

# Dommo Energia S.A.

Interim financial information (ITR) accompanied with the independent auditor's report on the interim financial information

Free translation from the Portuguese official Financial Statements.

In case of contradiction between the Portuguese and English versions the Portuguese version prevails.

**As of June 30, 2019**



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# Management Report

## RESULTS FOR THE SECOND QUARTER OF 2019

Dommo Energia S.A. (“Dommo Energia” or “Company”) Management, in compliance with legal and statutory provisions, presents its results for the second quarter of 2019 (“2Q19”), as well as relevant subsequent events to the market.

### 2Q19 HIGHLIGHTS

| TBMT <sup>(a)</sup><br>Production 2Q19 | Commercialization<br>2Q19 | Net Revenues<br>2Q19 | Adjusted EBITDA<br>Margin 2Q19 | Cash Balance      |
|--|---------------------------|----------------------|--------------------------------|-------------------|
| 530.9 kbbls <sup>(b)</sup>             | 627.0 kbbls               | R\$ 154.2 million    | R\$ 12.7 million<br>8.3%       | R\$ 197.5 million |

(a) TBMT: Tubarão Martelo Field

(b) kbbls: thousand barrels of oil

Adjusted EBITDA<sup>1</sup>

### MANAGEMENT’S MESSAGE

As discussed during our year-end financials for 2018, the Company continues to face challenges in the return to normalcy as well as in the management of fiscal and regulatory liabilities from previous periods. The challenges and liabilities should be diligently considered by potential investors and current shareholders, and special attention is called to Financial Statements’ Notes 1.3 (Going concern), 17 (Provisions) and 19 (Contingencies), where investors can find more details. It should also be noted that since December 2018 the balance sheet of the Company is characterized by negative shareholders equity, and therefore the value of the Company’s liabilities is currently higher than the value of its assets. As always, Management will continue to exert itself in the defense of the interests of Dommo Energia and its shareholders.

On November 26<sup>th</sup>, 2018, the Company signed an amendment to the FPSO OSX-3 charter agreement (“New Charter”<sup>2</sup>). The year to date performance reflects the New Charter general terms, among them the new daily rate of US\$ 129,315.00. Therefore, the analysis of the main financial performance indicators of 2019 in relation to the previous years should consider the different conditions related to the charter agreement.

Also, in connection with the New Charter, during 2Q19 the Company continued the implementation of TBMT Revitalization, having contracted US\$ 29.7 million year to date, related to three electrical submersible pumps (“ESP”), offshore services, well services and all subsea equipment. Wells equipment is being delivered by supplier whilst UTA, flowlines and umbilicals are under production.

<sup>1</sup> See page 11 for adjusted EBITDA calculation

<sup>2</sup> [Material Fact November 26 2018](#)

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## OPERATIONAL ASSETS

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### TUBARÃO MARTELO FIELD

Tubarão Martelo Field encompasses the concession areas of BM-C-39 and BM-C-40 exploration blocks and is located in the Campos Basin, at a water depth of 110 meters, in the north coast of Rio de Janeiro State. The Company is the asset operator, having acquired 100% of the exploration and production rights in 2007, in the 9<sup>th</sup> Bidding Round of Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (“ANP”), Brazilian regulatory agency. The production began on December 2nd, 2013 and has surpassed 16.0 million barrels of oil produced. TBMT’s production is currently performed with three producing wells.

The new terms and conditions established in the New Charter, signed on November 26th, 2018, gave the Company the necessary visibility and long-term commitment to keep investing in TBMT to further increase its production capacity. As a result, the planned and approved investments in TBMT are being resumed, with the beginning of the revitalization plan (“Revitalization”) consisting of the completion of the fifth well, 4HP, that has already been drilled and needs to be connected to the FPSO OSX-3, as well as workover activities in four production wells, known as 2HP, 6HP, 8H, and 44HP. The main objective is to increase TBMT’s production to an estimated 10.0 kbbls per day in the beginning of 2020. The Company estimates the Revitalization expenditures to be US\$ 77.9 million (“Revitalization Expenditures”), which should be disbursed within the next 12 to 18 months and will be funded from existing cash balances and future cash generation.

The Revitalization is comprised of two campaigns and contemplates in the first phase, in progress, the completion of 7-TBMT-4HP, which is drilled but not connected to the FPSO OSX-3, the workover of 7-TBMT-2HP and the acquisition of a backup ESP. The second phase addresses the remaining three producing wells and will consist of workover activities as they become necessary.

### ATLANTA AND OLIVA FIELDS – BS-4 BLOCK

The BS-4 block (“BS-4”), comprised by Atlanta and Oliva fields, is located at Santos Basin post-salt area, approximately 185 km from the coast, in a water depth of about 1,550 meters.

As disclosed by Dommo Energia through the Material Fact on October 23<sup>rd</sup>, 2017<sup>3</sup>, there is an arbitration procedure (“Arbitration”) managed by London Court of International Arbitration – LCIA, concerning the Company and the other consortium partners (“Consortium”). On September 25<sup>th</sup>, 2018, the Company received the arbitration judgment issued by the Arbitration Court (“Decision”) in respect to the first phase of the Arbitration, which stated, among other things, that the notification issued by one of consortium partners on October 10<sup>th</sup>, 2017 (“Notification”), was effective at the time it was issued. The Notification intended to exercise, without offer of payment, the option to demand the Company’s exclusion from the Joint Operating Agreement – JOA, the Consortium agreement and the Concession agreement, all related to BS-4.

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<sup>3</sup> [Material Fact October 23 2017](#)

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The first phase of the Arbitration did not include the analysis of evidence, having the Decision foreseen that, in any additional phase(s) of the Arbitration, through the fact-finding exercise, Dommo Energia may still seek to annul the exclusion and the transfer of its stake in BS-4 and argue for an indemnity for losses and damages against the consortium partners.

The aforementioned Decision is not definitive and there is the possibility that the Notification effectiveness, which determined Dommo exclusion from the Consortium, to be annulled in a subsequent step of the Arbitration, with the production of evidence supporting such annulment. Nevertheless, the Decision issued and eventual future decisions of subsequent steps will only be considered legally valid, effective and enforceable under Brazilian territory after the homologation procedures of foreign judgement, handled by the Brazilian Superior Court of Justice, *Superior Tribunal de Justiça* – STJ, under the Federal Constitution and the prevailing legislation. After the eventual homologation by STJ, the effective transfer of the stake in the asset, partially or entirely, by Dommo Energia could occur only after ANP's approval.

On April 8<sup>th</sup>, 2019, the Company disclosed a Material Fact<sup>4</sup>, announcing to its shareholders and the market in general that, on April 4<sup>th</sup>, 2019, filed before the *Cour d'appel* (Court of Appeals), Paris, on the basis of Article 1520 of the French Civil Procedure Code, a lawsuit pleading for the arbitration award, rendered on September 24<sup>th</sup>, 2018 in the arbitration procedure between the companies consorted for the operation of Block BS-4, to be considered null and void.

On June 24<sup>th</sup>, 2019, the Company disclosed a Material Fact<sup>5</sup> about the notification of a decision by ANP's Board of Directors, made on June 19<sup>th</sup>, 2019, authorizing the assignment of the Company's stake on Block BS-4 to the consortium partners, based on the use of the mandate clause included in the JOA. The Company understands that the decision is based on incorrect and misleading assumptions and information presented by the partners.

The Company has adopted and will continue to take all legal measures applicable to the defense of its interests and those of its shareholders.

#### **TUBARÃO AZUL FIELD ("TBAZ")**

Considering that no economically feasible alternative was found to continue the activities in TBAZ, located at Campos Basin, it was requested the concession's return to ANP, in accordance with the Material Fact disclosed on September 20<sup>th</sup>, 2016. Dommo Energia, as operator, began in 2017 the processes of decommissioning of the field and abandonment of the wells, having completed this last activity in the 1Q18. TBAZ's decommissioning process is currently ongoing.

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<sup>4</sup> [Material Fact April 8 2019](#)

<sup>5</sup> [Material Fact June 24 2019](#)

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## OPERATIONAL PERFORMANCE

The Company has operated three wells since June 29<sup>th</sup>, 2018, when well 7-TBMT-2HP was interrupted indefinitely due to the failure in an ESP.

In 2Q19 the average daily production was 5.8 kbbls, stable in relation to 1Q19 when the average was 5.9 kbbls.

Production during 2Q19 was 530.9 kbbls, stable compared to the previous quarter. The lower volume produced in relation to the same quarter of the previous year, is due to the fact that 4 producing wells were in operation in 2Q18.

From the macroeconomic perspective, two factors that are relevant to the Company's performance: (i) oil price; and (ii) exchange rate.

### BRENT PRICES

Brent averaged US\$ 68.47 per barrel in 2Q19, +7.3% over 1Q19 average of US\$ 63.83 per barrel. Higher average price in the quarter is the result of four consecutive months increasing trend approaching a six-month high of US\$ 74.57 per barrel near the end of April. Prices generally reflected a decline in global oil inventories during the first four months of 2019.

On April 22, the United States notified the eight countries that were granted sanction waivers allowing them to continue to import Iranian crude oil and condensate that the waivers would not be extended past May 2 expiration.

May was marked by flat average price compared to April, but with increasing oil price volatility and spot prices decline at the end of the month driven by demand-side concerns. Declining prices trend permeated through the first three weeks of June when spot prices registered the lowest level of 2Q19 of US\$ 59.97 per barrel. Prices showed some recovery at the last week of June and according to EIA, "concerns over conflict in the Middle East as well as large inventory declines in the United States likely put upward pressure on crude oil prices. Prices increased on June 20 following an Iranian attack on a U.S. military drone near the Strait of Hormuz, where, a week before, two oil tankers were attacked in the region. In addition to risks of crude oil supply disruption, members of the Organization of the Petroleum Exporting Countries – OPEC, along with several non-OPEC countries, met in Vienna and agreed to extend their existing voluntary production cuts through March 2020".

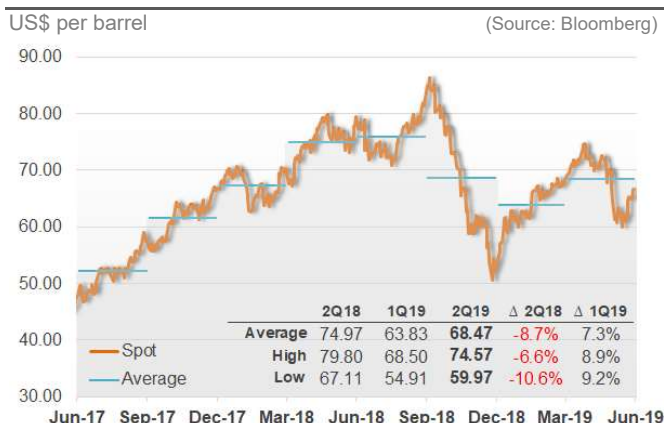
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CHART 1: PRODUCTION, COMMERCIALIZATION AND INVENTORIES



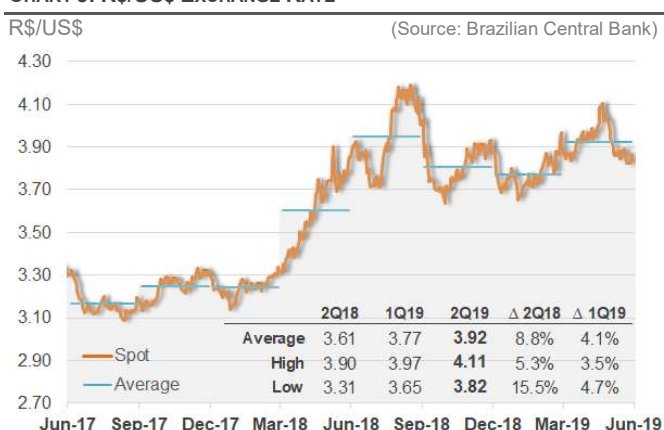
CHART 2: BRENT PRICES



## EXCHANGE RATE

The foreign exchange market in the 2Q19 was volatile, impacted by domestic and international agendas. In the domestic scenario, the release of consecutive market read updates (Boletim Focus) reviewing Brazilian GDP downwards was the hot topic, in addition to the Pension Fund reform, with uncertainties about the amount of savings that will be achieved and also on approval timing by Congress. In the foreign scenario, the performance of United States economy, showing signs of recovery contributed to the US\$ appreciation.

CHART 3: R\$/US\$ EXCHANGE RATE



As a result, the R\$ 3.92 average US\$/R\$ rate in 2Q19 was close to the peak rates registered in 2Q18 (R\$ 3.90) and 1Q19 (R\$ 3.97). Compared to 2Q18 and 1Q19 average rates, respectively, the US\$ appreciated 8.8% and 4.1%.

## FINANCIAL HIGHLIGHTS

The financial statements are presented on a consolidated basis, in Brazilian Reais, and were prepared in accordance with accounting principles adopted in Brazil including the pronouncements issued by the *Comitê de Pronunciamentos Contábeis* – CPC, Brazilian accounting committee, and by the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB.

Since the beginning of 2019, the results disclosure adheres to the disclosure requirements on the new lease standard (CPC 06 (R2) | IFRS 16), with the main impacts in the Company related to:

- Balance sheet: book value of rights-of-use assets and the corresponding headings
- Income statement: amortization expenses of the right-of-use assets and financial expenses linked to the lease

TABLE 1: KEY INDICATORS

R\$ million

|                                  | 2Q19    | 1Q19   | Var. %  | 2Q18   | YTD2019 | YTD2018 | Var. %  |
|----------------------------------|---------|--------|---------|--------|---------|---------|---------|
| Average exchange rate (R\$/US\$) | 3.92    | 3.77   | 4.1%    | 3.61   | 3.85    | 3.43    | 12.2%   |
| Volume traded (kbbls)            | 627.0   | 509.0  | 23.2%   | 367.6  | 1,136.0 | 1,109.9 | 2.4%    |
| Net revenue                      | 154.2   | 114.4  | 34.7%   | 96.2   | 268.6   | 243.0   | 10.5%   |
| Cost of goods sold               | (129.4) | (99.0) | -30.6%  | (47.0) | (228.4) | (119.3) | -91.5%  |
| Gross profit                     | 24.8    | 15.4   | 61.1%   | 49.3   | 40.2    | 123.7   | -67.5%  |
| Gross profit margin              | 16.1%   | 13.5%  | 03 p.p  | 51.2%  | 15.0%   | 50.9%   | -36 p.p |
| Adjusted EBITDA                  | 12.7    | 14.1   | -9.8%   | 41.5   | 26.8    | 105.4   | -74.5%  |
| Adjusted EBITDA margin           | 8.3%    | 12.3%  | -04 p.p | 43.2%  | 10.0%   | 43.4%   | -33 p.p |
| Net profit (loss)                | 19.2    | (40.8) | -147.0% | (76.8) | (21.6)  | (12.7)  | 69.6%   |

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The R\$ 154.2 million net revenue in 2Q19 represents a growth of 34.7% and 60.2% compared to 1Q19 and 2Q18 respectively. The improved result arises from the combination of:

- Higher volume sold, 627.0 kbbls, representing a 23.2% growth compared to 1Q19 (509.0 kbbls) and 70.6% compared to 2Q18 (367.6 kbbls)
- Effect of the R\$ 3.92 average exchange rate in 2Q19, representing an average increase of 4.1% compared to 1Q19 (R\$ 3.77) and 8.8% compared to 2Q18 (R\$ 3.61)
- With regard to 1Q19, the 7.3% average Brent price increase, from US\$ 63.83 per barrel to US\$ 68.47 per barrel in 2Q19

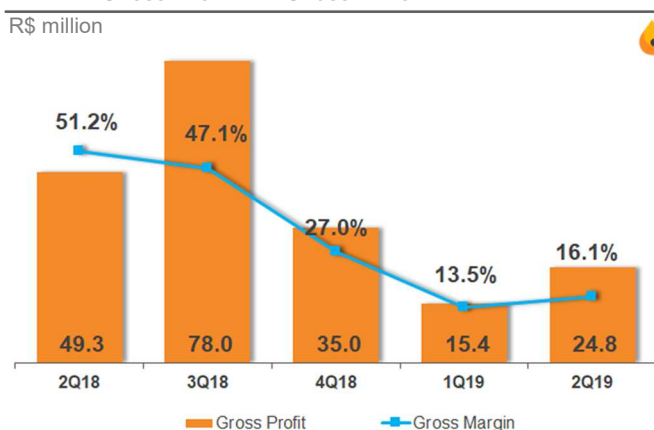
In the first six months of the year ("YTD2019"), net revenue reached R\$ 268.6 million, an increase of 10.5% compared to the same period of 2018 ("YTD2018"), which was R\$ 243.0 million. The higher result is mainly due to the appreciation of 12.2% in the average exchange rate between the periods (R\$ 3.85 in 2019 compared to R\$ 3.43), as the volume traded was only slightly higher in 2.4% and Brent's average price depreciated 7.0%, going from US\$ 71.16 per barrel in YTD2018 to US\$ 66.17 per barrel in YTD2019.

### GROSS PROFIT

The gross profit in 2Q19, R\$ 24.8 million, captured the effects of the US\$ average appreciation and the average Brent prices in relation to 1Q19, which altogether resulted in a positive effect of 11.7%, and contributed to improve the gross margin from 13.5% in 1Q19 to 16.1% in 2Q19.

In YTD2019, gross profit was R\$ 40.2 million, a decrease of 67.5% compared to the gross profit of R\$ 123.7 million YTD2018, evidencing the effects of the terms and conditions of the New Charter accounted as part of the cost of goods sold as of 2019.

CHART 4: GROSS PROFIT AND GROSS MARGIN

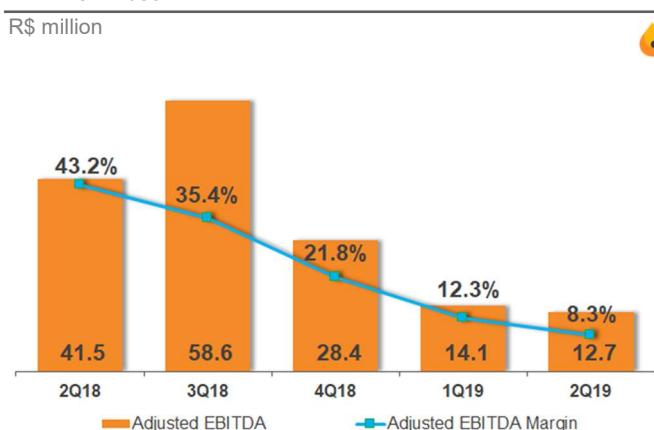


### ADJUSTED EBITDA

2Q19 Adjusted EBITDA of R\$ 12.7 million, 8.3% margin, compared to R\$ 14.1 million in 1Q19 (12.3% margin).

When calculated according to CVM instruction 357, 2Q19 EBITDA is R\$ 35.4 million, compared to negative EBITDA of R\$ 8.8 million in 1Q19. The improved result arises from the net profit posted in 2Q19 *vis-à-vis* net loss in 1Q19.

CHART 5: ADJUSTED EBITDA



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The Adjusted EBITDA results from adjustments made regarding IFRS 16 effect and other non-cash impact results, in the negative amount of R\$ 22.7 million in 2Q19 and positive R\$ 22.9 million in 1Q19. The Adjusted EBITDA reconciliation is demonstrated on page 11.

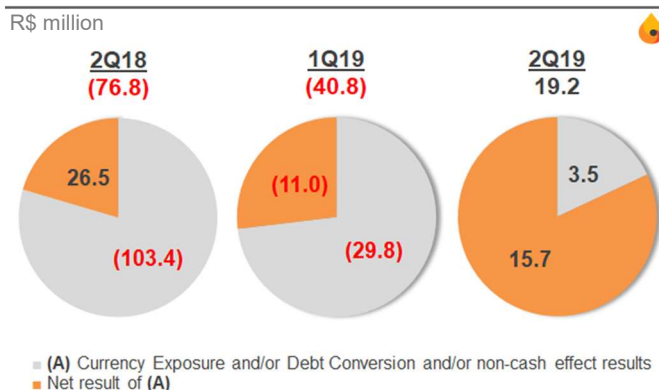
Adjusted EBITDA YTD2019 was R\$ 26.8 million (10.0% margin) compared to R\$ 105.4 million (43.4% margin) in YTD2018, again evidencing the effects of the terms and conditions of the New Charter which entered into force at the end of 2018.

#### NET PROFIT/LOSS

From a cash effect perspective, the net results must be adjusted since a significant part is due to non-recurring and non-cash events. Chart 6 illustrates the net results breakdown.

In 2Q19, when the aforementioned adjustments are applied, the result would be a net loss of R\$ 0.7 million. The same adjustment in 1Q19 and 2Q18 would result in net loss of R\$ 11.0 million and net profit of R\$ 26.5 million, respectively.

CHART 6: NET PROFIT/LOSS BREAKDOWN



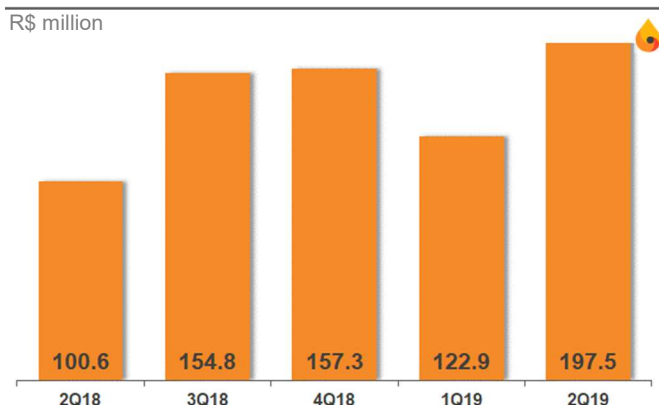
In YTD2019, the Company recorded a net loss of R\$ 21.6 million (net loss of R\$ 12.7 million in YTD2018). When these aforementioned adjustments are applied, the net loss was R\$ 11.7 million (net income R\$ 80.2 million in YTD2018).

#### ASSETS

The Company's total assets in 2Q19 were R\$ 1,533.1 million out of which R\$ 268.0 million accounted as Current Assets and comprised mainly of (i) cash and cash equivalents; (ii) accounts receivable; and (iii) oil inventories. Significant portion of the total assets is the result of the adherence to the new lease disclosure standard, accounted as right of use in the amount of R\$ 927.4 million.

Chart 7 compares the Company's cash and cash equivalents balance on a quarterly basis. The balance at the end of 2Q19 was R\$ 197.5 million.

CHART 7: CASH BALANCE



## LIABILITIES

In the current liabilities, under other accounts payable, it is accounted the cash calls from the Consortium in the amount of R\$ 93.5 million, whose payments were suspended by the Company.

The R\$ 1,439.0 million non-current liabilities are essentially comprised of (i) leases payable of R\$ 705.4 million; (ii) provisions for asset retirement obligations (ARO) in the amount of R\$ 323.8 million; (iii) provisions for regulatory contingencies in the amount of R\$ 153.3 million; and (iv) provisions for environmental compensations in the amount of R\$ 67.5 million. The deferred PIS/COFINS provision of R\$ 129.7 million is resulted from unrealized gains on inflation adjustments.

It is worth mentioning that since the conclusion of the judicial reorganization proceeding, the Company does not have any outstanding loans and financings with non-related parties.

With regards to the net worth, it reflects the capital stock adjustment implemented in January 2019, when the Company approved the incorporation of part of the accumulated net losses balance and the capital reserves balance. As a result, the capital stock which at the end of 4Q18 was R\$ 10,250.7 million was adjusted to R\$ 412.4 million in 2Q19, against adjustments in the accumulated net losses and capital reserve balances.

## MANAGEMENT'S ADDITIONAL COMMENTS

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It is recommended that when assessing 2019 year-to-date results in relation to the results of previous periods, investors consider the disclosures made by the Company. Notwithstanding the positive performance presented by the Company since 4Q17, Management highlights that a significant part of these results derive from the implementation of the terms and conditions settled in the Agreements related to the Company's financial restructuring, and that the maintenance of the positive performance trend was subject to such terms and conditions. The Agreements' terms, conditions and other information were disclosed to the market in general through Material Facts dated July 24<sup>th</sup>, 2017<sup>6</sup>, October 3<sup>rd</sup>, 2017<sup>7</sup>, December 22<sup>nd</sup>, 2017<sup>8</sup> and November 26<sup>th</sup>, 2018<sup>9</sup> which were made available by the Company's official investor relation channels, as well as set forth in "Formulário de Referência"<sup>10</sup> filed within *Comissão de Valores Mobiliários*, Brazilian SEC, and its reading is recommended as part of each investor's individual evaluation.

Since the New Charter effective date, December 4<sup>th</sup>, 2018, the Company has performed three offloads, in February, March and April, covering a period of 142 production days (for purposes of the New Charter), which resulted in the payment of US\$ 18.4 million as fixed charter until the end of the 2Q19, no variable charter payment has been made.

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<sup>6</sup> [Material Fact July 24<sup>th</sup>, 2017](#)

<sup>7</sup> [Material Fact October 3<sup>rd</sup>, 2017](#)

<sup>8</sup> [Material Fact December 22<sup>nd</sup>, 2017](#)

<sup>9</sup> [Material Fact November 26<sup>th</sup>, 2018](#)

<sup>10</sup> [Formulário de Referência](#)

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## ADJUSTED EBITDA CALCULATION

| Accounts reconciliation - Adjusted EBITDA Calculation         | 2Q19        | 1Q19         | 2Q18          | YTD2019     | YTD2018      |
|---|-------------|--------------|---------------|-------------|--------------|
| Net sales revenue   | 154.2       | 114.4        | 96.2          | 268.6       | 243.0        |
| Net profit (loss) for the period                              | 19.2        | (40.8)       | (76.8)        | (21.6)      | (12.7)       |
| Adjustments   |             |              |               |             |              |
| Income tax and social contribution                            | -           | -            | 4.4           | -           | 4.4          |
| Financial result  | (3.1)       | 15.1         | 36.2          | 12.0        | 45.8         |
| Depreciation and amortization                                 | 19.3        | 17.0         | 4.1           | 36.3        | 7.8          |
| <b>EBITDA in compliance with CVM Rule nº 527, 3rd article</b> | <b>35.4</b> | <b>(8.8)</b> | <b>(32.1)</b> | <b>26.6</b> | <b>45.2</b>  |
| Other adjustments   |             |              |               |             |              |
| IFRS 16   | (9.3)       | (6.6)        | -             | (15.9)      | -            |
| Non-cash and non-operating provisions                         | (22.6)      | (3.8)        | -             | (26.4)      | -            |
| PIS and COFINS over financial result (a)                      | (12.3)      | 3.2          | 75.5          | (9.2)       | 78.4         |
| Impairment <sup>(b)</sup>                                     | 21.6        | 30.1         | (1.8)         | 51.7        | (18.3)       |
| Provision for loss of subsidiaries                            | -           | -            | -             | -           | -            |
| Provision for realization of CTA                              | -           | -            | -             | -           | -            |
| <b>Adjusted EBITDA</b>  | <b>12.7</b> | <b>14.1</b>  | <b>41.5</b>   | <b>26.8</b> | <b>105.4</b> |
| Adjusted EBITDA margin  | 8.3%        | 12.3%        | 43.2%         | 10.0%       | 43.4%        |

(a) Result derived from non-cash income from currency exchange rate variation. Accounted in the P&L under operational expenses. Reconciled to avoid misinterpretation in EBITDA's analysis.

(b) Similar impact to depreciation and doesn't represent cash impact. Reconciled to avoid misinterpretation in EBITDA's analysis.

## LEGAL NOTICE

This document contains statements and information about the Company that reflect the current views and/or expectations of the Company and its Management with regard to its business plan. These include all statements containing forecasts and projections that indicate or imply future results, performance or achievements, which may include such words as "believe," "predict," "expect," "contemplate," "will probably result," or any other words or expressions of a similar meaning. Such forward-looking statements are subject to a series of risks, uncertainties and assumptions. Readers are advised that several important factors may lead actual results to significantly diverge from the plans, targets, expectations, estimates and intentions expressed herein. Under no circumstances shall the Company or its directors, officers, representatives or employees be liable to any third parties (including investors) should they make decisions or investments or carry out business acts based on the information and statements presented herein, nor shall the Company be liable for any indirect damages, loss of profit, or similar consequences thereof. The Company does not intend to provide shareholders with any revised versions of the statements or analysis of the differences between these statements and actual results. This presentation does not contain all the necessary information for a complete investment assessment on the Company. Investors should carry out their own assessments, including of the associated risks, before making an investment decision.

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# Independent auditor's report on the review of the interim financial information

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To the  
Shareholders, Directors and Management of  
**Dommo Energia S.A.**  
Rio de Janeiro – RJ

## Introduction

We have reviewed the individual and consolidated interim financial information of Dommo Energia S.A. ("Company"), included in the Interim Financial Information Form (ITR) for the quarter ended on June 30, 2019, which comprises the balance sheet as at June 30, 2019 and the related statement of profit and loss and statement of comprehensive income (loss) for the three and six months ended, statement of changes in equity (unsecured liabilities), and statement of cash flows for the six months period ended, including a summary of the main accounting policies and other explanatory notes.

The Company's Management is responsible for the preparation and fair presentation of the individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Financial Reporting and international standard IAS 34 – Interim Financial Reporting as well as the presentation of this information in line with the standards issued by the Brazilian Securities and Exchange Securities (CVM) applicable to the preparation of interim financial information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with Technical Pronouncement CPC 21 (R1) – Interim Financial Reporting and international standard IAS 34 – Interim Financial Reporting as well as the presentation of this information in line with the standards issued by the Brazilian Securities and Exchange Securities (CVM) applicable to the preparation of interim financial information (ITR).

## Relevant uncertainty related to going concern

We draw attention to Note 1.3 to the individual and consolidated interim financial information, which indicates that the Company and its subsidiaries have negative net working capital in the amounts of R\$ 527,436 thousand and R\$ 204,904, individual and consolidated, respectively, basically of its short-term debt with related parties and leasing operations, as well as recovering losses on a recurring basis and presents negative equity at the end of the period ended June 30, 2019 in the amount of R\$ 378,799 thousand. This situation, among others described in Note 1.3, indicates the existence of relevant uncertainty that may raise significant doubt about its operational continuity of the Company and its subsidiaries. Our conclusion is not limited to this subject.

## Other matters

### Interim statements of value added

We have also reviewed the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2019, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of interim financial information (ITR) and considered supplemental information by IFRS, which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

## Audit and review of the corresponding figures for the prior year and the quarter of the prior year

The amounts for the year ended December 31, 2018, presented for comparison purposes, were previously reviewed by other independent auditors who issued a report dated March 28, 2019, without modifications, containing a continuity of uncertainty paragraph and a paragraph of Emphasis on arbitration proceedings in relation to the exclusion of the company from the BS-4 exploration block consortium, which no longer applies, according to notes 1.2, 12 and 18. The amounts corresponding to the three and six month periods ended June 30, 2018, presented for comparison purposes, were reviewed by other independent auditors, whose report dated August 14, 2018 contained an emphasis paragraph on the same subject above and noted a qualified opinion due the limitation of scope of the absence of update of financial economic study on the asset held for sale for impairment and the amount of accounts receivable from the parent company Oil and Gas Participações S.A. due to the absence of provision for credit risk due to the long-term outstanding, which is no longer apply to the interim financial information as of June 30, 2019, in accordance with explanatory notes 1.2 e 11.1.b respectively.

**Restatement of the individual and consolidated interim financial information**

As part of our review of the interim financial information, individual and consolidated, of June 30, 2019, we also reviewed the adjustments described in Note 2.e, which were made to change the interim financial information included in the Quarterly Financial Information for the three and six month period ended June 30, 2018, presented for comparison purposes. Based on our review, nothing has come to our attention that such adjustments are not appropriate or have not been properly performed, in all material respects. We were not contracted to audit, revise, or apply any other procedures related to the Company's Quarterly Information (ITR), individual and consolidated, for the 2018 figures and, therefore, we do not express an opinion or any form of assurance regarding the accounting information for that year taken as a whole.

Rio de Janeiro, July 31, 2019.

Marcio Romulo Pereira  
Assurance Partner

Grant Thornton Auditores Independente

# Dommo Energia S.A.

## Statements of financial position on June 30, 2019 and December 31, 2018

(In thousands of Reais)

|   |      | Parent Company    |                   | Consolidated     |                |
|---|------|-------------------|-------------------|------------------|----------------|
|   | Note | 6/30/2019         | 12/31/2018        | 6/30/2019        | 12/31/2018     |
| <b>Assets</b>   |      |                   |                   |                  |                |
| <b>Current assets</b>                                       |      |                   |                   |                  |                |
| Cash and cash equivalents                                   | 5    | 12,958            | 51,922            | 197,519          | 157,311        |
| Trade accounts receivable                                   | 8    | -                 | -                 | 39,349           | -              |
| Oil inventories   | 9    | 20,112            | 30,576            | 19,172           | 28,899         |
| Marketable securities                                       | 6    | -                 | -                 | -                | 79,078         |
| Escrow deposits   | 7    | 3,206             | 3,245             | 6,351            | 3,245          |
| Other credits and prepaid expenses                          | 10   | 4,151             | 13,605            | 5,624            | 15,183         |
| <b>Total current assets</b>                                 |      | <b>40,427</b>     | <b>99,348</b>     | <b>268,015</b>   | <b>283,716</b> |
| <b>Non-current assets</b>                                   |      |                   |                   |                  |                |
| <b>Long-term assets</b>                                     |      |                   |                   |                  |                |
| Inventories   | 9    | -                 | -                 | 10,533           | 10,533         |
| Loans and financing with related parties                    | 15   | 14,199,255        | 14,533,575        | -                | -              |
| Income tax, social contribution and other recoverable taxes | 14   | 89,487            | 89,620            | 99,668           | 99,272         |
| Credits with related parties                                | 15   | 417,856           | 414,728           | 7,517            | -              |
|   |      | <b>14,706,598</b> | <b>15,037,923</b> | <b>117,718</b>   | <b>109,805</b> |
| Right of use  | 33   | 927,416           | -                 | 927,416          | -              |
| Investments   | 11   | 30,779            | 17,045            | 940              | 1,677          |
| Fixed assets  | 12   | 218,015           | 243,003           | 219,009          | 244,023        |
| Intangible assets   | 13   | 10                | 10                | 10               | 10             |
| <b>Total non-current assets</b>                             |      | <b>15,882,818</b> | <b>15,297,981</b> | <b>1,265,093</b> | <b>355,515</b> |
| <b>Total assets</b>   |      | <b>15,923,245</b> | <b>15,397,329</b> | <b>1,533,108</b> | <b>639,231</b> |

The accompanying notes are an integral part of the interim financial statements.

Free translation from the Portuguese official Financial Statements.  
In case of contradiction between the Portuguese and English versions the Portuguese version prevails.



# Dommo Energia S.A.

## Statements of financial position on June 30, 2019 and December 31, 2018

(In thousands of Reais)

|   |      | Parent Company    |                   | Consolidated     |                  |
|---|------|-------------------|-------------------|------------------|------------------|
|   | Note | 6/30/2019         | 12/31/2018        | 6/30/2019        | 12/31/2018       |
| <b>Liabilities</b>  |      |                   |                   |                  |                  |
| <b>Current liabilities</b>  |      |                   |                   |                  |                  |
| Trade accounts payable  | 16   | 34,887            | 35,122            | 35,704           | 35,894           |
| Income and social contribution taxes, government stakes and other taxes payable | 14   | 37,971            | 35,369            | 37,982           | 35,381           |
| Salaries and payroll charges  |      | 15,107            | 11,855            | 15,107           | 11,943           |
| Accounts payable to related parties   | 15   | 199,300           | 199,363           | 57,483           | 72,152           |
| Sundry provisions   | 17   | 646               | 3,480             | 646              | 3,480            |
| Other accounts payable  | 18   | 75,706            | 74,720            | 121,751          | 121,272          |
| Leases payable  | 33   | 204,246           | -                 | 204,246          | -                |
| <b>Total current liabilities</b>  |      | <b>567,863</b>    | <b>359,909</b>    | <b>472,919</b>   | <b>280,122</b>   |
| <b>Non-current liabilities</b>  |      |                   |                   |                  |                  |
| Loans and financing with related parties  | 15   | 13,836,142        | 14,268,774        | -                | -                |
| Accounts payable to related parties   | 15   | 459,051           | 409,537           | -                | -                |
| Sundry provisions   | 17   | 603,901           | 596,589           | 603,901          | 596,589          |
| Deferred PIS and COFINS   | 14   | 129,701           | 138,870           | 129,701          | 138,870          |
| Leases payable  | 33   | 705,386           | -                 | 705,386          | -                |
| <b>Total non-current liabilities</b>  |      | <b>15,734,181</b> | <b>15,413,770</b> | <b>1,438,988</b> | <b>735,459</b>   |
| <b>Shareholders' equity (unsecured liabilities)</b>                             |      |                   |                   |                  |                  |
| Share capital   | 20   | 412,399           | 10,250,677        | 412,399          | 10,250,677       |
| Treasury shares   |      | -                 | (21,646)          | -                | (21,646)         |
| Capital reserves  |      | (159,192)         | 1,727,383         | (159,192)        | 1,727,383        |
| Currency translation adjustments  |      | 60,588            | 60,815            | 60,588           | 60,815           |
| Accumulated losses  |      | (692,594)         | (12,393,579)      | (692,594)        | (12,393,579)     |
| <b>Total Shareholders' equity (unsecured liabilities)</b>                       |      | <b>(378,799)</b>  | <b>(376,350)</b>  | <b>(378,799)</b> | <b>(376,350)</b> |
| <b>Total liabilities and shareholders' equity (unsecured liabilities)</b>       |      | <b>15,923,245</b> | <b>15,397,329</b> | <b>1,533,108</b> | <b>639,231</b>   |

The accompanying notes are an integral part of the interim financial statements.

Free translation from the Portuguese official Financial Statements.

In case of contradiction between the Portuguese and English versions the Portuguese version prevails.

# Dommo Energia S.A.

## Statements of operations

Periods ended June 30, 2019 and 2018

*(In thousands of Reais, except for basic and diluted loss per share)*

|  | Note | Parent Company            |   |                           |   |
|--|------|---------------------------|---|---------------------------|---|
|  |      | 4/01/2019 to<br>6/30/2019 | 4/01/2018 to<br>6/30/2018<br>(restated) | 1/01/2019 to<br>6/30/2019 | 1/01/2018 to<br>6/30/2018<br>(restated) |
| Net sales revenue  | 21   | 146,274                   | 96,231                                  | 256,756                   | 242,990                                 |
| Cost of goods sold   | 22   | (135,722)                 | (49,802)                                | (239,796)                 | (127,345)                               |
| <b>Gross profit (loss)</b>                                 |      | <b>10,552</b>             | <b>46,429</b>                           | <b>16,960</b>             | <b>115,645</b>                          |
| <b>Operating expenses</b>                                  |      |                           |   |                           |   |
| General and administrative expenses                        | 23   | (13,477)                  | (12,690)                                | (29,438)                  | (20,901)                                |
| Other operating income (expenses)                          | 25   | 15,067                    | (75,257)                                | 20,721                    | (81,680)                                |
| (Loss)/reversal of assets' recoverable value – Impairment  | 26   | (25,867)                  | (2,112)                                 | (60,074)                  | 10,791                                  |
| Equity in the earnings (losses) of subsidiaries            | 11   | 80,426                    | (590,582)                               | 78,916                    | (604,889)                               |
|  |      | <b>56,149</b>             | <b>(680,641)</b>                        | <b>10,125</b>             | <b>(696,679)</b>                        |
| <b>Results before financial result and taxes on income</b> |      | <b>66,701</b>             | <b>(634,212)</b>                        | <b>27,085</b>             | <b>(581,034)</b>                        |
| <b>Earnings</b>  |      |                           |   |                           |   |
| Financial revenue  | 24   | 2,035                     | 2,522                                   | 4,300                     | 5,171                                   |
| Financial expenses   | 24   | 15,990                    | (11,752)                                | (11,191)                  | (19,361)                                |
| Exchange rate changes, net                                 | 24   | (65,524)                  | 570,980                                 | (41,811)                  | 586,831                                 |
|  |      | <b>(47,499)</b>           | <b>561,750</b>                          | <b>(48,702)</b>           | <b>572,641</b>                          |
| <b>Profit/(loss) before taxes on income</b>                |      | <b>19,202</b>             | <b>(72,462)</b>                         | <b>(21,617)</b>           | <b>(8,393)</b>                          |
| Income and social contribution taxes                       | 14   | -                         | (4,354)                                 | -                         | (4,354)                                 |
| <b>Net profit/(loss) for the period</b>                    |      | <b>19,202</b>             | <b>(76,816)</b>                         | <b>(21,617)</b>           | <b>(12,747)</b>                         |
| <b>Basic and diluted profit (loss) per share (R\$)</b>     | 32   |                           |   | <b>(0.08005)</b>          | <b>(0.04782)</b>                        |

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*Free translation from the Portuguese official Financial Statements.  
In case of contradiction between the Portuguese and English versions the Portuguese version prevails.*

# Dommo Energia S.A.

## Statements of operations

Periods ended June 30, 2019 and 2018

*(In thousands of Reais, except for basic and diluted loss per share)*

|   | Note | Consolidated              |   |                           |   |
|---|------|---------------------------|---|---------------------------|---|
|   |      | 4/01/2019 to<br>6/30/2019 | 4/01/2018 to<br>6/30/2018<br>(restated) | 1/01/2019 to<br>6/30/2019 | 1/01/2018 to<br>6/30/2018<br>(restated) |
| Net sales revenue   | 21   | 154,159                   | 96,231                                  | 268,574                   | 242,990                                 |
| Cost of goods sold  | 22   | (129,364)                 | (46,979)                                | (228,386)                 | (119,286)                               |
| <b>Gross profit (loss)</b>                                  |      | <b>24,795</b>             | <b>49,252</b>                           | <b>40,188</b>             | <b>123,704</b>                          |
| <b>Operating expenses</b>                                   |      |                           |   |                           |   |
| General and administrative expenses                         | 23   | (14,448)                  | (13,147)                                | (31,534)                  | (21,664)                                |
| Other operating income (expenses)                           | 25   | 28,302                    | (76,589)                                | 32,458                    | (84,293)                                |
| (Loss) / reversal of assets' recoverable value – Impairment | 26   | (21,598)                  | 1,831                                   | (51,682)                  | 18,280                                  |
| Equity in the earnings (losses) of subsidiaries             | 11   | (929)                     | 2,406                                   | 940                       | 1,385                                   |
|   |      | <b>(8,673)</b>            | <b>(85,499)</b>                         | <b>(49,818)</b>           | <b>(86,292)</b>                         |
| <b>Results before financial result and taxes on income</b>  |      | <b>16,122</b>             | <b>(36,247)</b>                         | <b>(9,630)</b>            | <b>37,412</b>                           |
| <b>Earnings</b>   |      |                           |   |                           |   |
| Financial revenue   | 24   | 2,418                     | 1,919                                   | 15,513                    | 4,106                                   |
| Financial expenses  | 24   | (5,904)                   | (12,810)                                | (33,693)                  | (21,466)                                |
| Exchange rate changes, net                                  | 24   | 6,566                     | (25,324)                                | 6,193                     | (28,445)                                |
|   |      | <b>3,080</b>              | <b>(36,215)</b>                         | <b>(11,987)</b>           | <b>(45,805)</b>                         |
| <b>Profit/(loss) before taxes on income</b>                 |      | <b>19,202</b>             | <b>(72,462)</b>                         | <b>(21,617)</b>           | <b>(8,393)</b>                          |
| Income and social contribution taxes                        | 14   | -                         | (4,354)                                 | -                         | (4,354)                                 |
| <b>Net profit/(loss) for the period</b>                     |      | <b>19,202</b>             | <b>(76,816)</b>                         | <b>(21,617)</b>           | <b>(12,747)</b>                         |

The accompanying notes are an integral part of the interim financial statements.

*Free translation from the Portuguese official Financial Statements.  
In case of contradiction between the Portuguese and English versions the Portuguese version prevails.*

# Dommo Energia S.A.

## Statements of comprehensive income (loss)

Periods ended June 30, 2019 and 2018

*(In thousands of Reais)*

|  | Parent Company and Consolidated |                         |
|--|---------------------------------|-------------------------|
|  | 6/30/2019                       | 6/30/2018<br>(restated) |
| Net profit/(loss) for the period         | (21,617)                        | (12,747)                |
| Currency translation adjustments         | (227)                           | 30,048                  |
| <b>Total comprehensive income (loss)</b> | <b>(21,844)</b>                 | <b>17,301</b>           |

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# Dommo Energia S.A.

## Statements of changes in shareholders' equity (unsecured liabilities)

Periods ended June 30, 2019 and 2018

(In thousands of Reais)

|  | Note | Share capital     | Treasury shares | Capital reserve  | Currency translation adjustments | Retained earnings/ accumulated losses | Total            |
|--|------|-------------------|-----------------|------------------|----------------------------------|---------------------------------------|------------------|
| <b>Balance on January 1, 2018 (restated)</b>   |      | <b>10,157,770</b> | -               | <b>1,884,317</b> | <b>72,927</b>                    | <b>(11,722,602)</b>                   | <b>392,412</b>   |
| Currency translation adjustments (a)   |      | -                 | -               | -                | 30,048                           | -                                     | 30,048           |
| Loss for the period  |      | -                 | -               | -                | -                                | (12,747)                              | (12,747)         |
| <b>Balances on June 30, 2018 (restated)</b>  |      | <b>10,157,770</b> | -               | <b>1,884,317</b> | <b>102,975</b>                   | <b>(11,735,349)</b>                   | <b>409,713</b>   |
| Shares issued as a result of the merger of OGPar shares                                  | 20   | 92,907            | -               | -                | -                                | -                                     | 92,907           |
| Treasury shares (resulting from the process of absorption of OGPar shares)               | 20   | -                 | (54,200)        | -                | -                                | -                                     | (54,200)         |
| Treasury shares - sale of shares between November 26 and December 31, 2018               | 20   | -                 | 16,215          | -                | -                                | -                                     | 16,215           |
| Effect of the absorption of OGPar shares   |      | -                 | -               | (140,595)        | -                                | -                                     | (140,595)        |
| Currency translation adjustments - other subsidiaries (a)                                |      | -                 | -               | -                | (31,766)                         | -                                     | (31,766)         |
| Currency translation adjustments - Atlanta Field Investment (a)                          |      | -                 | -               | -                | 32,761                           | -                                     | 32,761           |
| Currency translation adjustments - write-off of 100% of the Atlanta Field investment (a) |      | -                 | -               | -                | (43,155)                         | -                                     | (43,155)         |
| Result from the disposal of reciprocal interest  | 20   | -                 | 16,339          | (16,339)         | -                                | -                                     | -                |
| Loss for the period  |      | -                 | -               | -                | -                                | (658,230)                             | (658,230)        |
| <b>Balances on December 31, 2018</b>   |      | <b>10,250,677</b> | <b>(21,646)</b> | <b>1,727,383</b> | <b>60,815</b>                    | <b>(12,393,579)</b>                   | <b>(376,350)</b> |
| Capital increase   |      | 7                 | -               | -                | -                                | -                                     | 7                |
| Reduction of capital with absorption of accumulated losses                               | 20   | (11,722,602)      | -               | -                | -                                | 11,722,602                            | -                |
| Other comprehensive income (loss) in subsidiaries  |      | -                 | -               | (2,258)          | -                                | -                                     | (2,258)          |
| Realization of OGPar treasury shares   | 20   | -                 | 21,646          | -                | -                                | -                                     | 21,646           |
| Currency translation adjustments   | 11.1 | -                 | -               | -                | (227)                            | -                                     | (227)            |
| Net profit for the period  |      | -                 | -               | -                | -                                | (21,617)                              | (21,617)         |
| Incorporation of reserve balances  | 20   | 1,884,317         | -               | (1,884,317)      | -                                | -                                     | -                |
| <b>Balances on June 30, 2019</b>   |      | <b>412,399</b>    | <b>-</b>        | <b>(159,192)</b> | <b>60,588</b>                    | <b>(692,594)</b>                      | <b>(378,799)</b> |

(a) The net amount of the accumulated translation adjustment is R\$(12,112)

The accompanying notes are an integral part of the interim financial statements .

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*In case of contradiction between the Portuguese and English versions the Portuguese version prevails.*

# Dommo Energia S.A.

## Statements of cash flow

Periods ended June 30, 2019 and 2018

(In thousands of Reais)

|  | Note      | Parent Company   |                         | Consolidated    |                         |
|--|-----------|------------------|-------------------------|-----------------|-------------------------|
|  |           | 6/30/2019        | 6/30/2018<br>(restated) | 6/30/2019       | 6/30/2018<br>(restated) |
| <b>Cash flow from operating activities</b>   |           |                  |                         |                 |                         |
| Profit (loss) for the year   |           | (21,617)         | (12,747)                | (21,617)        | (12,747)                |
| <b>Adjustments to reconcile profit (loss) to cash flows from operating activities:</b> |           |                  |                         |                 |                         |
| Depreciation of fixed assets and amortization of intangible assets                     | 12        | 27,911           | 393                     | 36,291          | 8,826                   |
| Equity in the earnings (losses) of subsidiaries  | 11        | (78,916)         | 604,889                 | (940)           | (1,385)                 |
| Stock options (pro rata, cancellation/annulment and guarantees)                        | 17        | (2,834)          | (596)                   | (2,834)         | (596)                   |
| Loss/(reversal) in the assets' recoverable value – Impairment                          | 12 and 26 | 60,074           | (10,791)                | 51,682          | (18,280)                |
| Sundry provisions  |           | 1,990            | 863                     | 1,990           | 863                     |
| Unrealized exchange rate change on assets and liabilities financing                    |           | (23,786)         | (631,457)               | -               | (7,734)                 |
| Interest/charges on financing - provisioned assets and liabilities                     |           | (3,685)          | (4,518)                 | -               | (3,299)                 |
| Deferred PIS and COFINS  | 14 and 25 | (9,169)          | 78,390                  | (9,169)         | 78,390                  |
| Interest and exchange rate changes on provision for ARO                                |           | 4,404            | 62,011                  | 4,404           | 62,011                  |
| Fair value adjustment of financial assets  | 24        | -                | 9,917                   | (12,654)        | 9,917                   |
| Interest arising from the adoption of IFRS 16  | 24 and 33 | 2,707            | -                       | 2,707           | -                       |
| Cost adjustment of the product sold due to the adoption of IFRS 16                     | 33        | (18,617)         | -                       | (18,617)        | -                       |
| Provision for inventory losses   |           | 2                | -                       | 2               | -                       |
| Others   |           | -                | (18,671)                | (770)           | (19,615)                |
| <b>Cash (used in) provided by operations</b>   |           | <b>(61,536)</b>  | <b>77,683</b>           | <b>30,475</b>   | <b>96,351</b>           |
| <b>Changes in assets and liabilities:</b>  |           |                  |                         |                 |                         |
| Other credits and related parties  |           | 252,395          | 33,670                  | (12,627)        | 5,815                   |
| Income tax, social contribution and other recoverable taxes                            | 14        | 133              | 2,990                   | (396)           | 2,704                   |
| Trade accounts receivable  | 8         | -                | 16,523                  | (39,349)        | 16,523                  |
| Inventories  | 9         | 6,261            | (26,388)                | 5,524           | (24,734)                |
| Escrow deposits  | 7         | 39               | 15,872                  | (3,106)         | 15,872                  |
| Marketable securities  |           | -                | -                       | 113,378         | -                       |
| Trade accounts payable   | 16        | (235)            | (6,499)                 | (190)           | (6,957)                 |
| Salaries and payroll charges   |           | 3,252            | (4,914)                 | 3,164           | (4,914)                 |
| Income and social contribution taxes, government stakes and other taxes payable        | 14        | 2,602            | 7,728                   | 2,601           | 7,728                   |
| Realization of sundry provisions   |           | (720)            | (58,437)                | (720)           | (58,437)                |
| Other accounts payable BS-4 (a)  | 18        | 986              | 264                     | 479             | 8,087                   |
| Other accounts payable   |           | <b>264,713</b>   | <b>(19,191)</b>         | <b>68,758</b>   | <b>(38,313)</b>         |
| <b>Net cash provided by (used in) operating activities</b>                             |           | <b>203,177</b>   | <b>58,492</b>           | <b>99,233</b>   | <b>58,038</b>           |
| <b>Cash flows from investing activities</b>  |           |                  |                         |                 |                         |
| Capital increase in equity interest  | 11        | (1,314)          | (844)                   | -               | -                       |
| Acquisition of fixed assets  | 12        | (59,033)         | -                       | (59,033)        | -                       |
| Sale of fixed assets   |           | 1                | -                       | 1               | -                       |
| <b>Net cash used in investing activities</b>   |           | <b>(60,346)</b>  | <b>(844)</b>            | <b>(59,032)</b> | <b>-</b>                |
| <b>Cash flows from financing activities</b>  |           |                  |                         |                 |                         |
| Capital increase   | 20        | 7                | -                       | 7               | -                       |
| Amortization of principal  | 15        | (181,802)        | -                       | -               | -                       |
| <b>Net cash used in financing activities</b>   |           | <b>(181,795)</b> | <b>-</b>                | <b>7</b>        | <b>-</b>                |
| <b>Changes in cash and cash equivalents</b>  |           | <b>(38,964)</b>  | <b>57,648</b>           | <b>40,208</b>   | <b>58,038</b>           |
| Statement of changes in cash and cash equivalents                                      |           |                  |                         |                 |                         |
| Opening balance of cash and cash equivalents   |           | 51,922           | 36,008                  | 157,311         | 42,537                  |
| Closing balance of cash and cash equivalents   |           | 12,958           | 93,656                  | 197,519         | 100,575                 |
| <b>Changes in cash and cash equivalents</b>  |           | <b>(38,964)</b>  | <b>57,648</b>           | <b>40,208</b>   | <b>58,038</b>           |

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# Dommo Energia S.A.

## Statements of value added

Periods ended June 30, 2019 and 2018

(In thousands of Reais)

|   | Note | Parent Company   |                         | Consolidated     |                         |
|---|------|------------------|-------------------------|------------------|-------------------------|
|   |      | 6/30/2019        | 6/30/2018<br>(restated) | 6/30/2019        | 6/30/2018<br>(restated) |
| Sale of products  | 21   | 256,756          | 242,990                 | 268,574          | 242,990                 |
| <b>Inputs purchased from third parties</b>  |      |                  |                         |                  |                         |
| Costs of products, goods and services less royalties, depreciation and amortization | 22   | (187,126)        | (106,185)               | (175,716)        | (98,126)                |
| Materials, energy, outsourced services and others                                   |      | 18,920           | 5,678                   | 36,081           | 9,903                   |
| (Loss)/reversal of assets' recoverable value – Impairment                           | 26   | (60,074)         | 10,791                  | (51,682)         | 18,280                  |
|   |      | <u>(228,280)</u> | <u>(89,716)</u>         | <u>(191,317)</u> | <u>(69,943)</u>         |
| <b>Gross added value</b>  |      | <b>28,476</b>    | <b>153,274</b>          | <b>77,257</b>    | <b>173,047</b>          |
| <b>Retentions</b>   |      |                  |                         |                  |                         |
| Depreciation of fixed assets and amortization of intangible assets                  | 12   | (27,911)         | (393)                   | (36,291)         | (8,826)                 |
|   |      | <u>(27,911)</u>  | <u>(393)</u>            | <u>(36,291)</u>  | <u>(8,826)</u>          |
| <b>Net value added produced by the Company</b>                                      |      | <b>565</b>       | <b>152,881</b>          | <b>40,966</b>    | <b>164,221</b>          |
| <b>Value added received in transfer</b>   |      |                  |                         |                  |                         |
| Equity in the earnings (losses) of subsidiaries                                     | 11.1 | 78,916           | (604,889)               | 940              | 1,385                   |
| Financial revenue   | 24   | 4,300            | 5,171                   | 15,513           | 4,106                   |
|   |      | <u>83,216</u>    | <u>(599,718)</u>        | <u>16,453</u>    | <u>5,491</u>            |
| <b>Total value added to distribute</b>  |      | <b>83,781</b>    | <b>(446,837)</b>        | <b>57,419</b>    | <b>169,712</b>          |
| <b>Distribution of value added</b>  |      |                  |                         |                  |                         |
| <b>Employees (i)</b>  |      |                  |                         |                  |                         |
| Direct compensation   |      | 24,587           | 19,991                  | 24,627           | 19,991                  |
| Benefits  |      | 3,336            | 3,636                   | 3,336            | 3,636                   |
| Accrued severance pay (FGTS)  |      | 1,470            | 1,622                   | 1,470            | 1,622                   |
|   |      | <u>29,393</u>    | <u>25,249</u>           | <u>29,433</u>    | <u>25,249</u>           |
| <b>Taxes</b>  |      |                  |                         |                  |                         |
| Taxes, fees and contributions   |      | (2,120)          | 86,971                  | (3,020)          | 86,139                  |
| Royalties   | 22   | 25,123           | 21,160                  | 25,123           | 21,160                  |
| Financial expenses and exchange rate changes, net                                   | 24   | 53,002           | (567,470)               | 27,500           | 49,911                  |
| <b>Remuneration on equity capital</b>   |      |                  |                         |                  |                         |
| Loss for the period attributed to shareholders                                      |      | (21,617)         | (12,747)                | (21,617)         | (12,747)                |
| <b>Total value added distributed</b>  |      | <b>83,781</b>    | <b>(446,837)</b>        | <b>57,419</b>    | <b>169,712</b>          |

(i) Comprises amounts allocated to projects, such as cost of goods sold and fixed assets, and amounts recorded as general and administrative expenses.

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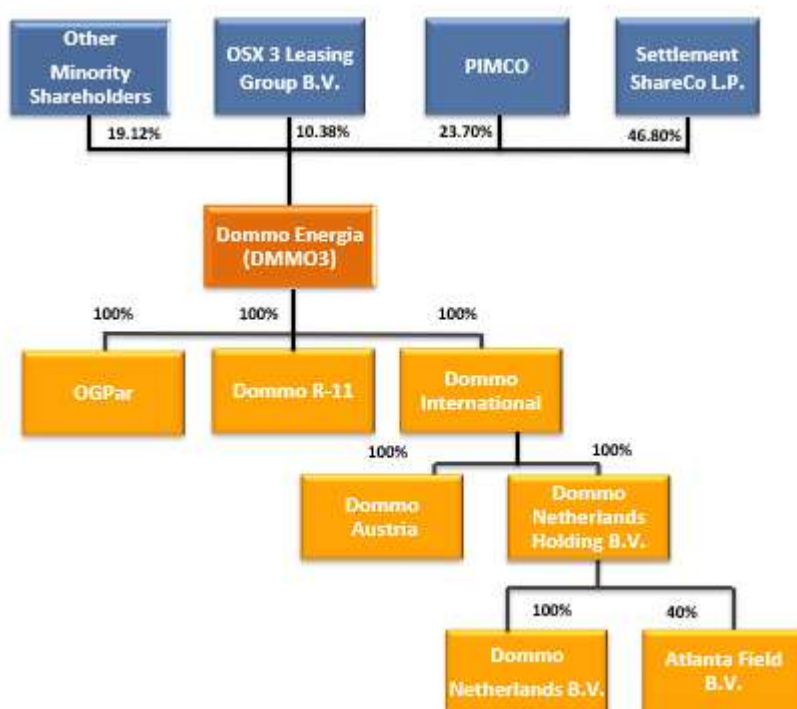
## Notes to the interim financial information

*(In thousands of Brazilian Reais, except when indicated otherwise)*

### 1 Operations

#### 1.1 Corporate structure

On June 30, 2019, the corporate structure of Dommo Energia was as follows:



**Dommo Energia S.A.**, former OGX Petróleo e Gás S.A., (“**Dommo Energia**” or “**Company**”) was originally incorporated as a limited liability company (Ltda.) on June 27, 2007. Headquartered in the city of Rio de Janeiro, the Company’s purpose is to engage in activities authorized or granted by the Brazilian federal government involving research, extraction, refining, processing, sale and transportation of oil, natural gas and other hydrocarbons, as well as any other correlated activities. By acting either directly or through subsidiaries, Dommo Energia may further carry out the activities that make up its purpose in Brazil or abroad and hold interests in other companies.

**Dommo R-11 Petróleo e Gás S.A.**, formerly OGX R-11 Petróleo e Gás S.A., (“**Dommo R-11**”): Incorporated on October 4, 2013 and headquartered in the city of Rio de Janeiro, the company has the same corporate purpose as Dommo Energia.

**Dommo International GmbH**, previously OGX International GmbH, (“**Dommo International**”): Incorporated on November 11, 2009, headquartered in the city of Vienna, Austria, the company’s purpose is to hold interests in other companies and engage in any type of business.

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**Dommo Austria GmbH**, former OGX Austria GmbH, (**"Dommo Austria"**): Incorporated on November 11, 2009 and headquartered in the city of Vienna, Austria, this company's purpose is to engage in all activities related to the sale of oil, natural gas and all other hydrocarbons, including import, export, processing, transportation and storage. It may further acquire, maintain and dispose of interests in other companies and sign lease agreements.

**Dommo Netherlands Holding B.V.**, formerly OGX Netherlands Holding B.V., (**"Dommo Netherlands Holding"**): Incorporated on July 23, 2012, headquartered in Amstelveen, in the Netherlands, this company's purpose is to engage in the exploration, production and sale of oil and its by-products, natural gas and other hydrocarbons. It may further hold interests in other companies and provide technical services for the O&G industry, and also engage in other activities associated with this industry. Its main operating activities currently consist of holding interests in other Dutch companies.

**Dommo Netherlands B.V.**, formerly OGX Netherlands B.V., (**"Dommo Netherlands"**): Incorporated on March 19, 2010 and headquartered in Amstelveen, in the Netherlands, this company's corporate purpose is the exploration, production and sale of oil and its by-products, natural gas and other hydrocarbons. It may further provide technical services for the O&G industry, as well as engage in other activities associated with this industry. Its main operating activities currently consist of acquiring and leasing equipment to Dommo Energia for use in the O&G industry.

**Atlanta Field B.V. ("Atlanta Field")**: Incorporated on November 2, 2012 and headquartered in Rotterdam, Netherlands. Its main operations currently consist of acquiring and leasing equipment to be used in O&G exploration and production by Consórcio BS-4 comprised of Dommo Energia, with an interest of 40%, Enauta Participações S.A., previously Queiroz Galvão Exploração e Produção S.A. ("Operator", "Enauta" or "QGEP"), with an interest of 30%, and Barra Energia do Brasil Petróleo e Gás Ltda. ("Barra"), with an interest of 30% (jointly "Consortium" or "BS-4 Consortium").

**Óleo e Gás Participações S.A. ("OGPar")**: Incorporated on April 10, 2006 under the corporate name Centennial Asset Participação Corumbá S.A. After the spin-off of the net assets associated to businesses other than oil and gas, the corporate name was changed on September 3, 2007 to OGX Petróleo e Gás Participações S.A. and later, on December 6, 2013, changed to the current name. Headquartered in the city of Rio de Janeiro, its corporate purpose is to hold interest in other domestic or foreign companies operating in the oil and gas segment, incorporated under any corporate type. In November 2018, Dommo Energia absorbed incorporated ("merger by shares") OGPar and became the owner of all OGPar shares. For further details on the merger by shares see Note 11.

## 1.2 Portfolio

On June 30, 2019, the Company held interests in the following fields:

|   | Country | Basin  | Block         | Field           | Operator             | % Dommo Energia | Contractual period       |
|---|---------|--------|---------------|-----------------|----------------------|-----------------|--------------------------|
| 1 | Brazil  | Campos | BMC 41        | Tubarão Azul    | Dommo Energia        | 100%            | 5/09/2012 to 5/09/2039   |
| 2 | Brazil  | Campos | BMC 39 and 40 | Tubarão Martelo | Dommo Energia        | 100%            | 4/19/2012 to 4/19/2039   |
| 3 | Brazil  | Santos | BS-4          | Atlanta         | Enauta Participações | 40%             | 12/27/2006 to 12/27/2033 |
| 4 | Brazil  | Santos | BS-4          | Oliva           | Enauta Participações | 40%             | 12/27/2006 to 12/27/2033 |

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***Fields being developed and producing******Atlanta and Oliva – under dispute***

The Atlanta and Oliva fields are located in the BS-4 block in the Santos Basin ("BS-4" or "Atlanta and Oliva Fields" or "Atlanta Filed"), where the Company holds a 40% interest in the BS-4 consortium, which is also comprised by Enauta Participações S.A., previously Queiroz Galvão Exploração e Produção S.A. ("Operator", "Enauta" or "QGEP"), with an interest of 30%, and Barra Energia do Brasil Petróleo e Gás Ltda. ("Barra"), with an interest of 30% (jointly "Consortium" or "BS-4 Consortium"). The Atlanta field began production on May 2, 2018.

In October 2017, Barra sent a notification to Dommo Energia informing that it would exercise of an option to demand that the Company withdraw from the Joint Operating Agreement ("JOA") referring to BS-4 Consortium and the concession agreement ("Notice"), without any offer to pay a price of indemnification. According to the Notice, the requirement was founded on Dommo Energia's incapacity to remedy the alleged default until the sixtieth (60th) day after the date the notifications of default related to the cash calls to cover expenditures of the BS-4 Consortium were sent (see Note 19e).

In this regard, on October 23, 2017, the Company informed the market that it started arbitration to be managed by the London Court of International Arbitration - LCIA, pursuant to the arbitration rules of UNCITRAL, against Barra and Enauta, challenging: (i) the exercise of the alleged option, by Barra, requiring Dommo to withdraw from the Joint Operating Agreement - JOA, the Consortium Agreement and the Concession Agreement of BS-4, without any offer to pay a price of indemnification; (ii) the default status of Enauta as operator of the BS-4 Consortium; and (iii) the illegality of certain JOA clauses that allegedly authorize the actions taken by Barra and Enauta. Dommo also filed an application requesting that Barra and Enauta pay for the damages caused by said conduct (see Note 19e).

The Arbitration Court issued a preliminary decision, effective as of the second quarter of 2018 ("2Q18"), determining that the amount related to the 40% interest in revenue from the sale of oil be deposited in an escrow account in order to be used to pay cash calls issued after said preliminary decision and other costs, and that the remaining balance be raised by the winner of the dispute. Therefore, pursuant to CPC 25, Dommo Energia did not record billings statements (R\$136,458) and cash calls (R\$120,103) received as of 2Q18. Similarly, revenues from the sale of oil have also not been recorded. On July 18, 2018, the operator issued a notice to Dommo Energia informing about the opening of an escrow account in which the amounts from the sale of oil should be deposited and in which a total of R\$42,045 referring to the 40% under dispute related to offloading was deposited. During this period, the Operator redeemed the full amount deposited in the escrow account to pay the cash calls received as of 2Q18.

On September 25, 2018, the Company became aware of the judgment rendered by the Arbitration Court ("Decision") regarding the first stage of the arbitration, as per Material Fact of October 23, 2017. Said decision states, among other things, that the notification issued by Barra on October 10, 2017, in order to exercise, without offering any payment, the option to demand the withdrawal of the Company from the JOA, the Consortium Agreement and the Concession Agreement, all of which related to Block BS-4, as per Material Fact of October 20, 2017, valid at the time, and should produce effects from the date of receipt of the notice, i.e., October 11, 2017, without prejudice to having the annulment of said withdrawal certified at a later stage of the arbitration, with the production of new evidence that supports said annulment. The first stage of the arbitration did not support the production of evidence, as the Decision established that in a new stage of the arbitration that includes the production of evidence, Dommo Energia can still plead for the annulment of its withdrawal and the mandatory transfer of its interest in Block BS-4

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and/or award for damages from Enauta and Barra. The decision revoked the preliminary decision on the sale of the oil owned by Dommo produced in BS-4, but maintained the oil revenue with Barra and Enauta, which is why Dommo remains not recording the revenue nor the cash calls.

The effects and consequent enforceability of the decision in Brazil are subject to ratification by the Superior Court of Justice (STJ) of a judgment rendered abroad, in accordance with the Federal Constitution and effective law. On June 24, 2019, as per Material Fact the Company was notified regarding the decision of the ANP's Board of Directors, dated June 19, 2019, approving the request for assignment of the Company's interest in Block BS-4, based on the use of mandate clause in the JOA. In the Company's view, the decision is based on assumptions and misleading information presented by the partners of the consortium.

Within this context and pursuant to the accounting law represented by CPC 01 – Impairment of Assets, and CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, Dommo Energia reclassified R\$205,920, referring to its interest in BS-4, from held for sale to fixed assets (R\$101,602) and intangible assets (R\$104,318). As established by the same accounting law, the Company complemented the impairment amount, which totaled R\$1,084,369, which, as per Note 26, is net of provision for ARO, in the amount of R\$264,020 on December 31, 2018 (Note 17b) and cash calls received after October 2017, whose balance on December 31, 2018 was R\$47,648 (Note 18). Additionally, the Company reversed the amount related to deferred income and social contribution taxes for future taxable profit arising from Block BS-4, considering the aspects inherent to the sale of oil mentioned in the arbitration. It is worth noting that these reclassifications of the accounting records comply with CPC 01 and CPC 25 and do not represent the opinion of the Company's Management and its legal counsel regarding the Decision, nor do they jeopardize any legal strategy that may be implemented.

On June 24th, 2019, the Company disclosed a Material Fact about the notification of a decision by ANP's Board of Directors, made on June 19th, 2019, authorizing the assignment of the Company's stake on Block BS-4 to the consortium partners, based on the use of the mandate clause included in the JOA. The Company understands that the decision is based on incorrect and misleading assumptions and information presented by the partners.

The Company has adopted and will continue to take all legal measures applicable to the defense of its interests and those of its shareholders.

#### **Tubarão Martelo**

Tubarão Martelo Field located in the Campos Basin ("Tubarão Martelo Field" or "TBMT") is operational and operated by the Company. The Floating Production, Storage and Offloading Platform (FPSO OSX-3), owned by OSX-3 Leasing B.V. ("OSX-3"), is allocated to the field production.

On November 26, 2018, the Company, upon approval of its Board of Directors, entered into a new amendment to the charter agreement ("New Charter Agreement") with OSX 3 Leasing B.V. ("OSX 3") to extend the existing charter for a period of up to 20 years. OSX 3 owns FPSO OSX-3 ("FPSO"), which is used as a production unit at the Tubarão Martelo Field ("TBMT") and currently produces approximately 6,000 barrels of oil per day. In addition to the New Charter Agreement, the Company and OSX 3 cancelled the call option for acquisition of TBMT, which was held by OSX 3 after the court-supervised reorganization.

Under the previous charter agreement ("Former Charter Agreement"), which had been negotiated as part of the Company's debt restructuring while it was still under court-supervised reorganization (as informed by the Material Fact of July 24, 2017), OSX 3 could notify the

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Company at any time of its intention to remove the vessel from TBMT. Moreover, as additional protection to OSX 3, the Company granted a call option that would allow OSX 3 to acquire TBMT for US\$1.00 under certain conditions.

The terms of the Former Charter Agreement made it difficult for Dommo Energia to carry on planned and approved investments at TBMT, given the uncertainty whether FPSO would remain as a production unit of TBMT. The New Charter Agreement was negotiated by the parties in order to provide Dommo Energia with necessary visibility and long-term commitment to invest in TBMT and increase its production capacity.

As a result of the New Charter Agreement, the Company will be able to resume planned and approved investments at TBMT ("Refurbishment"). Refurbishment consists of the conclusion of the fifth well (4HP), which has already been drilled, but needs to be connected to FPSO, as well as workover activities in the four producing wells (2HP, 6HP, 8H and 44HP). The objective of the Refurbishment is to increase TBMT production to an estimated 10,000 barrels of oil per day by the end of 2019. The Company estimates that the Refurbishment will cost US\$77,900 million ("Refurbishment Costs"), to be paid over the next 12 to 18 months and funded by existing cash balances and future cash generation.

The general terms of the Former Charter Agreement, effective as of the implementation of the agreement entered into with the Company's creditors on July 24, 2017 ("Omnibus Deed" or "Creditor's Agreement") are: (i) the granting, by Dommo Energia to OSX 3, of a call option for acquisition of TBMT, by means of payment of US\$1.00 plus other amounts ("TBMT Call Option"); (ii) the granting, under certain conditions precedent, by OSX 3 à Dommo Energia, of a call option on the 4,958,471 shares issued by Eneva and held by OSX 3, by means of payment of US\$1.00 ("Eneva Call Option"); (iii) the lack of a specific term. Dommo Energia, when notified at any time, would have to take all the necessary measures to conclude the process of returning FPSO within 240 days as of receipt of the notification; (iv) charter payments based on an established formula, effective until the return of FPSO to OSX 3.

The General Terms of the New Charter Agreement are:

- (i) cancellation of TBMT Call Option;
- (ii) cancellation of Eneva Call Option;
- (iii) twenty (20)-year term of the charter, subject to early termination provisions, as described below;
- (iv) the charter payments will be calculated and paid each offload, based on a formula that will distribute the cash flows provided by TBMT among the parties, as follows:

TBMT Gross Revenue less the royalties of the National Agency of Petroleum, Natural Gas and Biofuels ("ANP") less TBMT Refurbishment Costs less abandonment fund deposits (as applicable) = TBMT Gross Cash Flow ("TBMT-FCB").

The division of TBMT-FCB between the parties will be as follows (pro-rata calculation based on the number of days elapsed between offloads):

- Payment by Dommo Energia ("PD"): 100% of TBMT-FCB up to US\$58,500 per year;
- Charter Payment ("PA"): 100% of TBMT-FCB up to US\$47,200 million per year – equivalent to US\$129 of the daily rate.

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After the above payments, TBMT's remaining cash flow will be divided as follows: 20% for Dommo Energia, Dommo Energia's variable payment ("PVD"), and 80% for OSX 3, the charter's variable payment ("PVA").

- (v) to ensure this new long-term charter agreement and cancel the TBMT Call Option, on November 27, 2018, Dommo Energia made a payment to OSX-3 totaling US\$50,000, with funds from the corporate cash and related deposit (Note 6), and will make another payment of US\$15,000 by September 30, 2019 (Note 15), totaling R\$251,287 (US\$65,000) on December 31, 2018, classified as intangible assets (Notes 1.3 and 13). In case of termination of the New Charter Agreement by OSX 3 before the expiration of the contractual term, OSX 3 will be required to pay an early termination fee to Dommo Energia as follows: US\$65,000 by 2019, US\$50,000 by 2020, US\$25,000 by 2021, US\$12,000 by 2022 and US\$6,000 by 2023.

In addition to the financial terms described above, the New Charter Agreement includes additional terms, such as guarantees (levy of execution upon oil, field and receivables), default penalties (to both parties), collection account for disbursement of payments; and other terms negotiated by the parties.

#### ***Field in the process of decommissioning***

##### ***Tubarão Azul***

As per material fact of January 22, 2016, we concluded the decommissioning of production ship FPSO OSX-1, which operated in the field. The ARO of the wells was concluded in the first quarter of 2018 and the field decommissioning is in progress.

### **1.3 Going concern assumption**

The new charter agreement of FPSO OSX-3 entered into between the Company and OSX-3 established new conditions authorizing interventions in wells of the Tubarão Martelo Field, which will lead to the production of 10.5 MMbbls (million barrels) by 2022 and, therefore, an additional cash generation of R\$251,906. This new scenario sets the basis for reassessing the impairment test of Tubarão Martelo's fixed assets, whose assumptions are described in Note 12. These actions related to Tubarão Martelo will enable the Company to obtain the necessary cash flow to maintain its operations and to meet production costs and operating expenses over the estimated production period up to 2022. It should be noted that the total reserve of Tubarão Martelo is 13.9 MMbbls. In addition to the 10.5 MMbbls classified as proven (1P) and to be produced by 2022, another 3.4 MMbbls are classified as probable (2P) that may be produced by 2024 depending on new economic valuations that justify the review of the economic cut. This volume of 13.9 MMbbls is supported by the report issued by Gaffney, Cline & Associates on September 5, 2018 and used to negotiate the new charter agreement and to carry out the economic evaluation that led to the revaluation of the impairment. This extension of Tubarão Martelo's lifespan is the main foundation supporting the Company's going concern assumption.

Regardless of the aforementioned interventions that mitigate the cash generation in the medium term, the Company's Management highlights aspects that indicate the existence of significant uncertainties regarding the capacity of going concern assumption in the long-term. Dommo has been recording recurring losses in its operations and had unsecured liabilities on June 30, 2019, totaling R\$378,799 (R\$376,350 on December 31, 2018). Additionally, the Company had significant long-term liabilities totaling R\$603,901 on June 30, 2019 (R\$596,589 on December 31, 2018), as disclosed in Note 17. It should be noted that the moment when these liabilities will be recorded is still uncertain, such as the abandonment of the Tubarão Martelo Field. The ability

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to pay off these liabilities depends on several scenarios whose valuation, after solving the cash generation in the medium-term (2022), will be intensified by the Company as of 2019. Thus, the Company's management has worked on plans to reverse the said situation.

One of the alternatives to mitigate these uncertainties, still under feasibility studies by Dommo's Management, is to implement a new development plan for the Tubarão Martelo Field, with the purpose of exploiting the potential volume of 33.4 MMbbls, in addition to the reserve of 13.9 MMbbls, with 4.7 MMbbls classified as possible (3P) and 28.7 MMbbls as contingent resources. The volume of 4.7 MMbbls is linked to the possible connection of a well already drilled but still under evaluation. Another option of exploration and development, in preliminary stage, considered to exploit the potential volume of 28.7 MMbbls, is the use of water injection and drilling new producing wells. This new development plan depends, among other things, on the future geological reevaluation of the Field, as well as the forecast of long-term oil price which, if favorable, may lead to making the new development plan economically feasible, extending the lifespan of the Field and the cash generation. Latest data available from US Energy Information Association – EIA (Annual Energy Outlook 2019) estimate an actual growth of 1.20% per year for average oil prices between 2018-2050.

Also concerning the possible new development plan, we highlight geological and price risks that significantly affect this evaluation. The geological risks include the difficult extraction and accessible reserves in any deposit being smaller than estimated. Oil and gas geologists work hard to minimize geological risks by frequently testing these evaluations and reducing the variations in these estimates. The confidence level of results related to the estimated volume of reserves is expressed as: "proven" or "1P", "probable" or "2P" and "possible" or "3P". In addition to geological risks, the oil and gas price is the main factor to decide if a reserve is economically feasible. Basically, with more relevant geological barriers to carry out extraction, there is higher price risk faced by a certain project, because unconventional extraction usually costs more than a vertical drilling to a reservoir. This does not mean that oil and gas companies automatically suspend operations on a project that becomes unprofitable due to a price decrease. Usually, these projects can't be quickly deactivated and restarted. Monitoring and studying probable prices throughout the project are key to the decision-making process on the investment.

If the feasibility studies are positive, the Company will need funding sources to finance the project. In this sense, there are several structures that may be explored, from similar ones to the new recent FPSO OSX-3 charter agreement to access credit and capital markets, since the company currently has no financial leverage, thus having conditions to structure usual financing of the oil and gas industry.

Another significant aspect is the tax contingencies classified as possible and disclosed in Note 19, totaling R\$2,829,714 on June 30, 2019 (R\$2,773,103 on December 31, 2018). The Company and its legal counsel understand that we have arguments and grounds supporting our defense regarding the inquiries from tax authorities. In addition, it should be considered that there is significant uncertainty on the term for the conclusion of these matters.

We highlight that the proceedings that resulted in the extension of the production term of Tubarão Martelo sought to address the short- and medium-term liquidity issues. And, as said above, the Company continues striving for a long-term financial balance.

Furthermore, as described in Note 17, the Company is discussing with ANP the amount of the guarantee referring to the provisions to abandon the Tubarão Martelo well. As described in said Note, the escrow deposit will be approximately US\$65 million. However, this amount will not lead



to a significant imbalance in the Company's cash flow, since the deposit will reduce the financial expense concerning the variable cost of the FPSO OSX-3 rent.

Regarding the BS-4 asset, the Company recorded impairment in the total amount invested to comply with the accounting law (see Note 12). This asset remains under arbitration dispute (see Note 1.2).

Based on the plans described above, the Company can continue operating and the financial statements were prepared using the going concern accounting basis.

## **2 Presentation of the interim financial information**

### **Basis of preparation**

**a. *Statement of compliance with international standards (IFRS) and the Accounting Pronouncements Committee (CPC) standards***

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC") and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company presents the individual and consolidated interim financial information in accordance with CPC 21 - (R1) Interim Statement issued by CPC, IAS 34 issued by IASB, and standards established by the Brazilian Securities and Exchange Commission ("CVM").

All significant information pertaining to the interim financial information, and this information alone, is being evidenced and corresponds to the ones used by Management in its activities.

**b. *Basis of measurement***

The individual and consolidated interim financial information has been prepared based on historic cost, except for derivative financial instruments, when applicable, and other financial instruments, which have been measured at fair value.

**c. *Functional and reporting currency***

This interim financial information is presented in Reais, which is the Company's functional currency. All balances have been rounded to the nearest thousand, except when indicated otherwise.

**d. *Use of estimates and judgments***

When preparing this interim financial information, Management made use of judgments, estimates and assumptions that affect the application of the Company's and its subsidiaries' accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

Information on estimates and assumptions that may result in adjustment in the next financial reporting year is included in the following Notes:

- **Note 1.3** - The interim financial information was prepared considering the Company's going concern assumption.

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- **Note 12b** - estimated recovery of the reserves for impairment testing purposes, depreciation based on the units of production method, provision for abandonment, deferred taxes, as well as significant impacts on the evaluation of the ability to continue as a going concern.
- **Note 11** - Investment in Atlanta Field BV ("AFBV")
- **Notes 12 and 13** - Depreciation and Amortization - useful lives, rates and impairment testing.
- **Note 14** - Deferred income and social contribution taxes - period for realization.
- **Note 17** - Provisions for Asset Retirement Obligation (ARO) and environmental compensation - discount rate assumptions.
- **Note 19** - Contingencies - expectation of success or loss.
- **Note 29** - Financial instruments - fair value calculation assumptions.

#### **Basis of consolidation**

The subsidiaries' financial statements are included in the consolidated interim financial information from the date that control commences until the date that control ceases to exist. The subsidiaries' accounting policies are aligned with the policies adopted by the Parent Company.

The subsidiaries' interim financial information is recognized in the Parent Company's individual financial information using the equity accounting method.

Intergroup balances and transactions and any revenues and expenses arising from intergroup transactions have been eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with subsidiaries and recognized by the equity accounting method have been eliminated against investments in proportion to the Company's interest in these subsidiaries. Unrealized profits (losses) have been eliminated on the same basis of unrealized gains, but only to the extent that there is no evidence of impairment.

#### **e. Restatement**

##### **Currency translation adjustments**

Pursuant to CPC 38, CPC 48 and clauses 6.1, 6.1.1 and 6.2 of the Court-Supervised Reorganization Plan, the Company reclassified the amount related to Dommo Austria GmbH from provision for investment losses in subsidiary to loans and financing with related parties. As a result of this change, the effects of exchange rate changes of the investment in this subsidiary, previously recorded as currency translation adjustments under equity were reclassified to exchange rate changes under profit or loss for the period.

In accordance with the effects of this reclassification and CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors, and CPC 26 (R1) – Presentation of Financial Statements, the balances were restated as follows:

|   | Statement of Operations for the Period<br>Parent Company<br>1/01/2018 to 6/30/2018 |           |           |
|---|--|-----------|-----------|
| Equity in the earnings (losses) of subsidiaries | (323,143)  | (281,746) | (604,889) |
| Profit (loss) for the period                    | 268,999  | (281,746) | (12,747)  |

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| <b>Statement of Operations for the Period</b> |         |           |          |
|---|---------|-----------|----------|
| <b>Consolidated</b>                           |         |           |          |
| <b>1/01/2018 to 6/30/2018</b>                 |         |           |          |
| Exchange rate changes, net                    | 253,301 | (281,746) | (28,445) |
| Profit (loss) for the period                  | 268,999 | (281,746) | (12,747) |

| <b>Statement of Cash Flows</b>                  |         |           |          |
|---|---------|-----------|----------|
| <b>Parent Company</b>                           |         |           |          |
| <b>1/01/2018 to 6/30/2018</b>                   |         |           |          |
| Profit (loss) for the period                    | 268,999 | (281,746) | (12,747) |
| Equity in the earnings (losses) of subsidiaries | 323,143 | 281,746   | 604,889  |

| <b>Statement of Cash Flows</b>                                      |           |           |          |
|---|-----------|-----------|----------|
| <b>Consolidated</b>   |           |           |          |
| <b>1/01/2018 to 6/30/2018</b>                                       |           |           |          |
| Profit (loss) for the period  | 268,999   | (281,746) | (12,747) |
| Unrealized exchange rate change on assets and liabilities financing | (289,480) | 281,746   | (7,734)  |

**f. Disclosure of the interim financial information**

The interim financial information of June 30, 2019 was appraised by Management on July 31, 2019.

### **3 Summary of significant accounting practices**

Except as described below, the accounting policies applied in this interim financial information are the same as those applied in the Parent Company and Consolidated financial statements for the year ended December 31, 2018.

The Company initially adopted CPC 06 (R2) - Leases ("IFRS 16") as of January 1, 2019 and the effects of this change were reflected in the Parent Company and Consolidated interim financial information for the year ended December 31, 2019. The other new standards, described in item 3.2 of this note, effective as of January 1, 2019, have no material effect on the Company's financial statements and interim financial information in the current scenario.

The Company and its subsidiaries consistently applied the accounting policies described below to all periods and years presented in this interim financial information.

### 3.1. CPC 06 (R2) – Leases (“IFRS 16”)

CPC 06 (R2) – Leases (“IFRS 16”) introduces a single accounting model, requiring lessees to recognize in the statement of financial position an asset that represents their right to use the leased asset, and a liability that represents their obligation to pay the lease. Exemptions are available for short-term leases and low-value items. Lessors’ accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating lease.

CPC 06 (R2) – Leases (“IFRS 16”) replaced existing standards for leases, including CPC 06 (R1) Leases and ICPC 03 Complementary Aspects of Leases.

#### (i) Leases in which the Company is the lessee

The Company recognized new assets and liabilities for its leases previously classified as operating leases. The nature of the expenses related to said leases changed because the Company recognized depreciation expenses of right-of-use assets and interest expenses on lease liabilities.

The Company previously recorded a straight-line expense from operating lease during the term of the lease, as well as assets and liabilities, when there was a time difference between actual lease payments and recorded expenses.

#### (ii) Transition

The Company initially adopted CPC 06(R2) on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of the adoption of CPC 06 (R2) will be recorded as an adjustment to the opening balance of retained earnings on January 1, 2019, without restating the comparative information.

The Company adopted the practical expedient regarding the definition of lease agreement during transition. It means that the Company adopted CPC 06 (R2) to all agreements entered into before January 1, 2019 identified as leases in accordance with CPC 06 (R1) and ICPC 03.

### 3.2. Other standards

The following amended standards and interpretations did not have significant effect on the Company’s consolidated interim financial information and financial statements.

- ICPC 22 Uncertainty over Income Tax Treatments (“IFRIC 23”)
- Amendments to CPC 48 related to Prepayment Features with Negative Compensation (“IFRS 9”).
- Amendments to CPC 18 (R2) Investment in Affiliate, Subsidiary and Joint Venture (“IAS 28”).
- Amendments to CPC 33 Plan, Reductions or Plan Settlements (“IAS 19”).
- Changes in references to the conceptual framework of IFRS.

#### 4 Preparation of the financial statements

The consolidated financial statements include information on all the companies listed below:

|                               | % interest |            |
|-------------------------------|------------|------------|
|                               | 6/30/2019  | 12/31/2018 |
| <b>Direct subsidiaries:</b>   |            |            |
| Dommo International           | 100.00     | 100.00     |
| Dommo R-11                    | 100.00     | 100.00     |
| OGPar (i)                     | 100.00     | 100.00     |
| <b>Indirect subsidiaries:</b> |            |            |
| Dommo Austria                 | 100.00     | 100.00     |
| Dommo Netherlands Holding     | 100.00     | 100.00     |
| Dommo Netherlands             | 100.00     | 100.00     |
| <b>Joint ventures:</b>        |            |            |
| Atlanta Field (ii)            | 40.00      | 40.00      |

- (i) Incorporated by shares swap on November 26, 2018 (Note 11)
- (ii) Joint arrangement with Enauta and Barra (Note 11).

#### 5 Cash and cash equivalents

For the Management of the Company and its subsidiaries, “cash and cash equivalents” are the amounts held for the purpose of meeting short-term commitments rather than for investment or other purposes.

|                                | Parent Company |               | Consolidated   |                |
|--------------------------------|----------------|---------------|----------------|----------------|
|                                | 6/30/2019      | 12/31/2018    | 6/30/2019      | 12/31/2018     |
| Cash and bank account          | 12,958         | 51,922        | 194,075        | 142,233        |
| Certificate of Deposit (“CBD”) | -              | -             | 1,041          | 13,478         |
| Investment Fund                | -              | -             | 2,403          | 1,600          |
|                                | <b>12,958</b>  | <b>51,922</b> | <b>197,519</b> | <b>157,311</b> |

The fair values of the balances maintained in current bank accounts are equivalent to the carrying amounts and are classified as financial assets at amortized cost. CBD is issued and guaranteed with Banco Itaú, has daily liquidity and is remunerated at 95.5% of the CDI and the Itaú TOP RF Referenced DI Investment Fund, is managed by Banco Itaú, and basically backed by private securities issued by first-tier financial institutions, all linked to fixed rates. These assets are classified as cash equivalents because they have immediate convertibility characteristics.

## 6 Marketable securities

|                          | <b>Consolidated</b> |                   |
|--------------------------|---------------------|-------------------|
|                          | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| Eneva S.A. common shares | -                   | 79,078            |

On March 27, 2019, the Company informed its shareholders and the market in general that it would participate in the secondary public offering of Eneva S.A., its investee at the time, announced on the same date, with all the shares held (4,958,471 shares), as seller, as approved at a meeting of the Company's Board of Directors. On April 04, 2019, the secondary offering process was concluded, with a price per share of R\$18.25, resulting in a total gross amount of R\$90,492 for the Company.

## 7 Escrow deposits

The Company's escrow deposits are classified as financial assets measured at FVTPL.

|               | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---------------|-----------------------|-------------------|---------------------|-------------------|
|               | <b>6/30/2019</b>      | <b>12/31/2018</b> | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| DVB Bank (i)  | 3,206                 | 3,245             | 3,206               | 3,245             |
| CDB Itaú (ii) | -                     | -                 | 3,145               | -                 |
|               | <b>3,206</b>          | <b>3,245</b>      | <b>6,351</b>        | <b>3,245</b>      |

- (i) Escrow deposit related to the deactivation guarantee and/or abandonment fund for the Tubarão Azul field.  
(ii) CDB linked to the guarantee of contracts with suppliers associated with the Refurbishment of the Tubarão Martelo Field.

## 8 Trade accounts receivable

The balance of R\$39,349 on June 30, 2019 corresponds to the sale of oil from the Tubarão Martelo Field. On December 31, 2018, there was no outstanding balances receivable. The average receivable term of trade accounts receivable is lower than 30 days.

## 9 Inventories

|   | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---|-----------------------|-------------------|---------------------|-------------------|
|   | <b>6/30/2019</b>      | <b>12/31/2018</b> | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| <b>Current assets</b>                         |                       |                   |                     |                   |
| Oil inventories                               | 20,112                | 30,576            | 19,172              | 28,899            |
| <b>Non-current assets</b>                     |                       |                   |                     |                   |
| Exploration and production supplies (E&P) (i) | 68,524                | 68,522            | 79,057              | 79,055            |
| (-) Provision for loss (ii)                   | (68,524)              | (68,522)          | (68,524)            | (68,522)          |
|   | -                     | -                 | <b>10,533</b>       | <b>10,533</b>     |
| <b>Total current and non-current</b>          | <b>20,112</b>         | <b>30,576</b>     | <b>29,705</b>       | <b>39,432</b>     |

- (i) Comprised basically of materials required for the Company's exploratory drilling campaigns, such as pipelines and drill bits. The Company is not currently undergoing any drilling campaign, nor does it expect to carry out any other one. As a result, Dommo recorded a provision for loss of these materials.  
(ii) The Company periodically evaluates the opportunities to sell such supplies and recorded a provision for loss in order to recognize the asset at its expected realizable value.

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| <b>Inventory reconciliation (oil and E&amp;P supplies) and statements of cash flows</b> | <b>Parent Company</b> | <b>Consolidated</b> |
|---|-----------------------|---------------------|
| Balance on December 31, 2018  | 30,576                | 39,432              |
| Balance on June 30, 2019  | 20,112                | 29,705              |
| <b>Changes</b>  | <b>10,464</b>         | <b>9,727</b>        |
| Depreciation/amortization portion on the inventory of December 31, 2018                 | (4,527)               | (4,527)             |
| Depreciation/amortization portion on the inventory of June 30, 2019                     | 2,200                 | 2,200               |
| Provision for inventory loss of December 31, 2018                                       | 68,522                | 68,522              |
| Provision for inventory loss of June 30, 2019   | (68,524)              | (68,524)            |
| Production cost adjustment due to IFRS 16   | (1,874)               | (1,874)             |
| <b>Changes in inventories in the Statement of Cash Flows</b>                            | <b>6,261</b>          | <b>5,524</b>        |

| <b>Changes in consolidated oil inventory</b> |   |                        |                           |                                      |
|--|---|------------------------|---------------------------|--------------------------------------|
|  | <b>12/31/2018<br/>Initial inventory</b> | <b>Production cost</b> | <b>Cost of goods sold</b> | <b>6/30/2019<br/>Final inventory</b> |
| Leasing                                      | 5,448                                   | 76,461                 | (75,313)                  | 6,596                                |
| O&M  | 5,886                                   | 48,975                 | (50,585)                  | 4,276                                |
| Logistics                                    | 7,860                                   | 44,414                 | (48,378)                  | 3,896                                |
| Other expenditures                           | 1,470                                   | (14)                   | (1,440)                   | 16                                   |
| Depreciation                                 | 4,527                                   | 25,220                 | (27,547)                  | 2,200                                |
| Royalties                                    | 3,708                                   | 23,603                 | (25,123)                  | 2,188                                |
|  | <b>28,899</b>                           | <b>218,659</b>         | <b>(228,386)</b>          | <b>19,172</b>                        |

## 10 Other credits and prepaid expenses

|                       | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|-----------------------|-----------------------|-------------------|---------------------|-------------------|
|                       | <b>6/30/2019</b>      | <b>12/31/2018</b> | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| Insurance premiums    | 2,411                 | 936               | 2,411               | 936               |
| Advances to suppliers | 1,029                 | 11,755            | 2,660               | 11,758            |
| Advances to employees | 245                   | 356               | 258                 | 369               |
| Others                | 466                   | 558               | 295                 | 2,120             |
|                       | <b>4,151</b>          | <b>13,605</b>     | <b>5,624</b>        | <b>15,183</b>     |

## 11 Investments

|   | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---|-----------------------|-------------------|---------------------|-------------------|
|   | <b>6/30/2019</b>      | <b>12/31/2018</b> | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| Dommo International                       | 26,334                | 11,844            | -                   | -                 |
| Dommo R-11                                | 4,445                 | 5,201             | -                   | -                 |
| Equity adjustment - Dommo Netherlands (i) | -                     | -                 | 940                 | 1,677             |
|   | <b>30,779</b>         | <b>17,045</b>     | <b>940</b>          | <b>1,677</b>      |

(i) Refers to revenues from the lease of Dommo Netherlands eliminated upon consolidation against the production cost (inventories) at Dommo Energia.

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## 11.1 Changes in investments

|  | <b>Parent<br/>Company</b> | <b>Consolidated</b> |
|--|---------------------------|---------------------|
| <b>Balance on January 1, 2018</b>                            | <b>184,812</b>            | <b>193,242</b>      |
| Capital contribution in shareholding interests               | 844                       | -                   |
| Currency translation adjustments                             | 30,048                    | 29,612              |
| Equity in the earnings (losses) of subsidiaries              | (604,889)                 | 1,385               |
| Investment reclassification - Dommo Austria                  | 613,737                   | -                   |
| <b>Balance on June 30, 2018</b>                              | <b>224,552</b>            | <b>224,239</b>      |
| Capital contribution in shareholding interests               | 74,585                    | -                   |
| Currency translation adjustments                             | (41,134)                  | 1,110               |
| Provision for loss on investment (Atlanta Field B.V.)        | -                         | (223,273)           |
| Equity in the earnings (losses) of subsidiaries              | (169,202)                 | (399)               |
| Investment reclassification - Dommo Austria                  | (71,756)                  | -                   |
| <b>Balance on December 31, 2018</b>                          | <b>17,045</b>             | <b>1,677</b>        |
| Capital contribution in shareholding interests               | 1,314                     | -                   |
| Currency translation adjustments                             | (227)                     | -                   |
| Equity in the earnings of subsidiaries                       | 78,916                    | 940                 |
| Reclassification equity income OGPar (ii)                    | 1,733                     | -                   |
| Refund equity adjustment - Dommo Netherlands previous period | -                         | (1,677)             |
| Investment reclassification - Dommo Austria (i)              | (68,002)                  | -                   |
| <b>Balance on June 30, 2019</b>                              | <b>30,779</b>             | <b>940</b>          |

- (i) The balance of R\$(67,796) refers to changes of Dommo Austria's shareholders' equity, detailed in item (b) of this Note and in Note 15.
- (ii) The balance of R\$1,733 refers to the equity method of OGPar, which was reclassified to "loans and financing" (assets). See details in item (b) below.

### (a) Provision for investment loss (Atlanta Field B.V. or AFBV)

On January 9, 2019, QGEP Netherlands Holding B.V. and Barra 1 S.à.r.l issued a joint notice requesting the transfer of 100% of the interest of Dommo Netherlands Holding B.V. in AFBV in proportion to its interest.

On January 10, 2019, Barra 1 S.à.r.l started an arbitration against Dommo Netherlands Holding BV charging US\$6,219, referring to outstanding cash calls. On January 16, 2019, QGEP Netherlands Holding B.V. issued a notice stating that Dommo has outstanding cash calls of US\$5,375.

On June 30, 2019, the amount provisioned plus the interests of Barra 1 S.à.r.l and QGEP Netherlands Holding B.V. totaled R\$45,894 (R\$46,404 on December 31, 2018), as disclosed in Note 18.

Dommo Energia, together with its external legal counsel, is evaluating these notices and possible administrative, judicial and arbitration lawsuits to be filed. Even considering a likelihood of loss assessed by the legal counsel related to the arbitration findings of BS-4, on December 31, 2019, the Company recorded a provision for impairment losses related to its interest in AFBV in the amount of R\$223,273.

We emphasize that this change in the accounting record is essentially based on determinations of CPC 01 and CPC 25, and does not represent the Company's and its legal counsel's opinion about the notifications and arbitration initiated, nor do they jeopardize any legal strategy that may be implemented.

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**(b) Investment in OGPar - merger of shares**

On November 26, 2018, pursuant to article 157, paragraph 4 of Law 6,404/76 and CVM Instruction 358/02, the Companies' general meetings approved the merger of OGPar shares by Dommo Energia ("Merger of Shares"), as well as the waiver of Dommo Energia in joining, at the moment, the Novo Mercado corporate governance segment of B3 S.A. – Brasil, Bolsa, Balcão, due to the merger of shares.

Due to the merger of shares, OGPar became a wholly-owned subsidiary of Dommo Energia and the Company consolidates the financial statements of this subsidiary.

The balances of the investment in OGPar, which recorded unsecured liabilities, are presented net of loans receivable from related parties, as disclosed in Note 15.

**11.2 Information on shareholding interests**

| June 30, 2019                       |               |                |                     |                   |                           |                                 |
|-------------------------------------|---------------|----------------|---------------------|-------------------|---------------------------|---------------------------------|
|                                     | In Brazil     |                | Abroad              |                   |                           |                                 |
|                                     | Dommo R-11    | OGPar          | Dommo International | Dommo Áustria     | Dommo Netherlands Holding | Dommo Netherlands Atlanta Field |
| Current assets                      | 7,169         | 1,062          | 8                   | 181,081           | 17                        | 10                              |
| Long-term assets                    | 11,189        | 8,628          | 15                  | 12,310,275        | 2,661                     | 153,258                         |
| Investments                         | -             | -              | -                   | -                 | 145,451                   | -                               |
| Fixed assets                        | -             | -              | -                   | -                 | -                         | 993                             |
| <b>Total assets</b>                 | <b>18,358</b> | <b>9,690</b>   | <b>23</b>           | <b>12,491,356</b> | <b>148,129</b>            | <b>154,261</b>                  |
| Current liabilities                 | 8             | 336            | 57                  | 429               | 45,935                    | 108                             |
| Non-current liabilities             | 13,905        | 78,399         | 2,002,570           | 14,519,864        | 11,305                    | 8,702                           |
| Equity                              | 4,445         | (69,045)       | (2,002,604)         | (i) (2,028,937)   | 90,889                    | 145,451                         |
| <b>Total liabilities + equity</b>   | <b>18,358</b> | <b>9,690</b>   | <b>23</b>           | <b>12,491,356</b> | <b>148,129</b>            | <b>154,261</b>                  |
| % interest                          | 100%          | 100%           | 100%                | 100%              | 100%                      | 100%                            |
| <b>Profit (loss) for the period</b> | <b>(755)</b>  | <b>(1,733)</b> | <b>81,404</b>       | <b>68,002</b>     | <b>14,827</b>             | <b>15,804</b>                   |

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December 31, 2018

|                                   | In Brazil      |                 | Abroad              |                   |                           |                   |                    |
|-----------------------------------|----------------|-----------------|---------------------|-------------------|---------------------------|-------------------|--------------------|
|                                   | Dommo R-11     | OGPar           | Dommo International | Dommo Áustria     | Dommo Netherlands Holding | Dommo Netherlands | Atlanta Field (ii) |
| Current assets                    | 1,608          | 24,215          | 24                  | 168,581           | 35                        | 15                | 137,428            |
| Long-term assets                  | 11,149         | -               | 14                  | 12,586,185        | 2,466                     | 138,771           | 7,934              |
| Investments                       | -              | -               | -                   | -                 | 131,097                   | -                 | -                  |
| Fixed assets                      | -              | -               | -                   | -                 | -                         | 1,019             | 524,916            |
| <b>Total assets</b>               | <b>12,757</b>  | <b>24,215</b>   | <b>38</b>           | <b>12,754,766</b> | <b>133,598</b>            | <b>139,805</b>    | <b>670,278</b>     |
| Current liabilities               | 4              | 110,915         | 52                  | 428               | 46,445                    | 47                | 111,985            |
| Non-current liabilities           | 7,552          | -               | 2,085,080           | 14,851,277        | 11,431                    | 8,662             | 110                |
| Equity                            | 5,201          | (86,700)        | (2,085,094)         | (i) (2,096,939)   | 75,722                    | 131,096           | 558,183            |
| <b>Total liabilities + equity</b> | <b>12,757</b>  | <b>24,215</b>   | <b>38</b>           | <b>12,754,766</b> | <b>133,598</b>            | <b>139,805</b>    | <b>670,278</b>     |
| % interest                        | 100%           | 100%            | 100%                | 100%              | 100%                      | 100%              | 40%                |
| <b>Profit (loss) for the year</b> | <b>(1,469)</b> | <b>(18,398)</b> | <b>(771,595)</b>    | <b>(616,866)</b>  | <b>(152,338)</b>          | <b>30,132</b>     | <b>(1,728)</b>     |

(i) Changes in the equity of Dommo Austria:

|                              |             |
|------------------------------|-------------|
| Balance on June 30, 2019     | (2,028,937) |
| Balance on December 31, 2018 | (2,096,939) |

**Changes in item (a) of this Note** **68,002**

(ii) These figures refer to total shareholders' equity and profit (loss) for the period.

## 12 Consolidated fixed assets

| Consolidated fixed assets                                  | Note | Furniture and fittings | Machinery and equipment | IT equipment    | Leasehold improvements | Vehicles     | E&P fixed assets | Total           |
|--|------|------------------------|-------------------------|-----------------|------------------------|--------------|------------------|-----------------|
| <b>Cost</b>  |      |                        |                         |                 |                        |              |                  |                 |
| <b>On January 1, 2018</b>                                  |      | <b>5,248</b>           | <b>889</b>              | <b>10,773</b>   | <b>1,826</b>           | <b>404</b>   | <b>175,656</b>   | <b>194,796</b>  |
| Additions  |      | -                      | -                       | 192             | -                      | -            | (33,386)         | (33,194)        |
| Additions - provision for ARO (a)                          |      | -                      | -                       | -               | -                      | -            | (65,915)         | (65,915)        |
| Additions - provision for environmental compensation       |      | -                      | -                       | -               | -                      | -            | 4,766            | 4,766           |
| Impairment BS-4  | 12b  | -                      | -                       | -               | -                      | -            | (193,828)        | (193,828)       |
| Adjustment for impairment related to ARO and other assets  |      | -                      | -                       | -               | -                      | -            | 13,109           | 13,109          |
| Partial impairment reversal - Tubarão Martelo Field        | 1.3  | -                      | -                       | -               | -                      | -            | 251,906          | 251,906         |
| Non-current asset held for sale                            |      | -                      | -                       | -               | -                      | -            | 101,602          | 101,602         |
| Disposals  |      | (376)                  | -                       | -               | -                      | -            | -                | (376)           |
| Currency translation adjustments of offshore companies (c) |      | -                      | -                       | -               | -                      | -            | 149              | 149             |
| <b>As of December 31, 2018</b>                             |      | <b>4,872</b>           | <b>889</b>              | <b>10,965</b>   | <b>1,826</b>           | <b>404</b>   | <b>254,059</b>   | <b>273,015</b>  |
| Additions  |      | -                      | -                       | 597             | -                      | -            | 58,436           | 59,033          |
| Additions - provision for environmental compensation       |      | -                      | -                       | -               | -                      | -            | 1,638            | 1,638           |
| Adjustment for impairment                                  |      | -                      | -                       | -               | -                      | -            | (60,074)         | (60,074)        |
| Disposals  |      | (1)                    | -                       | -               | -                      | -            | -                | (1)             |
| Currency translation adjustments of offshore companies (c) |      | -                      | -                       | -               | -                      | -            | (26)             | (26)            |
| <b>On June 30, 2019</b>                                    |      | <b>4,871</b>           | <b>889</b>              | <b>11,562</b>   | <b>1,826</b>           | <b>404</b>   | <b>254,033</b>   | <b>273,585</b>  |
| <b>Accumulated depreciation</b>                            |      |                        |                         |                 |                        |              |                  |                 |
| <b>On January 1, 2018</b>                                  |      | <b>(3,787)</b>         | <b>(630)</b>            | <b>(10,766)</b> | <b>(87)</b>            | <b>(387)</b> | <b>-</b>         | <b>(15,657)</b> |
| Depreciation and depletion in the year                     |      | (456)                  | (82)                    | (16)            | (206)                  | -            | (29,520)         | (30,280)        |
| Write-off of depreciation - impairment                     |      | -                      | -                       | -               | -                      | -            | 16,945           | 16,945          |
| <b>As of December 31, 2018</b>                             |      | <b>(4,243)</b>         | <b>(712)</b>            | <b>(10,782)</b> | <b>(293)</b>           | <b>(387)</b> | <b>(12,575)</b>  | <b>(28,992)</b> |
| Depreciation and depletion in the year                     |      | (212)                  | (37)                    | (9)             | (104)                  | -            | (33,602)         | (33,964)        |
| Write-off of depreciation - impairment                     |      | -                      | -                       | -               | -                      | -            | 8,380            | 8,380           |
| <b>On June 30, 2019</b>                                    |      | <b>(4,455)</b>         | <b>(749)</b>            | <b>(10,791)</b> | <b>(397)</b>           | <b>(387)</b> | <b>(37,797)</b>  | <b>(54,576)</b> |
| Depreciation and depletion rates                           |      | 10                     | 10                      | 20              | 10                     | 20           | (b)              |                 |
| <b>Net residual value</b>                                  |      |                        |                         |                 |                        |              |                  |                 |
| <b>On June 30, 2019</b>                                    |      | <b>416</b>             | <b>140</b>              | <b>771</b>      | <b>1,429</b>           | <b>17</b>    | <b>216,236</b>   | <b>219,009</b>  |
| <b>On December 31, 2018</b>                                |      | <b>629</b>             | <b>177</b>              | <b>183</b>      | <b>1,533</b>           | <b>17</b>    | <b>241,484</b>   | <b>244,023</b>  |

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- (a) See Note 17. This change has no cash effect.
- (b) Depreciation and depletion of E&P fixed assets occur as from the declaration of commerciality and commencement of production, based on the units of production (DUP) method.
- (c) Refers to the currency translation adjustments of the asset balances of the Company's international subsidiary Dommo Netherlands.

### **Appraisal of indications of impairment**

The Company conducts quarterly analyses of the status of its exploratory wells. If they are classified as dry or sub-commercial, the Company writes them off and charges them to profit (loss). According to technical pronouncement CPC-01, the entity must assess at least annually whether there are indications of possible devaluation in the value of an asset (fixed and intangible assets). If there is any evidence, the entity must calculate the asset's recoverable value, measured by the highest value between its net sale value and the value in use.

#### **a. Tubarão Martelo Field:**

##### **Record of the Tubarão Martelo's assessment:**

In 2014, the discounted cash flow prepared for the Tubarão Martelo Field indicated that, based on the price scenario and the future projections used by the Company, the costs incurred made production economically unfeasible. This resulted in the recording of a provision for impairment of the assets related to the Tubarão Martelo Field, in the amount of R\$3,237,254 in fixed assets, R\$691,758 of which recorded in 2013 and R\$2,602,681 in 2014. In addition, R\$80,473 was recorded in intangible assets, R\$23,288 of which in 2013 and R\$57,185 in 2014.

In 2015, the Company carried out cost-reduction initiatives that were insufficient to render the maintenance of the Field economically feasible, chiefly due to the drop in oil prices at the time. On January 19, 2016, ANP temporarily suspended production in the Tubarão Martelo Field, given that these assets are not expected to be recovered in the future. On April 26, 2016, the Company filed a request with the ANP to resume production at the Tubarão Martelo Field. On July 1, 2016, the Company received an official letter from the ANP authorizing the immediate resumption of production at the Tubarão Martelo Field, through FPSO OSX-3. The Tubarão Martelo Field is currently operational.

##### **New fact that changes the recoverability of the Tubarão Martelo field:**

The signature, on November 26, 2018, of a new charter agreement of FPSO OSX-3 between the Company and OSX-3 establishes new conditions that will allow interventions in Tubarão Martelo field wells, thus resulting in the production of 10.5 million barrels (1P) by 2022 and additional cash generation of R\$251,906. This new scenario sets the basis for reassessing the impairment test, whose cash flow estimate takes into consideration the following key assumptions:

- Approach: projection of unlevered cash flows, expressed in actual terms and presented in U.S. dollars translated at the closing rate of the third quarter of 2018 ("3Q18").
- Term: From September 2018 to 2024, considering the proved (1P) and probable (2P) reserves, and recoverability estimated until 2022 (1P), the details of which are described in note 1.3.
- Selling price: The reference used is the average Brent price obtained in World Bank publications.
- Intervention in wells: The Refurbishment consists of the conclusion of the fifth well (4HP), which has already been drilled but needs to be connected to FPSO, as well as workover activities in the four producing wells (2HP, 6HP, 8H and 44HP).

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- Discount rate: The Company uses the Weighted Average Capital Cost (WACC) in actual terms at an after-tax discount rate of 9.18% (11.36% pretax).
- Residual: A residual value was not calculated in the latest period, since the projection was based on the economic useful life of the assets.

It is worth noting that, although Management uses the best expectations, said projections are subject to several uncertainties, such as estimated costs and expenses, expected oil price, exchange rate, efficiency of equipment and production teams, laws issued by authorities such as ANP and IBAMA, tax law, and geological aspects, such as the volume and behavior of reservoirs.

**Additional information:**

During the negotiations and discussions referring to the New Charter Agreement with OSX 3, Dommo Energia prepared several studies ("Materials") regarding the potential production of TBMT, the Refurbishment, and an energy efficiency project at FPSO. Considering that the Materials were discussed with third parties during the chartering dialogues, the Company decided to disclose them to the market in general, clarifying, however, that the information in the Materials should not be considered as official Company forecasts, guidelines or future indication of operational and financial performance expectation. The studies and conclusions included in the Materials are subject to a significant number of internal assumptions that were part of negotiations of the New Charter Agreement and investors should not consider or rely on the Materials during their process to decide whether to invest in the Company's securities.

The Materials that have been prepared and discussed with third parties include: (A) internal forecast of TBMT's production; (B) Audit Report on the Production of TBMT prepared by Gaffney Cline & Associates ("GCA"); (C) Cogeneration Study for the FPSO.

- a. Internal forecast of TBMT's production: The Refurbishment should extend TBMT's useful life until at least 2024. The Company's projected production from 3Q18 to 2024 totals 13.9 million barrels, considering a 2P production curve. The reference cash flow for the new recoverable value of Tubarão Martelo considers a production of 10.5 million barrels (1P) until 2022.
- b. Audit Report prepared by GCA: In order to provide OSX 3 with an independent appraisal on production estimates internally prepared, Dommo Energia hired GCA to audit TBMT's production projections. Before analyzing the information contained in GCA's report, it is essential that investors read the entire report, including the methodology adopted and the auditor's opinion.
- c. Energy Efficiency Project: as provided for in the Company's financial statements, diesel costs are currently one of the largest items of FPSO's operating expenses. In order to reduce diesel consumption, the Company's technical team has been working with an external advisor specialized in energy efficiency solutions. The Company has been working to install diesel generators at FPSO in the short term. The use of generators should reduce the operation of existing gas/diesel turbines, which are inefficient due to FPSO's current energy needs. FPSO's turbines currently use approximately 43,000 liters of diesel per day. After the generators are installed, the Company expects to reduce diesel consumption to approximately 25,000 liters per day, with a potential reduction of R\$1,500 in net costs per month.

**b. Atlanta and Oliva fields**

On December 31, 2017, the business plan was updated considering the following main assumptions: (i) recoverable volumes: 197.4 million barrels to the Atlanta and Oliva fields; (ii) long-term Brent, using the average of projections disclosed by different financial institutions, whose projected price until December 2019 varies between US\$62.82 and US\$65.49 and is set at US\$67.49 for subsequent years; (iii) US\$14/barrel discount in the Brent oil price due to the characteristics and transportation costs of the oil.

This asset remains under arbitration, as described in Note 1.2, and pursuant to the accounting law represented by CPC 01 – Impairment of Assets, and CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, the Company revised the impairment calculated and recorded on September 30, 2017, further complementing the amount. As of December 31, 2018, the new balance totals R\$1,084,369 (R\$651,119 as of December 31, 2017). There were no changes in the assumptions for June 30, 2019.

**Changes of BS-4 impairment**

|   |                  |
|---|------------------|
| <b>Impairment balance on December 31, 2017</b>      | <b>651,119</b>   |
| Addition to intangible assets' impairment (Note 13) | 239,422          |
| Addition to fixed assets' impairment                | 193,828          |
| <b>Impairment balance on June 30, 2019</b>          | <b>1,084,369</b> |

**Depreciation**

E&P fixed assets are depreciated as from declaration of commerciality and commencement of production, under the units of production (DUP) method.

|  | <b>Reconciliation of depreciation and amortization - DFC</b> |                     |
|--|--|---------------------|
|  | <b>Parent Company</b>  | <b>Consolidated</b> |
| Depreciation   | 25,584   | 33,964              |
| Depreciation in inventory on December 31, 2018, as described in Note 9 | 4,527  | 4,527               |
| Depreciation in inventory on June 30, 2019, as described in Note 9     | (2,200)  | (2,200)             |
| <b>Depreciation and amortization in the Statement of Cash Flows</b>    | <b>27,911</b>  | <b>36,291</b>       |

### 13 Intangible assets (Parent Company and Consolidated)

The Company's intangible assets correspond to: (a) E&P intangible assets, represented by the signature bonuses paid in order to obtain concessions for exploration, development and production of the blocks, as well as amounts paid for farm-ins; and (b) other intangible items, chiefly represented by computer software programs.

|                                 | IT systems and<br>programs | E&P<br>Intangible assets | Total     |
|---------------------------------|----------------------------|--------------------------|-----------|
| <b>Cost</b>                     |                            |                          |           |
| On January 1, 2018              | 40,568                     | 142,127                  | 182,695   |
| Non-current asset held for sale | -                          | 104,318                  | 104,318   |
| Impairment (Note 12b)           | -                          | (239,422)                | (239,422) |
| On December 31, 2018            | 40,568                     | 7,023                    | 47,591    |
| On June 30, 2019                | 40,568                     | 7,023                    | 47,591    |
| <b>Accumulated amortization</b> |                            |                          |           |
| On January 1, 2018              | (40,557)                   | (7,023)                  | (47,580)  |
| Amortization                    | (1)                        | -                        | (1)       |
| On December 31, 2018            | (40,558)                   | (7,023)                  | (47,581)  |
| On June 30, 2019                | (40,558)                   | (7,023)                  | (47,581)  |
| Amortization rates (% p.a.)     | 20                         |                          |           |
| <b>Net residual value</b>       |                            |                          |           |
| On June 30, 2019                | 10                         | -                        | 10        |
| On December 31, 2018            | 10                         | -                        | 10        |

#### **Amendment and Impairment concerning Tubarão Martelo's Charter Agreement**

The amount of R\$251,287 (US\$65,000) corresponds to the investment made by the Company with the purpose of ensuring a charter agreement for 20 years and canceling the OSX-3 Leasing BV Call Option of Tubarão Martelo. However, given the uncertainties inherent to the activity and considering the preliminary stage of appraisal of these funds, the Company recorded an impairment of R\$251,287 (Note 1.2)

#### **Write-offs and impairments**

As explained in Note 12, in the fourth quarter of 2014, the Company revised its Business Plan and recorded impairment of the Tubarão Martelo Field in the amount of R\$57,185. As of December 31, 2018, the Company revised the estimate for recoverability of the Tubarão Martelo Field and the effects of this revision are represented in fixed assets (Note 12). In addition, as per described in section "Appraisal of indications of impairment" in Note 12, the Company made an addition to the provision for impairment of the investments made in BS-4.

#### **Amortization**

Amortization of E&P intangible assets occurs as from the declaration of commerciality and commencement of production, based on the units of production (DUP) method. On June 30, 2019 and December 31, 2018, the only field with declared commerciality and already producing was Tubarão Martelo.

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# 14 Income tax, social contribution, government stakes and other taxes and contributions

|   | Parent Company |                | Consolidated   |                |
|---|----------------|----------------|----------------|----------------|
|   | 6/30/2019      | 12/31/2018     | 6/30/2019      | 12/31/2018     |
| <b>Non-current assets</b>   |                |                |                |                |
| <b>Withheld income tax, social contribution and other recoverable taxes</b> |                |                |                |                |
| Withholding tax (IRRF) on financial investments                             | 346            | 346            | 435            | 367            |
| Income and social contribution taxes prepaid                                | -              | 5,702          | -              | 5,750          |
| IRPJ tax losses   | 4,341          | 15             | 12,636         | 8,165          |
| CSLL tax losses   | 1,579          | -              | 1,579          | -              |
| PIS offsettable   | 14,321         | 14,183         | 14,321         | 14,183         |
| COFINS offsettable  | 67,477         | 67,952         | 67,477         | 67,952         |
| State VAT (ICMS) recoverable  | 390            | 390            | 390            | 390            |
| Other recoverable taxes   | 1,033          | 1,032          | 2,830          | 2,465          |
|   | <b>89,487</b>  | <b>89,620</b>  | <b>99,668</b>  | <b>99,272</b>  |
| <b>Current liabilities</b>  |                |                |                |                |
| <b>Taxes, contributions and government stakes payable</b>                   |                |                |                |                |
| IRRF  | 27,774         | 24,946         | 27,775         | 24,947         |
| Social contributions withheld   | 124            | 105            | 131            | 113            |
| COFINS payable  | -              | -              | 3              | 3              |
| Royalties payable   | 3,759          | 3,997          | 3,759          | 3,997          |
| Others  | 6,314          | 6,321          | 6,314          | 6,321          |
|   | <b>37,971</b>  | <b>35,369</b>  | <b>37,982</b>  | <b>35,381</b>  |
| <b>Non-current liabilities</b>  |                |                |                |                |
| <b>Deferred PIS and COFINS</b>  |                |                |                |                |
| Deferred PIS (i)  | 18,130         | 19,412         | 18,130         | 19,412         |
| Deferred COFINS (i)   | 111,571        | 119,458        | 111,571        | 119,458        |
|   | <b>129,701</b> | <b>138,870</b> | <b>129,701</b> | <b>138,870</b> |

(i) On April 1, 2015, Decree 8426 was published, establishing the return of PIS and COFINS rate on financial income calculated by legal entities subject to the non-cumulative calculation system as of July 1, 2015. The rates will be 0.65% for PIS and 4% for COFINS, except for certain cases provided for by the Decree, on which the rate is 0%. Considering that the Company taxes gains or losses on inflation adjustments based on exchange rate on a cash basis, it recorded a provision for deferred PIS and COFINS on these unrealized gains on inflation adjustments.

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Reconciliation of the IRPJ and CSLL expenses is as follows:

|   | <u>6/30/2019</u>                    |                 | <u>6/30/2018</u>                    |                 |
|---|-------------------------------------|-----------------|-------------------------------------|-----------------|
|   | <u>Consolidated</u>                 |                 | <u>Consolidated</u>                 |                 |
|   | <u>IRPJ</u>                         | <u>CSLL</u>     | <u>IRPJ</u>                         | <u>CSLL</u>     |
| <b>Loss for the period prior to IRPJ and CSLL</b>           | <b>(21,617)</b>                     | <b>(21,617)</b> | <b>(8,393)</b>                      | <b>(8,393)</b>  |
| <b>Permanent additions/exclusions:</b>                      |                                     |                 |                                     |                 |
| Other non-deductible additions                              | 118,344                             | 116,903         | 1,038                               | 707             |
| IRFS 16 adjustments   | (15,910)                            | (15,910)        | -                                   | -               |
| Results of offshore companies                               | (81,404)                            | (81,404)        | 604,194                             | 604,194         |
| <b>Taxable base for IRPJ and CSLL</b>                       | <b>(587)</b>                        | <b>(2,028)</b>  | <b>596,839</b>                      | <b>596,508</b>  |
| <b>Tax rates (%)</b>  | <b>15% +<br/>Additional<br/>10%</b> | <b>9%</b>       | <b>15% +<br/>Additional<br/>10%</b> | <b>9%</b>       |
| <b>Current and deferred IRPJ and CSLL</b>                   | <b>(373)</b>                        | <b>(264)</b>    | <b>(149,210)</b>                    | <b>(53,686)</b> |
| Current and deferred IRPJ and CSLL                          | (147)                               | (183)           | (149,210)                           | (53,686)        |
| (-) Offset of tax incentives                                | -                                   | -               | 79                                  | -               |
| (+) Provision for non-realization of deferred IRPJ and CSLL | 147                                 | 183             | 145,937                             | 52,526          |
|   | -                                   | -               | <b>(3,194)</b>                      | <b>(1,160)</b>  |
| <b>Breakdown of IRPJ and CSLL</b>                           |                                     |                 |                                     |                 |
| IRPJ and CSLL – current                                     | -                                   | -               | (3,194)                             | (1,160)         |
| IRPJ and CSLL – deferred                                    | -                                   | -               | -                                   | -               |
| <b>Total recorded IRPJ and CSLL</b>                         | <b>-</b>                            | <b>-</b>        | <b>(3,194)</b>                      | <b>(1,160)</b>  |
| <b>Effective tax rate</b>                                   | <b>-</b>                            | <b>-</b>        | <b>38.06%</b>                       | <b>13.82%</b>   |

#### Deferred taxes and Business Plan

The Company and its subsidiaries have unrecorded tax loss carryforwards in the amount of R\$7,344 thousand.

## 15 Related parties

| Parent Company                               |   |                                     |                   |                                     |                  |                  |                  |  |                     |
|--|---|-------------------------------------|-------------------|-------------------------------------|------------------|------------------|------------------|--|---------------------|
| Credits with related parties                 |   | Loans with related parties - Assets |                   | Accounts payable to related parties |                  |                  |                  | Loans with related parties - Liabilities |                     |
| (non-current)                                |   | (non-current)                       |                   | (current)                           |                  | (non-current)    |                  | (non-current)                            |                     |
| 6/30/2019                                    | 12/31/2018  | 6/30/2019                           | 12/31/2018        | 6/30/2019                           | 12/31/2018       | 6/30/2019        | 12/31/2018       | 6/30/2019                                | 12/31/2018          |
| OGPar (i)                                    | 5,237   | 5,237                               | 4,117             | 18,534                              | -                | -                | -                | -  | -                   |
| Dommo Austria (ii)                           | 404,989   | 409,491                             | 14,114,874        | 14,441,786                          | -                | -                | (459,005)        | (409,491)                                | (13,836,142)        |
| Dommo Netherlands (iii)                      | -   | -                                   | 4,662             | 4,615                               | (141,817)        | (127,211)        | -                | -  | -                   |
| Dommo International                          | -   | -                                   | 61,815            | 61,162                              | -                | -                | -                | -  | -                   |
| OSX 3 Leasing B.V. (iv)                      | 7,517   | -                                   | -                 | -                                   | (57,483)         | (72,152)         | -                | -  | -                   |
| Dommo R-11                                   | 113   | -                                   | 13,787            | 7,478                               | -                | -                | (46)             | (46)                                     | -                   |
|  | <b>417,856</b>  | <b>414,728</b>                      | <b>14,199,255</b> | <b>14,533,575</b>                   | <b>(199,300)</b> | <b>(199,363)</b> | <b>(459,051)</b> | <b>(409,537)</b>                         | <b>(13,836,142)</b> |
| Consolidated                                 |   |                                     |                   |                                     |                  |                  |                  |  |                     |
| Credits with related parties                 |   | Loans with related parties - Assets |                   | Accounts payable to related parties |                  |                  |                  | Loans with related parties - Liabilities |                     |
| (non-current)                                |   | (non-current)                       |                   | (current)                           |                  | (non-current)    |                  | (non-current)                            |                     |
| 6/30/2019                                    | 12/31/2018  | 6/30/2019                           | 12/31/2018        | 6/30/2019                           | 12/31/2018       | 6/30/2019        | 12/31/2018       | 6/30/2019                                | 12/31/2018          |
| OGPar (i)                                    | -   | -                                   | -                 | -                                   | -                | -                | -                | -  | -                   |
| OSX 3 Leasing B.V. (iv)                      | 7,517   | -                                   | -                 | -                                   | (57,483)         | (72,152)         | -                | -  | -                   |
|  | <b>7,517</b>  | <b>-</b>                            | <b>-</b>          | <b>-</b>                            | <b>(57,483)</b>  | <b>(72,152)</b>  | <b>-</b>         | <b>-</b>                                 | <b>-</b>            |
| Consolidated Result                          |   |                                     |                   |                                     |                  |                  |                  |  |                     |
| Related parties                              | Composes balance of the line in the Statement of Operations |                                     |                   | 6/30/2019                           | 6/30/2018        |                  |                  |  |                     |
| OSX 3 Leasing B.V. - FPSO OSX 3 chartering   | Cost of goods sold  |                                     |                   | (75,313)                            | (15,563)         |                  |                  |  |                     |
| OGPar – interest income on loans (i)         | Earnings  |                                     |                   | -                                   | 3,299            |                  |                  |  |                     |
| OSX Serviços Operacionais - OSX offsets (iv) | Other operating (revenues) expenses                         |                                     |                   | -                                   | 958              |                  |                  |  |                     |
|  |   |                                     |                   | (75,313)                            | (11,306)         |                  |                  |  |                     |

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Further information on Loans and Financing - liabilities with related parties is as follows:

| Loans and financing                  | Curren<br>cy | Payment of<br>interest     | Amortization<br>of principal | Interest rate   | Counterparty  | Parent Company    |                |                   |                   |
|--------------------------------------|--------------|----------------------------|------------------------------|-----------------|---------------|-------------------|----------------|-------------------|-------------------|
|                                      |              |                            |                              |                 |               | 6/30/2019         |                | 12/31/2018        |                   |
|                                      |              |                            |                              |                 |               | Principal         | Interest       | Total             | Total             |
| Export pre-payment (PPE)             | US\$         | Semi-annual                | 7/30/2034                    | 9% p.a.         | Dommo Austria | 9,152,806         | 385,091        | 9,537,897         | 9,901,191         |
| Law 12,431 infrastructure debentures | R\$          | Semi-annual                | 7/30/2034                    | 10.5% p.a.      | Dommo Austria | 2,025,000         | 125,701        | 2,150,701         | 2,150,701         |
| Loan                                 | US\$         | at the end of<br>agreement | 7/30/2034                    | Libor 6M + 2.5% | Dommo Austria | 117,950           | 657            | 118,607           | 119,943           |
| Investment in Dommo Austria (*)      | n/a          | n/a                        | n/a                          | n/a             | Dommo Austria | 2,028,937         | -              | 2,028,937         | 2,096,939         |
|                                      |              |                            |                              |                 |               | <b>13,324,693</b> | <b>511,449</b> | <b>13,836,142</b> | <b>14,268,774</b> |
|                                      |              |                            |                              |                 | Current       | -                 | -              | -                 | -                 |
|                                      |              |                            |                              |                 | Non-current   | <b>13,324,693</b> | <b>511,449</b> | <b>13,836,142</b> | <b>14,268,774</b> |

(\*) Investments in Dommo Austria with negative equity classified as loans and financing with related parties pursuant to CPC 39 – Financial Instruments: Presentation, regarding the equalization of amounts receivable and payable.

### Changes in liabilities “Loans and Financing - liabilities with related parties”

|  | Parent Company    |
|--|-------------------|
| <b>Balance on December 31, 2018</b>        | <b>14,268,774</b> |
| (-) Amortization of principal and interest | (182,828)         |
| (+) Exchange rate change                   | (181,802)         |
| (+) Adjustment - Dommo Austria             | (68,002)          |
| <b>Balance on June 30, 2019</b>            | <b>13,836,142</b> |

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- (i) Refers basically to intercompany loans.
- (ii) Loans with related parties: Under Assets, refers to the credits held against Dommo Austria, in consideration for the assumption of the debt relating to the senior unsecured notes guaranteed by Dommo Energia, as provided for in the Court-Supervised Reorganization Plan. Under Liabilities, refers to export pre-payments, non-convertible debentures and the intercompany loan payable to Dommo Austria.
- (iii) Refers substantially to the amount payable relating to the lease agreement of subsea equipment signed between the Company and investee Dommo Netherlands and advances for purchase of equipment made by the Company to Dommo Netherlands.
- (iv) Amounts related to the lease of FPSO OSX, 3 as detailed in the table below.

|   | <b>Consolidated (Liabilities)</b> |                        |
|---|-----------------------------------|------------------------|
|   | <b>6/30/2019</b>                  | <b>12/31/2018</b>      |
| Advance of US\$15,000 payable in September 2019 | (57,483)                          | (58,122)               |
| Lease of OSX 3 payable                          | -                                 | (14,030)               |
|   | <b><u>(57,483)</u></b>            | <b><u>(72,152)</u></b> |

#### **Other information on loans and financing with related parties (liabilities)**

##### **US\$2.6 billion in Senior Unsecured Notes and US\$2.6 billion in PPE**

On June 3, 2011, OGPar issued Senior Unsecured Notes ("2018 Bonds") on the international market in the amount of US\$2,600,000 (equivalent to R\$4,000,000). The principal of this issue was settled in 2018, while interest was due semi-annually at the rate of 8.5% p.a. in the months of June and December. The funds were mainly intended for financing the development of production in the Campos and Parnaíba Basins. The funding costs for this issue, in the amount of US\$46.072 (equivalent to R\$74,310), were recognized under liabilities, thus reducing the amount funded. This amount was accrued to profit or loss over the loan term under the effective interest rate method. In October 2011, an amendment to the instrument for the issue of the 2018 Bonds was signed in the amount of US\$2,600,000, whereby OGPar was replaced by its subsidiary Dommo Austria as issuer and principal debtor of such bonds. In consideration for such operation, OGPar and its subsidiary at the time, Dommo Austria, signed an agreement whereby the former granted to the latter the funds obtained from issue of the above-mentioned notes (plus interest revenue from the investment of the funds raised through the grant date, as well as issue cost discounts). Also in October 2011, by means of an export pre-payment ("PPE") agreement, Dommo Austria granted to Dommo Energia an early payment of US\$2,600,000, in order to finance the development and production of oil to be exported by Dommo Energia to Dommo Austria. In consideration for the early payment, Dommo Energia undertook to export the number of barrels of oil required to settle the early payment through one or more shipments to Dommo Austria by May 27, 2018. The amount paid in advance and not yet settled through oil exports was subject to semi-annual interest payments at the rate of 9.0% p.a.

With the approval of the court-supervised reorganization plan on June 3, 2014, Dommo Energia, as guarantor of the debts, recognized the 2018 Bonds as liabilities by debiting an asset held against Dommo Austria. In turn, Dommo Austria no longer recognizes the debt to the bondholders and recorded another debt in the same amount to the guarantor, Dommo Energia. On September 30, 2014, after compliance with all the conditions provided for in the court-supervised reorganization plan for conversion of the debt into equity instruments, Dommo Energia recorded the cancellation of such notes. The court-supervised reorganization plan postponed the maturity of the PPE and Dommo Energia's credit with Dommo Austria through subrogation of the bonds to July 30, 2034. The court-supervised reorganization plan further calls for the PPE interest between Dommo Energia and Dommo Austria to be frozen as of the date the court-supervised reorganization petition was filed. Exchange rate changes continue to occur.

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**US\$1.1 billion in Senior Unsecured Notes and R\$2.0 billion in Debentures under Law 12.431/11 for infrastructure projects**

On March 30, 2012, Dommo Austria issued Senior Unsecured Notes ("2022 Bonds") on the international market in the amount of US\$1,100,000 (equivalent to US\$1,900,000). The principal of this issue was expected to be settled in April 2022, while interest was due semi-annually at the rate of 8.375% p.a. in the months of April and October. The funding costs for this issue, in the amount of US\$17,800 (equivalent to R\$39,000), were recognized under liabilities, thus reducing the amount funded. This amount was accrued to profit or loss over the loan term under the effective interest rate method. On September 28, 2012, Dommo Energia issued simple, unsecured debentures not convertible into shares on the Brazilian securities market in the amount of R\$2,000,000, under CVM Instruction 476. The operation was offset in October 2012. Said debentures are securities under Law 12,431/11 and the funds raised with the issue have been fully used to reimburse capital expenditures incurred by the issuer during the exploratory campaign in the Campos Basin, as expressly provided for in article 1, paragraph 1, item VI of the above-mentioned law. The debentures call for remuneration in the form of semi-annual interest at the rate of 10.5% p.a. The principal matures in March of 2022. On the debenture issue date, the above-mentioned securities were fully subscribed by Dommo Austria GmbH.

With the approval of Plan on June 3, 2014, Dommo Energia, as guarantor of the debts, recognized the 2022 Bonds as liabilities by debiting an asset held against Dommo Austria. In turn, Dommo Austria no longer recognizes the debt to the bondholders and recorded another debt in the same amount to the guarantor, Dommo Energia. On September 30, 2014, after fulfillment of all the conditions precedent provided for in the court-supervised reorganization plan for the conversion of the debt into equity instruments, Dommo Energia recorded the cancellation of such notes. The Plan postponed the maturity of the Debentures and Dommo Energia's credit with Dommo Austria through subrogation of the Bonds to July 30, 2034.

Pursuant to Law 12,431/11, the Plan further calls for the interest of debentures between Dommo Energia and Dommo Austria to be frozen as of the date the court-supervised reorganization petition was filed. Exchange rate changes continue to occur.

**Intercompany loans**

The cash of Dommo Energia's subsidiaries is managed in an integrated manner so that a cash surplus at a Group company may be transferred to the others through loan agreements between the parties.

On June 30, 2019, Dommo had receivables from OGPar arising from loans totaling R\$5,237 and R\$73,162, respectively (R\$5,237 and R\$105,234 on December 31, 2018), in the short- and long-terms, whose balance of R\$95,548 started in 2014. The long-term loan totaling R\$4,117 (R\$18,534 on December 31, 2018) is net of OGPar's unsecured liability in the amount of R\$69,045 on June 30, 2019 (R\$86,700 on December 31, 2018). In accordance with the provisions of the Court-Supervised Recovery Plan, the Company had been making regular loans to OGPar to maintain its expenses regular and ensure its continuity until the conclusion of the merger, on November 26, 2018. See details of the merger of shares in Notes 11 and 20.

On February 27, 2019, the Board of Directors authorized Dommo Energia to capitalize the remaining balance of intercompany loans ("Final Balance"), considering the end of the process to sell DOMMO3 shares held by OGPar.

## 16 Trade accounts payable

|                    | Parent Company |               | Consolidated  |               |
|--------------------|----------------|---------------|---------------|---------------|
|                    | 6/30/2019      | 12/31/2018    | 6/30/2019     | 12/31/2018    |
| Domestic suppliers | 15,908         | 23,239        | 16,114        | 23,443        |
| Foreign suppliers  | 12,274         | 9,852         | 12,885        | 10,420        |
| E&P provisions (i) | 6,705          | 2,031         | 6,705         | 2,031         |
|                    | <b>34,887</b>  | <b>35,122</b> | <b>35,704</b> | <b>35,894</b> |

- (i) The E&P provisions basically consider the costs incurred on subsea installation services and production of O&G that have not yet been billed. The provisions for production are based on the contractual daily rates.

These balances are classified as Other financial liabilities and recognized at their amortized cost.

## 17 Sundry provisions

|  | Parent Company and Consolidated |              |                |                |
|--|---------------------------------|--------------|----------------|----------------|
|  | Current                         |              | Non-current    |                |
|  | 6/30/2019                       | 12/31/2018   | 6/30/2019      | 12/31/2018     |
| Provision for guaranteed minimum payment (a)             | 646                             | 3,480        | -              | -              |
| Provision for ARO (b)                                    |                                 |              |                |                |
| Tubarão Azul   | -                               | -            | 54,795         | 56,121         |
| Tubarão Martelo  | -                               | -            | 269,030        | 264,020        |
| Provisions for regulatory contingencies (c)              | -                               | -            | 153,288        | 154,101        |
| Provisions for environmental compensation (d)            |                                 |              |                |                |
| Tubarão Azul Field                                       | -                               | -            | 12,165         | 11,803         |
| Tubarão Martelo Field                                    | -                               | -            | 44,072         | 42,760         |
| Campos Basin   | -                               | -            | 2,184          | 2,119          |
| Santos Basin   | -                               | -            | 9,100          | 9,201          |
| Provision for regulatory contingencies assumed (Note 28) | -                               | -            | 53,743         | 53,743         |
| Labor provisions   | -                               | -            | 5,524          | 2,721          |
|  | <b>646</b>                      | <b>3,480</b> | <b>603,901</b> | <b>596,589</b> |

- a) Provision for guaranteed minimum payment - stock options: This provision refers to the guaranteed minimum payment associated with former stock option contracts, already ended. Over the course of the third quarter of 2014, the Company renegotiated the terms of the agreement with the beneficiaries of the guaranteed minimum payment. For those beneficiaries accepting the proposal, the Company undertook to pay 10% of the amount provisioned for in the month of the agreement plus a further 40% in eight equal and consecutive monthly installments in the immediately subsequent months. Those who accepted the Agreement agreed that the remaining 50% would no longer be owed by the Company.
- b) Provision for Asset Retirement Obligation (ARO) for E&P fields: As from the declaration of commerciality of its fields and beginning of development activities, the Company begins to create a provision for abandonment or asset retirement obligation (ARO) at the end of the concession period. Such provision reflects the estimated expenditures to be incurred in the future, chiefly with respect to: (i) plugging of the wells; and (ii) removal of the lines and production equipment.
- The Company concluded Tubarão Azul's abandonment phase related to the plugging of the wells and the remaining provision refers to the removal of subsea equipment, which is under discussion with the ANP.
  - Regarding the guarantee required in the Concession Agreements, the Company is in the process of discussion and ratification with ANP, which amounts to approximately US\$65 million. When the process of discussion and evaluation of the exact amount to be deposited is concluded, the Company will evaluate with ANP the method and deadlines in which the deposits will be made. The Company has no expectation of any

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relevant financial disbursement for the next 12 months as a result of this matter. It should be mentioned that escrow deposits influence the financial disbursements related to the calculation of the variable payment of FPSO OSX 3 lease costs. As provided for in the FPSO OSX 3 lease agreement signed on November 26, 2018, the Company, when making the escrow deposits, will reduce the monthly variable payment of the lease to the owner of the FPSO.

- c) Provisions for regulatory contingencies refer to estimated fines related to ANP regulations or whose taxable event is already known. The Company has no expectation of any relevant financial disbursement for the next 12 months referring to these contingencies.
- d) Provisions for environmental compensation related to environmental licenses. The Company has undertaken with the Brazilian Environmental Protection Agency (IBAMA) to make certain environmental compensations with the transfer of resources to conservation units.

## 18 Other accounts payable

|                                   | Note | Parent Company |               | Consolidated   |                |
|-----------------------------------|------|----------------|---------------|----------------|----------------|
|                                   |      | 6/30/2019      | 12/31/2018    | 6/30/2019      | 12/31/2018     |
| BS-4 (i) Consortium               | 1.2  | 47,648         | 47,648        | 47,648         | 47,648         |
| Atlanta Field B.V.                | 11   | -              | -             | 45,894         | 46,404         |
| Success fees and other provisions |      | 28,058         | 27,072        | 28,209         | 27,220         |
|                                   |      | <b>75,706</b>  | <b>74,720</b> | <b>121,751</b> | <b>121,272</b> |

- (i) In accordance with the decision of the first stage of Block BS-4 arbitration, in 3Q18 the Company reversed cash calls and billings received and recorded as of October 2017. See Note 1.2 for further information.

## 19 Contingencies

Dommo Energia complies with CPC 25 - Provisions, Contingent Liabilities and Contingent Assets both on the recording of provisions in amount sufficient to cover probable losses and for which a reliable estimate can be made, and on the disclosure of contingent liabilities.

When preparing the financial statements for the period ended June 30, 2019 and for the year ended December 31, 2018, the Company and its subsidiaries considered all available information relating to lawsuits in which they are a party in order to estimate the amounts of the obligations and the probability of disbursing funds. The amounts whose losses are deemed probable are accrued and disclosed as "Provisions for regulatory contingencies" and "Labor provisions" in Note 17.

Lawsuits, whose likelihood of loss is possible, based on the judgment of the Company's and its subsidiaries' Management and on the external counsel's opinions, have not been accrued and are disclosed in this Note in accordance with the accounting practices adopted in Brazil. Contingent liabilities, plus interest and monetary restatement, estimated for such disputes on June 30, 2019 and December 31, 2018, are as follows:

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| Nature | Parent Company and Consolidated |                  |
|--------|---------------------------------|------------------|
|        | 6/30/2019                       | 12/31/2018       |
| Tax    | 2,829,714                       | 2,773,103        |
| Labor  | 2,834                           | 19,073           |
| Civil  | 11,924                          | 11,924           |
|        | <b>2,844,472</b>                | <b>2,804,100</b> |

The table below details the main tax, civil, environmental and labor lawsuits, whose likelihood of loss is possible.

| Description of tax lawsuits   | Parent Company and Consolidated |            |
|---|---------------------------------|------------|
|   | 6/30/2019                       | 12/31/2018 |
| <b>Plaintiff:</b><br>Brazilian Federal Revenue Office ("RFB")<br><b>Nature:</b><br>Levy of Withholding Income Tax ("IRRF") and Contribution of Intervention in the Economic Domain (CIDE) over remittance of funds abroad in 2009 to pay foreign companies under vessel charter party agreements.<br><b>Current situation:</b><br>The legal discussion related to the levy of IRRF addresses the legality of RFB regulations that guarantee a zero rate for said remittances. The Company ratifies the classification of loss as possible, as it understands that there are favorable statements in the Superior Courts, and will seek to secure its rights. Lawsuits involving CIDE are under administrative phase and, on November 28, 2018, Dommo was granted a favorable decision by the Administrative Council of Tax Appeals (CARF). These disputes are deemed possible as the legal provision is in line with the Company's understanding. | 107,523                         | 104,490    |
| <b>Plaintiff:</b><br>RFB<br><b>Nature:</b><br>Acceptance of the capacity of guarantor in relation to federal taxes suspended on the basis of temporary admission under the Repetro system.<br><b>Current situation:</b><br>The Company filed a Writ of Mandamus to challenge the issue of three tax deficiency notices related to collection of Import Tax, PIS and COFINS, referring to the alleged nationalization of FPSO OSX-3, as RFB did not accept OGPar as guarantor for acquisition of FPSO OSX-3 under the Repetro system, as legally regulated. In September 2018, the Company was granted a favorable decision by the Federal Regional Appellate Court.   | 799,768                         | 760,706    |
| <b>Plaintiff:</b><br>RFB<br><b>Nature:</b><br>Payment of IRRF on offshore remittances as interest arising from an Export Prepayment Agreement ("PPE") – see the details of this transaction in Note 15 – as the transaction allegedly lost its characteristics as a PPE transaction, as well as the non-eligibility of the transaction to RFB's regulation that governs IRRF zero tax on offshore remittance as interest.<br><b>Current situation:</b><br>The Company received the tax deficiency notice on December 13, 2017, challenged the decision on January 18, 2018 and is awaiting judgment.  | 684,244                         | 675,545    |
| <b>Plaintiff:</b><br>RFB<br><b>Nature:</b><br>Non-recognition of deductibility, in the calculation of IRPJ and CSSL, of interest expenses arising from a PPE Agreement – see the details of this transaction in Note 15 – as the transaction allegedly lost its characteristics as PPE Transaction. The effect in case of loss would be only a reduction of the tax loss base.<br><b>Current situation:</b><br>The Company received the tax deficiency notice on December 13, 2017, challenged the decision on January 18, 2018 and is awaiting judgment.   | 593,677                         | 593,677    |

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|   | <b>Parent Company and Consolidated</b> |                   |
|---|--|-------------------|
|   | <b>6/30/2019</b>                       | <b>12/31/2018</b> |
| <b>Description of civil lawsuits</b>  |  |                   |
| <b>Plaintiff:</b>   |  |                   |
| IBM Brasil - Indústria Máquinas e Serviços Limitada ("IBM")   |  |                   |
| <b>Nature:</b>  |  |                   |
| Payment   |  |                   |
| <b>Current situation:</b>   |  |                   |
| On October 29, 2013, the Company terminated the service agreement with IBM. IBM alleged that the termination was not valid and continued to render services without receiving payment, even after the court-supervised reorganization petition was filed on October 30, 2013. Also according to IBM, said amounts were not subject to the court-supervised reorganization. Among other arguments, the Company claims that any service rendered was residual and related to the demobilization of the agreement, reason why any amount due would be included in the court-supervised reorganization. | 9,153                                  | 9,153             |
| <b>Plaintiff:</b>   |  |                   |
| Several OGPar minority shareholders   |  |                   |
| <b>Nature:</b>  |  |                   |
| Payment   |  |                   |
| <b>Current situation:</b>   |  |                   |
| Ordinary lawsuit filed by minority shareholders with the purpose of claiming compensation for equity losses incurred, in regarding shares already sold and shares still in the portfolio, related to the Company.   | 2,771                                  | 2,771             |
|   | <b>11,924</b>                          | <b>11,924</b>     |

## 20 Shareholders' equity (unsecured liabilities)

### a. Share capital

The following table shows the changes in the Company's share capital in 2019 and 2018.

|   |                   |
|---|-------------------|
| <b>Share capital on December 31, 2017</b> | <b>10,157,770</b> |
| (+) capital increase (i)                  | 92,907            |
| <b>Share capital on December 31, 2018</b> | <b>10,250,677</b> |
| (+) Capital increase                      | 7                 |
| (+) Capital increase (ii)                 | 1,884,317         |
| (-) Capital decrease (iii)                | (11,722,602)      |
| <b>Share capital on June 30, 2019</b>     | <b>412,399</b>    |

The share capital on June 30, 2019 is represented by 270,040,228 registered, book-entry common shares with no par value.

- (i) Capital increase due to the merger of OGPar shares
- (ii) Capital increase with absorption of capital reserve balances.
- (iii) Capital decrease - On January 14, 2019, the Extraordinary Shareholders' Meeting approved the decrease of the Company's share capital by absorbing its accumulated losses, pursuant to article 173 of Law 6,404/76.

### b. Treasury shares

The amount of R\$21,646 on December 31, 2018 refers to the reciprocal interest of the wholly-owned subsidiary OGPar in Dommo Energia and is due to the merger of shares occurred on November 26, 2018, detailed in Note 11. In compliance with paragraph 5 of article 244 of Law 6,404/76, which establishes that the reciprocal interest, when occurring as a result of a merger, must be eliminated within one (1) year at the most, the Company dedicated its efforts and settled all reciprocal interest until February 13, 2019, generating R\$35,411 in cash. In the second quarter

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of 2019, the balance of these treasury shares was fully settled, converted into cash and eliminating the effect of a reduction in shareholders' equity as of December 31, 2018. The changes of the reciprocal interest recorded as treasury shares is as follows:

|   |                               |
|---|-------------------------------|
| <b>Fair value of shares on November 26, 2018 recorded as treasury shares</b>                                | <b>R\$</b><br><b>(54,200)</b> |
| Shares sold on the open market by OGPar to third parties between the merger of shares and December 31, 2018 | 16,215                        |
| Fair value adjustment on December 31, 2018  | 16,339                        |
| <b>Balance on December 31, 2018</b>   | <b>(21,646)</b>               |
| Shares sold on the open market by OGPar to third parties between December 31, 2018 and June 30, 2019        | 21,646                        |
| <b>Balance on June 30, 2019</b>   | <b>-</b>                      |

**c. Dividends**

The Company's Bylaws establishes the distribution of minimum mandatory dividends of 0.001% of the net income for the year, adjusted as per article 202 of Law 6,404/1976 (as amended by Law 10,303/2001). At Management's discretion, the Company may pay interest on equity, the net amount of which shall be charged to minimum mandatory dividends, as per article 9 of Law 9,249/1995.

**d. Currency translation adjustment**

Due to currency conversion related to investments in foreign subsidiaries, currency translation adjustments were recognized under comprehensive income (loss).

**e. Capital reserve**

The negative balance of the capital reserve, in the amount of R\$(159,192), is due to negative goodwill from the absorption of OGPar shares.

## 21 Net sales revenue

|  | <b>Parent Company</b> |                  | <b>Consolidated</b> |                  |
|--|-----------------------|------------------|---------------------|------------------|
|  | <b>6/30/2019</b>      | <b>6/30/2018</b> | <b>6/30/2019</b>    | <b>6/30/2018</b> |
| Oil  |                       |                  |                     |                  |
| Gross sales revenue                            | 256,756               | 242,990          | 268,574             | 242,990          |
| (-) Taxes on sales                             | -                     | -                | -                   | -                |
| <b>Net sales revenue</b>                       | <b>256,756</b>        | <b>242,990</b>   | <b>268,574</b>      | <b>242,990</b>   |
| <i>Volume sold in thousands of barrels (i)</i> |                       |                  | 1,136.0             | 1,109.9          |

(i) Information not reviewed by the independent auditors

In 2019, there was an increase in the average sale price of oil compared to 2018 (R\$236.4 per barrel in 2019 versus R\$218.9 per barrel in 2018).

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## 22 Cost of goods sold

|                           | Parent Company |                | Consolidated   |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 6/30/2019      | 6/30/2018      | 6/30/2019      | 6/30/2018      |
| Leasing                   | 86,723         | 23,622         | 75,313         | 15,563         |
| O&M                       | 50,585         | 34,768         | 50,585         | 34,768         |
| Logistics                 | 48,378         | 41,576         | 48,378         | 41,576         |
| Other expenditures        | 1,440          | 6,219          | 1,440          | 6,219          |
|                           | <b>187,126</b> | <b>106,185</b> | <b>175,716</b> | <b>98,126</b>  |
| Royalties                 | 25,123         | 21,160         | 25,123         | 21,160         |
| Depreciation/Amortization | 27,547         | -              | 27,547         | -              |
|                           | <b>239,796</b> | <b>127,345</b> | <b>228,386</b> | <b>119,286</b> |

- Leasing: in the Consolidated, it refers to the lease costs of FPSO OSX-3. In the Company, such costs include the lease of subsea equipment between Dommo Energia and Dommo Netherlands, the effect of which is eliminated in the Consolidated.
- O&M: refer to the costs for operation and maintenance of FPSO OSX-3 and the submerged centrifugal pumps (BCS).
- Logistics: refer to the costs incurred with support vessels, helicopters and fuel for the support vessels and the FPSO units.
- Other expenditures: Include, among others, the allocation of G&A expenses and the cost of chemical products.

## 23 General and administrative expenses

|  | Parent Company |               | Consolidated  |               |
|--|----------------|---------------|---------------|---------------|
|  | 6/30/2019      | 6/30/2018     | 6/30/2019     | 6/30/2018     |
| Personnel expenses                         | 10,217         | 2,666         | 10,217        | 2,666         |
| Management compensation (Note 27)          | 4,754          | 3,637         | 4,802         | 3,637         |
| Guaranteed minimum payment - stock options | -              | (595)         | -             | (595)         |
| Depreciation and amortization              | 313            | 344           | 313           | 344           |
| Office expenses                            | 2,807          | 3,330         | 2,823         | 3,379         |
| Outsourced services                        | 8,223          | 8,836         | 10,096        | 9,545         |
| Insurance                                  | 481            | 904           | 481           | 904           |
| PIS and COFINS                             | 2,128          | 1,152         | 2,152         | 1,159         |
| Others                                     | 515            | 627           | 650           | 625           |
|  | <b>29,438</b>  | <b>20,901</b> | <b>31,534</b> | <b>21,664</b> |

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## 24 Earnings

|                                     | Parent Company  |                 | Consolidated    |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | 6/30/2019       | 6/30/2018       | 6/30/2019       | 6/30/2018       |
| <b>Financial expenses</b>           |                 |                 |                 |                 |
| Interest on provision for ARO       | (7,918)         | (8,524)         | (7,918)         | (8,524)         |
| Sundry interest                     | (85)            | (166)           | (85)            | (1,469)         |
| Fair value of financial instruments | (i) -           | (9,917)         | (18,372)        | (9,917)         |
| Interest expenses IFRS 16 (Note 33) | (2,707)         | -               | (2,707)         | -               |
| Other financial liabilities         | (481)           | (754)           | (4,611)         | (1,556)         |
|                                     | <b>(11,191)</b> | <b>(19,361)</b> | <b>(33,693)</b> | <b>(21,466)</b> |
| <b>Financial revenue</b>            |                 |                 |                 |                 |
| Interest                            | 3,685           | 4,519           | 35              | 3,299           |
| Fair value of financial instruments | (i) -           | -               | 13,096          | -               |
| Earnings from financial investments | 411             | 651             | 2,020           | 777             |
| Other financial liabilities         | 204             | 1               | 362             | 30              |
|                                     | <b>4,300</b>    | <b>5,171</b>    | <b>15,513</b>   | <b>4,106</b>    |
| <b>Exchange rate change, net</b>    | <b>(41,811)</b> | <b>586,831</b>  | <b>6,193</b>    | <b>(28,445)</b> |
| <b>Net financial result</b>         | <b>(48,702)</b> | <b>572,641</b>  | <b>(11,987)</b> | <b>(45,805)</b> |

(i) Effect of the adjustment to present value of the shares the Company held in the subsidiary Eneva S.A..

## 25 Other operating income (expenses)

| Ref.   | Parent Company |                 | Consolidated  |                 |
|--|----------------|-----------------|---------------|-----------------|
|  | 6/30/2019      | 6/30/2018       | 6/30/2019     | 6/30/2018       |
| Provision for inventory loss                                     | (2)            | 422             | (2)           | 422             |
| PIS/COFINS offsettable   | (a) 11,538     | 9,914           | 11,538        | 9,914           |
| Deferred PIS/COFINS  | (b) 9,168      | (78,390)        | 9,168         | (78,390)        |
| Provision for losses on taxes recoverable                        | (675)          | (558)           | (4,453)       | (3,922)         |
| Provision for loss of reimbursable costs – ARO in the TBAZ field | (11,071)       | (12,157)        | (2,890)       | (4,758)         |
| OSX offsets  | -              | 958             | -             | 958             |
| Labor provisions   | (2,803)        | (919)           | (2,803)       | (919)           |
| Costs of Dommo Netherlands                                       | -              | -               | (8,407)       | (7,489)         |
| Reversal of sundry provisions                                    | 8,636          | -               | 8,636         | -               |
| Reimbursement legal counsel costs                                | 1,708          | -               | 1,708         | -               |
| Indemnities receivable   | 4,132          | -               | 4,132         | -               |
| Losses and gains from the sale of investments                    | (c) -          | -               | 14,756        | -               |
| Other  | 90             | (950)           | 1,075         | (109)           |
|  | <b>20,721</b>  | <b>(81,680)</b> | <b>32,458</b> | <b>(84,293)</b> |

- a) PIS/COFINS credits recorded in the period  
b) Deferred PIS/COFINS expense on active exchange rate changes. See Note 14.  
c) Gain from the sale of Eneva S.A. shares. For more information, see Note 6.

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## 26 Impairment

|   | Parent Company  |               | Consolidated    |               |
|---|-----------------|---------------|-----------------|---------------|
|   | 6/30/2019       | 6/30/2018     | 6/30/2019       | 6/30/2018     |
| <b>Property, plant and equipment (Note 12)</b>            |                 |               |                 |               |
| Adjustment for impairment related to ARO and other assets | (60,074)        | 10,791        | (60,074)        | 10,791        |
| Write-off of depreciation - impairment                    | -               | -             | 8,380           | 8,433         |
|   | <b>(60,074)</b> | <b>10,791</b> | <b>(51,694)</b> | <b>19,224</b> |
| Translation adjustments (i)                               | -               | -             | 12              | (944)         |
| <b>Effect on profit (loss)</b>                            | <b>(60,074)</b> | <b>10,791</b> | <b>(51,682)</b> | <b>18,280</b> |

(i) Currency translation adjustment affecting the impairment of offshore companies.

## 27 Management Compensation

The compensation paid to the Company's and its subsidiaries' Management is as follows:

|   | Parent Company |              | Consolidated |              |
|---|----------------|--------------|--------------|--------------|
|   | 6/30/2019      | 6/30/2018    | 6/30/2019    | 6/30/2018    |
| Board of Directors (charges and fees)                           | 1,061          | 1,156        | 1,085        | 1,156        |
| Audit Committee (charges and fees)                              | 55             | 260          | 55           | 260          |
| Management (compensation, salaries, benefits and charges)       | 3,400          | 2,011        | 3,424        | 2,011        |
|   | <b>4,516</b>   | <b>3,427</b> | <b>4,564</b> | <b>3,427</b> |
| <b>Total management compensation</b>                            |                |              |              |              |
| Fiscal Council (charges and fees)                               | 238            | 210          | 238          | 210          |
| <b>Total management compensation + Fiscal Council (Note 23)</b> | <b>4,754</b>   | <b>3,637</b> | <b>4,802</b> | <b>3,637</b> |

## 28 Commitments Assumed

### Minimum Exploratory Program ("PEM")

In the third quarter of 2016, the Company received a correspondence from ExxonMobil, partner and operator of Block POT-M-762, informing that it had received an Official Letter from ANP on July 4, 2016, requesting that both parties, Dommo Energia and ExxonMobil, paid R\$107,487, corresponding to the 1,004.55 Work Units not complied with in the aforementioned Concession Agreement. In the correspondence, ExxonMobil advised Dommo Energia to settle 50% of the amount (R\$53,743), due to the obligations assumed in the Joint Operation Agreement. In this regard, Dommo Energia's legal counsels understand that the credit related to the PEM that has not been complied with should not receive special treatment, given that said credit was recorded before Dommo Energia's court-supervised reorganization, which could only be required after the implementation of specific conditions. As a result, Dommo Energia presented a delayed proof of claim before the Court judging its court-supervised reorganization case, requesting the inclusion of said credit in the list of creditors, given that the PEM commitment arises from an event occurred in the first half of 2013, i.e. before the filing for court-supervised reorganization. On March 2, 2018, the judgment rendered by the court that presided over the court-supervised reorganization understood that the case should be dismissed without prejudice. Given the above-mentioned decision, the Company filed the applicable appeal, which was granted on July 12, 2018, by the

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14th Civil Court of the Rio de Janeiro Court of Appeals, which determined the late filing of the claim, totaling R\$53,743, in the general list of creditors. The Company is still waiting for the result of the Special Appeal filed by ExxonMobil with the Supreme Court of Justice. As a result, even considering a favorable decision to the Company by the Rio de Janeiro Court of Appeals, the Company maintained the provision recorded for this liability. See Note 17.

## **29 Financial instruments and risk management**

The Company and its subsidiaries engage in operations involving financial instruments. These instruments are managed by means of operating strategies and internal controls aimed at ensuring liquidity, security and profitability.

The control policy consists of permanently monitoring the contractual terms versus those prevailing in the market and future expectations. The Company and its subsidiaries do not make any investments of a speculative nature in derivatives. The results obtained from operations are in compliance with the policies and strategies defined by the Company's and its subsidiaries' Management.

The estimated realizable amounts of the Company's and its subsidiaries' financial assets and liabilities have been determined by means of information available on the market and appropriate appraisal methodologies. However, considerable judgment has been required in interpreting market data in order to produce the most appropriate estimate of realizable amounts. As a result, the following estimates do not necessarily indicate the amounts that could be realized on the current market. The use of different market methodologies can have a material effect on the estimated realizable amounts.

### **Derivatives and risk management**

#### **a. Risk management objectives and strategies**

The Company and its subsidiaries have a formal risk management policy. Financial instruments for hedge purposes are contracted by conducting a periodic analysis of the exposure to the risk that Management wishes to hedge against, as approved by the Board of Directors. The hedge guidelines are applied according to the type of exposure. Whenever risk factors related to foreign currencies, interest rates and inflation arising from assets and liabilities acquired are deemed to be material, they may be neutralized in accordance with Management's appraisal of the economic and operational context. The contracting of instruments to hedge against oil price changes is subject to the limits of physical exposure and volatility set forth in the Risk Management Policy and in the Investments and Hedge Standard.

#### **b. Market risk**

Risk of changes in prices of commodities, exchange rates and interest rates.

##### **b.1 Risk of change in oil prices**

#### **Risk management**

The Company and its subsidiaries have a formal policy for sales and inventory management that defines the levels of decision-making for oil sales and the criteria for management of oil sale prices. The guidelines for hedging the price of this commodity call for the possibility to use derivative instruments to set the sale price in order to assure enhanced stability and predictability for the Company's flow of revenues. The volatility of Brent prices is one of the Company's assumptions to carry out an impairment test. See Notes 12 and 26.

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**Operations hedged by derivative instruments against changes in prices**

Pursuant to its Sales Policy, the Company and its subsidiaries can use derivative instruments to establish the sale price of the oil produced and may also set the price for up to three months of production or occasionally any other horizon that is approved by the Board of Directors. The derivative instruments used in such hedge operations could involve oil futures, swaps, collars and options. The operations may be carried out on the following exchanges: the NYMEX - New York Mercantile Exchange and the ICE - Intercontinental Exchange, as well as on the over-the-counter (OTC) market. In the quarter ended June 30, 2019, the Company and its subsidiaries did not carry transactions with derivative financial instruments.

**Sensitivity analysis - stress testing**

On June 30, 2019, the Company and its subsidiaries are not presenting any sensitivity analysis for oil derivatives, since there were no outstanding positions on said reference date.

**b.2 Exchange risk**

Risk of fluctuations in exchange rates associated with the Company's and its subsidiaries' assets and liabilities.

**Risk management**

The Company and its subsidiaries manage exchange risk at the consolidated level in order to identify and mitigate risks associated with fluctuations in the value of currencies to which assets and liabilities are pegged. The objective is to identify or create natural hedges, taking advantage of the synergy between the operations of the Company's subsidiaries. The idea is to minimize the use of hedge derivatives by managing exchange risk over net exposure. Derivative instruments may be used in cases in which it is not possible to use the natural hedge strategy. The Company may contract derivative operations within the following limits:

- For amounts effectively committed or contracted, in which there are agreements signed with suppliers, a coverage position of up to 100% may be adopted, regardless of the exposure period.
- For estimated amounts, a position with coverage period limited to 12 months may be adopted and the coverage position may be under 100%, weighted based on conservative prospects for realization.

**Net exchange exposure**

|   | <u>Consolidated</u><br><u>6/30/2019</u> |
|---|---|
| Assets (i)                              | 10,509,672                              |
| Liabilities (ii)                        | <u>(10,601,724)</u>                     |
| <b>Net foreign currency liabilities</b> | <b><u>(92,052)</u></b>                  |

- (i) Refers mainly to the balance of cash and cash equivalents, escrow deposits in US dollars, accounts receivable in foreign currency, loans and financing in US dollars and the subrogated credit of the Bonds.
- (ii) Refers to the PPE liability in US\$ between Dommo Energia and Dommo Austria [see Note 15 item (i)], the investment in the subsidiary Dommo Austria (see Note 15), and the provision for ARO for the Atlanta, Oliva and Tubarão Martelo fields. See Note 17.

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### **Sensitivity analysis for exchange risk**

The scenarios defined in this analysis are based on the exchange rate in effect on June 30, 2019:

- Scenario I: appreciation of the US\$ against the R\$ - by 25%.
- Scenario II: appreciation of the US\$ against the R\$ - by 50%.

The following table details the sensitivity analysis of the net balance of outstanding assets and liabilities in US dollar as of June 30, 2019. Positive amounts represent revenues and negative amounts, expenses.

|                                     | <b>Notional<br/>amount<br/>(US\$)</b> | <b>Scenario I<br/>(R\$)</b> | <b>Scenario II<br/>(R\$)</b> |
|-------------------------------------|---------------------------------------|-----------------------------|------------------------------|
| Net liabilities in foreign currency | (24,021) (*)                          | (23,015)                    | (46,028)                     |

(\*) Corresponds to R\$(92,052) presented in the section above entitled "Net exchange exposure", in Note 29b.2, translated into US\$ at the closing rate of June 30, 2019 of R\$3.8322.

### **c. Credit risk**

The credit risk derives from the possibility that the Company and its subsidiaries may incur losses due to the default of its counterparts or the financial institutions with which its funds are deposited or where it has financial investments. This risk factor may arise from commercial and cash management operations. To mitigate such risks, the Company has adopted a practice of analyzing the financial and equity situation of its counterparts, and also permanently tracking outstanding positions. To appraise the financial institutions with which it conducts operations, the Company uses the Risk Bank Index from the consulting firm Lopes Filho e Associados, and the rating of the risk rating agency Standard & Poor's (S&P). In order to appraise its commercial counterparts, the Company has a regulation establishing a set of criteria and guidelines that represent the basis for granting credit to its domestic and foreign customers. The basic fundamentals that guide this instrument are providing enhanced security for realization of the credits granted and minimizing any risks in commercial relations.

### **Maximum exposure to credit risk**

The Company's maximum exposure to credit risk corresponds to the total set out below:

|   | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---|-----------------------|-------------------|---------------------|-------------------|
| <b>Credit risk</b>                      | <b>6/30/2019</b>      | <b>12/31/2018</b> | <b>6/30/2019</b>    | <b>12/31/2018</b> |
| Cash and cash equivalents               | 12,958                | 51,922            | 197,519             | 157,311           |
| Escrow deposits                         | 3,206                 | 3,245             | 6,351               | 3,245             |
| Trade accounts receivable               | -                     | -                 | 39,349              | -                 |
| Other credits (except prepaid expenses) | 1,740                 | 12,669            | 3,213               | 14,247            |
| Marketable securities                   | -                     | -                 | -                   | 79,078            |
|   | <b>17,904</b>         | <b>67,836</b>     | <b>246,432</b>      | <b>253,881</b>    |

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**d. Liquidity risk**

The Company and its subsidiaries monitor their level of liquidity considering the expected cash flows, in comparison with the amount of cash and cash equivalents available. Management of liquidity risk implies keeping on hand sufficient cash and marketable securities and having capacity to settle short-term market positions. The following chart shows the aging list of the Company's and its subsidiaries' financial liabilities.

|  | 6/30/2019 – Consolidated |                        |                                 |                           |                               | Total          |
|--|--------------------------|------------------------|---------------------------------|---------------------------|-------------------------------|----------------|
|  | Overdue                  | Overdue up to 6 months | Overdue from 6 months to 1 year | Overdue from 1 to 2 years | Overdue for more than 2 years |                |
| Trade accounts payable                       | 13,640                   | 22,064                 | -                               | -                         | -                             | 35,704         |
| Other accounts payable – BS-4 Consortium (i) | 93,542                   | -                      | -                               | -                         | -                             | 93,542         |
| Other accounts payable                       | -                        | 28,209                 | -                               | -                         | -                             | 28,209         |
| Accounts payable to related parties (ii)     | -                        | 57,483                 | -                               | -                         | -                             | 57,483         |
| <b>Total</b>                                 | <b>107,182</b>           | <b>107,756</b>         | <b>-</b>                        | <b>-</b>                  | <b>-</b>                      | <b>214,938</b> |

(i) Refers to cash calls due by the Company to the BS-4 Consortium.

(ii) Amounts referring to the chartering of FPSO OSX 3.

**e. Share price volatility risk**

The Company and its subsidiaries are exposed to the risk of changes in share price due to investments maintained by the Company and classified in the consolidated statement of financial position as measured at fair value through profit or loss. The profit for the year would fluctuate depending on the gains or losses over the price of the shares measured at fair value through profit or loss.

**Fair value of financial assets and liabilities**

The concept of fair value provides for the appraisal of assets and liabilities based on market prices, in the case of liquid assets, or on mathematical pricing methodologies otherwise. The hierarchical level of fair value grants priority to unadjusted quoted prices on an active market. The fair value hierarchy for financial instruments is structured as follows:

|                                     | Prices observable on active market (Level I) | Pricing model based on prices observable on active market (Level II) | Pricing model without use of observable prices (Level III) |
|-------------------------------------|--|--|--|
| Financial investments               | -  | 3,444  | -  |
| <b>Balance on June 30, 2019</b>     | <b>-</b>                                     | <b>3,444</b>   | <b>-</b>   |
|                                     | Prices observable on active market (Level I) | Pricing model based on prices observable on active market (Level II) | Pricing model without use of observable prices (Level III) |
| Financial investments               | -  | 15,078   | -  |
| Marketable securities               | 79,078                                       | -  | -  |
| <b>Balance on December 31, 2018</b> | <b>79,078</b>                                | <b>15,078</b>  | <b>-</b>   |

There was no reclassification between the fair value hierarchy categories of marketable securities and financial investments as of June 30, 2019 and December 31, 2018.

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### 30 Insurance

The Company and its subsidiaries continuously take out a Petroleum Risk insurance policy, effective as from the beginning of its exploratory campaign, which includes the following coverage: Third Party Civil Liability for material damages and/or personal injury; Well Control Insurance, which covers accidents such as kick and blowouts, well eruption due to uncontrolled pressure, which may lead to well abandonment, in addition to expenses, such as re-drilling wells or cleaning and decontamination. On March 1, 2019, the Petroleum Risk insurance policy was renewed for a further 18 months, offering coverage through September 1, 2020. The policy was issued by Fairfax Brasil.

On February 20, 2019, the P&I insurance was renewed. This vessel insurance refers exclusively to pollution and waste removal. The policy, issued by Gard, is valid until February 20, 2020.

On July 31, 2018, the insurance coverage for General Civil Liability, by Fairfax Brasil, maturing on July 31, 2019, was renewed, while the Property insurance, by Fairfax do Brasil, was renewed on October 07, 2018, remaining in effect until October 07, 2019.

Tokio Marine renewed the D&O civil liability policy for another 12 months, valid until August 2, 2019.

As of June 30, 2019, the main assets or interests covered by insurance policies and the respective amounts thereof are as follows:

| Type of insurance                          | Insured amounts |
|--|-----------------|
| <b>Exploratory campaign</b>                | <b>US\$'000</b> |
| Offshore blowout risks in the Campos basin | 57,500          |
| Protection and Indemnity OSX-3 (P&I)       | 500,000         |
| <b>Other insurance</b>                     | <b>R\$' 000</b> |
| Operating risks to property                | 9,060           |
| General civil liability                    | 20,000          |
| Civil liability of administrators – D&O    | 60,000          |

The scope of our independent auditors' work does not include the review of insurance adequacy, which was determined by the Company's and its subsidiaries' Management, which considers it sufficient to cover any claims.

### 31 Segment reporting

Oil and gas exploration and production is the only segment where the Company and its subsidiaries operate.

## 32 Earnings (Loss) per Share

|  | <u>Consolidated</u>     |                         |
|--|-------------------------|-------------------------|
|  | 6/30/2019               | 6/30/2018               |
| <b>Basic and diluted (loss)/earnings per share</b> |                         |                         |
| <b>Basic and diluted numerator:</b>                |                         |                         |
| Earnings/(loss) attributable to shareholders       | (21,617)                | (12,747)                |
| <b>Basic and diluted denominator:</b>              |                         |                         |
| Weighted average number of shares                  | 270,040,027             | 266,544,402             |
| <b>Earnings (loss) per share – in R\$</b>          | <u><u>(0.08005)</u></u> | <u><u>(0.04782)</u></u> |

## 33 Leases - IFRS 16 (Parent Company and Consolidated)

Leases include mainly the FPSO OSX-3 allocated to the production of the Tubarão Martelo Field, supporting vessels and other equipment related to production. The balances and effects of the right of use and financing in the six-month period result are as follows:

|   | <u>Right of use</u>             |            | <u>Leases payable</u>         |                      |
|---|---------------------------------|------------|-------------------------------|----------------------|
|   | 6/30/2019                       | 12/31/2018 | 6/30/2019                     | 12/31/2018           |
|   | <u>Cost</u>                     |            | <u>Principal and interest</u> |                      |
| E&P assets  | 1,008,927                       | -          | 1,008,927                     | -                    |
| Buildings and leasehold improvements  | 21,535                          | -          | 21,535                        | -                    |
|   | <b>1,030,462</b>                | <b>-</b>   | <b>1,030,462</b>              | <b>-</b>             |
|   | <u>Accumulated amortization</u> |            | <u>Amortization</u>           |                      |
| E&P assets  | (102,241)                       | -          | (122,574)                     | -                    |
| Buildings and leasehold improvements  | (805)                           | -          | (963)                         | -                    |
|   | <b>(103,046)</b>                | <b>-</b>   | <b>(123,537)</b>              | <b>-</b>             |
|   |                                 |            | <u>Interest expense</u>       |                      |
| E&P assets  |                                 |            | 2,700                         | -                    |
| Buildings and leasehold improvements  |                                 |            | 7                             | -                    |
|   |                                 |            | <b>2,707</b>                  | <b>-</b>             |
| <b>Net balances</b>   | <u><b>927,416</b></u>           | <b>-</b>   | <u><b>909,632</b></u>         | <b>-</b>             |
| <b>Current liabilities</b>  |                                 |            | <b>204,246</b>                | <b>-</b>             |
| <b>Non-current liabilities</b>  |                                 |            | <u><b>705,386</b></u>         | <b>-</b>             |
|   |                                 |            |                               |                      |
| Increase of the financial expense with interest (Note 24)   |                                 |            |                               | (2,707)              |
| Decrease of production costs and other operating expenses   |                                 |            |                               | 20,491               |
| Decrease of inventory   |                                 |            |                               | (1,874)              |
| <b>Increase of the quarter result due to the adoption of IFRS 16 compared to previous standards</b> |                                 |            |                               | <u><b>15,910</b></u> |

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**Board of Executive Officers**

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Paulo Souza Queiroz Figueiredo  
**CEO**

Eduardo Yuji Tsuji  
**Chief Finance and Investor Relations Officer**

**Controller and Accountant in charge**

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Luciano Magalhães Janoni  
CRC-RJ 115869/O-9