital had a key role in the acquisition of **OSX-3** and acted as financial and business advisor throughout the process, which included a US\$ 100 million loan.

2019 DRILLING CAMPAIGN (POLVO FIELD)

Following 2016's Phase 1 and 2018's Phase 2, the Company initiated Phase 3 of **Polvo's** Revitalization Plan in late 2019.

To begin the Drilling Campaign, PetroRio completed maintenance works on the drilling rig owned by the Company. The maintenance included a major overhaul of some equipment, increasing the unit's reliability, safety and performance.

Through drilling a pilot well, the Company has found oil in two carbonate reservoirs (in the "Ipanema" and "Leblon" prospects), of the Quissama Formation, and in a sandstone reservoir, in the Embore Formation.



The Company has completed one producing well in the Ipanema carbonate reservoir, with a 76m net pay. The oil initially displayed higher viscosity than expected and is undergoing lab tests to identify potential viscosity reducers.

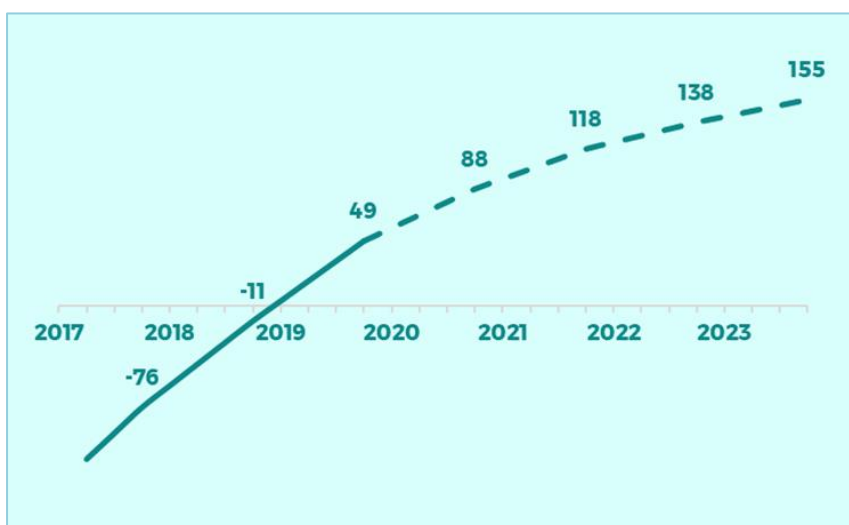
MANATI NATURAL GAS FIELD

Gas volumes sales amounted to 2,273 boepd in the year, 26% lower over 2018, mainly due to higher than expected demand during the previous year. In the fourth quarter, there was a 5.5% decrease for the same reason, which was offset by higher demand from the client (Petrobras) to meet the volume established in the take-or-pay contract.

Operational expenditures for the quarter, which include direct costs and exclude depreciation, were R\$ 5.2 million, 4% lower than the 4T18's 5.4 million. Another R\$ 2.4 million were paid in royalties for the asset's concession rights.

The Manati farm-in, concluded in 2017 for R\$ 116 million (US\$ 37 million at the time), had a two-year payback period with nominal IRR of 66%. The acquisition is part of a successful track record for PetroRio which along with **Polvo**, **Frade** and **Tubarão Martelo**, seeks to add shareholder value through acquisitions and redevelopment of mature fields.

Manati Cumulative Cash Flow (R\$ millions)



FINANCIAL PERFORMANCE

The Company presents its managerial income statement below, which also illustrates the effects of IFRS 16 separately, while maintaining non-cash and one-off accounting impacts.

(in R\$ millions)

	Ex-IFRS16			Ex-IFRS16			Includes IFRS 16 from January 1, 2019	
	4Q18	4Q19	Δ	2018	2019	Δ	4Q19	2019
Net Revenue	267,733	557,995	108%	848,920	1,644,346	94%	557,995	1,644,346
Cost of goods sold	(130,066)	(196,931)	51%	(377,821)	(572,200)	51%	(140,080)	(413,722)
Royalties	(30,889)	(48,506)	57%	(76,659)	(143,780)	88%	(48,506)	(143,780)
Operating Income	106,778	312,558	193%	394,440	928,366	135%	369,409	1,086,844
General and administrative expenses	(38,349)	(39,876)	4%	(115,641)	(124,834)	8%	(38,545)	(119,636)
Other operating Income (expenses)	(3,354)	478,885	n/a	(19,844)	420,006	n/a	478,885	420,006
EBITDA	65,075	751,566	1055%	258,955	1,223,538	372%	809,748	1,387,214
EBITDA margin	24%	135%	111 p.p.	31%	74%	43 p.p.	145%	84%
Depreciation and amortization	(9,257)	(218,532)	2261%	(72,340)	(370,754)	413%	(268,262)	(508,958)
Financial Results	38,316	(23,713)	n/a	50,870	(252,713)	n/a	(11,750)	(337,254)
Income and social contribution taxes	(5,425)	342,519	n/a	(31,189)	301,344	n/a	342,519	301,344
Income (loss) for the period	88,709	851,840	860%	206,296	901,415	337%	872,255	842,346

	4Q18	Ex-IFRS16	Δ	2018	Ex-IFRS16	Δ	4Q19	2019
Adjusted EBITDA*	68,429	272,681	298%	278,799	803,532	188%	330,863	967,208
Adjusted EBITDA margin	26%	49%	23 p.p.	33%	49%	16 p.p.	59%	59%

*O EBITDA é um indicador auxiliar composto pelo lucro antes do resultado financeiro, imposto de renda/contribuição social e depreciação/amortização e não segue as Práticas Contábeis Adotadas no Brasil, IFRS ou GAAP, não devendo ser considerado em detrimento das métricas dos sistemas supracitados ou comparado com o de outras empresas, pois pode ser calculado de forma diferente.

O EBITDA Ajustado é calculado semelhante ao EBITDA, desconsiderando a linha composta com efeitos não recorrentes "Outras Receitas e Despesas".

PetroRio recorded R\$ 1,644.3 million in Net Revenues in 2019, an increase of 93.7% over the R\$ 848.9 million reported in 2018. In the quarter, PetroRio also reached a record R\$ 557.9 million in Net Revenue, 108.4% higher than the previous year.

During the year, 42% of Net Revenues were sold from **Polvo's** oil, and 53% from **Frade's**. The increase in revenue is primarily due to the higher number of barrels sold, as a result of the acquisition of 52% of **Frade** in March 2019, and an additional 18% working interest in October 2019.

PetroRio's 10% interest in **Manati** contributed with R\$ 88.5 million in Net Revenue for 2019. The 20% decrease compared to the previous year is explained by a higher than expected demand in 2018 and the annual decrease in the take-or-pay contract for 2019.

Cost of Goods Sold (COGS), were 51% higher in 2019, due to the higher number of barrels sold after the acquisitions in the **Frade** Field. The increase was partially offset by the cost reductions carried out in **Frade** after the Company became the **Field's** operator in March 2019.

Operational Income (ex-IFRS 16) for the year reached R\$ 928.4 million, a 135% increase vs. 2018. In the quarter, the number was 193% higher than the previous year due to the higher volumes after **Frade's** incorporation, and cost cutting measures and synergies executed in **Frade** and **Polvo**. These were partially offset by an 88% increase in Royalties in the year, also a result of higher volumes sold.

General and administrative expenses, which include M&A fees, project, geology and geophysics spending, closed the year at R\$ 124.8 million, 8% higher than 2018. Higher tax and fee expenses were the main causes for the increase. These were partially offset by lower expenses with geology and geophysics.

Other operating income and expenses in the year were impacted positively by non-cash goodwill effect from the acquisitions of 51.74% and 18.26% stakes in **Frade Field**, as well as the FPSO allocated to its operations. The impact

of these acquisitions was partially offset by the non-cash annual revision of tax contingencies, Tuscany arbitrage provisions (see 1Q15 and 2Q17 financial statements) and write-offs referring to two heliportable drilling rigs previously booked as assets available for sale.

Adjusted EBITDA (ex-IFRS 16) of R\$ 803.5 million in 2019 was the highest annual EBITDA for the Company and was driven by the acquisitions in **Frade** and the subsequent operational leverage, which compensated lower Brent prices during the year. This number represents a 188% increase over the previous year, while margins of 49% were the highest ever in a financial year for the Company.

Financial results (ex-IFRS 16) were negative in R\$ 252.7 million compared to a positive R\$ 50.1 million in 2018. The negative impact was due to FX variations on new debt and abandonment provisions originated from **Frade's** acquisition - both denominated in US dollars - which impacted 1Q19 and 3Q19 as a result of the depreciation of the local currency. In addition to these non-cash effects were R\$ 54.9 million in interest expenses on new debt to fund investments and acquisitions.

The Company took advantage of the recent increases in oil prices due to geopolitical unrest and hedged the equivalent to 2.8 million barrels for the first half of 2020, aiming at preserving margins and operational cash flow for the year. Accordingly, the Company set a minimum price of US\$ 65 per barrel for this volume, which comprises 100% of the estimated 1Q20 offtakes and 50% of 2Q20 offtakes.

Reported net income (ex-IFRS 16) for the year was R\$ 901.4 million. In addition to the positive results from the acquisition of **Frade** and the gains from synergies, the bottom line was positively impacted by other income and expenses line item. These gains in net income were offset by the negative financial result in the year which derived from interests and exchange variation on new debt, denominated in dollars, to fund the **Frade** acquisition.

IFRS 16

On January 1, 2019, the Company incorporated the new IFRS 16 accounting rule. The change unifies the accounting treatment of operating and financial leases, significantly impacting the Company's balance sheet, mainly through the lease of **Polvo's** FPSO, which is PetroRio's largest lease agreement:

Right-of-use assets	Cost	Amortization	Balance
FPSO	362,983	(132,230)	230,753
Support Vessels	116,967	(13,581)	103,386
Helicopters	29,458	(4,928)	24,530
Buildings	61,723	(8,108)	53,615
Equipment	44,861	(5,078)	39,783
Total	615,992	(163,925)	452,067

On February 2, 2020, the Company announced the acquisition of the **OSX-3 FPSO**, which will be commissioned in **Polvo Field's** production system, replacing the FPSO currently operating, which is leased. As such, the estimate for the lease until the end of the Field's economic life was revised, reducing leasing assets and liabilities by 433,631. The remaining adjustments carried out in the period were due to the reduction in the number of supply vessels and the new logistics base, which took place after the **Frade Field** acquisition.

	Assets	Liabilities
Recognition in January 1, 2019	1,019,768	(1,061,452)
Additions/Reversals	(403,776)	382,798
Currency adjustment	-	(32,825)
Price-level restatement	-	(64,309)
Payments made	-	163,306
Amortization	(163,925)	-
Balance at December 31, 2019	452,067	(612,482)
Current	-	(223,049)
Non-current	452,067	(389,433)

The new rule requires that lessees include the right to use the assets that are the object of operating leases in the balance sheet as an asset, and the obligation of future lease payments as a liability. Low value and short-term rentals are not subject to this rule change. This new rule has impacted the Company in various ways. In the Balance Sheet, the change in accounting rule increased assets by R\$ 452 million and liabilities by R\$ 612 million in 4Q19. To calculate this amount, the time in which the assets will be necessary to operations were taken into account, as well as an accrual rate, of 5.63% p.a. for dollar contracts and 10% a.a. for contracts in reais.

The Income Statement was also impacted. The prior cost of operating lease is now incorporated in the financial result as an interest expense of the lease and the right to use the asset is amortized, incurring in depreciation costs.

Without the new rule, the Company's COGS would have been R\$ 158.5 million higher in the period. Depreciation for the quarter was impacted by R\$ 138.2 million and financial expenses by R\$ 84.5 million. In all, the income for the quarter was negatively impacted in R\$ 59.1 million by the change in accounting rule.

CASH, DEBT AND FINANCING



DEBT AND FINANCING

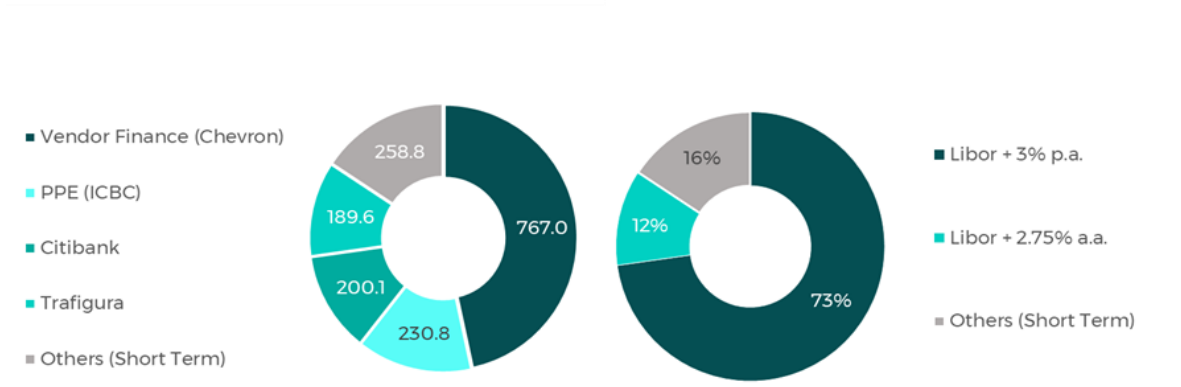
During 2019, the Company agreed to further funding in order to meet the year's M&A requirements, optimize its capital structure and to finance the development of **Polvo's** reserves.

In January 2019, effective as of March 25, 2019, the Company signed an agreement of US\$ 224 million with Chevron as part of the asset acquisition financing with a term of two years at Libor + 3% p.a. The funding will be paid in semi-annual installments using part of the asset's own cash flow. PetroRio estimates that the cost reduction efforts led by the Company's Procurement team will generate significant cash surplus after the debt service.

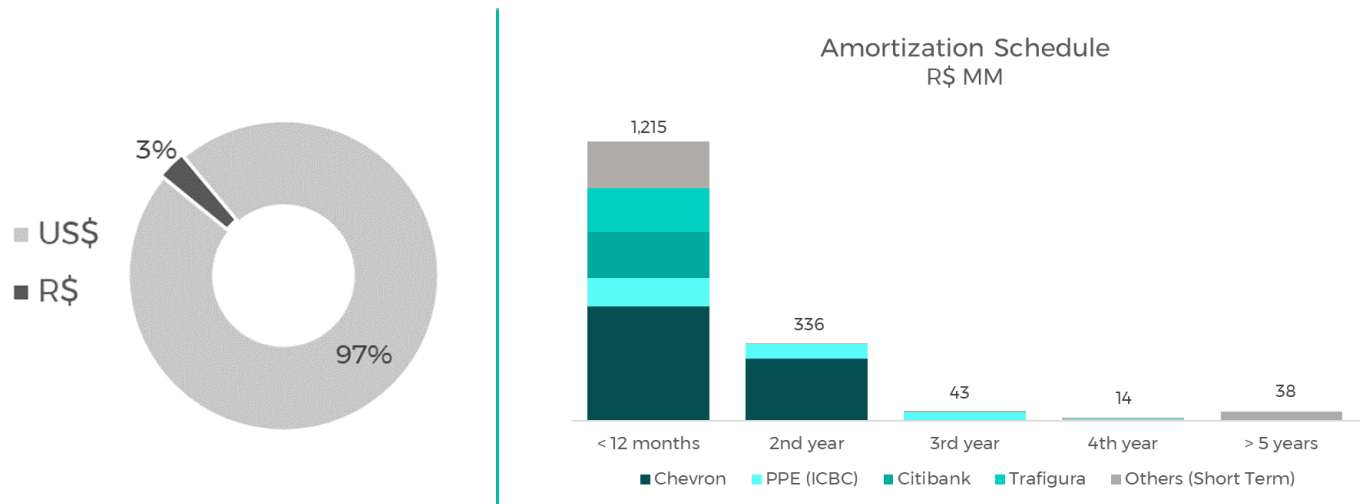
In February the company signed with the Chinese bank ICBC an export prepayment agreement of US\$ 60 million, with a four-year term. The loan has a cost of Libor + 3% per year and includes a Marketing Agreement with PetroChina for commercialization of **Polvo's** production, throughout the duration of the contract. There is also the possibility of obtaining an additional tranche of US\$ 60 million depending on the results of the 2019 Drilling Campaign and on market conditions.

In September, PetroRio signed an agreement with Citibank for the prepayment of receivables in the amount of US\$ 48 million with costs of Libor + 3% per year. The loan has a term of four months and aims to meet the Company's working capital need, with the option of replicating the transaction with further charges.

Loans and Funding
(R\$ MM)

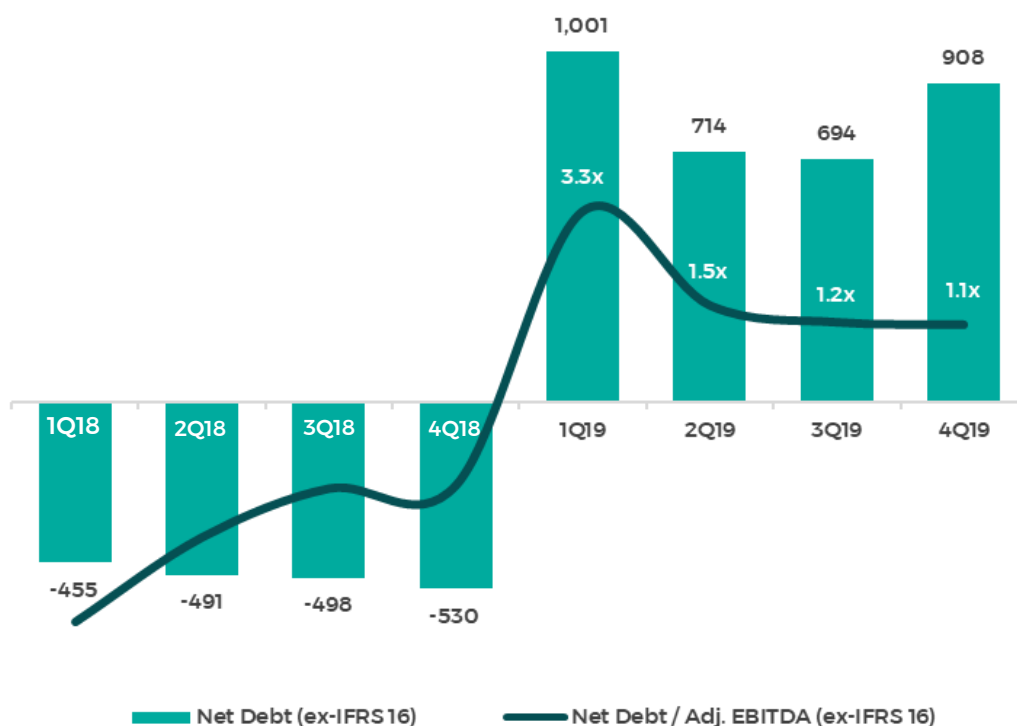


In December 2019, the Company signed an export prepayment agreement with Trafigura for US\$ 47 million, with a 6-month term at a cost of Libor + 2.75%, which will fund the Company’s working capital and short-term investment needs.



PetroRio believes the financing agreements are essential to meet the planned investments in its assets and potential new acquisitions, reducing the cost of capital for projects already in progress and contributing to the optimization of the Company’s capital structure.

Adjusted Net Debt / EBITDA (ex-IFRS 16) (R\$ MM)



The Company has reduced Net Debt/EBITDA from 3.3x in 1Q19 to 1.1x (Adjusted ex-IFRS EBITDA) as a result of higher free cash flow and higher EBITDA levels with the incorporation of the interests in **Frade**.

In the 4Q19, the concentration of oil sales at the end of December resulted in a strong increase in the Accounts Receivable line item to R\$ 374 million at the end of the period, well above historic levels. Adjusting for this effect, Net Debt/EBITDA would have been 0.4x at the end of 2019.





SOCIAL RESPONSIBILITY

PetroRio believes in running its business with social responsibility, seeking to reduce environmental impact, promote social justice and economic efficiency, to contribute to sustainable development. The Company encourages its employees to practice good citizenship through their daily activities. To this end, PetroRio supports several social initiatives, and encourages employees to engage in them as agents of change towards a fairer and more inclusive society.

PetroRio is one of **Instituto Reação's** sponsors, an NGO created in 2003 by Olympic gold medalist Flávio Canto and his coach, Geraldo Bernardes, to promote judo. The institute aims to promote human development and social inclusion through sports and education, sharing PetroRio's values – the pursuit of results and high performance, fruit of ambition and team spirit. The NGO supports over 200 children and teenagers in six locations in Rio de Janeiro: Rocinha, Cidade de Deus, Jacarepaguá, Tubiacanga, Pequena Cruzada and Deodoro.

Even more than athletes, the institute helps develop black belts on and off the mat, using sport and education as tools for social transformation. PetroRio's agreement with the institute includes the purchase of material and equipment, and the sponsorship of rising Brazilian athletes with potential for the Tokyo 2020 and Paris 2024 Summer Olympics. This support is in line with PetroRio's vision of investing in people and promoting talent both inside the Company and out.

The Company also led the inauguration of the **Teatro PetroRio das Artes**, creating a vehicle to sponsor cultural theatrical activities throughout the subsequent two years. As a sponsor and partner, the Company announced the **Arte por Toda Parte** festival, which gives street artists of several musical genres, such as rap, rock, jazz and samba, a chance to perform at a platform.

PetroRio also sponsored the **Orquestra NEOJIBA**, which promotes the development and integration of underprivileged youth in the state of Bahia through the practice of collective music.



BALANCE SHEET

(R\$ thousands)

ASSETS	2018	2019
Cash and cash equivalents	186,993	459,396
Securities	607,441	226,301
Restricted cash	11,628	52,223
Accounts receivable	34,932	374,598
Oil inventories	56,214	120,101
Consumable inventories	2,084	5,373
Derivative Financial Instruments	-	9,354
Recoverable taxes	67,011	116,773
Advances to suppliers	37,949	52,171
Advances to partners	2,922	86,278
Prepaid expenses	1,659	10,333
Other receivables	202	189
Total Current assets	1,009,035	1,513,091
Non-current assets available for sale	26,581	-
	1,035,616	1,513,091
Advances to suppliers	12,596	12,596
Deposits and pledges	19,621	27,249
Recoverable taxes	25,711	32,384
Deferred taxes	11,340	160,312
Right-of-use (Lease CPC 06.R2 IFRS)	-	452,067
Property, plant and equipment	270,347	2,602,523
Intangible assets	140,949	689,529
Total non-current assets	480,564	3,976,660
Total Assets	1,516,180	5,489,752

LIABILITIES	2018	2019
Suppliers	73,258	87,232
Labor obligations	14,923	39,359
Taxes and social contributions	37,010	83,441
Loans and financing	222,437	1,224,306
Debentures	306	-
Advances from partners	6,792	40
Contractual Charges (Lease IFRS 16)	-	223,049
Other liabilities	16,260	12,356
Total current liabilities	370,986	1,669,783
Suppliers	13,413	13,233
Loans and financing	25,718	421,270
Debentures	69,366	-
Provision for abandonment (ARO)	36,438	763,633
Provision for contingencies	17,441	65,613
Deferred taxes and social contributions	-	-
Contractual Charges (Lease IFRS 16)	-	389,433
Other liabilities	644	1,685
Total non-current liabilities	163,020	1,654,869
Minority Interest	-	759
Realized capital	3,273,114	3,316,411
Capital reserves	67,094	228,027
Cumulative translation adjustments	94,057	150,335
Other comprehensive income	(79,314)	(0)
Accumulated losses	(2,579,073)	(2,372,777)
Income (loss) for the period	206,296	842,346
Total shareholders' equity	982,174	2,164,341
Total liabilities and shareholders' equity	1,516,180	5,489,752

INCOME STATEMENT (R\$ thousands)

	2018	2019
Net Revenue	848,920	1,644,346
Cost of goods sold	(377,697)	(413,721)
Depreciation and amortization	(70,132)	(382,878)
Royalties	(76,660)	(143,780)
Gross Profit	324,431	703,967
Operating income (expenses)		
Geology and geophysics expenses	(2,560)	(595)
Personnel expenses	(54,478)	(48,245)
General and administrative expenses	(19,305)	(25,147)
Expenses with third party services	(33,751)	(34,519)
Taxes and fees	(5,547)	(11,130)
Depreciation and amortization - C&A	(2,330)	(126,080)
Other operating income (expenses)	(19,845)	420,005
Financial results	50,870	(337,254)
<i>Financial income</i>	<i>316,685</i>	<i>377,142</i>
<i>Financial expenses</i>	<i>(265,815)</i>	<i>(714,396)</i>
Income before income and social contribution tax	237,485	541,002
<i>Income and social contribution taxes - Current</i>	<i>(42,969)</i>	<i>(55,658)</i>
<i>Income and social contribution taxes - Deferred</i>	<i>11,780</i>	<i>357,002</i>
Income (loss) for the year	206,296	842,346

CASH FLOW STATEMENT (R\$ thousands)

	2018	2019
Cash flows from operating activities		
Income (loss) for the period (before taxes)	237,485	541,002
Depreciation and amortization	72,462	508,958
Financial income	(290,086)	(343,457)
Financial expenses	238,686	666,539
Remuneration based on stock plan	17,612	13,333
Equity adjustments	119	-
Loss/Write-off of non-current assets	1,321	-
Provision for contingencies/losses	14,354	19,545
Depreciation adjustment of Frade Field	-	(74,784)
Gain in E&P assets acquisition	644	(568,370)
Provision for impairment	89	27,651
Reduction of the Abandonment Provision	(14,591)	(13,201)
	278,095	777,217
(Increase) decrease in assets		
Accounts receivable	(5,615)	(335,770)
Recoverable taxes	20,278	(25,354)
Prepaid expenses	1,421	(4,985)
Advances to suppliers	(5,928)	(13,213)
Oil inventory	(12,415)	62,754
Consumables inventory	(2,084)	(3,289)
Advance to partners in oil and gas operations	787	(12,604)
Other receivables	262	1,292
Increase (decrease) in liabilities		
Suppliers	(3,614)	(35,543)
Labor obligations	4,870	13,080
Taxes and social contributions	(31,327)	3,147
Contingencies	1,109	19,589
Advances from partners in oil and gas operations	(3,171)	1,214
Other liabilities	3,760	(2,863)
Net cash from operating activities	246,428	444,671
Cash flow from investing activities		
(Investment) Redemption of securities	(109,094)	431,531
(Investment) Redemption of restricted cash	6,491	(34,986)
(Investment) Redemption in abandonment fund	(6,741)	(1,472)
(Increase) Decrease in deposits and pledges	(3,124)	(5,622)
Non-current assets held for sale	6,587	0
Purchase (Sale) of property, plant and equipment	(199,685)	(148,162)
Purchase (Sale) of intangible assets	24,133	(40,643)
(Acquisition) of oil and gas asset	-	(1,583,954)
Net cash from investing activities	(281,432)	(1,383,307)
Cash flows from financing activities		
Loans and financing	171,708	1,298,886
Leasing payments	-	(158,495)
Debentures	(23,162)	(1,182)
Derivative transactions	(2,024)	(4,988)
(Purchase) Sale of shares of the Company (held in treasury)	(33,198)	43,480
(Reduction) Integralization of Share Capital	7,709	12,055
Minority shareholders participation	-	-
Translation adjustment	121,034	1,189,756
Net increase (decrease) in cash and cash equivalents	8,518	21,283
Net increase (decrease) in cash and cash equivalents	94,548	272,403
Cash and cash equivalents at the beginning of the year	92,445	186,993
Cash and cash equivalents at the end of the year	186,993	459,397
Net increase (decrease) in cash and cash equivalents	94,548	272,403



About PetroRio

PetroRio is one of the largest independent companies in the oil and gas production in Brazil. The Company's corporate culture seeks to increase production through the acquisition of new production assets, the re-exploration of assets, increased operational efficiency and reduction of production costs and corporate expenses. PetroRio's main objective is to create value for its shareholders with growing financial discipline and preserving its liquidity, with full respect for safety and the environment. For further information, please visit the Company's website: www.petroriosa.com.br.

Disclaimer

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our drilling and seismic plans, operating costs, acquisitions of equipment, expectations of finding oil, the quality of oil we expect to produce and our other plans and objectives. Readers can identify these statements by reading several words such as "estimate", "believe", "expect" and "will" and similar words or their negative. Although management believes that the expectations represented in such statements are reasonable, it cannot ensure that such expectations will be confirmed. By their nature, forward-looking statements require us to make assumptions and, accordingly, said forward-looking statements are subject to inherent risks and uncertainties. We caution readers of this news release 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 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. Such declarations were made on the date hereof. We do not undertake to update such forward-looking statements regarding future events, except as required by applicable securities legislation.