Petro Rio S.A.

Individual and consolidated financial statements for the years ended December 31, 2018 and 2019 and Independent auditors' report.

PetroRio

Summary

Management report

"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 97.6% 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 (kbbl)										
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	13639[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.

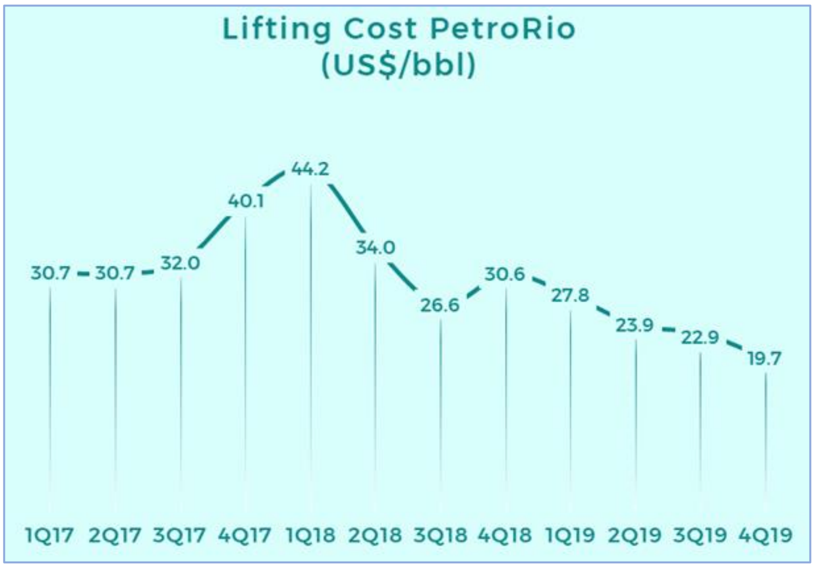
In addition, the field's production was 15% higher than the estimated volume for the year-end, considering the calculated natural decline for the period at the time the asset was incorporated. The increase is due to several well interventions undertaken to increase production and curb the Field's depletion, 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.

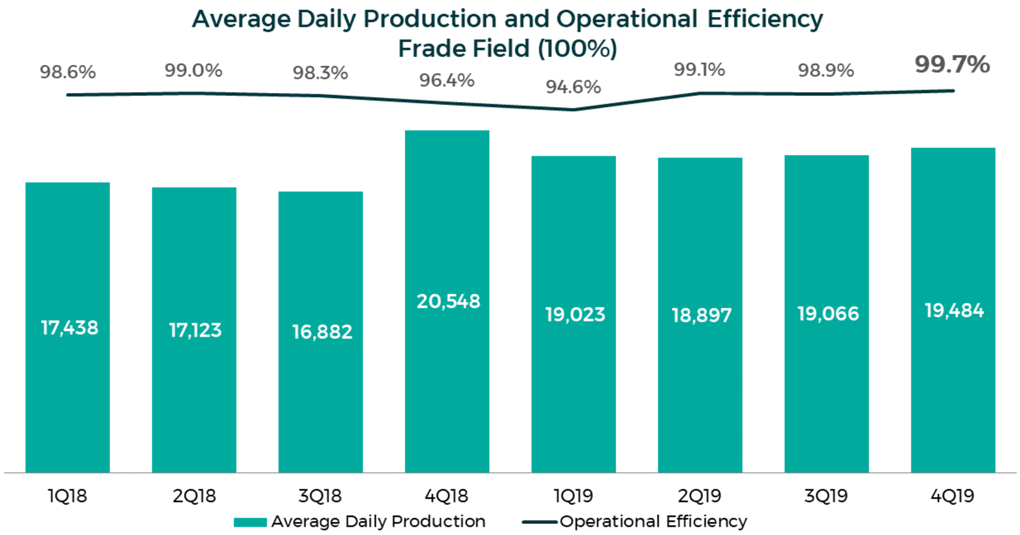


PetroRio's lifting cost: lower values are positive for the Company.

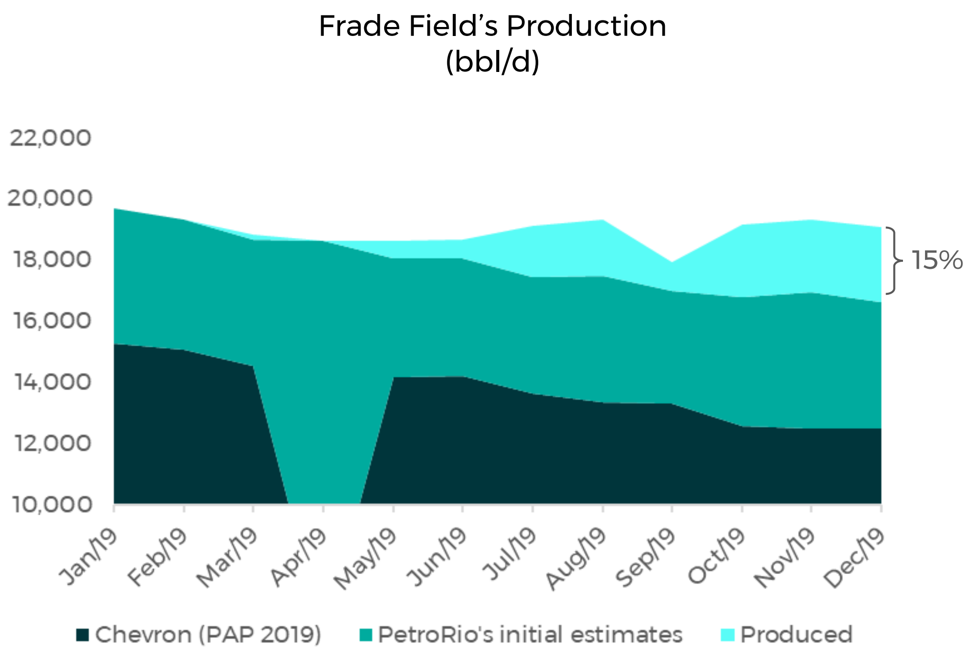
FRADE FIELD

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.



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.

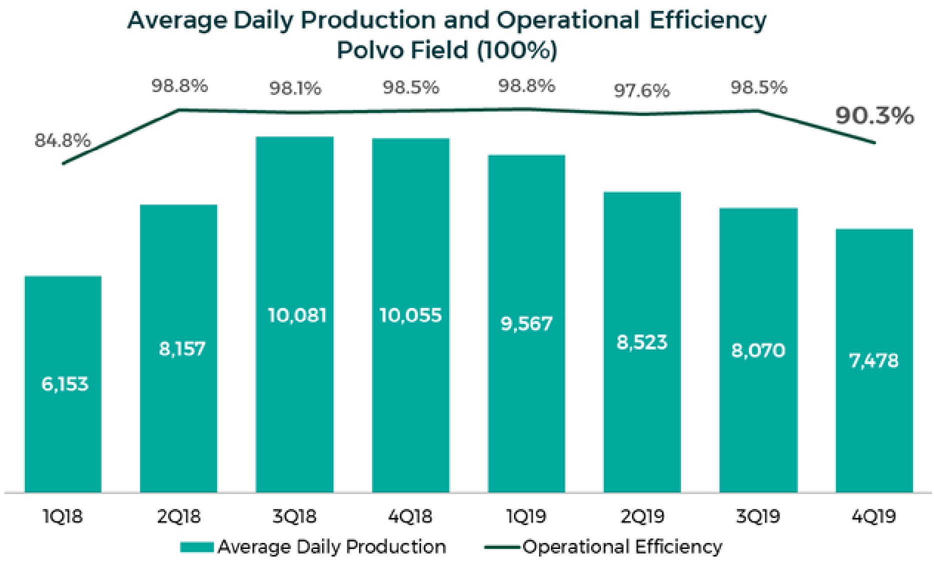
PetroRio plans to begin a Drilling Campaign in Frade, with the purpose of increasing the asset's recovery rates and meet ANP's conditions to extend the concession agreement to 2041. The overall project includes drilling 4 producing wells and 3 injector wells. The reservoirs were selected due to their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

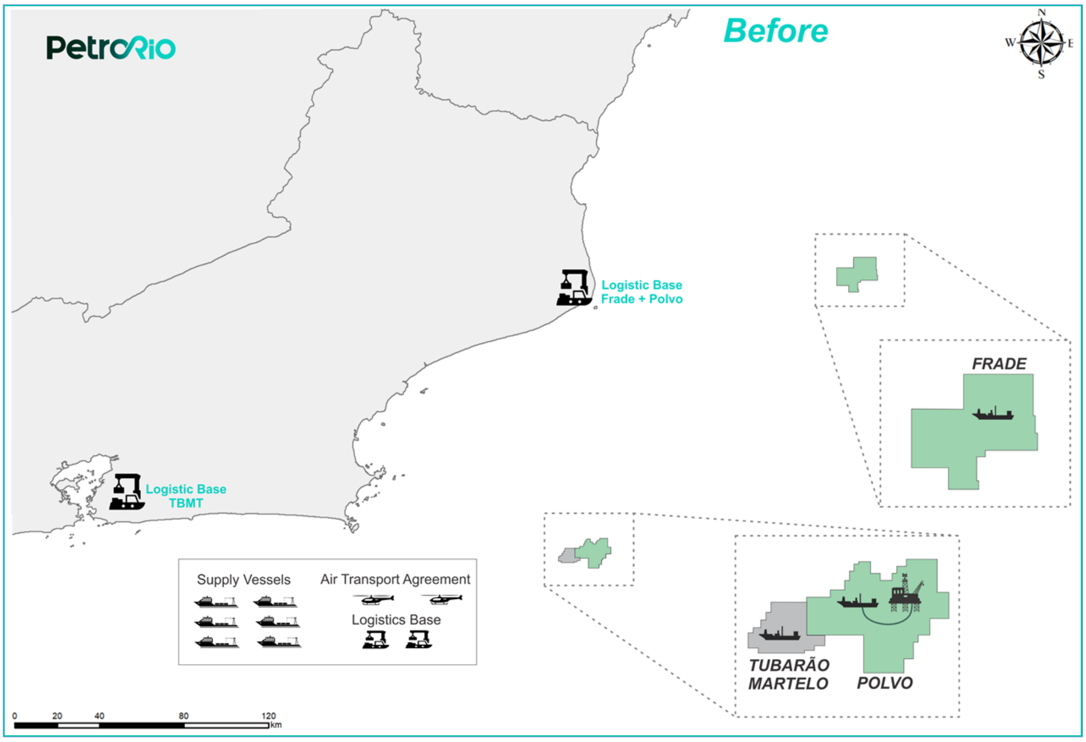
OSX-3 FPSO ACQUISITION AND TUBARÃO MARTELO FARM-IN

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.

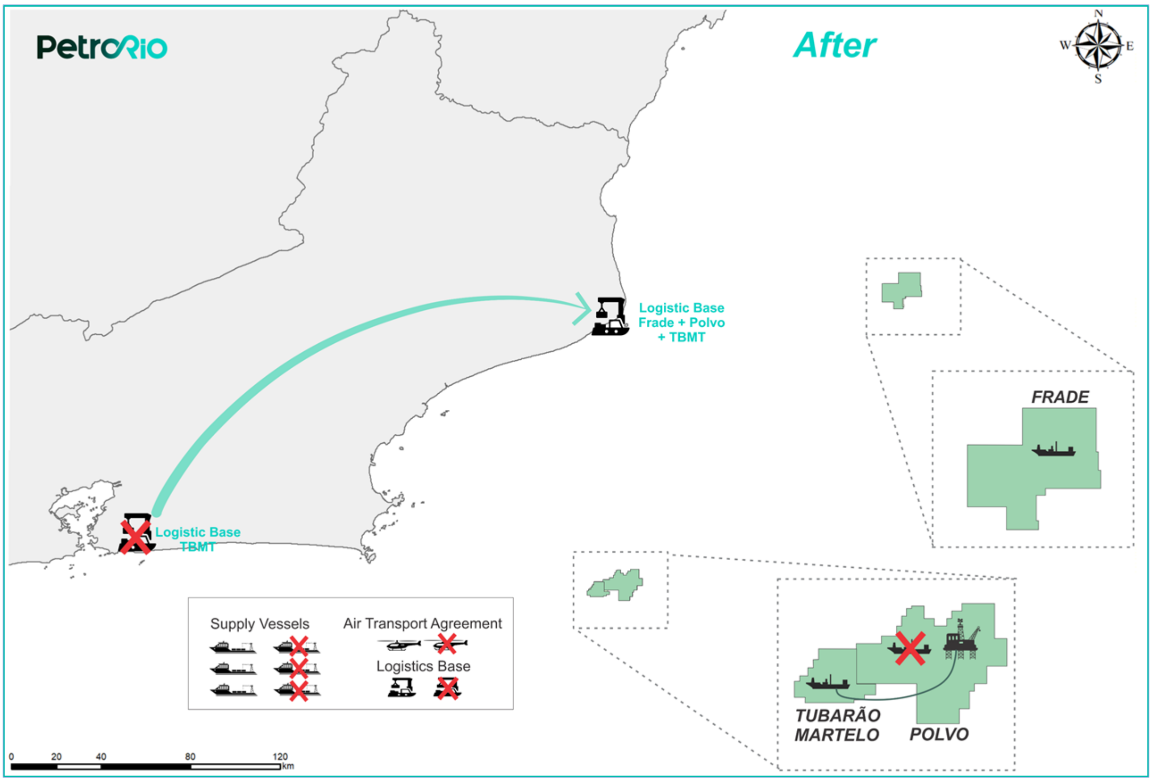


Current layout of the assets.

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.

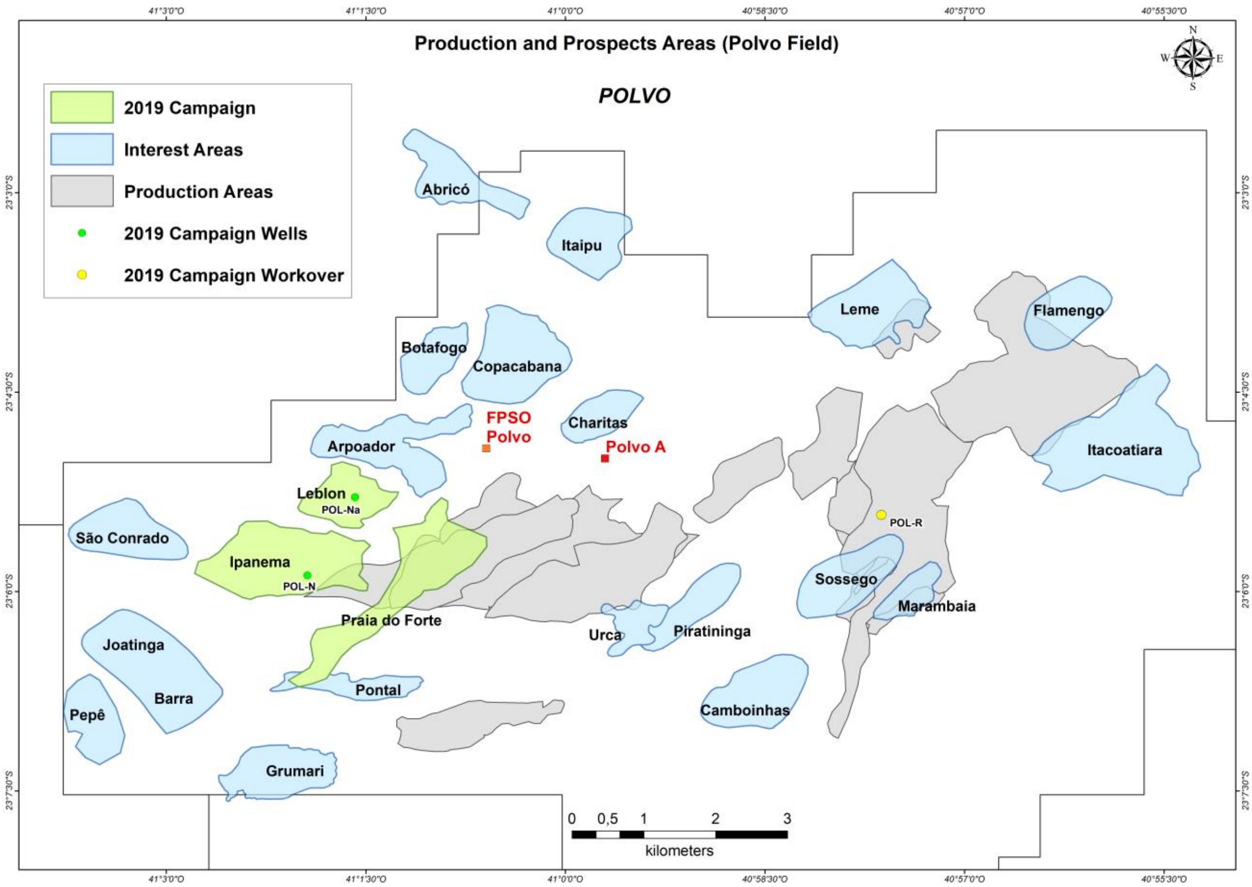
Prisma Capital had a key role in the acquisition of OSX-3 and acted as financial and business advisor throughout the process, which included a US$ 100 million loan.

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.



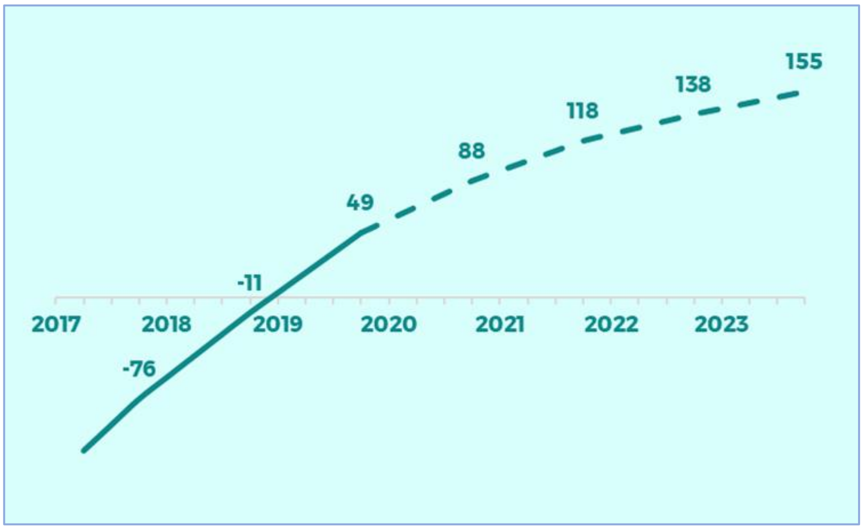
The Company has completed one producing well in the Ipanema carbonate reservoir, with a 76m net pay. The oil initially displayed higher viscosity than expected and is undergoing lab tests to identify potential viscosity reducers.

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 separetely, while maintaining non-cash and one-off accounting impacts.

(in R$ millions)

Includes IFRS 16 from January 1, 2019

	4Q18	Ex-IFRS16 4Q19	Δ	2018	Ex-IFRS16 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)	-162%	50.870	(252.713)	-597%	(11.750)	(337.254)
Income and social contribution taxes	(5.425)	342.519	-6414%	(31.189)	301.344	-1066%	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 4Q19	Δ	2018	Ex-IFRS16 2019	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$ 558.0 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 48% 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 on January 1, 2019	**1,019,768**	**(1,061,452)**
Additions/Reversals	(403,776)	382,798
Currency adjustment	-	(32,825)
Monetary 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$ 503 million and liabilities by R$ 452 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 current values. to contracts in Dollar and 10% p.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

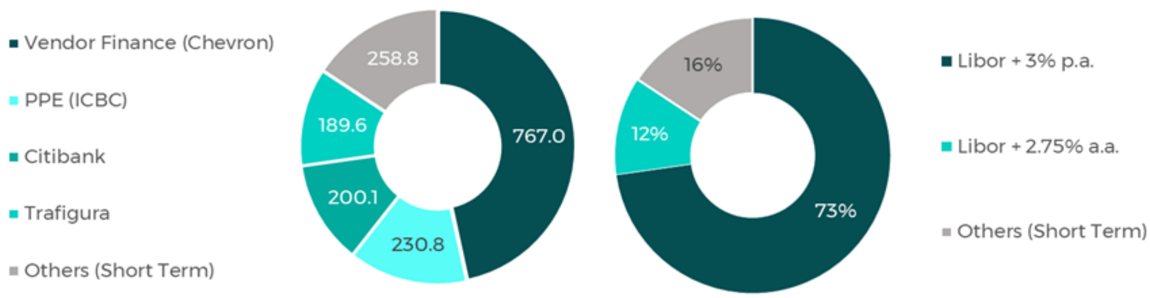
During 2019, the Company agreed to further funding in order to meet the year's M&A requirements, optimize its capital structure and to finance the development of Polvo's reserves.

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.

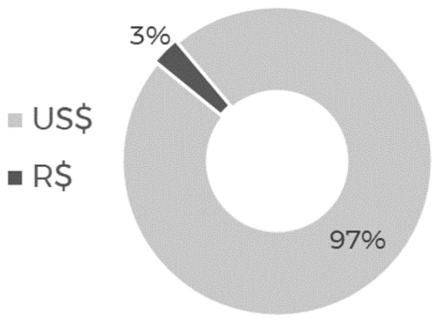
In February the company signed with the Chinese bank ICBC an export prepayment agreement of US$ 60 million, with a four-year term. The loan has a cost of Libor + 3% per year and includes a Marketing Agreement with PetroChina for commercialization of Polvo's production, throughout the duration of the 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.

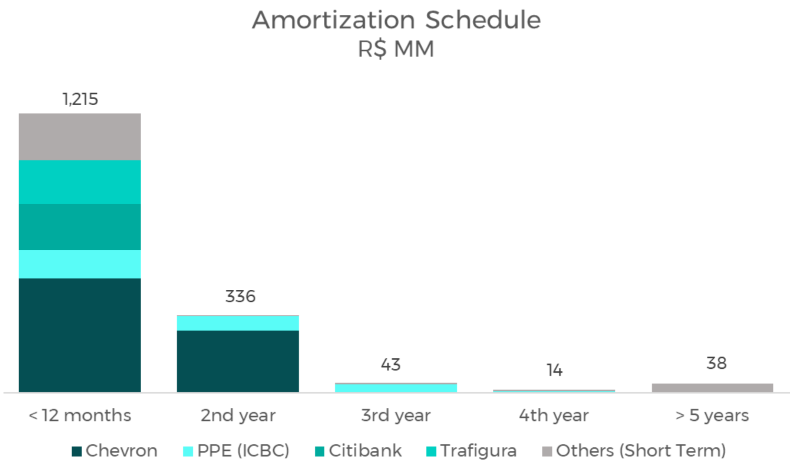
In September, PetroRio signed an agreement with Citibank for the prepayment of receivables in the amount of US$ 48 million with costs of Libor + 3% per year. The loan has a term of four months and aims to meet the Company's working capital need, with the option of replicating the transaction with further 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 ajustado (ex-IFRS 16)

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.

A free translation from Portuguese into English of Independent auditor's report on the individual and consolidated financial statements prepared in Brazilian currency in accordance with in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Independent auditor's report on the individual and consolidated financial statements

To the Shareholders, Board Members and Directors of
Petro Rio S.A.
Rio de Janeiro - RJ

Opinion

We have audited the accompanying individual and consolidated financial statements of Petro Rio S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2019 and the statement of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Petro Rio S.A. as at December 31, 2019, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the individual and consolidated financial statements' section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.
Other matters

Restatement of financial statements

The audits of the financial statements for the years ended December 31, 2019 and 2018 originally prepared before the adjustments described in Note 2.25, were performed under the responsibility of another independent auditor who issued unmodified audit reports, dated February 19, 2020 and March 11, 2019. We draw attention to Note 2.25 to the financial statements, which have been amended and are restated to reflect the matters described in referred to note. We were engaged to audit the Company's restated financial statements for the years 2019 and 2018. Our opinion is not modified in respect of this matter.

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2019, prepared under the responsibility of Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each of the matters below, a description of how our audit has addressed them, including any comments on the results of our procedures is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section, including those relating to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Loss on impairment of assets

As disclosed in Notes 11 and 12 to the consolidated financial statements, at December 31, 2019 the Company has property, plant and equipment and intangible assets in the amount of R$ 2,602,523 thousand and R$ 689,529 thousand, respectively. At December 31, 2019, in accordance with CPC 01 (R1) - Impairment of Assets (IAS 36 – Impairment of Assets), the Company assessed the existence of indicators of impairment of the assets in its cash-generating units ("CGUs") and performed the calculation of the recoverable amount, assessing the need to record impairment. To calculate the recoverable amount of assets, the Company used the discounted cash flow method, which incorporates significant judgments in relation to factors associated with the level of future production, commodity prices, production costs and economic assumptions such as discount rates and exchange rates where the Company operates. Due to the significance of the balances of property, plant and equipment and intangible assets and the complexity in determining the assumptions used in the expected future cash flows at each CGU, we consider this to be a key audit matter.

How our audit conducted this matter

Our procedures included, among others, (i) evaluation of the Company's assumptions to determine the recoverable amount of its assets, including those related to production, production cost, commodity prices, capital investments, discount rates and exchange rates; (ii) evaluation of the definition and identification criteria of the CGUs; (iii) the use of valuation model specialists to help us evaluate and test the model used to measure the recoverable amount and the assumptions, particularly the data used to determine the discount rates used by the Company's management; and iv) the performance of an independent calculation affecting the main assumptions used.

Based on the result of the audit procedures performed on the calculation of the recoverable amount of the assets, which is consistent with management's assessment, we consider that the criteria and assumptions of the recoverable amount adopted by management, as well as the related disclosures in Notes 11 and 12 are acceptable in the context of the financial statements taken as a whole.

Business combination

As disclosed in Notes 2 and 12 to the individual and consolidated financial statements, the Company concluded, in March 2019, through its indirect subsidiary PetroRio Luxembourg Holding Sarl ("Lux Holding"), the process of acquiring control of Petro Rio Jaguar Petróleo Ltda. ("Jaguar") and Petro Rio Frade LLC ("Frade LLC'), and in October 2019, the process of acquiring control of Petro Rio White Shark Petróleo Ltda. ("White Shark") and Inpex Offshore North Campos, Ltd. ("IONC"). This transaction was accounted for using the acquisition method in accordance with CPC 15 (R1) - Business Combinations (IFRS 3 - Business Combinations), which requires, among other procedures, that the Company determine: the effective acquisition date of control , the fair value of the consideration transferred, the fair value of the assets acquired and liabilities assumed and the calculation of the results obtained in the business combination. Such procedures involve a high degree of judgment and the need to develop fair value estimates based on calculations and assumptions related to the future performance of the acquired businesses, which are subject to a high degree of uncertainty. Due to the high degree of judgment in this regard and the impact that any changes in the assumptions could have on the financial statements, we consider this to be a significant audit matter.

How our audit conducted this matter

Our audit procedures included, among others, (i) reading the documents that formalized the transaction and obtaining the evidence that justified the determination of the date of acquisition of equity control of the acquired company and the determination of the fair value of the consideration transferred; (ii) analysis of the financial information of the acquired companies and discussion with management about the consistency of accounting practices and estimates, in addition to understanding the flows of the relevant transactions and examining the significant accounting balances of the acquired companies; (iii) assessment of the objectivity, independence and technical capacity of the external experts involved in measuring the fair value of the assets acquired and liabilities assumed; (iv) with the assistance of our valuation model specialists, we analyzed the assumptions and methodology used by the Company in respect of the measurement of fair values and allocations, on the dates of the acquisitions, to the assets acquired and liabilities assumed; and (v) assessment of the adequacy of the disclosures made by the Company in relation to the topic.

As a result of the audit procedures performed on the recognition of the accounting effects of business combinations, we identified audit adjustments that were recorded by management in view of their materiality on the financial statements taken as a whole. In addition, we assessed the adequacy of the disclosures on these matters, which are mentioned in Notes 2 and 12 to the financial statements.

Based on the result of audit procedures performed on the business combinations, which is consistent with management's assessment, we understand that the assumptions and criteria as to business combinations, as well as the respective disclosures in Notes 2 and 12 are acceptable in regard to the financial statements taken as a whole.

Recoverability of deferred income and social contribution taxes

As disclosed in Note 18 to the consolidated financial statements at December 31, 2019, the Company accounted for deferred income and social contribution taxes in the amount of R$160,313 thousand, established by temporary differences and on income and social contribution tax losses. In accordance with the accounting practices adopted in Brazil, the Company should annually evaluate the projection of future taxable profits for the purposes of assessing the recoverability of deferred income and social contribution taxes.

This annual test was assessed as one of the key audit matters, considering the magnitude of the amounts involved and the fact that the process of assessing the recoverability of deferred income and social contribution taxes is complex and involves a high degree of subjectivity in the projections of future taxable profits, and it is based on several regularly subjective assumptions, that will be affected by market conditions or future economic scenarios in Brazil, which cannot be estimated accurately.

How our audit conducted this matter

Our audit procedures included, among others: (i) the use of tax specialists to help us assess and test the balance established by the Company, as well as the model used to measure the recoverable amount of deferred income and social contribution taxes and the assumptions, projections and methodology used; (ii) the validation of the information used in the calculations; (iii) conducting a retrospective review of previous projections to identify any inconsistency in the development of estimates in the future; (iv) an independent calculation affecting the main assumptions used; and (v) the revision of the adequacy of the disclosures made by the Company on the assumptions used in the recoverability calculations, especially those that had a more significant effect on determining the recoverable amount of deferred income and social contribution taxes.

As a result of the audit procedures performed on the test of the deferred income and social contribution tax balance established by the Company, as well as its corresponding recoverable amount, we identified audit adjustments related to the establishment of the deferred income and social contribution tax balances, which were recorded by management in view of their materiality on the overall financial statements. In addition, we assessed the adequacy of the disclosures on these matters, which are mentioned in Note 18 to the financial statements.

Based on the result of the audit procedures performed on the deferred income and social contribution tax balances as well as their recoverability, which are consistent with management assessment, we consider that the criteria related to their establishment and the assumptions of recoverable amount adopted by management, as well as the respective disclosures in Note 18 are acceptable in regard to the financial statements taken as a whole.

Estimate of provisions for abandonment of facilities

As disclosed in Note 19 to the consolidated financial statements, at December 31, 2019 the Company recorded a provision for abandonment of facilities (ARO) in the amount of R$ 763,633 thousand. Due to the nature of its operations, the Company incurs in obligations to restore and rehabilitate the environment when areas are abandoned. The rehabilitation of areas and the environment is required by both current legislation and the Company's policies. Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as the period of use of a given area, the time needed to rehabilitate it and certain economic assumptions such as discount rate, foreign currency rates and the original values that are quoted by specific suppliers. Due to the significance of the provision for abandonment of areas and the level of uncertainty for the determination of its estimate that may impact the amount of this provision in the consolidated financial statements and the investment amount recorded under the equity method in the parent company's individual financial statements, we consider this to be a significant audit matter.

How our audit conducted this matter

Our audit procedures included, among others, (i) evaluation of the procedures related to the determination of the estimated amount of the provision to restore and rehabilitate areas commercially exploited by the Company; (ii) with the assistance of our financial modeling specialists, analysis of the assumptions used, including the base cost of the areas to be abandoned, inflation, discount and risk rates; (iii) analysis of the changes in the provision in the year related to abandoned, restored/rehabilitated areas and the relevant environmental obligation, in order to assess the main inputs, such as costs, inflation and discount rates, as well as the abandonment plan; (iv) arithmetic checking of the results of the estimates, tracing them to accounting information and management reports; and (v) evaluation of the adequacy of the disclosure of the provision of obligations to restore and rehabilitate the environment when abandoning areas.

As a result of the audit procedures performed on the balance of the provision for abandonment, we identified audit adjustments that were recorded by management in view of their materiality on the financial statements taken as a whole. In addition, we assessed the adequacy of the disclosures on these matters, which are mentioned in Note 19 to the financial statements.

Based on the result of the audit procedures performed, we consider that the criteria and assumptions, which are consistent with management's assessment, as well as the respective disclosures in Note 19, are acceptable in regard to the financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on that report.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, August 27, 2020

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Pia Leocádia de Avellar Peralta
Accountant CRC-1RJ101080/O-0

Balance sheet

December 31, 2019, 2018, and January 1, 2018 (restated)
(In thousands of reais – R$)

	Note	Parent company			Consolidated		
		12/31/2019	12/31/2018	01/01/2018	12/31/2019	12/31/2018	01/01/2018
Assets							
Current assets							
Cash and cash equivalents	3	**4,911**	232	1,643	**459,396**	186,993	92,445
Securities	4	**-**	41,108	188,448	**226,301**	607,441	511,863
Restricted cash	5	**-**	-	-	**52,223**	11,628	17,965
Accounts receivable	6	**-**	-	-	**374,598**	34,932	62,046
Oil inventories	25	**-**	-	-	**120,101**	56,214	41,174
Inventory of consumables		**-**	-	-	**5,373**	2,084	-
Derivative financial instruments		**-**	-	-	**9,354**	-	-
Recoverable taxes	7	**2,905**	12,107	1,228	**116,773**	67,011	59,492
Advances to suppliers	8	**38**	93	670	**52,171**	37,949	28,781
Balances with partners in oil and gas operations	20	**-**	-	-	**86,278**	2,922	3,639
Prepaid expenses		**287**	47	143	**10,333**	1,659	3,106
Other receivables		**52**	-	-	**189**	202	828
		8,193	53,587	192,132	**1,513,090**	1,009,035	821,339
Non-current assets available for sale	9	**-**	-	-	**-**	26,581	28,316
		8,193	53,587	192,132	**1,513,090**	1,035,616	849,655
Non-current assets							
Advances to suppliers	8	**-**	-	-	**12,596**	12,596	12,596
Scrow and secured deposits		**5,491**	5,187	5,312	**27,249**	19,621	16,010
Recoverable taxes	7	**-**	-	1,841	**32,384**	25,711	51,669
Deferred taxes	18	**2,196**	-	-	**160,313**	11,340	-
Related parties	23	**6,409**	3,162	657	**-**	-	-
Right-of-use (Lease CPC 06.R2 IFRS 16)	17	**-**	-	-	**452,067**	-	-
Investments	10	**2,268,485**	1,006,143	775,722	**-**	-	-
Property, plant and equipment	11	**1,951**	1,533	358	**2,602,523**	270,347	123,930
Intangible assets	12	**-**	-	-	**689,529**	140,949	197,904
		2,284,532	1,016,025	783,890	**3,976,661**	480,564	402,109
Total assets		**2,292,725**	1,069,612	976,022	**5,489,751**	1,516,180	1,251,764

See the accompanying notes to the financial statements.

PetroRio

Balance sheet

December 31, 2019, 2018, and January 1, 2018 (restated)
(In thousands of reais – R$)

		Parent company			Consolidated		
	Note	12/31/2019	12/31/2018	01/01/2018	12/31/2019	12/31/2018	01/01/2018
Liabilities and shareholders' equity							
Current liabilities							
Suppliers	13	**1,010**	218	547	**87,232**	73,258	70,535
Labor obligations		**794**	41	33	**39,359**	14,923	9,979
Taxes and social contributions	14	**4,650**	13,857	4,757	**83,441**	37,010	20,076
Loans and financing	15	**-**	-	-	**1,224,306**	222,437	75,011
Debentures	16	**-**	306	352	**-**	306	21,621
Advances from partners	20	**-**	-	-	**40**	6,792	7,129
Contractual Charges (Lease IFRS 16)	17	**-**	-	-	**223,049**	-	-
Other liabilities		**-**	-	-	**12,356**	16,260	12,500
		6,454	14,422	5,689	**1,669,783**	370,986	216,851
Non-current liabilities							
Suppliers	13	**-**	-	-	**13,233**	13,413	13,456
Loans and financing	15	**-**	-	-	**421,270**	25,718	-
Debentures	16	**-**	69,366	54,038	**-**	69,366	54,038
Provision for abandonment (ARO)	19	**-**	-	-	**763,633**	36,438	74,119
Provision for contingencies	32	**-**	-	552	**65,613**	17,441	15,120
Deferred taxes and social contributions	18	**-**	3,152	16,574	**-**	-	17,697
Related parties	23	**121,929**	437	38,371	**-**	-	-
Investment deficit	10	**-**	61	315	**-**	-	-
Contractual Charges (Lease IFRS 16)	17	**-**	-	-	**389,433**	-	-
Other liabilities		**-**	-	-	**1,685**	644	-
		121,929	73,016	109,850	**1,654,867**	163,020	174,430
Non-controlling interests		**-**	-	-	**759**	-	-
Shareholders' equity							
Capital	22	**3,316,411**	3,273,114	3,265,256	**3,316,411**	3,273,114	3,265,256
Capital reserves		**228,027**	67,094	82,500	**228,027**	67,094	82,500
Cumulative Translation Adjustment		**150,335**	94,057	65,102	**150,335**	94,057	65,102
Equity valuation adjustments		**-**	(79,314)	26,698	**-**	(79,314)	26,698
Accumulated losses		**(2,372,777)**	(2,579,073)	(2,609,700)	**(2,372,777)**	(2,579,073)	(2,609,700)
Income for the year		**842,346**	206,296	30,627	**842,346**	206,296	30,627
		2,164,342	982,174	860,483	**2,164,342**	982,174	860,483
Total liabilities and shareholders' equity		**2,292,725**	1,069,612	976,022	**5,489,751**	1,516,180	1,251,764

See the accompanying notes to the financial statements.

Statements of income

Years ended December 31, 2019 and 2018 (restated)
(In thousands of reais, except earnings/losses per share)

		Parent company		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Net revenue	24	-	-	**1,644,346**	848,920
Costs of products/services	25	-	-	**(940,379)**	(524,489)
Gross revenue		-	-	**703,967**	324,431
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**(595)**	(2,560)
Personnel expenses		**(4,809)**	(16,860)	**(48,245)**	(54,478)
General and administrative expenses		**(1,155)**	(1,947)	**(25,147)**	(19,305)
Expenses with Outsourced Services		**(3,983)**	(7,322)	**(34,519)**	(33,751)
Taxes and rates		**(657)**	(1,209)	**(11,130)**	(5,547)
Depreciation and amortization expenses		**(394)**	(179)	**(126,080)**	(2,330)
Equity in income of subsidiaries	10	**933,733**	216,397	-	-
Other operating revenues (expenses), net	26	**(350)**	552	**420,005**	(19,845)
Operating income (loss) before financial income (loss)		**922,385**	189,432	**878,256**	186,615
Financial revenues	27	**15,480**	53,281	**377,142**	316,685
Financial expenses	27	**(99,581)**	(30,592)	**(714,396)**	(265,815)
Income before income tax and social contribution		**838,284**	212,121	**541,002**	237,485
Current income tax and social contribution		**(1,282)**	(8,789)	**(55,658)**	(42,969)
Deferred income tax and social contribution		**5,344**	2,964	**357,002**	11,780
Income for the year		**842,346**	206,296	**842,346**	206,296
Earnings per share - basic and diluted					
Basic		***6.301***	*1.697*	***6.301***	*1.697*
Diluted		***6.301***	*1.697*	***6.301***	*1.697*

See the accompanying notes to the financial statements.

PetroRio

Statements of comprehensive income

Years ended December 31, 2019 and 2018 (restated)
(In thousands of reais – R$)

	Consolidated	
	12/31/2019	**12/31/2018**
Retained earnings (loss)	**842,346**	206,296
Other comprehensive income		
Translation adjustment on investment abroad	**56,278**	28,955
Equity valuation adjustments	**79,314**	(106,012)
Other comprehensive income for the year	**135,592**	(77,057)
Total comprehensive income for the year	**977,938**	129,239

See the accompanying notes to the financial statements.

PetroRio

Statements of changes in shareholders' equity

Years ended December 31, 2019 and 2018 (restated)
(In thousands of reais – R$)

	Capital	Capital reserve	Equity valuation adjustment	Cumulative Translation Adjustment	Accumulated loss	Total
Balances at January 1, 2018	**3,265,256**	**82,500**	**26,698**	**65,102**	**(2,579,073)**	**860,483**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	17,874	-	-	-	17,874
Translation adjustment on investment abroad	-	-	-	28,955	-	28,955
Gain (loss) with financial instruments	-	-	(106,012)	-	-	(106,012)
Income for the year	-	-	-	-	206,296	206,296
Treasury shares	-	(33,281)	-	-	-	(33,281)
Balances at December 31, 2018	**3,273,114**	**67,094**	**(79,314)**	**94,057**	**(2,372,777)**	**982,174**
Balances at January 1, 2019	**3,273,114**	**67,094**	**(79,314)**	**94,057**	**(2,372,777)**	**982,174**
Paid-up capital	43,297	-	-	-	-	43,297
Stock options granted	-	117,453	-	-	-	117,453
Translation adjustment on investment abroad	-	-	-	56,278	-	56,278
Gain (loss) with financial instruments	-	-	79,314	-	-	79,314
Income for the year	-	-	-	-	842,346	842,346
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at December 31, 2019	**3,316,411**	**228,027**	**-**	**150,335**	**(1,530,431)**	**2,164,342**

See the accompanying notes to the financial statements.

PetroRio

Statements of cash flows

Years ended December 31, 2019 and 2018 (restated)
(In thousands of reais – R$)

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from operating activities				
Income for the year (before taxes)	**838,284**	**212,121**	**541,002**	**237,485**
Depreciation and amortization	394	179	508,958	72,462
Financial revenues	(14,518)	(53,129)	(343,457)	(290,086)
Financial expenses	98,916	30,534	666,539	238,686
Stock options granted	7,011	11,925	13,333	17,612
Equity in income of subsidiaries	(933,733)	(216,397)	-	-
Equity valuation adjustment	-	119	-	119
Loss/Write-off of non-current assets	-	-	-	1,321
Provision for contingencies/losses	-	-	19,545	14,354
Provision for impairment	-	-	27,651	89
Increase in property, plant and equipment (changing in life-time D&M)	-	-	(74,784)	-
Gains from acquisition of E&P assets	-	-	(568,370)	644
Reduction of provision for abandonment (ARO)	-	-	(13,201)	(14,591)
	(3,646)	**(14,648)**	**777,216**	**278,095**
(Increase) decrease in assets				
Accounts receivable	-	-	(335,770)	(5,615)
Recoverable taxes	(5)	(8,975)	(25,354)	20,278
Prepaid expenses	(239)	96	(4,985)	1,421
Advances to suppliers	46	600	(13,213)	(5,928)
Oil inventories	-	-	62,754	(12,415)
Inventory of consumables	-	-	(3,289)	(2,084)
Related parties	(3,207)	(2,403)	-	-
Advance to partners in oil and gas operations	-	-	(12,604)	787
Scrow and secured deposits	(304)	125	(5,622)	(3,124)
Other receivables	(52)	-	1,292	262
Increase (decrease) in liabilities				
Suppliers	692	(327)	(35,543)	(3,614)
Labor obligations	753	8	13,080	4,870
Taxes and social contributions	(2,155)	(2,666)	3,147	(31,327)
Related parties	124,742	(33,678)	-	-
Contingencies	-	(552)	19,589	1,109
Advances from partners in oil and gas operations	-	-	1,214	(3,171)
Other liabilities	-	-	(2,863)	3,760
Net cash (invested in) from operating activities	**116,625**	**(62,420)**	**439,049**	**243,304**
Cash flows from investment activities				
(Investment) Redemption of securities	34,018	140,602	431,531	(109,094)
(Investment) Restricted cash redemption	-	-	(34,986)	6,491
(Investment) Redemption in abandonment fund	-	-	(1,472)	(6,741)
(Increase) decrease in property, plant and equipment	(812)	(1,354)	(148,162)	(199,685)
(Increase) decrease in intangible assets	-	-	(40,643)	24,133
(Increase) decrease in investments	(199,505)	(50,914)	-	-
(Acquisition) of oil and gas assets	-	-	(1,583,954)	-
Non-current assets held for sale	-	-	-	6,587
Net cash (invested in) from investment activities	**(166,299)**	**88,334**	**(1,377,686)**	**(278,309)**
Cash flows from financing activities				
Loans and financing	-	-	1,298,886	171,708
Contractual charges (Lease IFRS 16) - Principal	-	-	(96,713)	-
Contractual charges (Lease IFRS 16) - Interest	-	-	(61,782)	-
Debentures	(1,182)	(1,836)	(1,182)	(23,162)
Derivative transactions	-	-	(4,988)	(2,024)
(Purchase) sale of own Company's shares (held in treasury)	43,480	(33,198)	43,480	(33,198)
(Decrease) Paid-up capital	12,055	7,709	12,055	7,709
Net cash (invested in) from financing activities	**54,353**	**(27,325)**	**1,189,756**	**121,033**
Translation adjustment	-	-	21,285	8,520
Net increase (decrease) in cash and cash equivalents	**4,679**	**(1,411)**	**272,404**	**94,548**
Cash and cash equivalents at the beginning of the year	232	1,643	186,993	92,445
Cash and cash equivalents at the end of the year	4,911	232	459,397	186,993
Net increase (decrease) in cash and cash equivalents	**4,679**	**(1,411)**	**272,404**	**94,548**

See the accompanying notes to the financial statements.

Statements of added value

(supplementary information for IFRS purposes)
Years ended December 31, 2019 and 2018 (restated)
(In thousands of reais – R$)

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenues				
Oil & Gas sales	-	-	**1,644,346**	848,920
	-	-	**1,644,346**	848,920
Inputs and services				
Third party's services and other	**(3,983)**	(7,322)	**(34,519)**	(33,751)
Geology and geophysics expenses	-	-	**(595)**	(2,560)
Costs of services	-	-	**(413,721)**	(377,697)
Gross added value	**(3,983)**	(7,322)	**1,195,511**	434,912
Retentions				
Depreciation and amortization	**(394)**	(179)	**(508,958)**	(72,462)
Net added value	**(4,377)**	(7,501)	**686,553**	362,450
Transferred value added				
Net financial income (loss)	**(84,101)**	22,689	**(337,254)**	50,870
Equity in income of subsidiaries	**933,733**	216,397	-	-
Deferred taxes	**5,344**	2,964	**357,002**	11,780
Rents, royalties and other	**(1,506)**	(1,395)	**251,078**	(115,810)
Added value payable	**849,093**	233,154	**957,379**	309,290
Distribution of added value				
Personnel	**4,809**	16,860	**48,245**	54,478
Taxes	**1,938**	9,998	**66,788**	48,516
Interest attributable to Group's shareholders	**842,346**	206,296	**842,346**	206,296
Distributed added value	**849,093**	233,154	**957,379**	309,290

See the accompanying notes to the financial statements.

1. Operations

Petro Rio S.A. (PetroRio), was established on July 17, 2009. Headquartered in the city of Rio de Janeiro, its main purpose is to hold interests in other companies as partner, shareholder or quotaholder, in Brazil and abroad, with a focus on exploration, development and production of oil and natural gas.

For the purpose of this report, Petro Rio S.A and its subsidiaries are denominated, individually or jointly, as the “Company” or “Group”, respectively.

Its significant operations are carried out by means of subsidiaries Petro Rio O&G Exploração e Produção de Petróleo Ltda. (“PetroRioOG”), Brasoil Manati Exploração Petrolífera S.A. (“Manati”), Petro Rio Jaguar Petróleo Ltda. (“Jaguar”) and Petro Rio White Shark Petróleo Ltda. (“White Shark”) are the production of oil and natural gas, operating in Campos Basin - RJ, PetroRioOG, Jaguar and White Shark and Camumu Basin - BA, Manati.

Polvo Field – 100%

PetroRioOG is the operator and holds 100% of the Polvo Field concession contract, acquired from BP Energy do Brasil Ltda. (“BP”) – 60% in 2014 and from Maersk Energia Ltda. (“Maersk”) – 40% in 2015.

The Polvo Field is in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. The license covers an area of approximately 134 km2 with several prospects for future exploration. Average daily output during in 2019 was of roughly 8.4 thousand barrels (8.6 thousand barrels in 2018).

In April 2018, the Company started the Second Phase of the Revitalization Plan for the Polvo Field, continuing the successful Phase 1 in the 1Q16, which resulted in a 20% increase in production and volumes of proven developed reserves. Phase 2 consisted of drilling three new wells to reach undeveloped proved reserves (1P) and probable reserves (2P). Of the three new oil wells planned to be drilled, performed and were successfully completed. The first well operations started-up on May 20, 2018, while the second one started-up on July 30, 2018, and the third on November 1, 2018, as detailed in Note 12.

Manati Field – 10%

In March 2017, PetroRioOG concluded the transaction for the acquisition of 100% of the shares of Brasoil do Brasil Exploração Petrolífera S.A. (“Brasoil”). Brasoil is a holding company, indirectly holding a 10% interest in the rights and obligations of the Manati Field concession contract, in the production phase, in addition to a 10% interest in the Camarão Norte Field, under development, which in under return process by the consortia to National Agency of Petroleum, Natural Gas and Biofuels (ANP) and a 100% interest in the concessions of Blocks FZA-Z-539 and FZA-M-254, both in the exploration phase. Note 12c.

The Manati Field is in the Camumu Basin, on the coast of the State of Bahia. The license covers an area of approximately 76 km^2. Average daily output in 2019 was of roughly 3.8 million cubic meters of natural gas (4.9 million cubic meters of natural gas in 2018).

Frade Field – 100%

On March 25, 2019 and October 01, 2019, after complying with the precedent conditions and obtaining the necessary approvals, the Company completed the acquisition of 51.74% and 18.26%, respectively, of interest in the concession of Frade Field, in the operational assets of the Field, and assumed the operation of the Field, according to Note 12.

Furthermore, on November 28, 2019, the Company signed a purchase and sale agreement with Petrobras for the acquisition of the remaining 30% interest in the Field, increasing its interest in Frade Field to 100%. The conclusion of this transaction is subject to the fulfillment of precedent conditions, such as approval by the Administrative Council for Economic Defense (CADE) and by the National Agency of Petroleum, Natural Gas and Biofuels (ANP).

The Frade Field is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km^2, with an average water depth of 1,155 m. In 2019, the Field produced an average of 18.9 thousand barrels of oil per day.

2. Preparation basis and presentation of the financial statements

2.1. Statement of conformity

The individual and consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which include the provisions of Brazilian Corporation Law, Procedures, Guidance and Interpretations issued by Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities Commission - CVM and by the Federal Accounting Council - CFC, which are in conformity with international accounting standards issued by *International Accounting Standards Board - IASB*.

The statements of value added are presented as supplementary information for IFRS purposes.

The Company's Management authorized the completion of these financial statements on August 27, 2020.

The Management considers the technical instruction OCPC 07, issued by CPC in November 2014, in the preparation of its accounts so that all relevant information specific to the financial accounts is disclosed and related to what is used in the management of the Company.

2.2. Basis of preparation

The individual and consolidated financial statements were prepared based on the historical cost, except for those measured at fair value, when indicated.

2.3. Basis of consolidation and investments in subsidiaries

Consolidated financial statements include financial statements of the Company and its subsidiaries. Control is achieved when the Company has the power to control financial and operating policies of an entity to gain benefits from its activities.

The income (loss) of the subsidiaries acquired, sold or merged during the year are included in the consolidated income and comprehensive income information from the effective date of acquisition, disposal or merger, as applicable. Accordingly, income from new subsidiaries Jaguar, Frade LLC and Frade BV was considered in the Company's consolidated income beginning as of March 25, 2019 and PetroRio White Shark and IONC as of October 1, 2019, date on which purchase and sale transactions were concluded.

In the Company's individual financial statements, the financial data of direct and indirect subsidiaries are recognized under the equity method of accounting.

When necessary, subsidiaries' financial statements accounting policies are adjusted to those of the Group. All transactions, balances, revenues and expenses among the Group's companies are fully eliminated in consolidated financial statements.

(In thousands of reais, unless otherwise indicated)

The Company's consolidated financial statements include:

		Interest					
		12/31/2019		12/31/2018		01/01/2018	
Fully consolidated companies		**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PetroRioOG"	**100.00%**	**-**	100.00%	-	100.00%	-
Petrorio USA Inc.	"PrioUSA"	**100.00%**	**-**	100.00%	-	100.00%	-
Petro Rio Internacional S.A.	"PrioIntl"	**1.23%**	**98.77%**	1.69%	98.31%	1.69%	98.31%
Petrorio Luxembourg Holding Sarl	"Lux Holding"	**-**	**100.00%**	-	100.00%	-	100.00%
Petrorio Netherlands BV	"Netherlands"	**-**	**100.00%**	-	100.00%	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	**-**	**100.00%**	-	100.00%	-	100.00%
Petrorio Canada Inc.	"Canadá"	**-**	**100.00%**	-	100.00%	-	100.00%
Luderitz Petroleum (Pty) Ltd.	"Luderitz"	**-**	**100.00%**	-	100.00%	-	100.00%
Petrorio Luxembourg Sarl	"Lux Sarl"	**-**	**100.00%**	-	100.00%	-	100.00%
Cumoxi Investments (Pty) Ltd.	"Cumoxi"	**-**	**100.00%**	-	100.00%	-	100.00%
Kunene Energy (Pty) Ltd.	"Kunene"	**-**	**100.00%**	-	100.00%	-	100.00%
Orange Petroleum Ltd.	"Orange"	**-**	**100.00%**	-	100.00%	-	100.00%
Brasoil do Brasil Exploração Petrolífera S.A.	"Brasoil"	**-**	**100.00%**	-	100.00%	-	100.00%
Brasoil OPCO Exploração Petrolífera Ltda.	"Opco"	**-**	**99.99%**	-	99.99%	-	99.99%
Brasoil Manati Exploração Petrolífera S.A.	"Manati"	**-**	**100.00%**	-	100.00%	-	100.00%
Brasoil Coral Exploração Petrolífera Ltda.	"Coral"	**-**	**100.00%**	-	100.00%	-	100.00%
Petro Rio Energia Ltda.	"PrioEnergia"	**-**	**100.00%**	-	100.00%	-	100.00%
Petro Rio Comercializadora de Energia Ltda	"Comercializadora"	**-**	**100.00%**	-	-	-	-
Brasoil Round 9 Exploração Petrolífera Ltda.	"Round 9"	**-**	**100.00%**	-	100.00%	-	100.00%
Brasoil Finco LLC	"Finco"	**-**	**100.00%**	-	100.00%	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	**-**	**100.00%**	-	-	-	-
Chevron Frade LLC	"Frade LLC"	**-**	**100.00%**	-	-	-	-
Frade B.V.	"Frade BV"	**-**	**70.00%**	-	-	-	-
Petro Rio White Shark Petróleo Ltda	"White Shark"	**-**	**100.00%**	-	-	-	-
Inpex Offshore North Campos, Ltd.	"IONC"	**-**	**100.00%**	-	-	-	-

2.4. Cash and cash equivalents

They are maintained for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Comprised of balances in cash, demand bank deposits, and financial investments with immediate liquidity and insignificant risk of change in value.

2.5. Current and non-current assets and liabilities

Current and non-current assets and liabilities are stated at realization and/or collection values, respectively, and contemplate inflation adjustments or exchange-rate changes, as well as earned or incurred earnings and charges, when applicable.

2.6. Oil and gas exploration, development, and production expenditures

For the expenditures on exploration, development and production of oil and gas, the Group – for the purposes of the accounting practices adopted in Brazil – uses accounting criteria in accordance with IFRS 6 – "Exploration for and evaluation of mineral resources."

Property, plant and equipment: It is recorded at the amortized or construction cost, restated, when applicable, to its recovery value and it is represented mainly by assets associated to stages of exploration and oil and natural gas production development, such as, for example, expenditures on drilling and completion, and E&P equipment. Also includes machinery and equipment and other tangible assets used for administrative purposes, such as furniture, telephone devices, IT equipment. Gains and losses deriving from write-off or disposal of a property, plant and equipment asset are determined by the difference between earned revenue, if applicable, and respective residual value of the asset, and is recognized in income for the year.

Exploratory concession rights and subscription bonuses: are recorded as intangible asset. The Group substantially presents, in its intangible assets, the expenses with the acquisition of exploratory concessions and the subscription bonuses corresponding to the offers for obtaining a concession for oil or natural gas exploration. They are recorded at acquisition cost and adjusted, when applicable, to their recovery value and are amortized using the produced unit in relation to the total proven reserves when they enter the production phase.

Successful efforts: Expenditures with exploration and development of oil production are recorded in accordance with the successful efforts method. This method determines that the development costs of all production wells and successful exploratory wells, related to economically feasible reserves, be capitalized, while geological and geophysical and seismic costs should be considered as expenses for the year when incurred. Additionally, the dry exploratory well expenditures and those related to non-commercial areas should be recognized in results when identified as such.

Abandonment expenditures: Abandonment expenditures of the oil development and production areas are recorded as intangible assets in contra account to a provision in liabilities.

Depreciation: Expenses with exploration and development of production are depreciated beginning as of declaration of commercial viability and start of production, using the produced units method ("DUP"). According to this method, monthly depreciation rate is obtained by dividing monthly production by total estimated reserve balance (proved developed) at the beginning of the month. On an annual basis, the Company reviews total reserve balance. Machinery and equipment are depreciated by the straight-line method based on the rates mentioned in Note 11 that takes into consideration the estimated useful lives of the assets with the respective residual values.

2.7. Business combination

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured for the consideration amount transferred, valuated on fair value basis on the acquisition date, including the value of any ownership interest held by non-controlling shareholders in the acquired company, regardless of their proportion. For each business combination, the buyer must measure the non-controlling interest in the acquired business at the fair value of based on its interest in the net assets identified in the acquired business. Costs directly attributable to the acquisition must be accounted for as expenses when incurred, as well as any contingent consideration to be transferred will be recognized at fair value on the acquisition date.

Goodwill is measured as being the excess of total consideration to net assets acquired (acquired identifiable assets, nets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference is recognized as gain in statement of income.

For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Group that are expected to benefit by the synergies of combination, regardless of other assets or liabilities of the acquired being allocated to those units.

2.8. Analysis of Recoverable amount of assets

Pursuant to CPC 01, Property, plant and equipment items, intangible assets and other current and non-current assets are valued on an annual basis to identify evidence of unrecoverable losses, whenever events or significant changes in the circumstances indicate that the book value may not be recoverable.

When there are losses deriving from situations in which the asset book value exceeds its recoverable value, defined as the higher of the asset's value in use and asset's net sales value, they are recognized in income for the year.

2.9. Non-current assets held for sale

The Company classifies non-current assets held for sale measured at fair value less selling costs. Property, plant and equipment and intangible assets are not depreciated or amortized when classified as held for sale.

2.10. Inventories

Costs incurred to take the product to its location and conditions are measured at weighted acquisition or production average cost. The net realizable amount corresponds to the sales price estimated for the normal course of the businesses, less estimated execution costs and those required for the sale.

2.11. Income tax and social contribution

Such taxes are calculated and recorded considering the tax rates prevailing on the date of the preparation of the financial statements. Deferred taxes are recognized based on inter-temporal differences, tax losses, and social contribution negative basis, when applicable, only when and up to the amount that may be considered as of probable realization by Management (in accordance with business model approved by the Company's Management and governance councils).

2.12. Statement of income

Income (loss) from operations is calculated under the accrual basis. Sales revenues are recognized upon transfer of ownership and its inherent risks to third parties and recognized only if all performance obligations provided in contracts with clients were complied with and can be reliably measured.

2.13. Transactions involving payment in shares

Share-based remuneration plan for employees, to be settled with equity instruments, is measured at fair value on grant date, as described in note 22.2.

Granted options fair values determined on grant date are recorded at the straight line basis as expenses in income for the year during the period in which the right is acquired, based on the Company's estimates on which granted options will be possibly acquired, with corresponding increase in shareholders' equity (stock option plan).

The Company reviews its estimates on the number of equity instruments that will be eventually regularly acquired. Review impact on original estimates, if any, is recognized in income for the year as a counterparty to adjustment in shareholders' equity under "Capital reserve".

2.14. Financial instruments

Financial assets and liabilities are recognized when the Group is a party of the contractual provisions of the instruments. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are increased or reduced by the fair value of the financial assets or liabilities, when applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the statement of income.

2.15. Financial assets

The Group's financial assets are classified into the following categories: (i) fair value through other comprehensive income, and (ii) financial assets at fair value through profit or loss. Classification depends on nature and purpose of financial assets and is determined on initial recognition date.

All regular acquisitions or disposals of financial assets are recognized or written-off based on negotiation date. Regular acquisitions or disposals correspond to financial assets' acquisitions or disposals requiring delivery of assets within term established in a standard or market practice.

Financial assets measured at fair value through profit or loss: Include financial assets held for trading (that is, acquired mainly to be sold in the short-term), or assigned at fair value through profit or loss. Any interest, inflation adjustment, exchange-rate change and any changes arising from evaluation at fair value are recognized in income (loss), as financial revenues or expenses, when incurred.

Financial assets at fair value through other comprehensive income: They include equity instruments and debt securities, which are intended to be held for an indefinite period and can be sold to meet liquidity needs or in response to changes in market conditions. After initial recognition, the financial assets available for sale are measured at fair value, with unrealized gains and losses, recognized directly in the available-for-sale reserve within other comprehensive income until the investment is derecognized.

Impairment of financial assets Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of the financial asset impairment as a result of one or more events that occurred after initial recognition with impact on this asset's estimated future cash flows.

For all other financial assets, an objective evidence may include:

• Significant financial difficulty of the issuer or counterparty; or
• Breach of contract, such as default or delay in interest or principal payments. or
• Probability of debtor declaring its bankruptcy or financial reorganization; or
• Extinction of that financial asset active market due to financial problems.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's book and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss recognized for goodwill will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the book value is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited to the provision. Changes in book value are recognized in income (loss).

2.16. Loans and financing

When applicable, loans and financing obtained are initially recognized at fair value when funds are received net of transaction costs. Subsequent measurement is made using the amortized cost method; that is, plus charges, interest incurred *pro rata temporis* and Inflation adjustments and exchange-rate changes, as provided for in the contract, incurred up to the date of the individual and consolidated financial statements.

2.17. Derivative financial instruments

The Company uses derivative financial instruments to provide protection against its exposure to changes in oil price risks (Note 30). The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative contract is signed and are subsequently measured also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the value is negative.

Any earnings or losses resulting from changes in the fair value of derivatives during the year are entered directly in the income (loss) for the year.

The Company does not operate with speculative derivative financial instruments.

2.18. Functional currency and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Real, functional currency of the Company. The Company defined that its functional currency is the Brazilian Real of its foreign subsidiaries is the United States dollar, on account of its incurred costs of operation. All financial information presented in Reais has been rounded to the nearest value, except otherwise indicated.

Translation of balances in foreign currency: The assets and liabilities of foreign subsidiaries are translated into BRL at the exchange rate on the balance sheet date, and the corresponding statements of income are translated based on average monthly foreign exchange rate. Foreign exchange differences resulting from said translation are accounted for separately in shareholders' equity, in comprehensive statement of income, in line of other comprehensive income – Cumulative Translation Adjustments.

2.19. Statements of cash flows ("DFC")

Statements of cash flows were prepared and presented in accordance with the Technical Pronouncement CPC 03 (R2) - IAS 7 under the indirect method.

2.20. Statements of added value ("DVA")

Statements of value added have been prepared and are presented in accordance with Technical Pronouncement CPC 09.

2.21. Use of estimates and judgments

The preparation of individual and consolidated financial statements according to IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues, expenses and notes. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information on assumptions and estimates that may result in adjustments within the next financial year are included in the following notes:

• Note 9 – Non-current assets held for sale
• Note 11 – Property, plant and equipment, primarily those relating to written-off, amortizations and impaired oil & gas assets.
• Note 12 – Intangible assets, primarily those relating to written-off, amortization and impaired oil & gas assets.
• Note 14 - Current and deferred income tax and social contribution.
• Note 17 - Lease operations CPC 06 (R2) / IFRS 16
• Note 19 – Provision for abandonment (ARO)
• Note 22 - Shareholders' equity / Share-based remuneration plan.
• Note 30 - Objectives and policies for financial risk management.
• Note 32 - Contingencies.

2.22. Net income (loss) per share

Basic/diluted earnings per share is computed by dividing net income by the weighted average of common shares held by the shareholders, excluding treasury shares in the period.

2.23. ICPC 22 / IFRIC 23 - Uncertainty on treatment of income taxes

ICPC 22 clarifies the criteria for recognition, measurement and disclosure of the uncertainties referring to taxes on profit, due to the absence of explanations in this regard by Technical Pronouncement CPC 32 - Income taxes (CPC 32) and differences between the procedures adopted by the companies. The Company evaluated the effects and there is no impact on the financial statements.

2.24. CPC 06 (R2) / IFRS 16 – Lease operations

The Technical Pronouncement CPC 06 (R2) / IFRS 16 amend the form of presentation of operating leases in balance sheet of lessees, and also replaces the linear cost of the operating lease at the amortization cost of assets subject to right to use and interest expense on lease obligations at funding effective rates, prevailing on the hiring date of these transactions and calculated in financial expense.

After analyzing the contracts that could be included in the Pronouncement's identification principles, short-term leases maturing within 12 months were not taken into considering, in addition to leases of non-significant amounts, provided that the payments of the leases related to these contracts are recognized as expenses over the term of the contract.

The Company adopted the modified retrospective method and did not make the restatement of financial statements for prior years, recognizing the effects in a prospective manner, as detailed in Note 17.

Lease liabilities were measured at present value of the remaining lease payments, using the surcharge rate on the Company's loan at first-time adoption date;

The right of use asset was recognized based on the value of the lease liability, adjusted for any advance or accumulated lease payment related to this lease, recognized in the balance sheet immediately before the date of the first-time adoption date.

2.25. CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors

Change in accounting estimate

In January 2019, the Company adopted the procedures contained in CPC 06 (R2)/IFRS 16 for lease agreements with significant amounts and a term greater than 1 year, considering the useful life of the Fields for the projection of future values.

According to Note 33.1, the Company acquired an FPSO in February 2020 that will operate for the Tubarão Martelo and Polvo Fields, thus replacing what was chartered from BW for this Field. With said acquisition, the term of the FPSO charter contract, which previously followed the useful life of the Field, currently considers the termination date of the current contract, which is June 2021. This change represented a reduction of R$ 433,631 in lease assets and liabilities.

Restatement

After reassessing certain topics and aiming at offering a better presentation of its asset position and operational and economic performance, as well as a better interpretation of the standards issued by the IASB and the CPC, the Company reopened the financial statements of previous years and carried out the following adjustments:

Assets:

a. Cash and cash equivalents – Reclassification for better presentation of amounts previously classified as securities;
b. Securities - Adjustment of market to market regarding investment fund. classified as equity valuation adjustments in shareholders´ equity;
c. Oil inventories – Adjustment of the abandonment amortization and IFRS 16, as a result of the discount rate adjustment;
d. Advances to Partners – Recognition of the lease portion (CPC 06R2 – IFRS 16) referring to Petrobras in the Frade Field operation;
e. Deposits and sureties – Presentation of the provision for contingencies at its net amount in liabilities.
f. Deferred taxes – Record of deferred taxes on temporary differences and tax losses;
g. Deferred tax assets - Presentation by the net value with deferred tax liabilities;
h. Right-of-Use (Leases CPC 06.R2 – IFRS 16) – Review of the minimum fixed amounts of the agreements and the initial discount rate for agreements in reais, from 5.63% p.a. to 10% p.a.;
i. Property, plant and equipment and intangible assets – Reclassification of asset captions between development, emergency spare parts and well maintenance costs, as well as reflecting the adjustment of the provision for abandonment due to the review of the discount rate used, from 3% p.a. without risk spread in all fields to 5.44%

p.a. in Polvo and Manati, and 5.59% p.a. in Frade. Moreover, the allocation reports for the price paid in the acquisition of Frade were reissued by the company engaged to carry out this work, due to a duplication identified in the abandonment liability in the balance sheet, at fair value, changing the amount of capital gain and negative goodwill on the operation.

Liabilities:

j. Suppliers – Reclassification of amounts presented in provision for contingencies and contractual charges (Leasing IFRS 16);
k. Loans and financing – Adaptation of presentation between short and long term;
l. Debentures – Valuation of option embedded in debentures convertible into shares of Petrorio S.A., completed on October 24, 2019;
m. Contractual Charges (Leases – IFRS 16) – Review of the minimum fixed amounts of the agreements and the initial discount rate for agreements in reais, from 5.63% p.a. to 10% p.a.;
n. Provision for abandonment of facilities – review of the discount rate used, from 3% p.a. without risk spread in all fields to 5.44% p.a. in Polvo and Manati, and 5.59% p.a. in Frade.
o. Provision for contingencies – Reclassification of final amounts for Accounts Payable and Deposits and sureties, due to lawsuits with judicial deposits;
p. Deferred tax liabilities presented by the net value with deferred tax assets, with recognition of taxes on temporary differences;

Shareholders' equity and income (loss):

q. Capital reserves – Recognition of the amount of the options for converting debentures into shares of Petrorio S.A., completed on October 24, 2019;
r. Cumulative Translation Adjustment – Reflecting the adjustments made at Lux Holding, referring to the allocation of Frade's purchase price;
s. Equity valuation adjustments – Funds MTM adjustments;
t. Accumulated losses and income (loss) for the year – Reflecting the adjustments highlighted above.

Notes to the financial statements
December 31, 2019
(In thousands of reais, unless otherwise indicated)

		Consolidated								
		12/31/2017			12/31/2018			12/31/2019		
Ref.	Balance Sheet	Original	Adjustments	Restated	Original	Adjustments	Restated	Original	Adjustments	Restated
	Current assets									
a	Cash and cash equivalents	92.445	-	92.445	154,109	32,884	186,993	459.396	-	459.396
a,b	Securities	511.863	-	511.863	643,783	(36,342)	607,441	226.301	-	226.301
c	Oil inventories	41.174	-	41.174	56,702	(488)	56,214	122,571	(2,470)	120,101
d	Partners in oil and gas operations	3.639	-	3.639	2.922	-	2.922	25,590	60,688	86,278
	Current assets not affected	200.534	-	200.534	182.046	-	182.046	621.030	(16)	621.014
		849,655	**-**	**849,655**	**1,039,562**	**(3,946)**	**1,035,616**	**1,454,888**	**58,202**	**1,513,090**
	Non-current assets									
e	Scrow and secured deposits	16.010	-	16.010	19.621	-	19.621	31,170	(3,921)	27,249
f	Deferred taxes	18,480	(18,480)	-	8,338	3,002	11,340	153,644	6,669	160,313
g,h	Right-of-use (Lease CPC 06.R2 IFRS 16)	-	-	-	-	-	-	503,350	(51,283)	452,067
i	Property, plant and equipment	61,286	62,644	123,930	45,292	225,055	270,347	2,477,793	124,730	2,602,523
i	Intangible assets	260,549	(62,644)	197,905	385,943	(244,994)	140,949	817,962	(128,433)	689,529
	Non-current assets not affected	64.264	-	64.264	38.307	-	38.307	44,980	-	44,980
		420,589	**(18,480)**	**402,109**	**497,501**	**(16,937)**	**480,564**	**4,028,899**	**(52,238)**	**3,976,661**
	Total assets	**1,270,244**	**(18,480)**	**1,251,764**	**1,537,063**	**(20,883)**	**1,516,180**	**5,483,787**	**5,964**	**5,489,751**
	Current liabilities									
j	Suppliers	70.535	-	70.535	73.258	-	73.258	129,727	(42,495)	87,232
k	Loans and financing	75.011	-	75.011	222.437	-	222.437	1,214,632	9,674	1,224,306
m	Contractual Charges (Lease IFRS 16)	-	-	-	-	-	-	211,293	11,756	223,049
	Current liabilities not affected	71.305	-	71.305	75.291	-	75.291	134,999	197	135,196
		216,851	**-**	**216,851**	**370,986**	**-**	**370,986**	**1,690,651**	**(20,868)**	**1,669,783**
	Non-current liabilities									
k	Loans and financing	-	-	-	25.718	-	25.718	430,944	(9,674)	421,270
l	Debentures	31,391	22,647	54,038	31,241	38,125	69,366	-	-	-
n	Provision for abandonment (ARO)	74.119	-	74.119	68,713	(32,275)	36,438	909,513	(145,880)	763,633
o	Provision for contingencies	15.120	-	15.120	17.441	-	17.441	70,320	(4,707)	65,613
p	Deferred taxes and social contributions	36,177	(18,480)	17,697	2,311	(2,311)	-	147,522	(147,522)	-
m	Contractual Charges (Lease IFRS 16)	-	-	-	-	-	-	340,792	48,641	389,433
	Non-current liabilities not affected	13.456	-	13.456	14.057	-	14.057	14,918	-	14,918
		170,263	**4,167**	**174,430**	**159,481**	**3,539**	**163,020**	**1,914,009**	**(259,142)**	**1,654,867**
	Unaffected minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**759**	**-**	**759**
	Shareholders' equity									
	Unaffected Capital	3.265.256	-	3.265.256	3.273.114	-	3.273.114	3.316.411	-	3.316.411
q	Capital reserves	73,852	8,648	82,500	58,183	8,911	67,094	114,996	113,031	228,027
r	Cumulative Translation Adjustment	65.102	-	65.102	94.057	-	94.057	153,958	(3,623)	150,335
s	Equity valuation adjustments	26.698	-	26.698	(75,856)	(3,458)	(79,314)	-	-	-
t	Accumulated losses	(2,598,629)	(11,071)	(2,609,700)	(2,547,777)	(31,296)	(2,579,073)	(2,342,903)	(29,874)	(2,372,777)
t	Income (loss) for the period	50,851	(20,224)	30,627	204,875	1,421	206,296	635,906	206,440	842,346
		883,130	**(22,647)**	**860,483**	**1,006,596**	**(24,422)**	**982,174**	**1,878,368**	**285,974**	**2,164,342**
	Total liabilities	**1.270.244**	**(18.480)**	**1.251.764**	**1,537,063**	**(20,883)**	**1,516,180**	**5,483,787**	**5,964**	**5,489,751**

		Parent company								
		01/01/2018			12/31/2018			12/31/2019		
Ref.	Balance Sheet	Original	Adjustments	Restated	Original	Adjustments	Restated	Original	Adjustments	Restated
	Current assets not affected	**192,132**	**-**	**192,132**	**53,587**	**-**	**53,587**	**8,224**	**(31)**	**8,193**
	Non-current assets not affected	8,168	-	8,168	9,882	-	9,882	13,851	-	13,851
f	Deferred taxes	7,103	(7,103)	-	1	(1)	-	-	2,196	2,196
t	Investiments	775,722	-	775,722	989,292	16,851	1,006,143	1,984,708	283,777	2,268,485
	Non-current assets	**790,993**	**(7,103)**	**783,890**	**999,175**	**16,850**	**1,016,025**	**1,998,559**	**285,973**	**2,284,532**
	Total assets	**983,125**	**(7,103)**	**976,022**	**1,052,762**	**16,850**	**1,069,612**	**2,006,783**	**285,942**	**2,292,725**
	Current liabilities not affected	**5,689**	**-**	**5,689**	**14,422**	**-**	**14,422**	**6,486**	**(32)**	**6,454**
	Non-current liabilities not affected	39,238	-	39,238	498	-	498	121,929	-	121,929
l	Debentures	31,391	22,647	54,038	31,241	38,125	69,366	-	-	-
p	Deferred taxes and social contributions	23,677	(7,103)	16,574	5	3,147	3,152	-	-	-
		94,306	**15,544**	**109,850**	**31,744**	**41,272**	**73,016**	**121,929**	**-**	**121,929**
	Shareholders' equity									
	Unaffected Capital	3,265,256	-	3,265,256	3,273,114	-	3,273,114	3,316,411	-	3,316,411
q	Capital reserves	73,852	8,648	82,500	58,183	8,911	67,094	114,996	113,031	228,027
r	Cumulative Translation Adjustment	65,102	-	65,102	94,057	-	94,057	153,958	(3,623)	150,335
s	Equity valuation adjustments	26,698	-	26,698	(75,856)	(3,458)	(79,314)	-	-	-
t	Accumulated losses	(2,598,629)	(11,071)	(2,609,700)	(2,547,777)	(31,296)	(2,579,073)	(2,342,903)	(29,874)	(2,372,777)
t	Income for the year	50,851	(20,224)	30,627	204,875	1,421	206,296	635,906	206,440	842,346
		883,130	**(22,647)**	**860,483**	**1,006,596**	**(24,422)**	**982,174**	**1,878,368**	**285,974**	**2,164,342**
	Total liabilities	**983,125**	**(7,103)**	**976,022**	**1,052,762**	**16,850**	**1,069,612**	**2,006,783**	**285,942**	**2,292,725**

Notes to the financial statements
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(In thousands of reais, unless otherwise indicated)

		Consolidated					
		12/31/2018			12/31/2019		
Ref.	**Statements of income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Unaffected net revenue from sales	848,920	-	848,920	1,644,346	-	1,644,346
c	Costs of products/services	(528,809)	4,319	(524,490)	(991,066)	50,687	(940,379)
	Gross revenue	**320,111**	**4,319**	**324,430**	**653,280**	**50,687**	**703,967**
	Unaffected operating revenues (expenses)	(117,971)	-	(117,971)	(119,636)	-	(119,636)
i	Depreciation and amortization	-	-	-	(67,483)	(58,597)	(126,080)
n	Other operating revenues (expenses)	(31,840)	11,996	(19,844)	458,175	(38,170)	420,005
	Operating income (loss) before financial income (loss)	**170,300**	**16,315**	**186,615**	**924,336**	**(46,080)**	**878,256**
l,m,n	Financial revenues	313,524	3,161	316,685	408,633	(31,491)	377,142
l,m,n	Financial expenses	(242,447)	(23,368)	(265,815)	(641,627)	(72,769)	(714,396)
	Income before income tax and social contribution	**241,377**	**(3,892)**	**237,485**	**691,342**	**(150,340)**	**541,002**
	Current income tax and social contribution	(42,969)	-	(42,969)	(55,429)	(229)	(55,658)
p	Deferred income tax and social contribution	6,467	5,313	11,780	(7)	357,009	357,002
	Consolidated income (loss) for the year	**204,875**	**1,421**	**206,296**	**635,906**	**206,440**	**842,346**
	Earnings (loss) per share - basic and diluted						
	Basic	18.849	(17.152)	1.697	4.757	1.544	6.301
	Diluted	18.849	(17.152)	1.697	4.757	1.544	6.301

		Parent company					
		12/31/2018			12/31/2019		
Ref.	**Statements of income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Gross revenue not affected	-	-	-	-	-	-
	Other operating revenues (expenses) not affected	(26,964)	-	(26,964)	(11,348)	-	(11,348)
t	Equity in income of subsidiaries	196,087	20,310	216,397	666,642	267,091	933,733
	Operating income (loss) before financial income (loss)	**169,123**	**20,310**	**189,433**	**655,294**	**267,091**	**922,385**
	Financial revenues not affected	53,281	-	53,281	15,480	-	15,480
l	Financial expenses	(14,852)	(15,740)	(30,592)	(33,586)	(65,995)	(99,581)
	Income before income tax and social contribution	**207,552**	**4,570**	**212,122**	**637,188**	**201,096**	**838,284**
	Current income tax and social contribution not affected	(8,789)	-	(8,789)	(1,282)	-	(1,282)
p	Deferred income tax and social contribution	6,112	(3,148)	2,964	-	5,344	5,344
	Consolidated income (loss) for the year	**204,875**	**1,422**	**206,297**	**635,906**	**206,440**	**842,346**
	Earnings (loss) per share - basic and diluted						
	Basic	18,849	(17.152)	1.697	4,757	1,544	6,301
	Diluted	18,849	(17.152)	1.697	4,757	1,544	6,301

		Parent Company and Consolidated					
		12/31/2018			12/31/2019		
Ref.	**Statements of comprehensive income**	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
	Retained earnings (loss)	**204,875**	**1,421**	**206,296**	**635,906**	**206,440**	**842,346**
o	Translation adjustment on investment abroad, net of taxes	28,955	-	28,955	59,901	(3,623)	56,278
a	Equity valuation adjustments	(102,554)	(3,458)	(106,012)	75,856	3,458	79,314
	Other comprehensive income for the year, net of taxes	**(73,599)**	**(3,458)**	**(77,057)**	**135,757**	**(165)**	**135,592**
	Total other comprehensive income for the year, net of taxes	**131,276**	**(2,037)**	**129,239**	**771,663**	**206,275**	**977,938**

	Consolidated					
	12/31/2018			12/31/2019		
Statements of added value	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Revenues						
Oil & Gas sales	848,920	-	848,920	1,644,346	-	1,644,346
	848,920	**-**	**848,920**	**1,644,346**	**-**	**1,644,346**
Inputs and services						
Third party's services and other	(33,751)	-	(33,751)	(34,519)	-	(34,519)
Geology and geophysics expenses	(2,560)	-	(2,560)	(595)	-	(595)
Costs of services	(377,697)	-	(377,697)	(428,645)	14,924	(413,721)
Gross added value	**434,912**	**-**	**434,912**	**1,180,587**	**14,924**	**1,195,511**
Retentions						
Depreciation and amortization	(76,782)	4,320	(72,462)	(486,126)	(22,832)	(508,958)
Net added value	**358,130**	**4,320**	**362,450**	**694,461**	**(7,908)**	**686,553**
Transferred value added						
Net financial income (loss)	71,077	(20,207)	50,870	(232,994)	(104,260)	(337,254)
Deferred taxes	6,467	5,313	11,780	(7)	357,009	357,002
Rents, royalties and other	(127,805)	11,995	(115,810)	289,250	(38,172)	251,078
Added value payable	**307,869**	**1,421**	**309,290**	**750,710**	**206,669**	**957,379**
Distribution of added value						
Personnel	54,478	-	54,478	48,245	-	48,245
Taxes	48,516	-	48,516	66,559	229	66,788
Interest attributable to Group's shareholders	204,875	1,421	206,296	635,906	206,440	842,346
Distributed added value	**307,869**	**1,421**	**309,290**	**750,710**	**206,669**	**957,379**

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(In thousands of reais, unless otherwise indicated)

	Parent company					
	12/31/2018			12/31/2019		
Statements of added value	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Net added value not affected	**(7,501)**	**-**	**(7,501)**	**(4,377)**	**-**	**(4,377)**
Transferred value added						
Net financial income (loss)	38,429	(15,740)	22,689	(18,106)	(65,995)	(84,101)
Equity in income of subsidiaries	196,087	20,310	216,397	666,642	267,091	933,733
Deferred taxes	6,112	(3,148)	2,964	-	5,344	5,344
Rents, royalties and other	(1,394)	(1)	(1,395)	(1,506)	-	(1,506)
Added value payable	**231,733**	**1,421**	**233,154**	**642,653**	**206,440**	**849,093**
Distribution of added value						
Personnel	16,860	-	16,860	4,809	-	4,809
Taxes	9,998	-	9,998	1,938	-	1,938
Interest attributable to Group's shareholders	204,875	1,421	206,296	635,906	206,440	842,346
Distributed added value	**231,733**	**1,421**	**233,154**	**642,653**	**206,440**	**849,093**

	Capital	Capital reserve	Equity valuation adjustment	Cumulative translation adjustment	Accumulated loss	Total
Balances at January 1, 2018 - original	**3,265,256**	**73,852**	**26,698**	**65,102**	**(2,547,778)**	**883,130**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	17,612	-	-	-	17,612
Translation adjustment on investment abroad	-	-	-	28,955	-	28,955
Gain (loss) with financial instruments	-	-	(102,554)	-	-	(102,554)
Income for the year	-	-	-	-	204,875	204,875
Treasury shares	-	(33,281)	-	-	-	(33,281)
Balances at December 31, 2018 - original	**3,273,114**	**58,183**	**(75,856)**	**94,057**	**(2,342,903)**	**1,006,595**
Paid-up capital	43,297	-	-	-	-	43,297
Stock options granted	-	13,333	-	-	-	13,333
Translation adjustment on investment abroad	-	-	-	59,901	-	59,901
Gain (loss) with financial instruments	-	-	75,856	-	-	75,856
Income for the year	-	-	-	-	635,906	635,906
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at December 31, 2019 - original	**3,316,411**	**114,996**	**-**	**153,958**	**(1,706,997)**	**1,878,368**

	Capital	Capital reserve	Equity valuation adjustment	Cumulative translation adjustment	Accumulated loss	Total
Balances at January 1, 2018 - restated	**3,265,256**	**82,500**	**26,698**	**65,102**	**(2,579,073)**	**860,483**
Paid-up capital	7,858	-	-	-	-	7,858
Stock options granted	-	17,874	-	-	-	17,874
Translation adjustment on investment abroad	-	-	-	28,955	-	28,955
Gain (loss) with financial instruments	-	-	(106,012)	-	-	(106,012)
Income for the year	-	-	-	-	206,296	206,296
Treasury shares	-	(33,281)	-	-	-	(33,281)
Balances at December 31, 2018 - restated	**3,273,114**	**67,094**	**(79,314)**	**94,057**	**(2,372,777)**	**982,174**
Paid-up capital	43,297	-	-	-	-	43,297
Stock options granted	-	117,453	-	-	-	117,453
Translation adjustment on investment abroad	-	-	-	56,278	-	56,278
Gain (loss) with financial instruments	-	-	79,314	-	-	79,314
Income for the year	-	-	-	-	842,346	842,346
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
Balances at December 31, 2019 - restated	**3,316,411**	**228,027**	**-**	**150,335**	**(1,530,431)**	**2,164,342**

Notes to the financial statements
December 31, 2019

(In thousands of reais, unless otherwise indicated)

	Consolidated					
	12/31/2018			12/31/2019		
Statements of cash flows	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Cash flows from operating activities						
Income for the year (before taxes)	**241,377**	**(3,892)**	**237,485**	**691,342**	**(150,340)**	**541,002**
Depreciation and amortization	76,920	(4,458)	72,462	491,227	17,731	508,958
Financial revenues	(286,925)	(3,161)	(290,086)	(374,949)	31,492	(343,457)
Financial expenses	215,382	23,304	238,686	590,151	76,388	666,539
Stock options granted	17,612	-	17,612	13,333	-	13,333
Equity valuation adjustment	119	-	119	-	-	-
Loss/Write-off of non-current assets	1,321	-	1,321	-	-	-
Provision for contingencies/losses	14,354	-	14,354	19,545	-	19,545
Provision for impairment	89	-	89	27,647	4	27,651
Increase in property, plant and equipment (changing in life-time D&M)	-	-	-	(74,784)	-	(74,784)
Gains from acquisition of E&P assets	644	-	644	(617,400)	49,030	(568,370)
Reduction of provision for abandonment (ARO)	(2,595)	(11,996)	(14,591)	-	(13,201)	(13,201)
	278,298	**(203)**	**278,095**	**766,112**	**11,104**	**777,216**
(Increase) decrease in assets						
Accounts receivable	18,009	(23,624)	(5,615)	(335,767)	(3)	(335,770)
Recoverable taxes	20,278	-	20,278	(25,083)	(271)	(25,354)
Prepaid expenses	1,420	1	1,421	(4,985)	-	(4,985)
Advances to suppliers	(5,928)	-	(5,928)	(13,213)	-	(13,213)
Oil inventories	(12,554)	139	(12,415)	57,657	5,097	62,754
Inventory of consumables	(2,084)	-	(2,084)	(3,289)	-	(3,289)
Advance to partners in oil and gas operations	787	-	787	(2,832)	(9,772)	(12,604)
Scrow and secured deposits	(14,752)	11,628	(3,124)	(9,533)	3,911	(5,622)
Other receivables	262	-	262	1,268	24	1,292
Increase (decrease) in liabilities						
Suppliers	(3,613)	(1)	(3,614)	5,593	(41,136)	(35,543)
Labor obligations	4,870	-	4,870	13,022	58	13,080
Taxes and social contributions	(31,327)	-	(31,327)	3,173	(26)	3,147
Contingencies	1,109	-	1,109	24,251	(4,662)	19,589
Advances from partners in oil and gas operations	(3,171)	-	(3,171)	1,217	(3)	1,214
Other liabilities	3,760	-	3,760	(2,863)	-	(2,863)
Net cash (invested in) from operating activities	**255,364**	**(12,060)**	**243,304**	**474,728**	**(35,679)**	**439,049**
Cash flows from investment activities						
(Investment) Redemption of securities	(141,978)	32,884	(109,094)	464,418	(32,887)	431,531
(Investment) Restricted cash redemption	18,119	(11,628)	6,491	(34,986)	-	(34,986)
(Investment) Redemption in abandonment fund	(6,805)	64	(6,741)	(1,472)	-	(1,472)
(Increase) decrease in property, plant and equipment	-	(199,685)	(199,685)	-	(148,162)	(148,162)
(Increase) decrease in intangible assets	-	24,133	24,133	-	(40,643)	(40,643)
(Increase) decrease in investments	-	-	-	-	-	-
(Increase) decrease in permanent assets	(199,175)	199,175	-	(190,598)	190,598	-
(Acquisition) of oil and gas assets	-	-	-	(1,588,720)	4,766	(1,583,954)
Non-current assets held for sale	6,587	-	6,587	-	-	-
Net cash (invested in) from investment activities	**(323,252)**	**44,943**	**(278,309)**	**(1,351,358)**	**(26,328)**	**(1,377,686)**
Cash flows from financing activities						
Loans and financing	171,708	-	171,708	1,298,886	-	1,298,886
Contractual charges (Lease IFRS 16) - Principal	-	-	-	(193,917)	97,204	(96,713)
Contractual charges (Lease IFRS 16) - Interest	-	-	-	-	(61,782)	(61,782)
Debentures	(23,163)	1	(23,162)	(1,181)	(1)	(1,182)
Derivative transactions	(2,024)	-	(2,024)	(4,988)	-	(4,988)
(Purchase) sale of own Company's shares (held in treasury)	(33,198)	-	(33,198)	43,480	-	43,480
(Decrease) Paid-up capital	7,709	-	7,709	12,055	-	12,055
Net cash (invested in) from financing activities	**121,032**	**1**	**121,033**	**1,154,335**	**35,421**	**1,189,756**
Translation adjustment	8,520	-	8,520	27,583	(6,298)	21,285
Net increase (decrease) in cash and cash equivalents	**61,664**	**32,884**	**94,548**	**305,288**	**(32,884)**	**272,404**
Cash and cash equivalents at the beginning of the year	92,445	-	92,445	154,109	32,884	186,993
Cash and cash equivalents at the end of the year	154,109	32,884	186,993	459,397	-	459,397
Net increase (decrease) in cash and cash equivalents	**61,664**	**32,884**	**94,548**	**305,288**	**(32,884)**	**272,404**

(In thousands of reais, unless otherwise indicated)

	Parent company					
	12/31/2018			12/31/2019		
Statements of cash flows	**Original**	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Cash flows from operating activities						
Income for the year (before taxes)	**207,552**	**4,569**	**212,121**	**637,188**	**201,096**	**838,284**
Income adjustments not affected	(40,906)	-	(40,906)	(7,113)	-	(7,113)
Financial expenses	14,794	15,740	30,534	32,920	65,996	98,916
Equity in income of subsidiaries	(196,087)	(20,310)	(216,397)	(666,643)	(267,090)	(933,733)
	(14,647)	**(1)**	**(14,648)**	**(3,648)**	**2**	**(3,646)**
Increase/ decrease in assets and liabilities not affected	(47,772)	-	(47,772)	120,271	-	120,271
Net cash (invested in) from operating activities	**(62,419)**	**(1)**	**(62,420)**	**116,623**	**2**	**116,625**
Cash flows from investment activities						
(Investment) Redemption of securities	140,602	-	140,602	34,020	(2)	34,018
(Increase) decrease in property, plant and equipment	-	(1,354)	(1,354)	-	(812)	(812)
(Increase) decrease in investments	-	(50,914)	(50,914)	-	(199,505)	(199,505)
(Increase) decrease in permanent assets	(52,269)	52,269	-	(200,317)	200,317	-
Net cash (invested in) from investment activities	**88,333**	**1**	**88,334**	**(166,297)**	**(2)**	**(166,299)**
Net cash (invested in) from financing activities not affected	**(27,325)**	**-**	**(27,325)**	**54,353**	**-**	**54,353**
Net increase (decrease) in cash and cash equivalents	**(1,411)**	**-**	**(1,411)**	**4,679**	**-**	**4,679**
Cash and cash equivalents at the beginning of the year	1,643	-	1,643	232	-	232
Cash and cash equivalents at the end of the year	232	-	232	4,911	-	4,911
Net increase (decrease) in cash and cash equivalents	**(1,411)**	**-**	**(1,411)**	**4,679**	**-**	**4,679**

2.26. Expenditures associated to Joint Operating Agreement (JOA) of Frade Field

The Company, in the capacity of Frade Field operator, is responsible for contracting and paying all suppliers of this concession.

On a monthly basis, disbursements projected for subsequent month are estimated and charged from partners through cash calls, and evidence of expenditures is provided in billing statements.
Therefore, invoices received by the Company contemplate total value of acquired materials and services, but presentation in the Company's statements of income/ cost reflects only its interest.

2.27. Standards and new and reviewed interpretations already issued

In the preparation of financial statements, the Company's Management considered, when applicable, the new reviews and interpretations of IFRS and technical pronouncements, issued by IASB and CPC, respectively, which became mandatorily effective for the accounting periods ended December 31, 2018 and 2019, namely:

Pronouncement or interpretation	Description
CPC 06 (R2) / IFRS 16	Leases
CPC 32 / IFRIC 23	Uncertainty on treatment of income taxes

(In thousands of reais, unless otherwise indicated)

3. Cash and cash equivalents - restated

	Parent company			Consolidated		
	12/31/2019	12/31/2018	01/01/2018	12/31/2019	12/31/2018	01/01/2018
Cash	-	-	-	**39**	1	1
Banks	**4,911**	232	1,643	**459,357**	186,992	92,444
	4,911	232	1,643	**459,396**	186,993	92,445
National	**855**	117	1,643	**4,890**	1,410	14
Abroad	**4,056**	115	-	**454,506**	185,583	92,431

The balance of cash and cash equivalents consists of funds for the purpose of business working capital, applied in highly liquid instruments in Brazil (committed) and abroad (fixed income securities or current account deposits), without risk of significant change of the principal, and yields upon redemption. Exceptionally in December 2019, with the imminence of the acquisition of FPSO OSX-3, the amounts necessary for the completion of the operation were maintained in said liquidity instruments. The completion took place in February 2020 using part of the financed funds, according to Note 33.1.

4. Securities - restated

	Parent company			Consolidated		
	12/31/2019	12/31/2018	01/01/2018	12/31/2019	12/31/2018	01/01/2018
Bank deposit certificates (i)	-	-	-	**121,906**	21,368	699
Time deposit (ii)	-	-	-	**104,395**	252,679	-
Promissory note (iii)	-	-	-	-	58,265	47,162
Repurchase and resale agreements (debentures) (iv)	-	-	-	-	63,221	2
Shares (v)	-	483	46,811	-	1,234	46,811
Financial Bills	-	-	-	-	354	13,115
Financial assets - fair value through profit or loss	-	483	46,811	**226,301**	397,121	107,789
Fixed income debt bonds (vi)	-	-	-	-	114,591	106,255
Investment funds (vii)	-	40,625	141,637	-	95,729	297,819
Shares	-	23,468	133,358	-	67,435	286,391
Government bonds (LFT/NTN)	-	788	7,568	-	788	8,845
Bonds	-	6,892	-	-	6,651	-
Cash/Money Market	-	9,477	711	-	20,855	2,583
Financial assets - fair value through other comprehensive income	-	40,625	141,637	-	210,320	404,074
Total	-	41,108	188,448	**226,301**	607,441	511,863

i. Fixed income investments (CDB) in reais, with average yield of 70% of the CDI;

ii. Position of Time Deposit in dollar, which corresponds to a fixed-income investment with daily liquidity, earning interest at 1.6% p.a.;

iii. Promissory notes in US dollars with annual remuneration of 3% and maturing on November 1, 2022;

iv. Repurchase and resale agreements (debentures) remunerated on average at

(In thousands of reais, unless otherwise indicated)

75% of CDI rate;

v. The Company had non-material investments in the shares of the company in court-ordered reorganization, fully settled in the first semester of 2018, realizing accumulated gains in the year totaling R$ 27,096;

vi. Investments in fixed income securities, in US dollars, of large institutions, with an average yield of 6.8% p.a.;

vii. Investment funds in Brazil and abroad which basically invest in shares, bonds and government bonds. These are open (non-exclusive) funds and have independent management, with autonomy to transact the resources invested.

Changes in the amounts invested in securities were mainly due to the need for cash to carry out the acquisitions made during the year 2019. A portion of this amount was allocated to cash and cash equivalents (Note 3) and restricted cash (Note 5).

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 30.

5. Restricted cash

	Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**
Frade Acquisition - 51.74% (i)	**52,223**	-	-
Frade Acquisition - 18.26% (ii)	**-**	11,628	-
Debentures - Manati (iii)	**-**	-	17,965
	52,223	**11,628**	**17,965**

(i) The Company, in compliance with purchase and sale agreement for acquisition of 51.74% of interest in concession of Frade Field (Note 12), makes monthly deposits in a restricted account (Escrow) that is released to the seller according to terms agreed-upon for debt payment. In 2019, total deposits amounted to US$ 48,334 (R$ 194,818), and the first amount of the financing was paid on September 9, 2019, amounting to R$ 35,391 (R$ 142,652) as Note 15.

(ii) The Company, following the purchase and sale agreement for the acquisition of a 18.26% interest in the Frade Field concession (Frade Japão Petróleo Ltda – Note 1), the Company deposited the amount of US$ 3 million (R$ 11,628 million) in an escrow account in October 2018. The release of the amount to seller was conditions upon completion of the acquisition, which occurred on October 1, 2019, as described in Note 12.

(iii) under the terms of the instrument of debentures (Note 16b), was required to maintain deposits in a bank assigned account of financial investments in a fixed income fund (13.2% p.a.) to guarantee future payments of its obligations related to such debentures. Changes in these deposits occurred every six months for payment of such debentures and was completed in January 2018 with the settlement.

(In thousands of reais, unless otherwise indicated)

6. Accounts receivable

	Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**
Petrobras (i)	**22,878**	21,206	30,084
Repsol (ii)	**-**	12,952	-
Petrochina (iii)	**93,824**	-	-
Trafigura (iv)	**257,896**	-	8,383
Shell (v)	**-**	-	23,156
Other	**-**	774	423
Total	**374,598**	34,932	62,046
Total local currency	**22,878**	21,206	30,084
Total foreign currency	**351,720**	13,726	31,962

(i) Balance receivable related to sales of gas and condensed oil carried out by Manati, Jaguar and White Shark in November and December 2019, roughly 25.4 million m^3 of gas, corresponding to a net revenue of R$ 22,527 to Manati, R$ 259 to Jaguar and R$ 92 to White Shark.

(ii) Balance receivable remaining from the sale of oil of Polvo Field in December 2018, referring to approximately 418 thousand barrels of oil, which generated a revenue of R$ 84,695.

(iii) Balance receivable remaining from the sale of oil of Polvo Field in December 2019, referring to approximately 451 thousand barrels of oil, which generated a revenue of R$ 94,378.

(iv) Balance receivable remaining from the sale of oil of Frade Field in December 2019, referring to approximately 1,018 thousand barrels of oil, which generated a revenue of R$ 257,896. In January 2018, there was a balance receivable from the sale of oil from the Polvo Field, totaling 425 thousand barrels.

(v) In 2015, the Company announced a purchase and sale agreements to acquire 80% and 20% interest of the rights and obligations of the concession contracts of Bijupirá and Salema ("BJSA") fields with Shell Brasil Petróleo Ltda. ("Shell") and Petróleo Brasileiro S.A. – Petrobras, respectively. In February 2016, Shell rescinded contract for the purchase and sale for acquisition of 80% of BJSA and FPSO Fluminense concession, as permitted by contract. In that same month, PetroRio rescinded contract with Petrobras for acquisition of 20% in BJSA concession. Petrobras has repaid all the amount as an advance. Of the amounts paid to Shell, US$ 7 million (R$ 26,991), were charged by means of arbitration procedure, in which an arbitral award was handed convicting Shell to the payment of US$3.5

(In thousands of reais, unless otherwise indicated)

million (R$14 million), fully received in July 2018. The remaining balance of US$ 3.5 million was written-off as loss.

7. Recoverable taxes

	Parent company			Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**	**12/31/2019**	**12/31/2018**	**01/01/2018**
Income tax and social contribution (i)	**2,887**	12,092	3,069	**29,052**	25,747	18,032
PIS and COFINS (ii)	**1**	5	-	**89,494**	24,666	54,525
ICMS (iii)	**-**	-	-	**28,548**	16,137	15,303
Foreign taxes (VAT) (iv)	**-**	-	-	**1,248**	25,775	23,089
Other	**17**	10	-	**815**	397	212
Total	**2,905**	12,107	3,069	**149,157**	92,722	111,161
Current assets	**2,905**	12,107	1,228	**116,773**	67,011	59,492
Non-current assets	**-**	-	1,841	**32,384**	25,711	51,669

(i) Primarily refers to withholding income tax on financial investments and negative balance of IRPJ/CSLL (Corporate Income Tax / Social Contribution on Net Revenue) and prepaid income tax and social contribution.

(ii) PIS/COFINS credits on inputs used in operation;

(iii) ICMS recoverable referring to oil loans between Frade Field partners and movement of materials upon acquisition of Polvo.

(iv) Taxes (VAT) in the refund process of the Namibian subsidiaries during the exploration period.

8. Advances to suppliers

	Parent company			Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**	**12/31/2019**	**12/31/2018**	**01/01/2018**
Geoquasar Energy (i)	**-**	-	-	**12,596**	12,596	12,596
BW (Prosafe) guarantee (ii)	**-**	-	-	**26,575**	25,691	22,477
Petrobras	**-**	-	-	**2,262**	2,728	2,345
Sotreq	**-**	-	-	**2,206**	1,706	-
Nitshore	**-**	-	-	**1,388**	1,931	-
Alpina	**-**	-	-	**-**	1,537	-
BJ Services Brasil	**-**	-	-	**2,436**	-	-
Asa Assessoria	**-**	-	-	**1,772**	-	-
Agility do Brasil	**-**	-	-	**4,098**	-	-
Other	**38**	93	670	**11,434**	4,356	3,959
Total	**38**	93	670	**64,767**	50,545	41,377
Total current assets	**38**	93	670	**52,171**	37,949	28,781
Total non-current assets	**-**	-	-	**12,596**	12,596	12,596

(i) The advances to Geoquasar refer to operating costs assumed by PetroRioOG and contractual payments in advance. As a counterparty to these advances, the Company has maintained the provision under "Long term suppliers" caption recorded, in the amount of R$ 12,961 (Note 13). The settlement of these amounts, both assets and liabilities, awaits court decision.

(In thousands of reais, unless otherwise indicated)

(ii) The advances to BW (Prosafe) - US$ 5,671 (R$ 22,858) and R$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo.

Other advances derive from the Company's regular transactions.

9. Non-current assets available for sale (Consolidated)

The Company has two helitransportable drilling rigs, as shown in the table below:

	Balance at 12/31/2018	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 12/31/2019**
Drilling rigs	**26,581**	-	-	**(27,651)**	**1,070**	-
	26,581	-	-	**(27,651)**	**1,070**	-

	Balance at 12/31/2017	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 12/31/2018**
Aircrafts	**5,623**	(8,798)	-	2,203	972	-
Drilling rigs	**22,693**	-	-	-	3,888	**26,581**
	28,316	(8,798)	-	2,203	4,860	**26,581**

In December 2019, a market study was carried out to assess the value of the remaining drilling rigs in the Company's assets. The study showed a market value of US$ 2,351 thousand per drilling rig. Despite the amount indicated, the Company's management decided, due to its difficulty to sell the drilling rigs, to record a full provision for the balances. Nevertheless, the Company will continue to make every effort to sell these assets.

On July 2, 2018 the sale of the last aircraft of the Company was made to Omni Taxi Aereo, for the amount of US$ 800 thousand.

10. Investments - restated

At December 31, 2019, the Company presented the following main interest held in direct subsidiaries:

- **Petro Rio O&G Exploração e Produção de Petróleo Ltda. ("PetroRioOG")**

The subsidiary was created on July 20, 2009, with headquarters in Rio de Janeiro, and engages in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) interest in other companies.

PetroRioOG has the concession of Polvo Field, located in the South portion of Campos Field, in Rio de Janeiro State. Since March 2011, PetroRio already operated as Operator B, in shallow waters and, beginning as of October 2015, PetroRioOG was qualified as Operator A by ANP, which permits conduction of activities in land areas, and shallow, deep and ultra-deep waters.

On October 07, 2015, PetroRio paid-up capital of PetroRioOG, in the amount of R$197,269, with shares of PTRIntl; now, PetroRioOG holds 98.3% of interest in PrioIntl capital.

In December 2016, PetroRioOG entered into a purchase and sale agreement for the acquisition of 52.40% of Brasoil Exploração Petrolífera S.A. (“Brasoil”), conditional upon the non-exercise, by non-controlling shareholders, of the right of first offer, which expired in January 2017. In February 2017, non-controlling shareholders decided to adhere to the tag-along clause, and PetroRioOG now holds a 100% interest in Brasoil. The transaction was completed on March 20, 2017.

Brasoil is a holding company which holds an indirect interest of 10% in the rights and obligations set forth in the concession contract of Manati Field, which, on its turn, currently producing about 3.8 million cubic meters of natural gas per day (4.9 million cubic meters of natural gas in 2018), ranking as the 8th largest natural gas field in Brazil.

In addition to its interest in Manati field, other relevant assets of Brasoil include the indirect 100% interest in the concessions of Pirapema Field and FZA-M-254 Block, both located at the mouth of the Amazon River.

Due to restructurings of the Company’s organization chart, Brasoil and all associated companies were transferred from PetroRioOG to Lux Holding, as capital contribution.

- **Petro Rio Internacional S.A. ("PrioIntl")**

The subsidiary, headquartered in Rio de Janeiro is engaged in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) interest in other companies.

All Group’s companies located outside of Brazil, except for PrioUSA, are consolidated under a single corporate structure having PrioIntl as head office in Brazil.

Currently, the main Companies controlled by PrioIntl are Lux Holding and Netherlands, companies that have large-sized assets in operation or held for sale, Brasoil Manati, which was contributed by PetroRioOG in June 2019, and Lux Sarl, which as for September 2016 started to trade the oil produced in the Polvo field. The acquisition of Petrorio Lux Energy S.à.r.l. (formerly BP Energy América LLC and merged in December 2017 by Lux Holding) was part of the acquisition of Polvo field and owner of a 3,000 HP drilling rig, which is the equipment needed for operations in this field. Moreover, under this corporate structure are subsidiaries located In Canada and the Republic of Namibia.

(In thousands of reais, unless otherwise indicated)

As mentioned in Notes 1, Petrorio, through its subsidiary Lux Holding, entered into purchase and sale agreements for the acquisition of a 18.26% and 51.74% interest on October 26, 2018 and January 30, 2019, respectively, in the Frade Field concession and Field operating assets, through the acquisition of companies Frade Japão Petróleo Ltda, Inpex Offshore North Campos, Ltd., Chevron Brasil Upstream Frade Ltda. and Chevron Frade LLC.

On March 25, 2019, the acquisition of the 51.74% interest was completed, and the Company became also the operator of Frade Field. The acquisition of the 18.26%, which dependent on precedent conditions and internal and external approvals was completed on October 2, 2019. The Company now holds a 70% interest in the asset, which will be increased from the remaining 30% after the conclusion of the purchase and sale transaction signed on November 20, 2019 with Petrobrás.

Additionally, PrioIntl has interest in a block in the Recôncavo Basin and one Block in Espírito Santo Basin (ES), where is non-operator, and on February 28, 2017 the Company entered into an assignment agreement of interest in these blocks (10%) to the consortium operator, COWAN, in exchange for outstanding amounts payable to the operator regarding cash calls, in the amount of R$ 305.

- **Petrorio USA Inc ("PrioUSA")**

Established on March 4, 2011, former HRT America Inc., incorporated under the laws of the State of Delaware and headquartered in Houston, USA. Subsidiary was basically established to provide geology and geophysics services to other subsidiaries of the Group, mainly to PrioIntl and its subsidiaries.

Portfolio of concessions

As of December 31, 2019, the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Field	Concessionaire	%	Status	Phase
Brazil	Campos	BM-C-8	Polvo	PetroRioOG	100%	Operator	Production
Brazil	Camamu	BCAM-40	Manati	Manati	10%	Non-operator	Production
Brazil	Campos	Frade	Frade	Jaguar	70%	Operator	Production
Brazil	Camamu	BCAM-40	Camarão Norte	Manati	10%	Non-operator	Development
Brazil	Foz do Amazonas	FZA-M-254	-	Manati	100%	Operator	Exploration
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Manati	100%	Operator	Exploration
Brazil	Ceará	CE-M-715	-	Jaguar	50%	Operator	Exploration

(In thousands of reais, unless otherwise indicated)

The BCAM-40 Block Consortium started and waits for the process of returning the discovery of Camarão Norte, located in south of the Manati Field, in the Camamu-Almada Basin, to the National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Company has a 10% interest in the discovery of Camarão Norte, which was declared a commercial undertaking in 2009. After evaluating several development plans and potential unitization to the adjacent area, the consortium concluded that the area was not economically feasible and decided to return it.
The acquisition of Jaguar expanded the concessions portfolio with 70% Frade Field, in partnership with Petróleo Brasileiro S.A. with 30%, and with 50% of the Exploratory Block CE-M-715, in Ceará Basin, in partnership with Ecopetrol.

a) Relevant information on investees as of December 31, 2019

	PetroRioOG	**PrioIntl**	**PrioUSA**
Direct interest	100.00%	1.23%	100.00%
Indirect interest	0.00%	98.77%	0.00%
Shareholders' equity	2,241,194	2,207,868	68
Income (loss) for the year	911,962	1,086,423	(124)
Total assets	3,392,909	5,022,109	290

b) Breakdown of investments

	Parent company		
	12/31/2019	**12/31/2018**	**01/01/2018**
PetroRioOG	**2,241,194**	1,001,913	772,568
PrioUSA	**68**	(61)	(315)
PTRIntl	**27,223**	4,230	3,154
	2,268,485	1,006,082	775,407
Investments	**2,268,485**	1,006,143	775,722
Provision for loss on investments in subsidiaries	**-**	(61)	(315)

c) Changes in investment

	PetroRioOG	**PrioIntl**	**PrioUSA**	**Total**
Balance at January 01, 2018	**772,568**	**3,154**	**(315)**	**775,407**
Capital increase/decrease	50,000	-	914	50,914
Equity in income of subsidiaries	216,246	666	(515)	216,397
Equity valuation adjustment	-	-	(119)	(119)
Equity evaluation adjustments	(65,389)	(83)	-	(65,472)
Conversion adjustments	28,488	493	(26)	28,955
Balance at December 31, 2018	**1,001,913**	**4,230**	**(61)**	**1,006,082**
Capital increase/decrease	199,246	-	259	199,505
Equity in income of subsidiaries	911,962	21,894	(123)	933,733
Equity evaluation adjustments	72,078	809	-	72,887
Conversion adjustments	55,995	290	(7)	56,278
Balance at December 31, 2019	**2,241,194**	**27,223**	**68**	**2,268,485**

(In thousands of reais, unless otherwise indicated)

11. Property, plant and equipment (Consolidated) - restated

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 12/31/2019	Balance at 12/31/2018	Balance at 01/01/2018
In operation							
Platform and Drilling rig - Polvo	UOP *	101,439	(99,888)	22,374	23,925	29,366	30,650
Oil & gas assets - Manati	UOP *	47,136	(40,748)	-	6,388	6,400	28,128
Oil & gas assets - Frade	UOP *	1,860,754	(156,844)	31,267	1,735,177	-	-
Machinery and equipment	10%	8,008	(1,793)	-	6,215	2	2
Furniture and fixtures	10%	6,258	(4,699)	-	1,559	649	460
Communication equipment	20%	673	(227)	-	446	172	163
IT equipment	20%	5,795	(2,803)	-	2,992	1,762	540
Leasehold improvements	4%	6,710	(113)	-	6,597	4	1,343
Surplus of Oil & gas assets - Frade	UOP *	279,898	(40,557)	-	239,341	-	-
Development expenditures	UOP *	277,116	(89,153)	-	187,963	175,889	42,411
Maintenance of wells	33%	51,331	(20,798)	-	30,533	26,309	8,838
In progress							
Property, plant and equipment in progress **		21,125	-	(17,487)	3,638	6,937	-
Maintenance of wells - Polvo		4,301	-	-	4,301	-	-
Acquisition of asset		50,731	-	(1,635)	49,096	-	-
Spare parts		49,577	-	492	50,069	22,857	11,395
Material for well revitalization/re-entry - Frade		254,283	-	-	254,283	-	-
Total		**3,025,135**	**(457,623)**	**35,011**	**2,602,523**	**270,347**	**123,930**

*UOP – Units of Production (Unit-of-production depreciation method)
** Construction in progress refers basically to expenditures with administrative facilities.
*** With the completion of Frade acquisition, the Company then consolidates 70% of the assets related to the field, which include, in addition to the expenses related to producing wells, FPSO Frade and all submarine equipment. In addition, Frade consortium prepared for the Field Revitalization Plan by acquiring materials and equipment that are classified as assets in progress, as well as FPSO equipment and submarines that are waiting drilling of more wells to start operation.

b) Changes in balance

	Balance at 01/01/2019	Additions	Write-offs	Depreciation	Impairment	Transf.	Translation adjustment	Jaguar Acquisition	Acquisition - Frade LLC	White Shark Acquisition	Acquisition - IONC	Balance at 12/31/2019
In operation												
Platform and Drilling rig - Polvo	**29,366**	-	-	(6,467)	-	-	1,026	-	-	-	-	**23,925**
Oil & gas assets – Manati	**6,400**	2,510	(51)	(2,495)	24	-	-	-	-	-	-	**6,388**
Oil & gas assets – Frade	**-**	104,570	(162,398)	(156,844)	-	-	29,609	1,191,598	-	284,162	444,480	**1,735,177**
Machinery and equipment	**2**	-	-	(1,793)	-	-	-	8,006	-	-	-	**6,215**
Furniture and fixtures	**649**	1,073	(28)	(157)	-	-	-	22	-	-	-	**1,559**
Communication equipment	**172**	360	-	(86)	-	-	-	-	-	-	-	**446**
IT equipment	**1,762**	1,819	(17)	(611)	-	-	-	39	-	-	-	**2,992**
Leasehold improvements	**4**	6,750	(2)	(114)	-	(41)	-	-	-	-	-	**6,597**
Surplus of Oil & gas assets - Frade	**-**	-	-	(40,557)	-	-	9,408	-	252,688	-	17,802	**239,341**
Development expenditures	**175,889**	56,018	(5,812)	(38,132)	-	-	-	-	-	-	-	**187,963**
Maintenance of wells	**26,309**	20,459	(4,049)	(12,186)	-	-	-	-	-	-	-	**30,533**
In progress												**-**
Property, plant and equipment in progress	**6,937**	74,620	(77,637)	-	-	-	(3,283)	-	-	-	3,001	**3,638**
Maintenance of wells	**-**	4,301	-	-	-	-	-	-	-	-	-	**4,301**
Acquisition of asset	**-**	50,731	-	-	-	-	(1,635)	-	-	-	-	**49,096**
Spare parts	**22,857**	32,984	(6,158)	-	-	-	386	-	-	-	-	**50,069**
Material for revitalization of wells – Frade	**-**	4,185	(11,805)	-	-	41	-	203,329	-	58,533	-	**254,283**
Total	**270,347**	**360,380**	**(267,957)**	**(259,442)**	**24**	**-**	**35,511**	**1,402,994**	**252,688**	**342,695**	**465,283**	**2,602,523**

(In thousands of reais, unless otherwise indicated)

	Balance at 01/01/2018	Additions	Write-offs	Depreciation	Impairment	Translation adjustment	Transfer	Balance at 12/31/2018
In operation								
Polvo A platform and drilling rig	**30,650**	-	-	(6,258)	-	4,974	-	**29,366**
Oil & gas assets - Manati	**28,128**	305	(15,869)	(6,075)	(89)	-	-	**6,400**
Machinery and equipment	**2**	-	-	-	-	-	-	**2**
Furniture and fixtures	**460**	289	(5)	(95)	-	-	-	**649**
Communication equipment	**163**	55	-	(46)	-	-	-	**172**
IT equipment	**540**	1,504	-	(282)	-	-	-	**1,762**
Development expenditures	**42,411**	156,227	-	(22,749)	-	-	-	**175,889**
Maintenance of wells	**8,838**	14,374	-	(6,432)	-	-	9,529	**26,309**
Emergency spare parts	**11,395**	19,835	-	-	-	1,156	(9,529)	**22,857**
Property, plant and equipment in progress	**-**	6,937	-	-	-	-	-	**6,937**
Leasehold improvements	**1,343**	11	(1,311)	(39)	-	-	-	**4**
Total	**123,930**	**199,537**	**(17,185)**	**(41,976)**	**(89)**	**6,130**	**-**	**270,347**

12. Intangible assets (Consolidated) - restated

a) Breakdown of the balance

	Amortization rate (%)	Consolidated		
		12/31/2019	**12/31/2018**	**01/01/2018**
Oil & Gas assets				
Acquisition cost - Polvo	(i)	**321,346**	311,906	335,530
Acquisition cost - Manati	(i)	**263,035**	263,035	263,035
Subscription bonus - FZA-M-254		**5,968**	5,968	5,968
Subscription bonus - FZA-Z-539		**8,022**	8,022	8,022
Subscription bonus - Frade	(i)	**50,850**	-	-
Subscription bonus - Ceará	(i)	**31,358**	-	-
Goodwill on acquisition of Brasoil	(ii)	**20,228**	19,777	19,777
Capital gain in the acquisition of the Frade concession	(iii)	**578,339**	-	-
Client portfolio - Manati	(ii)	**9,682**	9,561	9,561
Advance for acquisition of asset	(iv)	**30,230**	-	-
Software and others	20%	**9,033**	9,037	9,038
		1,328,091	627,306	650,931
Accumulated amortization		**(638,562)**	(486,357)	(453,027)
Total		**689,529**	140,949	197,904

(i) Acquisition costs/subscription bonuses and exploration expenses are amortized by the unit of production method, considering the production of each concession and the volume of reserves when exploration/redevelopment processes will be completed.

(ii) Goodwill on acquisition of Brasoil and included in the book value of the investment of PetroRioOG, and not amortized. Due to the goodwill based on future profitability (goodwill), it is recognized and (annually) separately impairment tested.

(iii) Capital gain related to the acquisition of the concession contract for Frade Field, Jaguar and White Shark, amortized using the units produced method, monitoring the asset generating the capital gain.

(iv) Advance for the acquisition of remaining 30% of Frade Field, currently owned by Petrobras, as described in Note 1.

Notes to the financial statements
December 31, 2019
(In thousands of reais, unless otherwise indicated)

b) Changes in balance

	Balance at 01/01/2019	Additions	Write-offs	Jaguar Acquisition	White Shark Acquisition	Amortization	Translation adjustment	Balance at 12/31/2019
Acquisition cost - Polvo	50,067	9,440	-	-	-	(12,735)	-	**46,772**
Acquisition cost - Manati	51,269	-	-	-	-	(14,381)	-	**36,888**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	-	**8,022**
Subscription bonus - Frade	-	-	-	1,037	3,404	391	-	**4,832**
Subscription bonus - Ceará	-	-	-	31,358	-	-	-	**31,358**
Goodwill on acquisition - Brasoil	19,777	-	-	-	-	-	451	**20,228**
Capital gain in the acquisition of the Frade concession	-	-	-	460,416	103,616	(77,420)	14,307	**500,919**
Client portfolio - Manati	5,560	-	-	-	-	(1,643)	121	**4,038**
Software and others	286	-	(12)	-	-	-	-	**274**
Advance for acquisition of asset	-	30,230	-	-	-	-	-	**30,230**
	140,949	**39,670**	**(12)**	**492,811**	**107,020**	**(105,788)**	**14,879**	**689,529**

	Balance at 01/01/2018	Additions	Write-offs	Amortization	Balance at 12/31/2018
Acquisition cost - Polvo	85,589	-	(23,624)	(11,898)	**50,067**
Acquisition cost - Manati	70,697	-	-	(19,428)	**51,269**
Goodwill on acquisition of Brasoil	19,777	-	-	-	**19,777**
Subscription bonus - FZA-M-254	5,968	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	**8,022**
Client portfolio - Manati	7,566	-	-	(2,006)	**5,560**
Software and others	286	-	-	-	**286**
	197,905	**-**	**(23,624)**	**(33,332)**	**140,949**

On conclusion of the 40% of Polvo Field acquisition in January 2016, PetroRio put in place the first stage of the Polvo revamping plan, intended to extend its useful life by increasing production based on undeveloped proved reserves (1P) and probable reserves (2P), involving three existing wells, two of which operating. The investment classified as development expenditures, recorded in the fiscal year ended December 31, 2016, totaled R$ 68,042.

In April 2018, the Company started the second phase of the Revitalization Plan for the Polvo Field, continuing the successful first phase. Phase 2 consisted of drilling three new wells and they were completed successfully. The wells, called POL H, POL Z and POL M, started operating on May 20, 2018, July 30, 2018, and November 1, 2018, respectively, following the planned schedule. Development expenditures related to this campaign of 2018 amounted to R$ 156,227.

In December 2018, the Company, through an independent international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of Polvo and Manati Field, specifically of proven developed reserves after the start of production of three wells completed in 2018. Reevaluation indicated extension of Polvo field useful life with abandonment in 2025 (in December 2017, the useful life of the Field was estimated up to 2021) with an increment to the proved developed reserve is approximately 10 million barrels.

In Manati, the revaluation indicated the maintenance of useful life of the field up to the end of 2023, although with a decrease of 24 million m3 (3.5% of the total considered in 2017) in the proven developed reserves.

In June 2019, the Company carried out with the same international certifying entity re-evaluation of Frade Field proven and developed reserves; this re-evaluation indicated reserves of approximately 36 million barrels (100% of the Field). This result made accumulated depreciation/amortization recorded in 2019 year to be reduced by approximately R$ 68 million to reflect new reserves and depreciation percentages.

c) Business Combination – Frade Field

1. Jaguar and Frade LLC

On March 25, 2019, the Company concluded the transaction for the acquisition of 100% of Jaguar and Frade LLC shares by means of its indirect subsidiary Lux Holding. These companies together hold a 51.74% interest in the consortium that operates Frade Field, 51.74% of FPSO and the Submarine Equipment operating in the Field, and the same percentage over the shares of Empresa Frade B.V., located in Netherlands, legal owner of the assets imported under the special regime (REPETRO).

The Company is also the operator of the Frade Field, which may influence the decisions of the consortium and implement cost reductions and synergies to its operation.

Additionally, Jaguar holds a 50% interest in Exploratory Block CE-M-715 concession, in Ceará Basin, west coast, in the municipality of Paracuru, 80km from the coast. Currently, the Company, which has a partnership with Ecopetrol in this block, is awaiting the environmental licensing to start the exploratory drilling.

Despite the essence of the transaction, it was made through two separate purchase and sale contracts, with different prices, considering that the two companies subject to the transaction did not have the same controlling companies. The Company, by means of specialized advisory services, performed the calculation of fair values of assets acquired and liabilities assumed, to allocate the purchase price regarding two purchase and sale contracts, calculating its effects on an individual basis.

The definitive allocation of purchase price recognized in the subsidiary Lux Holding caused the following distribution:

(In thousands of reais, unless otherwise indicated)

Fair value in US$	**Jaguar**	**Frade LLC**
Final purchase price	120,054	288,014
Allocation of price		
Shareholders' equity on acquisition	16,176	244,726
Surplus over concession contract	118,756	-
Capital gain on FPSO and Subsea equipment	-	65,176
Deferred taxes on surplus	(29,618)	(16,255)
Negative goodwill from bargain purchase (adjusted at deferred tax)	14,740	(5,633)
Deferred taxes on goodwill	-	(1,405)

The deferred income tax liability recognized refers to the projection of taxation on the gain from a bargain purchase, if occurred. The rate used was 24.94%, which is the current rate in Luxembourg, the country where Lux Holding is located. In parallel with the liability recognition, a tax credit was recognized in the same amount, considering that Lux Holding has a sufficient tax loss balance to offset the projected tax, and that in Luxembourg there is not a 30% offsetting limit on the tax due. In other words, 100% of the tax, if any, will be offset.

2. <u>White Shark and IONC</u>

On October 1, 2019, the Company concluded the transaction for the acquisition of 100% of White Shark shares by means of its direct subsidiary Lux Holding and 100% of IONC shares. These companies together hold a 18.26% interest in the consortium that operates Frade Field, 18.26% of FPSO and the Submarine Equipment operating in the Field, and the same percentage over the shares of Empresa Frade B.V., located in Netherlands, legal owner of the assets imported under the special regime (REPETRO).

As with the Jaguar/Frade LLC transaction, this acquisition occurred through two separate purchase and sale contracts, with different prices, considering that the two companies subject to the transaction also did not have the same controlling shareholders. The Company, by means of specialized advisory services, performed the calculation of fair values of assets acquired and liabilities assumed, to allocate the purchase price regarding two purchase and sale contracts, calculating its effects on an individual basis.

The definitive allocation of purchase price recognized in the subsidiary Lux Holding caused the following distribution:

Fair value in US$	**White Shark**	**IONC**
Final purchase price	3,032	53,620
Allocation of price		
Shareholders' equity on acquisition	42,552	136,893
Surplus over concession contract	24,824	-
Capital gain on FPSO and Subsea equipment	-	4,265
Deferred taxes on surplus	(6,191)	(1,064)
Negative goodwill from bargain purchase (adjusted at deferred tax)	(58,153)	(86,474)
Deferred taxes on goodwill	(14,503)	(21,832)

(In thousands of reais, unless otherwise indicated)

The deferred income tax liability recognized refers to the projection of taxation on the gain from a bargain purchase, if occurred. The rate used was 24.94%, which is the current rate in Luxembourg, the country where Lux Holding is located. In parallel with the liability recognition, a tax credit was recognized in the same amount, considering that Lux Holding has a sufficient tax loss balance to offset the projected tax, and that in Luxembourg there is not a 30% offsetting limit on the tax due. In other words, 100% of the tax, if any, will be offset.

13. Suppliers - restated

	Parent company			Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**	**12/31/2019**	**12/31/2018**	**01/01/2018**
Domestic suppliers	**705**	176	463	**79,965**	55,634	50,761
Foreign suppliers	**305**	42	84	**20,500**	31,037	33,230
	1,010	218	547	**100,465**	86,671	83,991
Total current liabilities	1,010	218	547	**87,232**	73,258	70,535
Total non-current liabilities	-	-	-	**13,233**	13,413	13,456

14. Taxes and social contributions payable

	Parent company			Consolidated		
	12/31/2019	**12/31/2018**	**01/01/2018**	**12/31/2019**	**12/31/2018**	**01/01/2018**
IRPJ and CSLL payable	**-**	9,162	-	**52,232**	18,307	1,520
PIS/COFINS/CSLL	**22**	46	247	**8,848**	6,678	7,721
Service tax	**-**	2	-	**963**	3,200	137
IRRF on services	**118**	109	45	**3,445**	1,291	1,993
ICMS	**54**	41	-	**2,008**	945	1,605
INSS	**4,483**	4,448	4,443	**6,475**	5,667	5,626
Taxes on equity	**-**	-	-	**1,090**	166	138
FGTS	**2**	3	3	**333**	225	171
Royalties	**-**	-	-	**7,568**	-	-
Other	**(29)**	46	19	**479**	531	1,165
	4,650	13,857	4,757	**83,441**	37,010	20,076

On July 20, 2017, the subsidiary Manati joined to the Special Tax Regularization Program (PERT) to settle outstanding debts (IRPJ, CSSL, PIS and COFINS) in the amount of R$ 7,845, of which R$ 6,269 was principal and R$ 1,576 referring to fine and interest, up to the date of the membership. The amount of R$ 1,080 was reversed in the year with the decrease of 90% interest and 70% fine. Of the net balance, 5% (R$ 398), were paid in cash as down payment and the remaining balance (R$ 6,343) was settled with credits arising from tax losses from the group's companies by means of consolidation of the installments carried out on 12/12/2018.

(In thousands of reais, unless otherwise indicated)

15. Loans and financing - restated

		Additions		Payments		Foreign	Translation	
	12/31/2018	**Principal**	**Interest**	**Principal**	**Interest**	**exchange**	**adjustment**	**12/31/2019**
ICBC (i)	-	261,245	10,570	(54,017)	(6,354)	19,385	-	**230,829**
Citibank (ii)	-	203,874	3,238	-	(4,176)	-	(2,813)	**200,123**
Trafigura (iii)	-	191,290	191	-	-	-	(1,847)	**189,634**
CCB (iv)	-	95,873	1,133	-	(666)	(1,538)	-	**94,802**
FINEP (v)	**25,767**	28,389	2,738	-	(2,581)	-	-	**54,313**
Fibra (vi)	-	61,553	653	(20,000)	(517)	-	(1,465)	**40,224**
Bradesco (vii)	-	20,215	169	(12,190)	(55)	33	-	**8,172**
Credit Suisse (viii)	**222,388**	-	-	(212,712)	-	(8,430)	(1,246)	**-**
Daycoval	-	17,341	390	(17,341)	(390)	-	-	**-**
Chevron (ix)	-	868,537	33,668	(171,476)	(4,088)	-	40,377	**767,018**
INPEX/Sojitz (x)	-	59,679	-	-	-	-	782	**60,461**
Total	**248,155**	**1,807,996**	**52,750**	**(487,736)**	**(18,827)**	**9,450**	**33,788**	**1,645,576**
Current	222,437							1,224,306
Non-current	25,718							421,270

		Additions		Payments		Foreign	
	12/31/2017	**Principal**	**Interest**	**Principal**	**Interest**	**exchange**	**12/31/2018**
FINEP (v)	-	25,711	56	-	-	-	**25,767**
Credit Suisse (viii)	**64,321**	222,388	-	(64,321)	-	-	**222,388**
ABC (xi)	**10,690**	-	186	(11,414)	(308)	846	**-**
Harvest	-	13,500	491	(13,500)	(491)	-	**-**
Total	**75,011**	**261,599**	**733**	**(89,235)**	**(799)**	**846**	**248,155**
Current	75,011						222,437
Non-current	-						25,718

(i) On February 18, 2019, the Company signed an export prepayment agreement with the Chinese bank ICBC in the amount of US$ 60 million (R$ 229,932) and with a four-year term. The financing has a cost of Libor + 3% p.a.

Furthermore, the Company signed a US $ 9 million Advance on Foreign Exchange contract on December 2, 2019. The financing has a Libor cost + 2.5% p.a.

(ii) The Company signed an agreement for prepayment of receivables with Citibank, amounting to R$ 48 million over a 4-month term at Libor + 3% p.a.

(iii) On December 20, 2019, the Company signed an export prepayment contract of US$ 47 million (R$ 189,634), with a term of 6 months, with Trafigura PTE Ltd. The financing has a Libor cost + 2.75% p.a.

(iv) The Company signed three Advance on Exchange Agreements with China Construction Bank, the first on June 24, 2019, in the amount of US$ 5,242 (R$ 21,830), with costs of 5% p.a. and a 1-year term, the second on July 10, 2019, in the amount of US$ 2,600 (R$ 10,827), with costs of 5.2% p.a. and a 6-month term, the third on November 29, 2019, in the amount of US$ 15,560 (R$ 62,718) with costs of 5.65% p.a. and 1-year term).

(v) On November 19, 2018, the Company signed an agreement with Finep for a R$ 90 million credit facility to be paid in 10 years, including a 2.5-year grace period. The financing cost is long-term interest rate (TJLP) + 1.5% p.a. Until December 31, 2019, approximately R$ 54,101 were approved by FINEP.

(vi) On December 6, 2019, the Company signed a contract with Banco Fibra for a credit facility of US$ 10 million with a term of 1 year and a cost of 7.15% p.a. Up to December 31, 2019, US$ 9,945 was used.

(vii) On August 28, 2019, the Company entered into a contract for Advance on Exchange Contract with Banco Bradesco in the amount of USD 2,000 (R$ 8,329) with costs of 3.98% p.a. and period of 6 months.

(viii) Credit limit of Credit Suisse's used to finance maintenance costs of Polvo and working capital for the Company's operations. The term is conditioned to the short-term investments remaining in the bank, which are the guarantee for this credit facility, at cost of Libor + 1.9% p.a.

(ix) On January 29, 2019, the Company entered into a contract, effective as of March 25, 2019, with Chevron Latin America Marketing LLC and Chevron Amazonas LLC for the acquisition of Chevron Brasil Upstream Frade LTDA, Chevron Frade LLC and Frade B.V., in the amount of USD 224,023, with a two-year term.

(x) On October 1, 2019, the Company concluded the acquisition of White Shark and IONC, previously owned by INPEX Corporation and Sojitz Corporation. Of the total acquisition value, the amount of US$ 15 million was postponed for payment only in January 2020. This deadline for the payment of the final installment did not consider interest.

(xi) Loan in the amount of R$ 10,000 settled in July 2018, contracted by Banco ABC to finance working capital from Manati's operations with fixed costs of 5.53% p.a. and term of one year.

16. Debentures - restated

a) <u>Convertible into shares – PetroRio S.A.</u>

The meeting of the Company's Board of Directors' held on October 27, 2014 approved the 1st issuance of convertible debentures in a single series, subordinated and unsecured, of private placement, amounting to R$ 90 million.

On December 9, 2014, the placement was completed, with the subscription of a total of 4,359,624 debentures, totaling R$87,192.

The debentures had a term of five (5) years, maturing in October 24, 2019, and bear interest corresponding to the accumulated change of 90% of the average daily rates of the DI rate, paid semiannually.

(In thousands of reais, unless otherwise indicated)

On October 24, 2019, the dentures issued by PetroRio in December 2014 have matured. Of the 4,359,624 debentures issued, 99.9% were converted into shares (4,356,405 debentures, R$ 87,192 reversed to capital) and the remaining ones (3,219 debentures), upon maturity, was redeemed in cash on that date, amounting to R$ 64.

The fair value of the options embedded in the contract was recorded in Income (loss), and as the options were exercised, the respective amount was transferred to shareholders' equity, in Other Capital Reserves.

	01/01/2019	Translation	Adjustment at fair value	Recognized interest	Paid	12/31/2019
Principal	28,578	(31,177)	2,663	-	(64)	-
Financial charges	306	-	-	780	(1,086)	-
Translation option	40,788	(104,120)	63,332	-	-	-
Total	**69,672**	**(135,297)**	**65,995**	**780**	**(1,150)**	**-**
Current	306					-
Non-current	69,366					-

	01/01/2018	Translation	Adjustment at fair value	Recognized interest	Paid	12/31/2018
Principal	25,778	(149)	2,949	-	-	**28,578**
Financial charges	352	-	-	1,774	(1,820)	**306**
Translation option	28,260	(262)	12,790	-	-	**40,788**
Total	**54,390**	**(411)**	**15,739**	**1,774**	**(1,820)**	**69,672**
Current	352					306
Non-current	54,038					69,366

b) Non-convertible into shares - Manati

On January 4, 2011, Manati issued debentures in accordance with CVM Instruction 476, in the amount of R$ 160,000, which establishes that public offers distributed with restricted efforts are automatically exempted from the distribution registry, which is the case of Manati. Additionally, such debentures are not traded on a regulated market. Debentures had an amortization period of 84 months, yield equivalent to the change of the IGP-M (General Market Price Index) + 9.6% interest per annum and were paid in equal semi-annual installments since July 4, 2012. In January 2018, following the payment schedule, the Company paid the last installment of debentures issued by Manati, in the amount of R$ 21,325.

	01/01/2018	Restatement	Write-off	12/31/2018
Principal	19,454	-	(19,454)	-
Financial charges	1,821	50	(1,871)	-
Transaction costs	(5)	-	5	-
Total	**21,270**	**50**	**(21,320)**	**-**

17. Lease operations CPC 06 (R2) / IFRS 16 - restated

(In thousands of reais, unless otherwise indicated)

At January 1, 2019, the Company adopted the guidance and procedures of CPC 06 (R2) / IFRS 16, related to lease transactions.

Following the practices presented in note 2.6, the Company initially recognized the effects of the adoption of the CPC 06 (R2) / IFRS 16 as follows:

Assets	
Partners in oil and gas operations	41,684
Right-of-use (Lease CPC 06.R2 IFRS 16)	1,019,768
Total Assests	**1,061,452**
Liabilities	
Contractual Charges (Lease IFRS 16)	(1,061,452)
Total Liabilities	**(1,061,452)**

To calculate this amount, the terms when the assets are necessary for the operation and surcharge on loans, of 5.63% p.a. to contracts in Dollar and 10% p.a. for contracts in Reais were taken into consideration.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	1,297,887
Weighted average incremental borrowing rate as at 1 January 2019	6,3429%
Discounted operating lease commitments at January 1, 2019	**1,061,452**

The right of use assets presented refer to the following underlying assets:

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**

The amortization of the right of use, when related to assets used for the operations, is firstly recognized in inventory and then transferred to income when disposed. Administrative assets are directly recorded in the income statement, both under the straight-line method, observing the periods when they are used.

Exchange-rate change and inflation adjustment are recorded directly in the Company's statement of income.

The effects presented in 2019 were:

	Assets	**Liabilities**
Recognition on January 1, 2019	**1,019,768**	**(1,061,452)**

(In thousands of reais, unless otherwise indicated)

Additions/Reversals	(403,776)	382,798
Currency adjustment	-	(32,825)
Monetary 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)

** Considers 100% of the changes occurred in 2019. For consolidation purposes, only 6 days of monetary and exchange adjustment of the obligations related to 51.74% to Frade Field as for the 1Q19 were considered in PetroRio's income statement, as the acquisition was completed on March 25, 2019 and 18.26% to Frade Field as for the 4Q19.*

(In thousands of reais, unless otherwise indicated)

Contract maturity Maturity of installments	Amount R$	PIS/COFINS Amount R$
2020	255,972	5,960
2021	137,257	5,914
2022	63,936	5,914
2023	63,936	5,914
2024	64,080	5,927
2025	36,303	3,358
2026	36,303	3,358
2027	36,303	3,358
2028	36,403	3,368
Undiscounted amounts	730,493	43,071
Embedded interest	(118,011)	
Lease liability balance	612,482	

As announced on February 2, 2020 (Note 33.1), the Company acquired an FPSO that will be used in the Polvo Field in place of the FPSO currently used, which is chartered. Thus, the projection made until the end of the Field's useful life was reviewed, thus reducing the amount of 433,631 regarding lease liabilities and lease, with only prospective effects. The other adjustments made during the year are due to the reduction in the number of support boats and the change of logistics base, which occurred with the acquisition of Frade Field.

18. Current and deferred income tax and social contribution - restated

	Tax loss		Tax credit	
Companies	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
PetroRio	**48,382**	48,891	**16,450**	16,623
PetroRioOG	**1,195,537**	1,188,659	**406,482**	404,144
PrioIntl	**14,790**	10,643	**5,029**	3,619
Brasoil	**139,723**	139,685	**47,506**	47,493
Jaguar	**1,489,957**	-	**506,585**	-
White Shark	**962,000**	-	**327,080**	-
Lux Holding	**3,294,653**	3,294,654	**821,687**	821,687
	7,145,042	**4,682,532**	**2,130,819**	**1,293,566**

The Company has tax loss carry forwards and negative social contribution tax generated in Brazil and abroad, which may be offset against future taxable profit, limited to 30% every year in Brazil, and without offset limit in Luxembourg. As detailed below, and based on the projected results of the companies, Management recognized and recorded the amounts proportional to future income, as well as the amount related to the negative goodwill recorded in the acquisition of the Polvo Field and the total amount of deferred liabilities recorded in Luxembourg, related to negative goodwill recorded in the acquisition of Frade Field. Other credits, which will be recognized as the future taxable income is being generated.

(In thousands of reais, unless otherwise indicated)

The provision for deferred income and social contribution tax is as follows:

	Parent company			Consolidated		
	12/31/2019	12/31/2018	01/01/2018	12/31/2019	12/31/2018	01/01/2018
Negative goodwill/surplus in business combination	-	-	-	**326,545**	-	2,556
Mark to market of financial instruments	-	**4**	**23,677**	-	4	33,621
Temporary differences	**(2,196)**	**3,148**	-	**(43,719)**	(11,344)	(7,627)
Tax losses	-	-	**(7,103)**	**(443,139)**	-	(10,853)
Net balance of (Assets) Liabilities	**(2,196)**	**3,152**	**16,574**	**(160,313)**	**(11,340)**	**17,697**

19. Provision for abandonment (ARO) - restated

Changes in the balance of provision for abandonment of wells in the Polvo, Manati and Frade Field are shown below:

	Polvo	Manati	Frade
Balance at January 01, 2018	**167,928**	**50,160**	**-**
Decrease	(32,659)	(20,413)	-
Currency adjustment	26,767	6,279	-
Price-level restatement	9,301	2,789	-
Balance at December 31, 2018	**171,337**	**38,815**	**-**
Frade Acquisition (51.74%)	-	-	561,338
Frade Acquisition (18.26%)	-	-	271,059
Decrease/Increase	9,440	2,396	(185,527)
Currency adjustment	7,385	1,338	26,721
Price-level restatement	7,510	1,825	32,411
Balance at December 31, 2019	**195,672**	**44,374**	**706,002**
(-) Maersk's guarantee / Brasoil's abandonment fund	(138,031)	(44,383)	-
Net balance of liabilities	**57,641**	**(9)**	**706,002**

The estimated abandonment costs were provisioned for the year ended in 2019.

For Polvo field, this provision corresponds to PetroRio interest of 100%, and reflects the estimated present value discounted at the rate of 4.69% p.a. (5.63% in 2018) and updated according to the inflation rate (US) of average 2.04% p.a. In addition, amounts are adjusted by the changes in the USD rate. These costs will be incurred in the abandonment of the Polvo field, including, but not limited to the plugging of wells, and the removal of production lines and equipment.

Regarding Manati field, a new abandonment study was approved in November 2018, which reduced the total provision by approximately US$ 48 million (100%), with a decrease of R$ 16,204 in the Company's balance sheet, corresponding to a 10% interest in Manati. 20% of the provision for abandonment are represented by costs in reais, updated at the inflation rate of 4% per annum and discounted at the risk-free rate of 6.03% per annum (8.67% in 2018). The other costs, estimated in USD, are updated at the inflation rate of 2.04% p.a. and discounted at the risk-free rate of 4.69% per annum (5.63% in 2018), before translation into reais.

(In thousands of reais, unless otherwise indicated)

To assure the consortium's ability to settle the abandonment obligations in the Manati field, the operator Petrobras collects monthly installment regarding estimated abandonment expenditures from consortium members. The contributed amounts are invested and will be used to pay the abandonment costs when they occur. As of December 31, 2019, the Company maintained a balance of R$ 44,383.

For Frade field, this provision corresponds to PetroRio interest of 70%, and reflects the estimated present value discounted at the rate of 4.92% p.a. The main expenses included in these surveys are the removal of the FPSO, abandonment of wells (e.g.: drilling rig lease, cementation, pipe and pipeline removal, placement of buffers), environmental remediation and removal of seabed equipment (e.g. Christmas tree, anchoring blocks).

20. Advances to/from partners in oil and gas operations - restated

	Consolidated		
Operated blocks	**12/31/2019**	**12/31/2018**	**01/01/2018**
Blocks operated (GALP - PEL 23 Namibia)	**(466)**	6,757	3,922
Petrobras - Frade	**(81,904)**	-	-
Ecopetrol - Ceará	**277**	-	-
Total operated blocks	**(82,093)**	**6,757**	**3,922**
Non-operated blocks (Petrobras - Brasoil Manati)	**(4,145)**	(2,887)	(432)
Total advances to/from partners	**(86,238)**	**3,870**	**3,490**
Total current liabilities	**40**	6,792	7,129
Total current assets	**(86,278)**	(2,922)	(3,639)

21. Impairment

The Company periodically monitors changes in economic and operating expectations that may indicate impairment loss of assets. If such evidence is identified, calculations are performed to verify whether the net book value exceeds the recoverable value and, in such case, a provision for devaluation is recorded adjusting the book value to the recoverable value.

On December 31, 2019, the Company performed an impairment test of its assets and, as described in note 9, recorded a provision in the amount of R$ 27,651, corresponding to the balance of the helitransportable drilling rigs for sale.

(In thousands of reais, unless otherwise indicated)

22. Shareholders' equity

22.1 Capital

On December 31, 2019 the Company's subscribed and paid-in capital totaling R$ 3,443,940 is represented by 140,964,679 all nominative, book-entry and with no par value. The Company had Global Depositary Shares ("GDSs") traded in the TSX Venture Exchange (TSX-V) in Toronto, Canada, at a rate of two GSDs for each common share, however, on January 27, 2017, all Global Depositary Shares ("GDSs") were de-listed. Holders who have not convert the GDSs into PetroRio common shares up to May 27, 2017 had the GDSs compulsorily canceled and received their cash amounts by selling shares by custodian agent.

During the Annual and Special Shareholders' Meeting held on April 29, 2016, occasion a proposal was approved putting in place a repurchase program for as many as 3,300,000 common shares issued by the Company within 18 months, without reducing capital and to be held in treasury, canceled and/or for subsequent disposal. On December 22, 2017, at a new Special Shareholders' Meeting, the proposal for implementation of the program to buy back up to 1,000,000 shares was approved, to be performed in 18 months, without reducing capital, for maintaining in treasury, cancellation and/or subsequent disposal. On March 1, 2019, the Special General Meeting approved the splitting shares issued by the Company, at the ratio of 1/10, so that each share issued by the Company is represented by 10 (ten) shares.

On December 31, 2019, balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, is 9,505,950 shares at acquisition cost of R$ 49,463.

The Company's authorized capital is R$10 billion.

The Company recorded R$ 136,809 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 3,316,411.

Shareholder	Number of common shares	% of interest
Aventti Strategic Partners LLP	33,954,240	24%
One Hill Capital LLC	19,554,310	14%
Sentinel Investments Holdings LLC	11,375,280	8%
Other Shareholders	78,302,060	54%
Total	**143,185,890**	**100%**

*According to information disclosed in reference form.

The Company's capital was subject to changes in 2019, due to a R$ 43,297 increase through the conversion of Debentures into shares, pursuant to Note 16a and the exercise of stock options granted to employees, as follows:

(In thousands of reais, unless otherwise indicated)

22.2 Share-based remuneration plan

The Board of Director, within the scope of its duties and in accordance with the stock option plan, approved the grant of preferred stock option to Company's employees. Stock options fair value was estimated on concession date, using the Black-Scholes pricing model. The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	Program I	Program II	Program III	Program IV
Grant date by Board of Directors	01/25/2018	02/28/2018	11/05/2018	11/05/2018
Total stock options granted	329,557	12,169	33,481	152,744
Share price on granting date	91.50	72.50	118.00	118.00
Strike Price	54.70	48.62	48.62	54.70
Weighted fair value on concession date	41.87	31.30	66.52	70.00
Estimated volatility of share price	73.99%	51.07%	55.58%	72.41%
Risk-free rate of return	8.83%	7.55%	7.13%	8.75%
Option validity (in years)	3	2	2	4

	Program V	Program VI	Program VII
Grant date by Board of Directors	02/28/2019	02/28/2019	02/28/2019
Total stock options granted	24,665	105,790	79,026
Share price on granting date	150.98	150.98	150.98
Strike Price	86.27	86.27	97.06
Weighted fair value on concession date	77.40	77.40	82.24
Estimated volatility of share price	52.54%	52.54%	69.46%
Risk-free rate of return	7.14%	7.14%	8.25%
Option validity (in years)	2	2	4

For the year ended December 31, 2019, the Company has a balance recorded in shareholders' equity - income (loss) from share-based remuneration in the amount of R$ 30,946, and the counterparty is in the statement of income as personnel cost since the grant.

Of the options granted in Program I–IV, 221,062 options were exercised on January 1, 2019, with the full payment of R$ 12,055 in the Company's capital.

22.3 Earnings per share - restated

Pursuant to CPC 41 (IAS 33), the Company presents information on earnings per share for the years ended on December 31, 2019 and 2018. Basic earnings per share are calculated by dividing income (loss) for the year attributed to the Parent Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the year.

Diluted earnings per share are calculated by dividing income/loss attributable to Parent company's common shareholders by the weighted average number of common shares available for the year, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares into common shares, excluding treasury shares in the year.

The tables below show data of income and shares used in calculating basic and diluted earnings per share during the years:

Basic and diluted earnings per share	12/31/2019	12/31/2018
Numerator (in thousands of reais)		
(Loss) Income for the year attributable to Group's shareholders	**842,346**	206,296
Denominator (in thousands of shares)		
(+) Weighted average number of common shares adjusted by dilution effect	**143,186**	133,365
(-) Treasury shares	**(9,506)**	(11,768)
	133,680	121,598
Basic earnings and diluted per share	**6,301**	1,697

23. Related party transactions

(i) Balance of share-based remuneration plan between PetroRio and PetroRioOG.
(ii) Refers to contract entered into by PetroRio and Petrorio Lux Energy S.à.r.l., which establishes that Petrorio Lux Energy S.à.r.l. must reimburse PetroRio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.
(iii) Balance referring to loan contract executed on June 19, 2019 by PetroRio and Lux Sarl, with 6-month term and Libor interest rate + 3% p.a.

	Parent company		
	12/31/2019	12/31/2018	01/01/2018
Reimbursement of administrative expenses Petrorio x O&G	**-**	-	(85)
Loan Petrorio S.A x Petrorio Internacional	**2**	(437)	(1,314)
Accounts payable - Petrorio O&G x Petrorio S.A (i)	**4,454**	2,464	(36,924)
Service agreement Petrorio x Lux Holding (ii)	**726**	698	609
Apportionment administrative expenses Brasoil Manati	**76**	-	-
Apportionment administrative expenses Frade	**1,151**	-	-
Loan - Petrorio S.A vs. Petrorio Luxembourg Sarl (iii)	**(121,929)**	-	-
	(115,520)	2,725	(37,714)
Total non-current assets	**6,409**	3,162	657
Total non-current liabilities	**(121,929)**	(437)	(38,371)

Management remuneration

The Company's management remuneration in the year ended December 31, 2019 was R$7,838 (R$14,471 on December 31, 2018).

Debentures

The Company for the year ended December 31, 2014, issued convertible debentures in a single series, subordinated and unsecured, of private placement, as detailed on Note 16a. All debentures convertible into issued shares were subscribed by Company's shareholders.

(In thousands of reais, unless otherwise indicated)

24. Net revenue

Net revenue is broken down as follows:

	2019				2018		
	Polvo	**Manati**	**Frade**	**Total**	**Polvo**	**Manati**	**Total**
Gross revenue	690,686	109,246	865,816	1,665,748	738,333	139,366	877,699
Deductions	-	(20,747)	(655)	(21,402)	-	(28,779)	(28,779)
Net revenue	**690,686**	**88,499**	**865,161**	**1,644,346**	**738,333**	**110,587**	**848,920**

25. Costs of products sold and services rendered - restated

	Consolidated	
	12/31/2019	**12/31/2018**
FPSO/Platform	**(33,512)**	(146,117)
Logistics	**(73,362)**	(51,502)
Consumables	**(101,799)**	(77,241)
Operation and maintenance	**(105,088)**	(56,692)
Personnel	**(55,983)**	(14,026)
SMS	**(10,133)**	(12,566)
Other costs	**(33,844)**	(19,553)
Royalties and special interest	**(143,780)**	(76,660)
Amortization CPC 06 (R2)	**(134,253)**	-
Depreciation and amortization	**(248,625)**	(70,132)
Total	**(940,379)**	**(524,489)**

On December 31, 2019, the oil inventories in the amount of R$ 65,569 is representative of 412,000 bbl – quantity unaudited by the independent auditors (on December 31, 2018 the oil inventories in the amount of R$ 56,214 corresponded to 348,000 bbl) and Frade's oil inventory in the amount of R$ 54,532, corresponds to 292,000 barrels – amount unaudited by the independent auditors.

Notes to the financial statements
December 31, 2019
(In thousands of reais, unless otherwise indicated)

26. Other revenues and expenses - restated

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Reversal (Provision) for impairment	-	-	**(27,636)**	(1,212)
Reversal (Provision) for labor contingencies	-	-	**(2,503)**	-
Reversal (Provision) for tax contingencies	-	-	**(27,736)**	-
Reversal (Provision) for civil contingencies	-	-	**(24,184)**	-
Reversal (provision) for loss in financial investments	-	-	**(40,506)**	-
Reversal of cost allocated to gas - Jaguar	-	-	**2,921**	-
Decrease in provision for abandonment	-	-	**13,201**	14,591
Reversal of operational provisions in prior years	-	-	**1,746**	-
Loss on investments in subsidiary (dividends)	-	-	**(17,386)**	(20,583)
Frade acquisition success rate	-	-	**(18,148)**	-
Provision for non-recovery - Namibia VAT	-	-	**(18,381)**	-
Tax assessment notice in HRT Canada (Withholding tax)	-	-	**(11,367)**	-
Income from transactions with permanent assets	-	-	**(1,671)**	(4,875)
SHELL advance payment partial loss	-	-	**-**	(13,142)
Tax credits (PIS and COFINS/INSS/ICMS)	-	-	**30,986**	1,088
Receipt of insurance claim	-	-	**-**	2,010
Supplier Discount (Prosafe)	-	-	**-**	2,280
Gain from bargain purchase - Frade	-	-	**568,370**	-
Indirect Overhead - Frade	-	-	**6,226**	-
Other revenues (expenses)	**(350)**	552	**(13,927)**	(2)
Total	**(350)**	552	**420,005**	(19,845)

27. Financial Net Results - restated

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Financial revenues	**15,480**	**53,281**	**377,142**	**316,685**
Revenue from realized financial investment	**382**	27,516	**16,259**	43,053
Revenue from exchange-rate change	**14,927**	15,160	**334,147**	224,265
Gain from realization of financial instruments	**18**	36,056	**2,932**	53,168
Gain in realization of derivative financial instruments	**-**	27	**12,760**	19,771
Marked at fair value - financial instruments *	**16**	(25,705)	**16**	(25,705)
Marked at fair value - Derivatives	**-**	-	**5,472**	28
Other financial revenues	**137**	227	**5,556**	2,105
Financial expenses	**(99,581)**	**(30,592)**	**(714,396)**	**(265,815)**
Loss on realized financial investment	**-**	(95)	**(2,366)**	(1,455)
Expense on foreign exchange rate	**(15,805)**	(8,248)	**(450,837)**	(213,336)
Interest on loans/debentures	**(3,312)**	(2,640)	**(60,190)**	(6,238)
Commission on bank guarantees	**-**	-	**(912)**	944
Marked at fair value - financial instruments *	**(65,945)**	(15,787)	**(65,866)**	(15,788)
Marked at fair value - Derivatives	**-**	-	**(6)**	27
Loss from realization of financial instruments	**(13,410)**	-	**(35,739)**	(705)
Loss in realization of derivative financial instruments	**-**	(36)	**(16,662)**	(10,584)
Expenses with interest on leases	**-**	-	**(57,600)**	-
Other financial expenses	**(1,109)**	(3,786)	**(24,218)**	(18,680)

(*) Mark to fair value– financial instruments refer to the market value of shares of the variable income portfolio.
(**) The foreign exchange expense refers mainly to the fluctuation in the dollar rate applied to the balances of provision for abandonment, lease liabilities (IFRS 16) and loans.

Notes to the financial statements
December 31, 2019
(In thousands of reais, unless otherwise indicated)

28. Income tax and social contribution (Parent company) - restated

Taxes on income of the Company (Parent Company) differ from the theoretical value that would be obtained using the applicable tax rate, as shown below:

	Parent company	
	12/31/2019	**12/31/2018**
Income (loss) before income tax and social contribution	**838,284**	212,121
Tax rate according to the current legislation	**34%**	34%
Income tax and social contribution based on the current rate	**285,017**	72,121
Non-deductible expenses/non-taxable revenue, net:		
Permanent	**5,239**	4,220
Temporary	**22,266**	8,766
Equity in income of subsidiaries	**(317,469)**	(73,575)
Use of tax loss	-	(4,349)
Other additions (exclusions)	**85**	17
Tax deduction	**(108)**	(41)
Prior year adjustments	**908**	(1,334)
Total	**(4,062)**	5,825
Income tax and social contribution	**1,282**	8,789
Deferred income tax	**(5,344)**	(2,964)
Net expenses from income tax and social contribution in income (loss)	**(4,062)**	5,825
Effective rate on pre-tax profit	**-0.48%**	2.75%

29. Segment information (Consolidated) - restated

PetroRio is active in one sole operating segment, i.e. oil and gas exploration and production (E&P) in Brazil and overseas.

	12/31/2019	**12/31/2018**	**01/01/2018**
Current assets			
Brazil	553,852	712,658	620,164
Abroad	959,239	322,958	229,492
Non-current assets			
Brazil	2,873,612	361,423	266,186
Abroad	1,103,048	119,141	154,403

Revenue	**12/31/2019**	**12/31/2018**	**12/31/2017**
Brazil	830,722	828,566	495,288
Abroad	835,026	49,133	61,693

30. Objectives and policies for financial risk management

The main financial liabilities of PetroRio refer to trade accounts payable to suppliers for goods and services to be used in its hydrocarbon exploration and production operations, debentures convertible into shares, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.

The Company is exposed to market (interest and exchange rates), credit and liquidity risks, and its strategy is to make a portion of its investments in fixed and variable income assets, foreign exchange transactions, interest, swaps, derivatives, sundry commodities and other financial instruments for speculative purposes in various industries in Brazil and abroad in the short, medium and/or long term, to maximize the profitability and seek a higher return to its shareholder. By adopting this strategy, the Company is exposed to the risks inherent to such investments, and to fluctuations in the prices of these assets, which may negatively impact the Company's cash position.

The Board of Directors reviews and establishes policies for the management of each of these risks, which are summarized as follows.

Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments and commodities. The company constantly monitors the market and, when necessary, contracts derivative transactions to neutralize the impacts of these commodity price oscillations.

Derivative financial instruments - hedge

In the year ended December 31, 2019, the Company purchased derivative agreements aimed at providing hedge against the risk of volatility in oil prices for sales estimated for 2019.

Basically, this oil price hedge transaction hedged the company by obtaining a floor price ranging between US$59.50 and US$75 per barrel, and a ceiling price of US$90 per barrel.

Contracts were settled in 2019 and generated a realized loss of US$ 991 thousand (R$ 3,352), recorded in income (loss) of 2019. Contracts settled in 2018 generated a realized loss of US$ 2,357 thousand (R$ 9,187), recorded in income (loss) of 2018.

Interest rate risk

Available funds are invested in securities issued by first-tier financial institutions at variable rates, mostly with daily liquidity, in compliance with prudential concentration limits.

Interest rate sensitivity

The table below shows the sensitivity to a possible change in interest rates, income and Company's equity before taxation, where all other variables are kept constant.

(In thousands of reais, unless otherwise indicated)

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	Decrease in CDI	(189)	(396)	(604)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period of 12 months as from December 31, 2019 were taken into account under the probable scenario (CDI 4.4%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II, both in relation to the probable scenario.

Exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries. The table below shows the sensitivity to a change that may occur in the exchange rate and the impact on the Company's income and equity, before taxation.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	USD decr.	453	(14,661)	(29,322)
Provision for abandonment (ARO)	USD incr.	(7,778)	(251,940)	(503,881)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the period of 12 months as from December 31, 2019 (US$ 1/R$ 4.0618). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

Credit risk

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group adopts a conservative management by investing short-term funds with day-to-day liquidity and post –fixed rates in first-class banks, bearing in mind ratings by the key risk agencies and respecting prudential concentration limits.

As for the credit risk of its sales transactions, the Company is analyzing the financial and equity position of its customers together with the service provider (trader), which also intermediates the oil sale transactions. During the year ended on December 31, 2019 oil net sales were decentralized, with sales to clients Trafigura, Petrochina and Repsol and gas sales in other client (Petrobras); however, they present an irrelevant credit risk, considering that its background does not show any delays or defaults.

(In thousands of reais, unless otherwise indicated)

Liquidity risk

Prudent management of risk implies maintaining cash consistent with the disbursement needs to cover its obligations, in accordance with the Company's business plan.

Consolidated

Year ended December 31, 2019	up to 12 months	1-5 years	Total
Liabilities			
Loans and financing	(1,224,306)	(421,270)	**(1,645,576)**
Suppliers	(130,513)	(13,233)	**(143,746)**
Labor obligations	(39,359)	-	**(39,359)**
Taxes and social contributions	(83,441)	-	**(83,441)**
Advance from partners	(40)	-	**(40)**
Provision for abandonment	-	(763,633)	**(763,633)**
Provision for contingencies	-	(65,613)	**(65,613)**
Contractual Charges (Lease IFRS 16)	(205,782)	(363,419)	**(569,201)**
Other liabilities	(12,356)	(1,685)	**(14,041)**
	(1,695,797)	**(1,628,853)**	**(3,324,650)**

Year ended December 31, 2018	up to 12 months	1-5 years	Total
Liabilities			
Loans and financing	(222,437)	(25,718)	**(248,155)**
Suppliers	(73,258)	(13,413)	**(86,671)**
Labor obligations	(14,923)	-	**(14,923)**
Taxes and social contributions	(37,010)	-	**(37,010)**
Advance from partners	(6,792)	-	**(6,792)**
Debentures	(306)	(69,366)	**(69,672)**
Provision for abandonment	-	(36,438)	**(36,438)**
Provision for contingencies	-	(17,441)	**(17,441)**
Financial instruments	(16,260)	(644)	**(16,904)**
	(370,986)	**(163,020)**	**(534,006)**

Parent company

Year ended December 31, 2019	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(1,010)	-	**(1,010)**
Labor obligations	(794)	-	**(794)**
Taxes and social contributions	(4,650)	-	**(4,650)**
	(6,454)	**-**	**(6,454)**

Year ended December 31, 2018	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(218)	-	**(218)**
Labor obligations	(41)	-	**(41)**
Taxes and social contributions	(13,857)	-	**(13,857)**
Deferred taxes and social contributions	-	(3,152)	**(3,152)**
Debentures	(306)	(69,366)	**(69,672)**
	(14,422)	**(72,518)**	**(86,940)**

(In thousands of reais, unless otherwise indicated)

Fair value of financial assets and liabilities

The "fair value" concept provides for the valuation of assets and liabilities based on market prices in the case of liquid assets or based on mathematical pricing models otherwise. The level in the fair value hierarchy gives priority to unadjusted quoted prices in an active market. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices).

c) Level 3: fair value measurement is derived from valuation techniques that include and asset or liability that are not included in an active market.

	12/31/2019				12/31/2018			
	Parent company		Consolidated		Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Loans and receivables								
Accounts receivable (i)	-	-	374,598	374,598	-	-	34,932	34,932
Related parties (i)	6,409	6,409	-	-	3,162	3,162	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	4,911	4,911	459,396	459,396	232	232	186,993	186,993
Securities (ii)	-	-	226,301	226,301	483	483	397,121	397,121
Fair value through other comprehensive income								
Securities (iii)	-	-	-	-	40,625	40,625	210,320	210,320
Financial liabilities								
Amortized cost:								
Suppliers (i)	1,010	1,010	100,465	100,465	218	219	86,671	86,671
Loans and financing (ii)	-	-	1,645,576	1,645,576	-	-	248,155	248,155
Fair value through profit or loss								
Convertible debentures (ii)	-	-	-	-	69,672	69,672	69,672	69,672

Market values (“fair value”) estimated by management were determined by level 2 for those financial instruments:

(i) The amounts related to the balance of accounts receivable and suppliers does not have significant differences in the fair value since receivable/payment turnover of these balances is 60 days on average.

(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

(In thousands of reais, unless otherwise indicated)

31. Insurance (Unaudited by the independent auditors)

The Company has a policy of taking out insurance plan for the items subject to risks.

The Company is covered against major risks such as P&I to Frade's FPSO, Energy Package, which includes: Physical Damage over offshore assets, Operator's Extra Expenses (OEE - Well Control, Extra Expense/Reboring and Infiltration and Pollution, Cleaning and Contamination) and Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo and Frade field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

The insurance policies in force at December 31, 2019 cover the insured amount of R$ 12,191,471. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	338,579
Fixed Platform	733,587
Offshore Platform	89,885
FPSO	2,090,442
Subsea Equipment	1,968,597
Offshore property (Pipeline)	117,696
Onshore properties (Pipeline)	47,159
Onshore Treatment Station	70,134
OEE production (Well control)	1,330,131
Offshore Civil Liability + Surplus	1,793,662
Cargo (Polvo)	5,000
D&O	40,000
P&I	3,023,025
General liability	5,000
Equity	3,000
Energy Package (TPL)	403,070
Customs Guarantee	1,026
Legal guarantee	55,395
Life insurance	4,699
PEM guarantee insurance - ANP	70,276
Travel Insurance Travel Guard	1,108
Total insured	**12,191,471**

32. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on December 31, 2019 and 2018 in the amounts of R$ 65,613 and R$ 17,441, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Provisions recorded

Currently, the Company is party to lawsuits with probable risk, which are basically labor claims that add up to R$ 18,191 and tax claims of R$ 13,974, civil claim in the amount of R$ 24,268 and contingency due to Frade's incident in the amount of R$ 9,180.

Provision reversed - Tuscany Arbitration

In September 2017, the Company reversed the provision for contingency recorded in its balance sheet, in the amount of R$ 43,920, referring to the arbitration proceeding instituted by Tuscany Perforations Brasil Ltda. and Tuscany Rig Leasing S.A. against PetroRioOG. By means of an annulment suit filed by its lawyers and judged on September 28, 2017, the decision of the arbitration proceeding was annulled.

The sentence of the arbitration procedure was handed down on February 5, 2015, condemning the Company to pay the amounts of R$ 106 and US$ 13,507 thousand. An applicable appeal was filed on March 9, 2015 and September 02, 2015. The Company was notified by the Court of Arbitration, which upheld the decision. As of October 7, 2015, the Company filed an annulment suit, aiming at dissolving the arbitral award, based on violation of full defense and the arbitration clause that forbade decision by equity and obtained an injunction in the second degree, removing the effects of an arbitration decision. A judgment of inadmissibility was handed down, and the Company filed the appropriate appeal. As of September 28, 2017, the appeal was provided by the Court to annul the arbitration decision for another to be rendered, after producing the necessary expert evidence. The parties filed an appeal for motion to clarify the judgment.

Incidents in Frade

Because of the incident of November 2011 at Frade Field, the Company was notified by ANP in years 2011 and 2012. Additionally, on November 21, 2011, the Company received a fine from IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources) in the amount of R$ 50,000 and on December 23, 2011, other fine in the amount of R$ 10,000. These fines, of R$ 37,762 and R$ 7,095, respectively, were paid in July 2013, at their restated amount, after negotiation with IBAMA. The differences between the provisioned amounts and the payments made have been reversed to the income statement.

In September 2012, ANP issued 6 fines referring to the incident at Frade Field occurred in November 2011, totaling R$ 35,160. The Consortium waived the right to appeal and paid this amount during the 10-day appeal period, the fine being reduced by 30%. On September 21, 2012, the Frade Field Consortium paid the total amount of R$ 24,612.

The Company was cited in two public civil lawsuits filed by the Federal Public Prosecutor's Office (MPF) of Campos dos Goytacazes alleging environmental damage caused by oil leak, amounting to R$ 20 billion each. This civil suit was filed with the 1st Federal Court of Rio de Janeiro. At the end of 2012, the Company accrued the amount of R$ 95,000 related to the preventive and compensatory measures of the Term of Adjustment of Conduct (TAC), which was approved and signed in September 2013 with the MPF, ANP and IBAMA. This agreement supersedes the two civil lawsuits, which were initialed filed by the MPF.

The Company's management only maintains a provision for TAC, amounting to R$ 9,180, corresponding to the Company's interest in Frade Field. In 2019, the Company invested in environmental recovery projects, amounting to R$ 990 (R$ 23,246 at December 31, 2018). The amounts of this provision are monetarily restated every month.

Other suits

According to the Group's legal advisors, risk of loss in other lawsuits is "possible" - R$ 795,405 (R$ 391,124 on December 31, 2018) - or "remote". Pursuant to accounting practices adopted in Brazil and IFRS, Management decided not to form a provision for contingencies for these lawsuits, with likelihood of possible and remote loss.

33. Subsequent events - restated

33.1 Acquisition of FPSO and Farm-in of Tubarão Martelo Field

On February 3, 2020, the Company entered into a contract for the acquisition of the OSX-3 vessel (Floating, Production, Storage and Offloading – FPSO), built in 2012 with a processing capacity of 100 thousand barrels of oil per day and storage capacity of 1.3 million barrels, in the amount of US$ 140 million, with a portion of the funds (US$ 100 million) being financed by Prisma Capital.

Moreover, a contract was signed on the same date for the acquisition of 80% of Tubarão Martelo Field, as well as the Field operation, fully owned by Dommo Energia. The completion of this acquisition was concluded in August 03, 2020, after approvals from CADE (Administrative Council for Economic Defense) and ANP (National Petroleum Agency).

33.2 COVID-19

In light of the current uncertain and volatile environment related to the spread of COVID-19, and the recent drop in Brent oil prices, although the current scenario does not directly affect the Company's receipt terms or deteriorate the values of oil stocks, the Company has adopted several precautionary measures, and revised its business plan, having decided to delay all non-essential investments (CAPEX) in its current assets and reduce costs (OPEX and G&A) to weather the current scenario. These measures include:

- Immediate reduction of POB (People on Board) and extension of onboard periods (with the purpose of reducing travel periods) for all assets the Company operates, keeping personnel movement to a minimum necessary in order to operate safely and efficiently;

- Increased availability of protective equipment, and sanitation and hygiene products in onshore and offshore facilities directly associated to the Company's production, particularly in locations with higher exposure;

- Increased frequency of communication and awareness to all employees and service providers stationed in onshore and offshore locations;

- Adoption of rapid tests and screening procedures at the airport, with support from registered nurses, of personnel boarding the platforms. This includes 48h monitoring before embarking to identify potential cases;

- Employees located at corporate headquarters and onshore locations are working remotely (work-from-home);

- 100% of planned CAPEX for March to December 2020 has been postponed, with the exception of approximately US$ 10 million related to operational safety maintenance.

- OPEX reduction to US$ 12.5 million per month (100% of Polvo + 100% of Frade).

- Recommissioning certain TBMT and Polvo FPSO storage tanks, to increase the Company's nominal oil storage capacity to 3.5 million barrels, granting more flexibility on offtakes depending on market conditions.

- Payroll reduction for onshore employees by 25% and corporate directors by 50%;

- All international travel is suspended. Domestic travel is exclusive to employees critical to offshore facilities who reside in other states;

- All events have been suspended.