

3Q18 Conference Call

October 31, 2018

Webcast: ri.petroriosa.com.br

Portuguese

15:00 p.m. (BRA)

Phone: +55 (11) 3193-1001

+55 (11) 2820-4001

Password: PetroRio

Inglês

14:00 p.m. (NYC)

Phone: +1 (646) 828-8246

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

Password: PetroRio

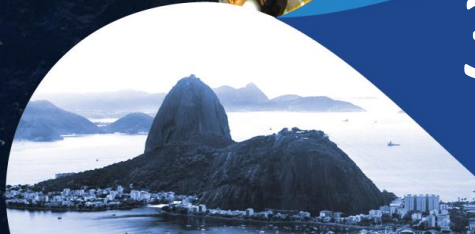
The conference call will be held
in Portuguese with simultaneous
translation into English

Investor Relations

www.petroriosa.com.br


ri@petrорiosa.com.br

+55 21 3721-3810



3Q18
Earnings
Release

Rio de Janeiro, October 30, 2018 – Petro Rio S.A. (“PetroRio” or “Company”) (B3: PRIO3) announces its results for third quarter of 2018 (“3Q18”). The financial and operational information below, except if otherwise indicated, is presented on a consolidated basis and stated in Brazilian Reais (R\$) according to International Financial Reporting Standards (IFRS), including our direct subsidiaries: Petro Rio O&G Exploração e Produção de Petróleo Ltda., Petro Rio Internacional S.A., HRT América Inc. and their respective subsidiaries and branches.

Stock Information		12M Stock Price: PRIO3 x Ibovespa	
Ticker (B3)	PRIO3		
Market Cap (10/26/18)	R\$ 1,547,035,972		
Shares Outstanding (#)	13,336,517		
Last Price (10/26/18)	R\$ 116.00		
52 week Low - High	R\$ 50.93 - 122.76		
2018 Average traded volume	R\$ 7,427,070		

QUARTER HIGHLIGHTS



Net Revenue of R\$ 224.6 million, over twice that of 3Q17



Highest Operating Results in Company history: R\$ 130.1 million



Highest ever adjusted EBITDA: R\$ 107.1 million in 3Q18, vs. R\$ 22.8 million in 3Q17 recorded



Highest contribution margin for Polvo since 2014 (US\$ 33 per barrel)



Signing for the acquisition of 18.26% of Frade Field in October

MESSAGE FROM MANAGEMENT

“The results presented below illustrate the successful path we have paved since the beginning of the turnaround in 2014. We have recorded, for the second consecutive quarter, the highest net income ever – R\$ 71.5 million. This has been a rewarding year for all our stakeholders, especially for our team which has worked hard for the last four years in order to deliver the numbers we are pleased to announce today.

In Polvo, the drilling campaign began in April and has resulted in the reduction of the lifting cost to US\$ 26.60 and extended the useful life of the field to beyond 2024, providing favorable conditions for future cash flow generation.

Not satisfied with the results achieved through our current assets, PetroRio took the first step towards the acquisition of a new asset in Frade Field, also in Campos Basin. This important addition is part of our strategy of growth through acquisitions of producing fields and increases our portfolio to a total of five assets, of which three are producing ones.

Our team shall continue to pursue value generation from our operations and from the new acquisition, and believe this is only the beginning of a new successful story for the Company and its shareholders”

OPERATING RESULTS



POLVO FIELD – 100% PETRORIO

In 3Q18, the asset produced 927.4 thousand barrels of oil with a daily average of 10.081 barrels. The production level, up 31.7% from 3Q17 returns the asset to the levels recorded in 2014 and is attributed to the wells from the 2018 Drilling Campaign entering production. Polvo produced an accumulated 2,223.7 thousand barrels during the nine months of the year.

PetroRio performed two offtakes during the quarter – the first in August and the second in September. The gross selling price of US\$ 75.60 was 45.8% higher than the annual comparative. Importantly, the volume sold was below the amount produced in the quarter, allowing for the Company to close the period with 531 thousand barrels in its inventory, equivalent to approximately R\$ 150 million in today's Brent prices.

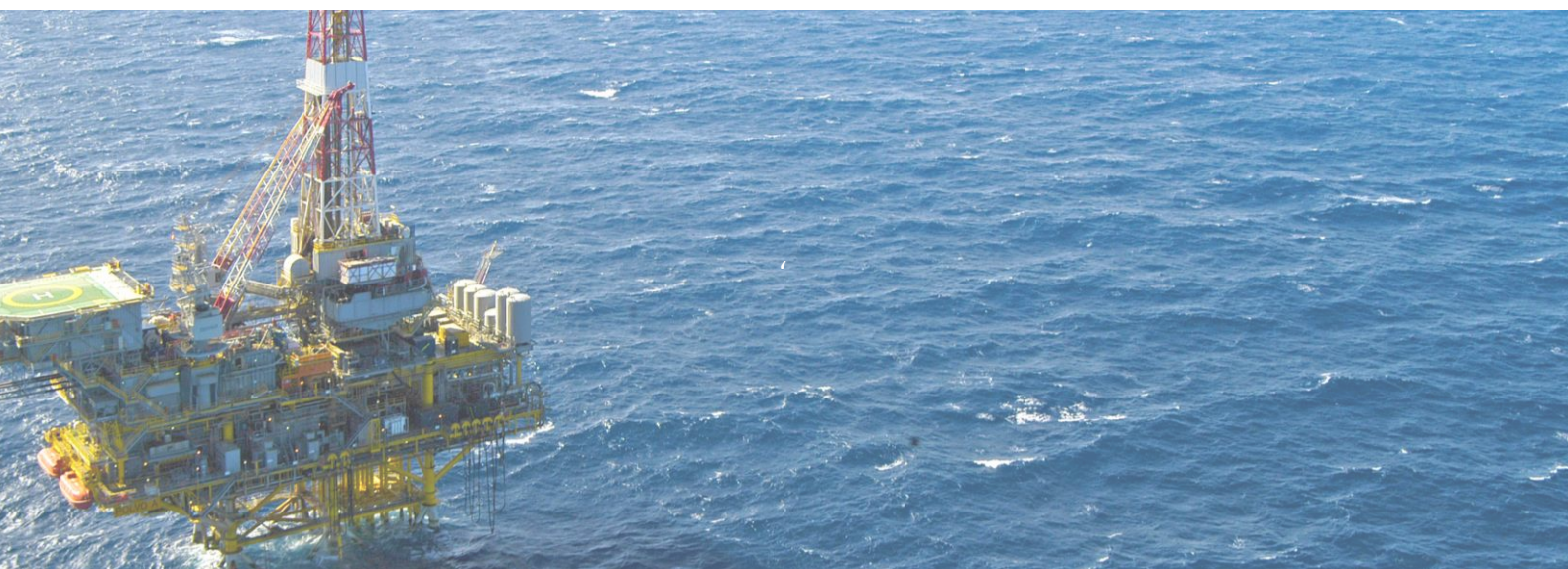
Offtakes 2018							
Quarter	1Q18	2Q18		3Q18			9M18
Month	March	May	June	August	September	Total	TOTAL
Volume (kbbl)	463.3	461.0	330.8	461.3	231.8	963.1	1948.1
Gross selling price (US\$/bbl)	64.71	77.01	75.76	73.84	79.11	75.60	73.37

During the third quarter of 2018, global oil prices continued to gain strength as seen since early 2018, with the Brent price rising approximately 4%. However, during the quarter, some intense price volatility was observed, resulting in prices dropping to US\$ 70.76 during the quarter, following a 17% rise to close the period at US\$ 82.72.

Among the main reasons which led Brent prices to the lowest point in the quarter (in August), were new trade tensions between the US and China, and the consequent fear of a global slowdown, which could eventually lead to a drop in global demand for Oil. With the cool down of such tensions and the threat of Oil shortages due to American sanctions to Iran, there was an inversion of this trend and the Brent price rallied to its highest point, in late September. Once again, geopolitics has had an impact on prices and market perceptions.

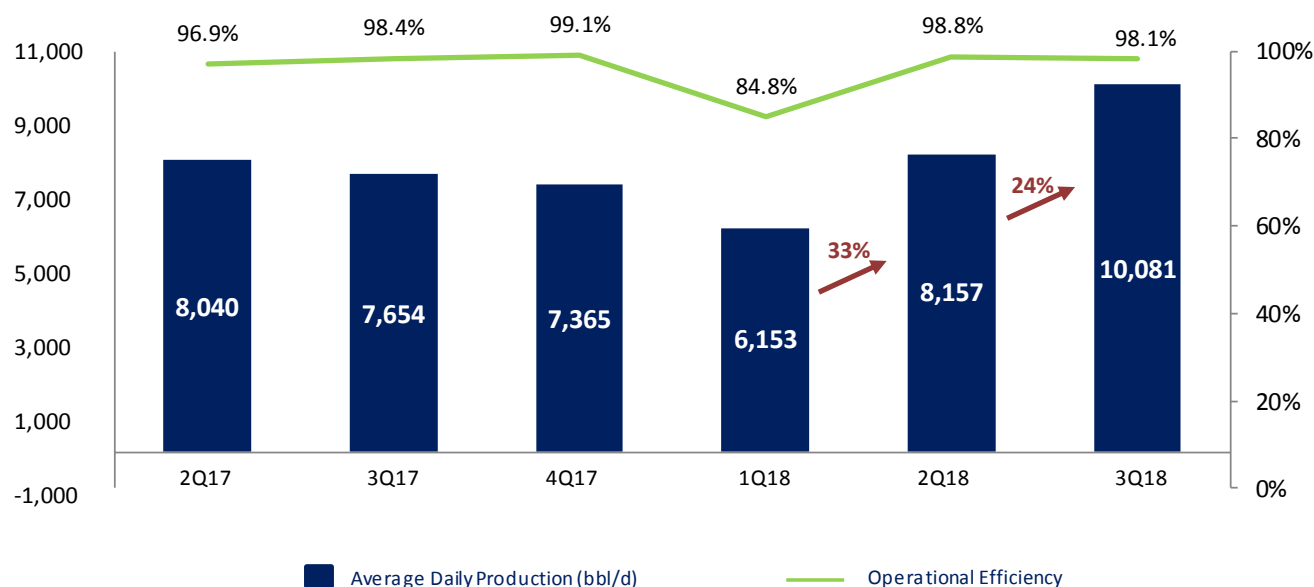
On the fundamentals, the world economic activity continued to grow, and global Oil demand followed the same trend. According to data from the DOE/EIA (American Department of Energy), in September 2018 the global demand for Oil and fluids reached 100.7MMbbl/d, against 99.6MMbbl/d in September 2017 - a 1MMbbl/d rise. After the meeting held in June, OPEC rose production in approximately 0.5MMbbl/d this quarter, at the same time as Iran and Venezuela's production declined 0.54MMbbl/d.

Finally, while Shale has historically impacted the balance between supply and demand, it continued to present distribution issues outside the Permian basin, and the market has sustained the perception that until new pipelines enter operation, significative rises in production will hardly be reflected in oil prices.



Polvo Field's operational efficiency reached 98.1% in the quarter, recovering from the scheduled shutdown which occurred in early 2018. The graph below shows the average daily production in the past quarters as well as the respective operational efficiency rates:

Average Daily Production and Operational Efficiency

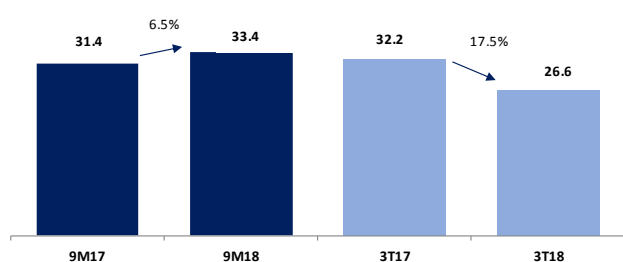


The Company registered a lifting cost of US\$ 26.6/bbl in 3Q18, significantly below the US\$ 32.2/bbl registered on the same period last year and the US\$ 34.5/bbl on the previous quarter (2Q18). The drop is mainly due to the increase in production (+31.7% vs. 3Q17), as a result of the wells from 2018 Drilling Campaign entering production. The increase in production offset the rise of 8.7% in costs, which in turn were driven by higher fuel prices and FPSO leasing costs, a result of rising Brent prices as indexed by the supplier agreements.

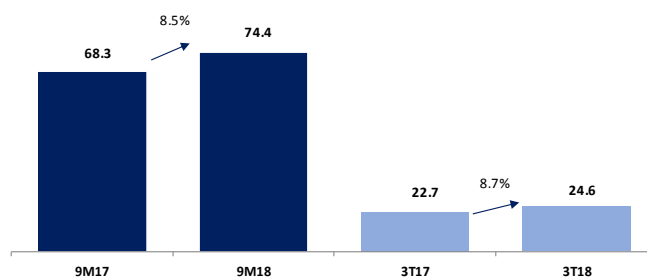
Operating costs of the Field, in absolute terms, increased when compared to the previous year for the same reasons mentioned above. The costs of Polvo reached US\$ 24.6 million in 3Q18, 8.7% higher than the year-ago comparative.

The graphs below illustrate the year-over-year comparison between lifting and operating costs.

Lifting cost – Polvo Field (US\$/bbl)



Operating Costs – Polvo Field (US\$ million)



RESULTS 2018 DRILLING CAMPAIGN

After the close, PetroRio concluded this year's Drilling Campaign, while maintaining the highest levels of safety and respect for the environment.

The 2018 Drilling Campaign cost approximately US\$ 42 million. The Company estimates that its payback period is of less than six months, proving it to be profitable and a valuable use of Company resources.

In addition, PetroRio hired DeGolyer & MacNaughton ("D&M") to certify the updated reserves on July 31, 2018, as illustrated in the table below.

In millions of barrels of oil

Reserves	D&M Report Dated Dec-17	(-) Production Jan to Jul-18	D&M Report Dated Dec-17, Adjusted for Production	D&M Report Jul-18	Reserves added by 2018 Drilling Campaign	Reserves added in %
Proved (1P)	10.8	-1.6	9.2	12.9	+3.7	+40%
Proved+Probable (2P)	12.9		11.3	20.9	+9.6	+85%
Proved+Probable+Possible (3P)	17.1		15.5	32.0	+16.6	+107%

Regarding the useful life of the Field, there was an extension to 2024 when considering 1P reserves, 2027 when considered 2P, and 2031 for the 3P reserves. The full report can be found at ri.petroriossa.com.br.

The Company also informs that the results obtained in the recently concluded Drilling Campaign reinforce the remaining new prospects in the Polvo Field, that will substantiate future drilling campaigns.

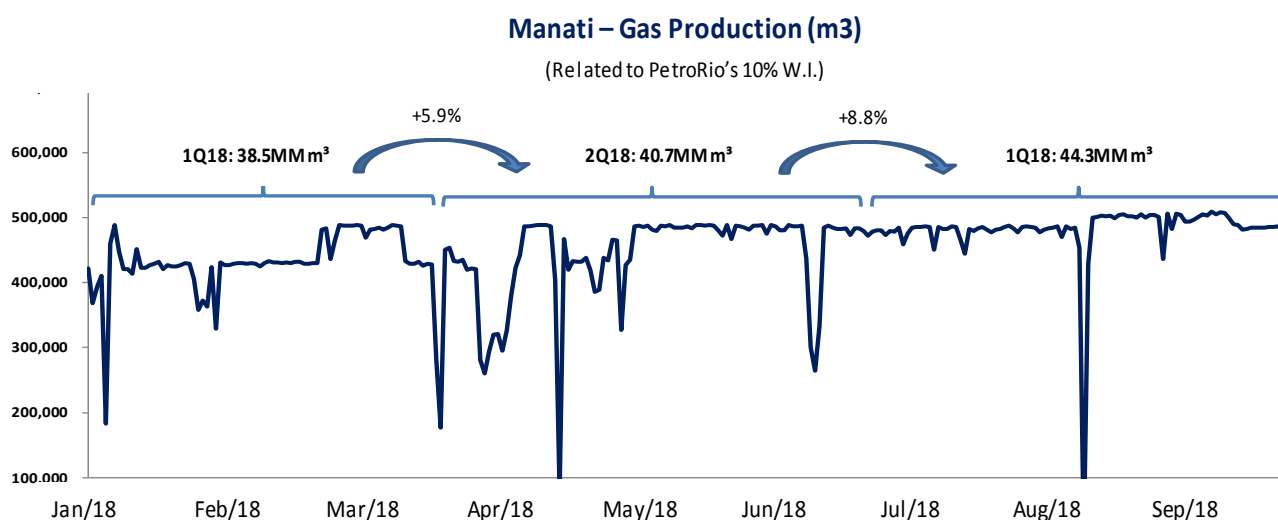


MANATI NATURAL GAS FIELD – 10% PETRORIO



Production in Manati reached 44.3 million cubic meters of gas (average of 482 thousand m³ per day), in line with the annual comparative, despite the natural decline in the take-or-pay contract with Petrobras, year over year. The asset also increased production over 2Q18 (+ 8.8%) due to the client's increased demand for natural gas, which benefited from: (1) lower volume of gas transported from the Southeast to the Northeast of the country due to increased demand from Southeastern thermoelectric plants for gas produced in the region, thereby increasing the demand for gas from Manati, and (2) prices from Manati became more competitive since the gas is priced in Reais and the local currency dropped 9.6% against the dollar during the quarter.

The chart below illustrates the Field's production during the year:



The net volume of gas sold was 44.3 million m³, in line with the year-ago comparison and up 8.8% from 2Q18. Operating costs - consisting of direct costs excluding depreciation - reached R\$ 5.3 million, lower than the RS 5.9

million registered on the same period of 2017, as a result of PetroRio's efforts to reduce Manati costs. Other R\$ 2.6 million were paid as royalties for the asset's exploration rights.

Through its experience as an operator in Oil & Gas fields, PetroRio actively contributed in the renegotiations of contracts with suppliers and helped lead cost reduction initiatives for Manati during the past year.

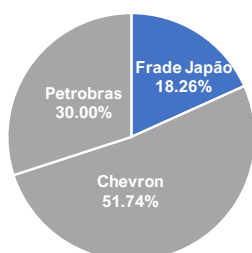
PetroRio holds a 10% interest in the consortium responsible for operating the Manati field. The asset contributes to the dilution of the Group's G&A expenses and allows for more leverage for future acquisitions. In addition, there are synergies continuously under study by our corporate team.



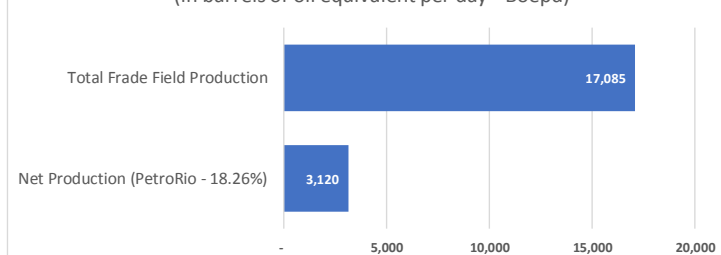
SUBSEQUENT EVENTS: FRADE FIELD

In October 29, 2018, PetroRio informed its shareholders of the execution of a Share Purchase Agreement for the acquisition of FRADE JAPÃO PETRÓLEO LIMITADA ("FRADE JAPÃO"), a limited liability company holding 18.26% working interest in the Frade Field.

Working Interest in the Frade Concession



August Daily Production
(in barrels of oil equivalent per day - Boepd)



Source:

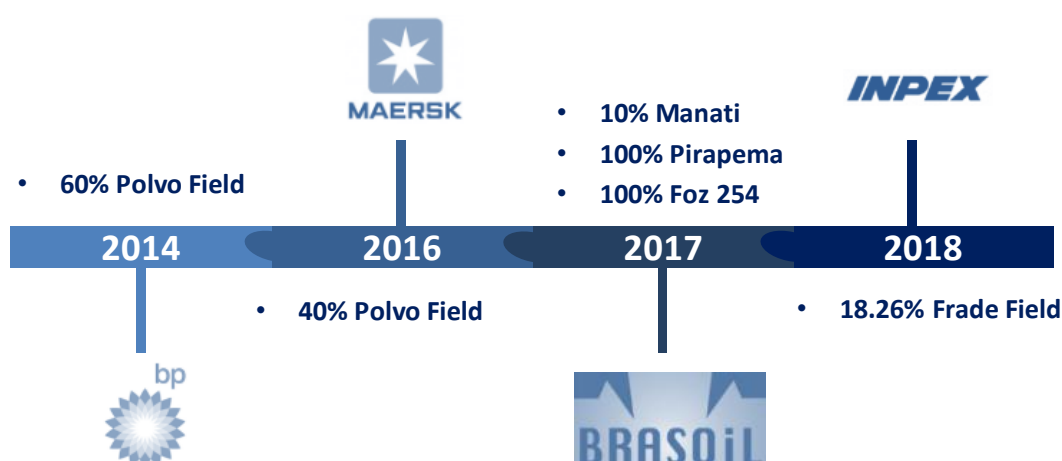
http://www.anp.gov.br/images/planos_desenvolvimento/Frade.pdf

http://www.anp.gov.br/images/publicacoes/boletins-anp/Boletim_Mensal-Producao_Petroleo_Gas_Natural/Boletim-Producao_agosto-2018.pdf

The acquisition is the result of a competitive process and increases Company net production in approximately 25% of boed, as well as 150% in oil reserves. The conclusion of the acquisition is subject to certain conditions precedent as well as internal and external approvals.

The execution of this agreement reaffirms, once again, PetroRio's strategy of growth through acquisitions of producing assets, as well as representing a diversification of its portfolio of revenue generating assets.

The figure on the next page illustrates the M&A the Company has realized since the beginning of the turnaround, in 2014:



FINANCIAL PERFORMANCE

R\$ thousand

Proforma Income Statement	9M18	9M17	Δ	3Q18	3Q17	Δ
Revenues	581,187	340,307	70.8%	224,627	110,014	104.2%
Cost of products/services	(247,046)	(199,099)	-24.1%	(76,608)	(62,058)	-23.4%
Royalties	(45,771)	(33,054)	-38.5%	(17,911)	(10,028)	-78.6%
Gross Profit	288,370	108,154	166.6%	130,107	37,928	243.0%
G&A, G&G and Project expenses	(77,292)	(61,234)	-26.2%	(23,000)	(15,090)	-52.4%
Other revenues/expenses	(19,264)	40,582	-147.5%	(15,906)	(1,849)	-760.5%
EBITDA	191,814	87,502	119.2%	91,202	20,989	334.5%
EBITDA Margin	33%	26%	28 p.p	41%	19%	111.2 p.p
Adjusted EBITDA	211,078	46,920	349.9%	107,108	22,838	369.0%
Adjusted EBITDA Margin	36.3%	13.8%	163 p.p	47.7%	20.8%	128.2 p.p
Depreciation and amortization	(67,151)	(61,603)	-9.0%	(23,132)	(21,313)	-8.5%
Financial Results	45,812	46,518	-1.5%	29,143	14,224	104.9%
Income tax and social contribution	(25,763)	(4,910)	-424.7%	(25,754)	2,664	-1066.8%
Profit (loss) for the period	144,712	67,507	114.4%	71,458	16,564	331.4%

* EBITDA is an auxiliary indicator composed by the earnings before interests, taxes, depreciation and amortization and does not follow the Accountability Practices adopted in Brazil, IFRS or GAAP, therefore, it should not be applied in preference to the systems metrics or compared to other companies' since it may be calculated in a different manner.

Adjusted EBITDA is calculated similarly to the EBITDA, but it does not consider the account Other Revenue/Expenses

PetroRio recorded net revenue of R\$ 224.6 million, up 104.2% from the 3Q17. From this Revenue, R\$ 193.8 million were originated from Polvo Field's oil offtakes, up 141.4% when compared to the previous year. The strong rise is attributed to the Brent price rise and to a more favorable currency, given the Revenues in dollars, even though the traded volume fell short to the same period of 2017.

Manati in turn contributed with R\$ 30.9 million in revenues, related to PetroRio's 10% W.I. in the natural gas consortium. In the annual comparison there was a 3.7% increase in volumes sold attributed to higher demand, mainly due to the asset's more competitive prices in Reais, stemming from the weaker Brazilian currency and having most of the competition being priced in dollars.

Net Revenue totaled R\$ 581.2 million for 9M18, a strong increase of 70.8% when over the same period last year and a record for the first nine months of the year.

Cost of Goods Sold (COGS) increased 23.4% compared to the year-ago quarter and is attributed to the increase in the costs of Polvo. Higher daily rates for the FPSO and fuel costs contributed to this increase and are a result of rising Brent prices as indexed by the supplier's agreements. In the YTD, the COGS totaled R\$ 247 million, up 24.1%, and is attributed to the same reasons.

In 3Q18, the Company recorded its highest ever gross profit, driven by the recovery of Brent prices and a more favorable exchange rate, given offtakes are priced in dollars, and as a result of the work put in reducing costs and maintaining a lean operation, increasing contribution margins for the assets. The line item accumulated R\$ 130.1 million in the quarter, up 243% over 3Q17.

General and administrative expenses include M&A, projects and geology and geophysics closed the quarter at R\$ 23 million; 52.4% higher than a year earlier. The increase is verified in personnel, tax adjustments from previous years, change of the Company corporate office and expenses with the acquisition of additional seismic data for Polvo, which will be used for future drilling campaigns. Other revenue and expenses include the write-off of the remaining portion of a payment advance for the acquisition of an asset in 2015 which, after a arbitration decision enforced the counterparty to reimburse 50% of the advance, fully received by PetroRio in July 2018.

EBITDA was driven by strong operating results. EBITDA totaled R\$ 91.2 million in the quarter, reaching a 41% margin (3Q17: 19.1% and 2Q18: 35.8%). The amount corresponds to the highest ever EBITDA recorded by the Company for the second consecutive quarter, deducted non-recurring items.

Similarly, Net Income of R\$ 71.5 million was significantly higher than 3Q17 on the back of stronger Operating Results in the period. In the quarter, Net Income also benefited from a strong financial result, positively impacted by investments and the exchange variation in the period. However, the positive impact was partially offset by Income Tax and Social Contribution given the positive operating results arising from the assets.

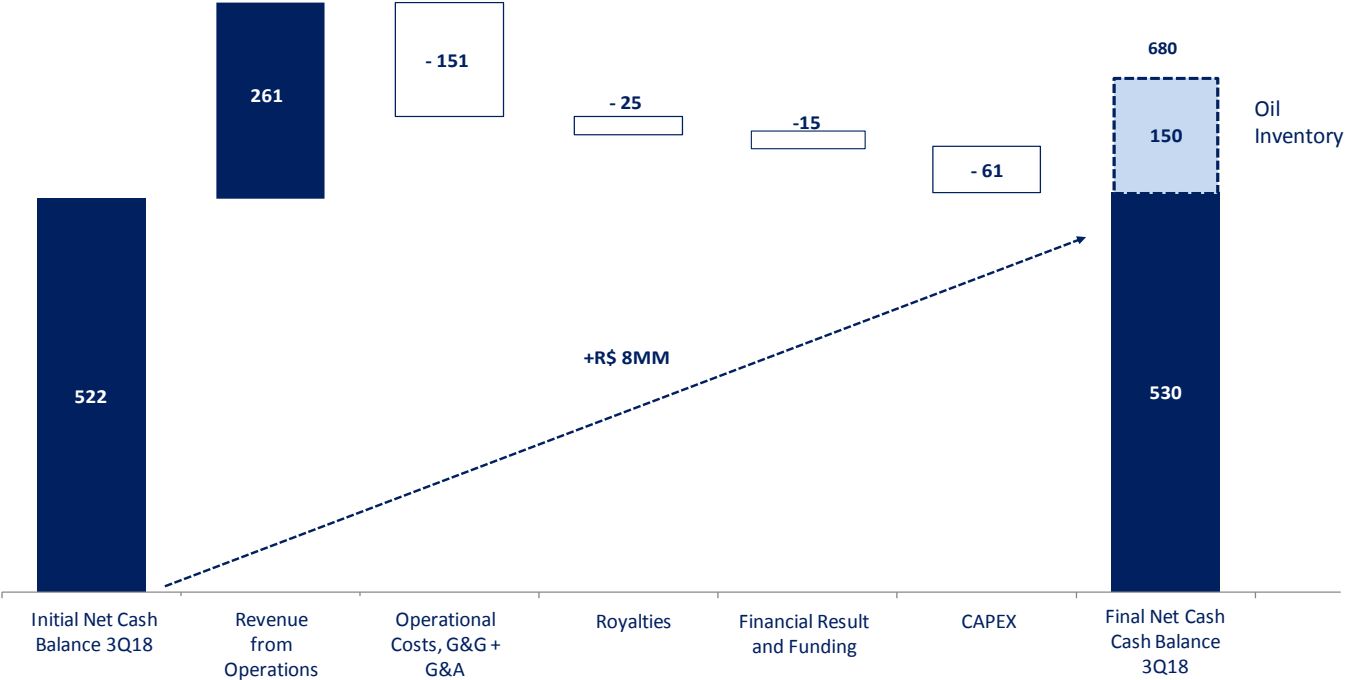


TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

The change in cash position in the quarter is explained by the following factors:

- Inflow of R\$ 261 million related to Polvo offtakes and natural gas sales from Manati;
- Outflow from production costs and operating and administrative expenses of R\$ 151 million;
- R\$ 25 million related to Royalties and government participations;
- The Company recorded its largest ever cash flow from operations during the quarter = R\$ 85 million;
- Financial results of negative R\$ 15 million. This line item refers to interest payments, new loans, drawdowns and loan payments, interest earned over financial investments, results of Hedges, and exchange variation;
- CAPEX consists of cash outlays for the drilling campaign in Polvo and maintenance in Polvo and Manati fields, totaling R\$ 61 million.

NET CASH FLOW 3Q18
(R\$ MILLION)



BALANCE SHEET

(In thousands of R\$)

Assets

Current assets	31-dec-2017	30-sep-2018
Cash and cash equivalents	92,445	28,160
Securities	511,863	501,935
Restricted cash	17,965	-
Accounts receivable	62,046	37,097
Oil inventories	41,174	79,501
Consumable inventories	-	2,314
Recoverable taxes	59,492	82,211
Advances to suppliers	28,781	34,684
Advances to partners	3,639	3,178
Prepaid expenses	3,106	2,534
Other receivables	828	1,226
Total Current assets	821,339	772,840
Non-current assets available for sale	28,316	27,467
	849,655	800,307

Non-current assets

Advances to suppliers	12,596	12,596
Deposits and pledges	16,010	17,448
Recoverable taxes	51,669	36,135
Deferred taxes	18,480	12,438
Property, plant and equipment	61,286	60,338
Intangible assets	260,548	346,504
Total non-current assets	420,589	485,459

Total do Ativo	1,270,244	1,285,766
-----------------------	------------------	------------------

Liabilities and shareholders' equity

Current liabilities	31-dec-2017	30-sep-2018
Suppliers	70,535	92,833
Labor obligations	9,979	5,192
Taxes and social contributions	20,076	56,227
Loans and financing	75,011	-
Debentures	21,621	771
Derivative financial instruments	7,129	4,781
Advances from partners	-	13,445
Other liabilities	12,500	-
Total current liabilities	216,851	173,249

Non-current liabilities

Suppliers	13,456	13,161
Debentures	31,391	31,241
Provision for abandonment (ARO)	74,119	91,480
Provision for contingencies	15,120	14,882
Deferred taxes and social contrib	36,177	2,108
Others	-	-
Total non-current liabilities	170,263	152,872

Shareholders' equity

Realized capital	3,265,256	3,273,114
Capital reserves	73,852	50,510
Other comprehensive income	91,800	39,086
Accumulated losses	(2,598,629)	(2,547,777)
Income (loss) for the period	50,851	144,712
Total shareholders' equity	883,130	959,645

Total liabilities and shareholders' e	1,270,244	1,285,766
--	------------------	------------------

INCOME STATEMENT

(In thousands of R\$)

Net revenues	110,014	224,627
Cost of products/services	(62,058)	(76,864)
Depreciation and amortization	(21,426)	(21,771)
Royalties	(10,028)	(18,352)
Gross profit	16,502	107,640
Operating income (expenses)		
Geology and geophysics expenses	(241)	(980)
Personnel expenses	(5,810)	(8,635)
General and administrative expenses	(3,254)	(5,696)
Expenses with third party services	(4,242)	(4,761)
Taxes and fees	(1,543)	(2,929)
Depreciation and amortization expenses	(70)	(665)
Income from transactions with permanent assets	268	(64)
Other operating income (expenses), net	(2,117)	(15,839)
Financial results	14,224	29,141
Income before income and social contribution taxes	13,718	97,212
Income and social contribution taxes		
Current	2,069	(25,633)
Deferred	595	(121)
	2,664	(25,754)
Income (loss) from continuing operations	16,382	71,458
Loss for the quarter	16,382	71,458

CASH FLOW STATEMENT

(In thousands of R\$)

	3Q17	3Q18
Cash flows from operating activities		
Income (loss) for the period (before taxes)	13,718	97,212
Depreciation and amortization	23,717	(5,306)
Financial income	(55,702)	(110,177)
Financial expenses	48,721	74,414
Loss/Write-off of non-current assets	-	1,316
Provision for contingencies/losses	2,064	10,510
Remuneration based on stock plan	-	1,905
Provision for impairment	-	64
	32,518	69,938
(Increase) decrease in assets		
Accounts receivable	26,280	36,922
Recoverable taxes	2,396	2,344
Prepaid expenses	(2,970)	37
Advances to suppliers	(6,144)	(5,201)
Oil inventory	(13,875)	389
Consumables inventory	-	(2,314)
Advance to partners in oil and gas operations	29	(91)
Other receivables	24	10
Increase (decrease) in liabilities		
Suppliers	7,797	(2,032)
Labor obligations	(3,297)	(2,878)
Taxes and social contributions	(5,959)	(4,375)
Contingencies	(398)	(1,839)
Advances from partners in oil and gas operations	(120)	28
Other liabilities	34	(286)
Net cash (invested in) from operating activities	36,315	90,652
Cash flows from investment activities		
(Investment) Redemption of securities	32,364	128,329
(Investment) Redemption of restricted cash	10,622	140
(Investment) Redemption in abandonment fund	(1,328)	(1,743)
(Increase) Decrease in deposits and pledges	(992)	(1,057)
Non-current assets held for sale	(962)	3,337
(Increase) Decrease in permanent assets	(3,393)	(63,936)
Net cash (invested in) from investment activities	36,311	65,070
Cash flows from financing activities		
Loans and financing	(53,151)	(199,561)
Debentures	(21,036)	3
Derivative transactions	814	(1,228)
(Purchase) Sale of shares of the Company (held in treasury)	(12,520)	(462)
Net cash (invested in) from financing activities	(85,893)	(201,248)
Translation adjustment	(458)	4,355
Net increase (decrease) in cash and cash equivalents	(13,725)	(41,171)
Cash and cash equivalents at the beginning of the year	41,603	(86,663)
Cash and cash equivalents at the end of the year	27,878	(127,834)
Net increase (decrease) in cash and cash equivalents	(13,725)	(41,171)

ABOUT PETRORIO

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

Disclaimer

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our drilling and seismic plans, operating costs, acquisitions of equipment, expectations of finding oil, the quality of oil we expect to produce and our other plans and objectives. Readers can identify these statements by reading several words such as "estimate", "believe", "expect" and "will" and similar words or their negative. Although management believes that the expectations represented in such statements are reasonable, it cannot ensure that such expectations will be confirmed. By their nature, forward-looking statements require us to make assumptions and, accordingly, said forward-looking statements are subject to inherent risks and uncertainties. We caution readers of this news release not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements. The forward-looking statements herein are made based on the assumption that our plans and operations will not be affected by such risks, but that, if our plans and operations are affected by such risks, the forward-looking statements may become inaccurate. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Such declarations were made on the date hereof. We do not undertake to update such forward-looking statements regarding future events, except as required by applicable securities legislation.