

EARNINGS RELEASE

# 2021 Third Quarter

**3Q21 Results Conference Call**

Thursday, november 11th, 2021

11h00 (Brasilia Time)



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 **PetroReconcavo**

## 3Q21 Highlights

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**Mata de São João, November 10, 2021 – PetroReconcavo S.A.** ("PetroReconcavo" or "Company") (B3: RECV3) today announces its results for the third quarter of 2021 (3Q21). The following information is presented in a consolidated manner, in thousands of Brazilian Reais (R\$), in accordance with International Financial Statements Standards (IFRS) and with the accounting standards adopted in Brazil, unless otherwise stated.

### 3Q21 Highlights

- Growth of 30.1% and 13.2%, respectively, in net revenues and EBITDA in the 3Q21, when compared to the 3Q20;
- Net income in the 3Q21 of R\$ 22.9 million and accumulated in the period of R\$ 104.6 million;
- Growth of 13.2% in total production in the 3Q21 vs. 3Q20 and of 7.8% accumulated in 9 months, when compared to the same period of 2020;
- We recorded 18 months without accidents with loss of time in the Company and 3 years in Bahia Asset;
- The subsidiary Potiguar E&P S.A. signed a contract with Potigás for the supply of natural gas as of January 1<sup>st</sup>, 2022;
- The subsidiary Potiguar E&P S.A. was declared the winner of the PBGÁS 2022/2023 Public Call for the Supply of Natural Gas; and
- The Company began its 2021 Drilling Campaign in the Potiguar Asset, having drilled five wells in the quarter, and another three wells in October, totaling eight wells drilled up until the present release.



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**Key Indicators** (in thousands of Brazilian Reais – R\$ – unless otherwise stated)

	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Net revenue	260,344	200,177	30.1%	755,242	581,213	29.9%
Net income (loss) for the period	22,926	6,342	261.5%	104,602	(144,855)	n.m.
Net margin <sup>1</sup>	8.81%	3.17%	178.0%	13.85%	-24.92%	n.m.
EBITDA <sup>2</sup>	134,599	118,915	13.2%	397,585	343,211	15.8%
EBITDA margin <sup>3</sup>	51.70%	59.40%	-13.0%	52.64%	59.05%	-10.9%
(Net cash) net debt <sup>4</sup>	(437,138)	825,934	n.m.	(437,138)	825,934	n.m.
Net debt/ EBITDA last 12 months <sup>5</sup>	-0.83 x	2.13 x	n.m.	-0.83 x	2.13 x	n.m.
Average gross production (boe per day)	12,246	10,815	13.2%	11,969	11,101	7.8%
Average production cost per boe in R\$ <sup>6</sup>	R\$ 65.59	R\$ 53.27	23.1%	R\$ 67.06	R\$ 55.35	21.2%
Gross production (in boe)	1,126,590	994,973	13.2%	3,267,637	3,041,592	7.4%
Average Brent Oil Spot Price <sup>7</sup>	\$73.51	\$42.91	71.3%	\$67.73	\$40.82	65.9%
Average exchange rate R\$/US\$ <sup>8</sup>	R\$ 5.23	R\$ 5.37	-2.6%	R\$ 5.33	R\$ 5.08	5.1%
End of Period Exchange Rate/US\$ <sup>9</sup>	R\$ 5.44	R\$ 5.64	-3.5%	R\$ 5.44	R\$ 5.64	-3.5%
Average production cost per boe in US\$ <sup>9</sup>	\$12.54	\$9.92	26.4%	\$12.58	\$10.89	16.2%

**Notes:**

(1) Net margin corresponds to net income/(net loss) for the period divided by net income for the period.

(2) We calculate EBITDA in accordance with the Securities and Exchange Commission Instruction ("CVM") No. 527 of October 4, 2012, as amended ("CVM Instruction 527") and consists of adjusted net income (loss) plus for financial income, income tax and social contribution on income and depreciation, amortization and depletion ("EBITDA"). EBITDA is not an accounting measure recognized by the Accounting Practices Adopted in Brazil ("BRGAAP") or by the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") are not audited or reviewed by the Company's independent auditors, and does not represent cash flow for the periods presented and should not be considered as substitutes for net profit (loss) as indicators of the Company's operating performance and, therefore, are not substitutes for cash flow, indicator of our liquidity or as a basis for the distribution of dividends. EBITDA has no standardized meaning, and our definition of EBITDA may not be comparable to those used by other companies.

(3) EBITDA margin corresponds to EBITDA for the period divided by net revenue for the period. The EBITDA Margin is not a measure of financial performance according to the Accounting Practices Adopted in Brazil or the International Financial Reporting Standards ("IFRS") nor should it be considered in isolation, as a measure of operating performance, or an alternative to operating cash flows as a measure of liquidity or as an indicator of financial returns.

(4) Represents total bank indebtedness, represented by loan and financing balances in current and non-current liabilities, minus cash balances and cash equivalents and financial investments present in current and non-current assets.

(5) Represents the balance of the debt at the end of the period divided by the accumulated EBITDA of the last twelve months in each period. Net Debt/EBITDA is not an accounting measure recognized by accounting practices adopted in Brazil ("BR GAAP") or by the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") is not audited or reviewed by the Company's independent auditors. The net debt/EBITDA has no standardized meaning, the various companies may calculate differently from the Company.

(6) Represents the total costs of the services provided and sales, excluding royalties to depreciation, amortization and depletion, divided by total gross production in boe in the period. In the second quarter of 2020, due to the Covid-19 pandemic, the Company reduced non-critical activities, resulting in cost reduction in that period. More detailed explanations of cost variations can be found in topic "5. Consolidated Financial Performance".

(7) Brent is quoted in dollar per barrel. Source: U.S. Energy Information Administration (EIA).

(8) The average exchange rate for the period corresponds to the average exchange rate on each business day in the periods presented, disclosed by the Central Bank of Brazil.

(9) The final exchange rate of the period corresponds to the exchange rate on the last working day in the periods presented, disclosed by the Central Bank of Brazil.

(10) Represents the total costs of the services provided and sales, excluding royalties, depreciation, amortization and depletion, divided by the total gross production in boe in the period, divided by the average exchange rate of the period.



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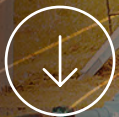




# Message from Management



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With the proximity of the closing of the Miranga and the Remanso Cluster, which we expect to occur until the end of the year, we have dedicated ourselves to create the necessary capacities and structures to accelerate the development pace in the operated fields. An internal restructuring took place to strengthen the areas of Rigs and Services, Facilities Projects and Production Management. In the latter, we aimed to expand operational synergies, incorporating the Miranga Cluster to the Bahia Asset, at the same time investing in standardizing processes and systems in both Assets.

In the Potiguar Asset, we began our drilling campaign in July 2021, using our internalized equipment and teams. We have concluded eight projects up to date, validating our expectations for the development of the Asset.

We also continue to focus our attention on improving the monetization of our natural gas production through the expansion of our activities in the value chain of the sector, signing the first contract for the supply of natural gas between an independent producer and a regional distributor, deriving from a public call process.

Externally, we have observed an increase in the demand for oil and gas as most countries have accelerated the reopening process with the advance of the mass vaccination campaigns. This recovery in demand, associated with difficulties in the expansion of supply, have resulted in a constructive scenario for oil and gas prices.

Regarding Covid-19, the Company continues its operations in accordance with the rules defined by the committee set up to manage the health crisis. The Company has returned to on-site activities maintaining all the safety protocols recommended by the committee. Employees of the risk groups continue to work remotely. In this quarter, no significant impacts were recorded due to the pandemic.

Once again, we are grateful for the dedication of our employees and the confidence of the market, reinforcing our commitment to our shareholders, employees and the society in general with a disciplined capital allocation, developing opportunities in the oil and gas industry, turning resources into value and dreams into reality.



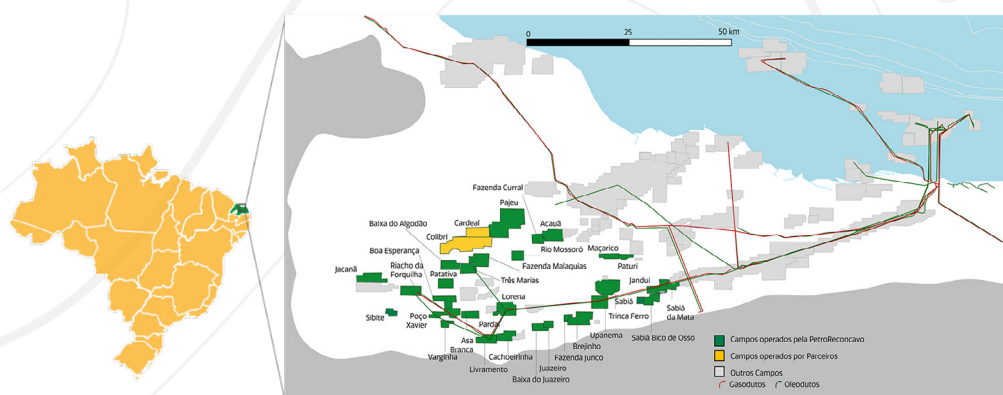
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**Oil and gas production assets operated or where the Company holds economic interests.**

## Potiguar Asset

The map below represents the location of the Potiguar Basin, with an emphasis on the fields operated by PetroReconcavo through its subsidiary Potiguar E&P.



Potiguar E&P signed on June 28th, 2021, a concession contract for the exploration and production of oil and natural gas, related to the POT-T-702 exploratory block, acquired in the 2nd Cycle of Permanent Offer held by the National Agency of Petroleum, Natural Gas and Biofuels. The concession contract comprises an area of 17.178 km<sup>2</sup>, and a Minimum Exploratory Program ("MEP") composed of 1.000 Units of Work, corresponding to a value of R\$ 6,000,000.00 (six million reais), which has a five-year period for its execution. The acquired area is adjacent to blocks already operated by Potiguar E&P, and its exploratory program will consist of drilling at least one well in order to evaluate the existence of accumulations in reservoirs similar to those existing in the neighboring concessions of the Block.

### Notes:

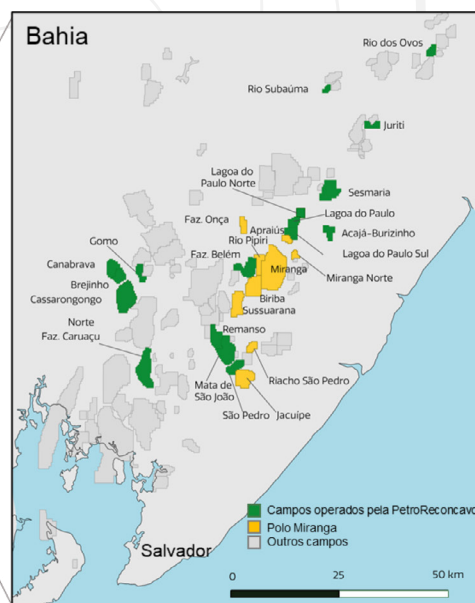
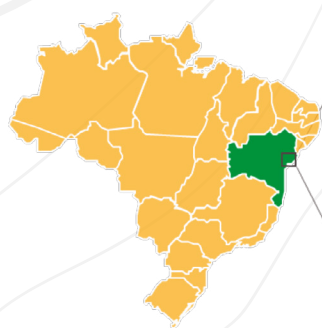
\*The Cardeal and Colibri concessions were merged, forming the Cardeal concession

## Bahia Asset Remanso Cluster

On December 23, 2020, we signed a contract for the purchase of Petrobras' entire stake in the 12 onshore fields, which constitute the Remanso Cluster, in the Recôncavo basin, state of Bahia. The acquisition value was of \$30.0 million. Of this amount: (I) US\$ 4.0 million, equivalent to R\$ 20.6 million, were paid on the signature date, December 23, 2020; (II) US\$ 21.0 million will be due and paid at the closing of the transaction, adjusted by the cash generation of the asset and other price adjustment conditions, to be presented by Petrobras, from July 2020 until the closing date; and (III) \$5.0 million will be paid in twelve months after the closing of the transaction, which is expected to occur until the end of 2021.

The Brazilian Petroleum, Natural Gas and Biofuels Agency ("ANP") unanimously approved, at a Board Meeting No. 1050, held on May 27, 2021, the assignment of the Remanso Cluster concession contract from Petróleo Brasileiro S.A – Petrobras to the Company. For the closing of the transaction with Petrobras ("Closing"), ANP must still approve the proposal for the constitution of the instruments of the deactivation and abandonment guarantees presented by the Company and the transition schedule of the operation, and the title of the environmental licenses must be transferred by the environmental agency.

The map below represents the location of the Recôncavo Basin, with emphasis to the Fields Operated by PetroReconcavo and the fields of the Miranga Cluster, which acquisition was signed by the Company on February 24, 2021:



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In addition, Recôncavo E&P, a subsidiary of PetroReconcavo, operates five areas in the northern part of the Recôncavo Basin, composed by the Fields of Lagoa do Paulo, Lagoa do Paulo Sul, Lagoa do Paulo Norte, Juriti and Acará-Burizinho.

### Acquisition of Miranga Cluster

On February 24, the Company, through the subsidiary SPE Miranga, signed a contract for the purchase of all Petrobras' stake in the nine land fields in the Recôncavo basin, in Bahia.

The value of the acquisition is up to US\$ 220.1 million, of which: (i) US\$ 11.0 million has already been paid on the signature date, February 24, 2021; (ii) US\$44.0 million will be paid on the closing date of the transaction, without price adjustment; (iii) US\$ 20.0 million will be paid in twelve months after the transaction closes; (iv) US\$20.0 million will be paid in twenty-four months after the transaction closes; (v) US\$ 40.1 million to be paid in thirty-six months after the transaction closes; and (vi) up to US\$ 85.0 million in contingent payments provided for in the contract, linked to different possible bands of the oil reference price (Brent) in the period between the calendar years 2022, 2023 and 2024.



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## 02

## Operational Performance

The Company closed the third quarter with an average production of 12,246 barrels of oil equivalent per day (BOED), registering a 13.2% increase when compared to the same period in 2020. In the accumulated for 2021, average production is of 11,969 BOED, representing a 7.8% increase in relation to the same period in 2020, as demonstrated below.

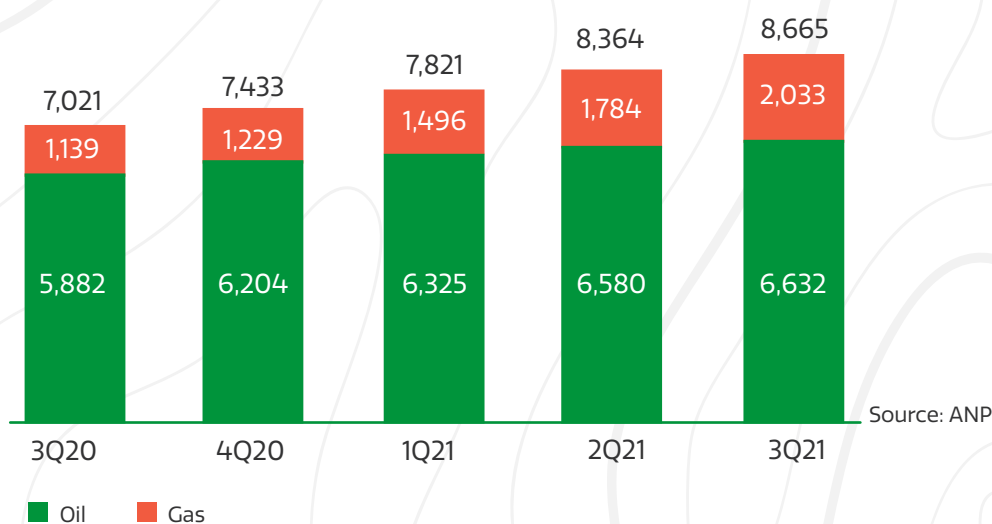
**Daily gross production** (in barrels of oil equivalent per day – BOED)

	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Bahia Asset	3,581	3,794	-5.6%	3,683	4,243	-13.2%
Potiguar Asset	8,665	7,021	23.4%	8,286	6,857	20.8%
<b>Daily gross production</b>	<b>12,246</b>	<b>10,815</b>	<b>13.2%</b>	<b>11,969</b>	<b>11,101</b>	<b>7.8%</b>

Source: ANP

**Potiguar Asset**

In the third quarter of 2021, the production of the Potiguar Asset continued its upward trajectory, which can be observed since we took over operations in December 2019, having grown 23.4% when compared to the third quarter of 2020 – 12.8% growth in the production of oil and 78.5% in the production of natural gas. The graph below shows the production history of the Potiguar Asset.

**Potiguar Asset – Average production in barrels of oil equivalent per day (boed)**


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The volumes presented in the above chart represent the total production of the Potiguar Asset, including the 30 fields operated by the Company and PetroReconcavo's participation in the three fields operated by partners until May 2021. From June, the Company also started operating the fields of Sabiá da Mata and Sabiá Bico-de-Osso, previously operated by the partner Sonangol Hidrocarbonetos do Brasil. Until 3Q21, few investments were made in these fields, with a consequent decline in their production. The Company is mobilizing to start a drilling campaign on these two fields, synchronized to the releases of environmental permits.

The gradual increase in the production of natural gas is aligned to improvements in commercialization conditions reported in the Earnings Release of 2021 and in the Company's strategy for monetizing gas production. On September 29th, 2021, the Company informed the market that a contract had been signed, through its subsidiary Potiguar E&P, for the supply of natural gas under the scope of the POTIGÁS 2022/2023 Public Call for the Supply of Natural Gas. The contract has a two-year term for the delivery of 236 thousand m<sup>3</sup>/day, starting January 1st, 2022.

On October 13, 2021, the Company communicated to the market that its subsidiary Potiguar E&P S.A. was the winner of a Public Call for the Acquisition of Natural Gas for 2022 and 2023 from Companhia Paraibana de Gás – PBGÁS.



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As disclosed, the conclusion of the Public Call and the signing of the supply contract will occur only after the conclusion of the negotiation of the contractual terms and compliance with conditions precedent.

Included in the conditions precedent for finalizing the negotiation, emphasis is given to the signing of the following additional contracts by Potiguar E&P: (i) contract for access to the Petrobras' pipeline infrastructure interconnecting the production installations of Potiguar E&P up to the Petrobras' Natural Gas Processing Unit at Guamaré ("UPGN Guamaré"); (ii) contract for the Processing of Natural Gas at UPGN Guamaré; and (iii) contract for natural gas transportation with TAG, permitting the transportation of natural gas from UPGN Guamaré to the delivery points (city gates) determined by PBCás. Such contracts are presently in the final phases of negotiation.

The Company continues with its verticalization strategy with efforts to expand the amount of active Rigs and other Oilfield equipment, expanding its execution capacity. In the third quarter of 2021 we had a 48% increase in the number of active rigs when compared to the same period last year, and maintaining the same average rig count when compared to the prior quarter. In September, one of the rigs underwent scheduled annual maintenance for about 9 days.

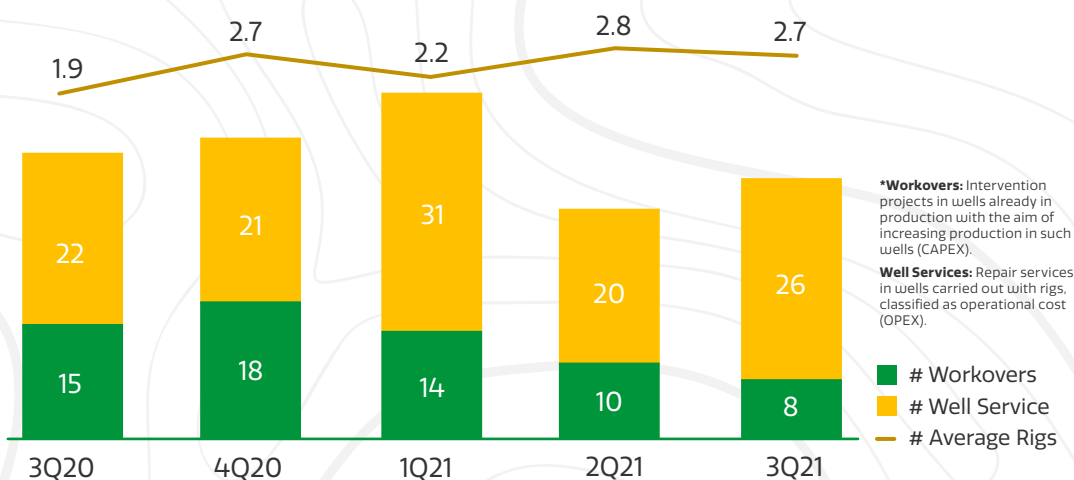


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### Potiguar Asset – Average number of active rigs, Workovers and Well Services\*



The Company maintained, during the quarter, three active rigs in the Potiguar Asset, with over 90% availability, carrying out 8 workover projects, focused on conventional hydraulic fracturing. The Company also performed the drilling of 5 new wells in the period, in the Sabia and Boa Esperança fields, one of which is still under assessment and will, potentially, be converted into an injection well and the other 4 are already in production. The total amount invested for drilling and completion of these wells in the quarter was of R\$ 19.9 million, with an average daily production of 357 bopd in September, according to data published by ANP.

For this campaign, the internal service team, together with the drilling team, developed the projects for the internalization of drilling fluid and well cementing, operations that are essential for the execution of internal activities. The implementation of the processes was started with the drilling of the first well (BE-34) with satisfactory results, both technically and economically. The internalization of these services represents a higher level of operational safety, eliminating the risk of unavailability of outsourced service companies, as well as reducing cost.

Estimated direct cost reductions, per project, when compared to outsourced service companies is of approximately R\$ 250k per well, which not only renders the present projects more attractive, but also enables the execution of more projects.



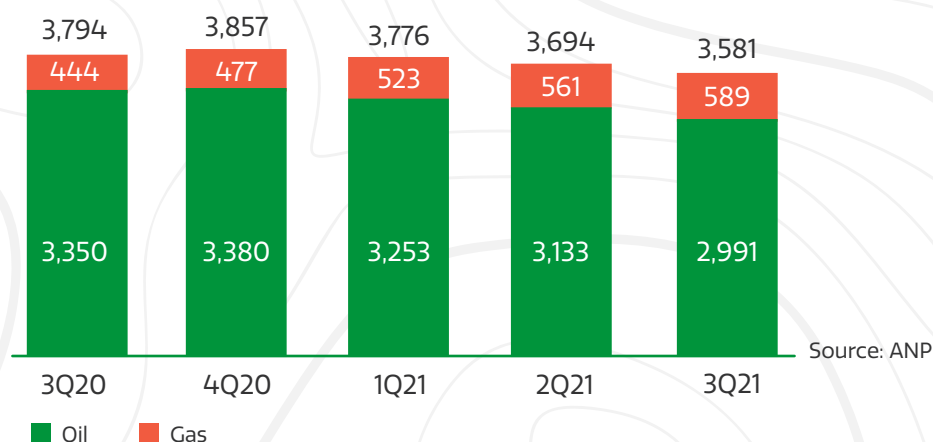
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### Bahia Asset

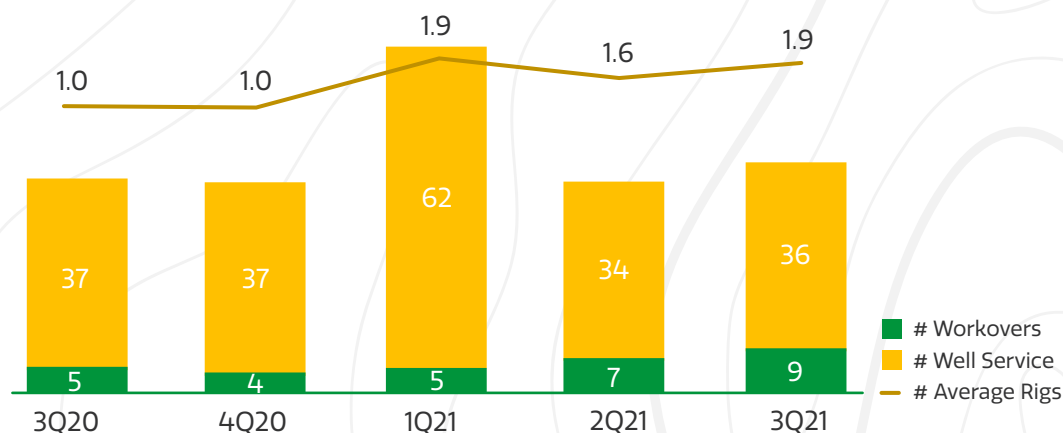
In the third quarter of 2021, the production of the Bahia Asset presented a 5.6% drop when compared to the third quarter of 2020; 10.7% drop in oil production and 32.7% growth in the production of natural gas, as demonstrated below.

### Bahia Asset – Average production in barrels of oil equivalent per day (boed)



The investment strategy in the quarter focused on the execution of 9 workover projects, mainly return to production activities in the fields of Sesmária, Rio Subaúma, Norte Fazenda Caruaçu and Mata de São João. Regarding the availability of rig equipment, in the third quarter of 2021 we operated with 1.9 rigs, 96% higher than in the same period of 2020.

### Bahia Asset – Average number of active rigs, Workovers and Well Services



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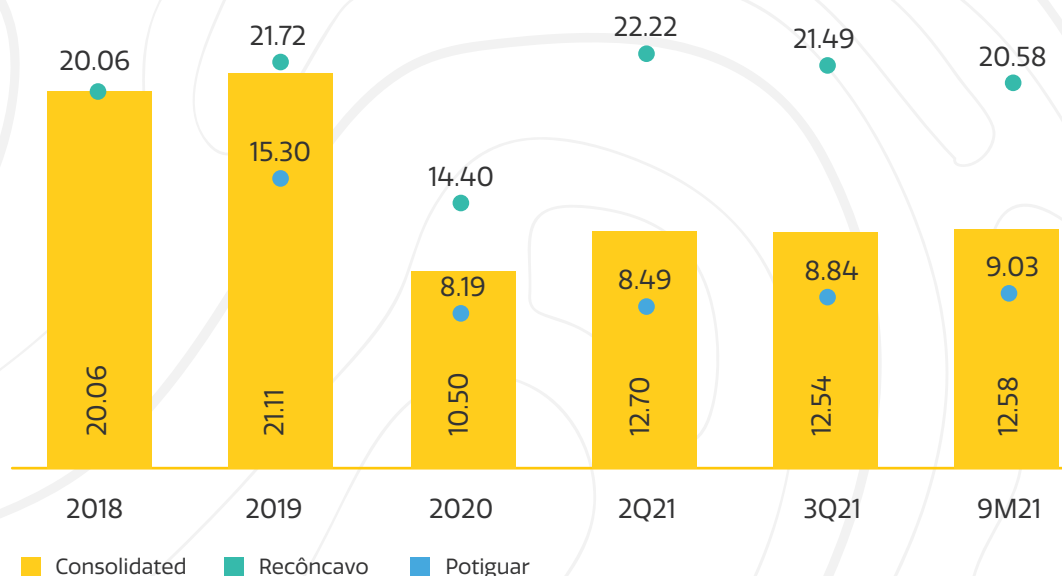




### Costs

The average consolidated production cost in the quarter was of US\$12.54/boe. Despite representing an increase, when compared to 2020, the costs are much lower than those observed in the years 2018 and 2019. It should be noted that, due to the Covid-19 pandemic, and its impacts on international Brent oil prices, the Company significantly reduced non-critical activities in 2020, so that the comparison base is not very representative. More details on cost variations in the quarter can be obtained in the topic "Consolidated Financial Performance" below.

### Average production cost of PetroReconcavo Consolidated (in US\$/boe)



The large difference in average production costs between assets stems mainly from the differences in reservoir maturity, especially higher variable costs of fluid (water + oil) in the Bahia Asset resulting from a more advanced phase in secondary recovery projects.

With the start of the Miranga Cluster operations in the Recôncavo Basin, which will be operated in an integrated manner with the Bahia Asset, we aim to capture operational and financial synergies, with potential reduction of average production costs.



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## Consolidated Financial Performance

### Consolidated Statements of Profit and Loss (DRE) (in thousands of Brazilian reais – R\$)

	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Net revenue	260,344	200,177	30.1%	755,242	581,213	29.9%
Royalties	(27,649)	(13,519)	104.5%	(72,412)	(32,289)	124.3%
Costs and expenses	(98,096)	(67,743)	44.8%	(285,245)	(205,713)	38.7%
EBITDA	134,599	118,915	13.2%	397,585	343,211	15.8%
Depreciation, amortization and depletion	(77,661)	(51,861)	49.7%	(207,094)	(158,238)	30.9%
Operating profit	56,938	67,054	-15.1%	190,491	184,973	3.0%
Net financial income (loss)	(21,140)	(53,788)	-60.7%	(52,255)	(396,133)	-86.8%
Current taxes	(13,669)	(2,783)	391.2%	(33,818)	(15,453)	118.8%
Deferred taxes	797	(4,141)	n.m.	184	81,758	-99.8%
<b>Net income (loss)</b>	<b>22,926</b>	<b>6,342</b>	<b>261.5%</b>	<b>104,602</b>	<b>(144,855)</b>	<b>n.m.</b>

### Net Revenue

The Company's net revenues increased 30.1%, from R\$ 200,177k in the third quarter of 2020, to R\$ 260,344k in the same period of 2021. Considering the accumulated value in the year, there was a 29.9% increase, from R\$ 581,213k in the first nine months of 2020 to R\$ 755,242k in the same period of 2021.

### Net revenue (in thousands of Brazilian reais – R\$)

	3Q21	3Q20	Δ%	9M21	9M20	Δ%
<b>Bahia Asset</b>	<b>96,027</b>	<b>58,465</b>	<b>64.2%</b>	<b>260,903</b>	<b>185,966</b>	<b>40.3%</b>
Revenue from the provision of services in oil production	76,687	52,195	46.9%	218,138	162,361	34.4%
Revenue from the provision of services in the production of natural gas	13,227	4,303	207.4%	28,136	16,259	73.0%
Oil sales revenue	3,824	1,698	125.2%	10,596	4,790	121.2%
Other revenue from the provision of services	2,288	270	747.4%	4,033	2,556	57.8%
<b>Potiguar Asset</b>	<b>280,084</b>	<b>130,341</b>	<b>114.9%</b>	<b>756,513</b>	<b>329,912</b>	<b>129.3%</b>
Oil sales revenue	263,016	130,059	102.2%	715,194	329,219	117.2%
Natural gas sales revenue	17,068	282	5952.5%	41,319	693	5862.3%
Derivative financial instruments	(39,642)	46,103	n.m.	(56,841)	155,263	n.m.
<b>Gross revenues</b>	<b>336,469</b>	<b>234,909</b>	<b>43.2%</b>	<b>960,575</b>	<b>671,141</b>	<b>43.1%</b>
Revenue taxes	(76,125)	(34,732)	119.2%	(205,333)	(89,928)	128.3%
<b>Net revenue</b>	<b>260,344</b>	<b>200,177</b>	<b>30.1%</b>	<b>755,242</b>	<b>581,213</b>	<b>29.9%</b>



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We highlight in net revenue the 114.9% increase in sales from the Potiguar Asset, which went from R\$ 130,341k in the third quarter of 2020, to R\$ 280,084k in the third quarter of 2021. In addition to the 23.4% increase in production for the period, as seen in the item "Operating Performance", the average value of a barrel of Brent oil was higher in the third quarter of 2021, when compared to the same period in 2020. Additionally, although natural gas represents a lower percentage in the Asset's revenues, in 2021 we obtained a new sales contract, with an average price much higher than the values practiced in 2020.

On the other hand, the appreciation of the value of the Brent crude barrel resulted in a loss in derivative financial instruments settled in the period. In the third quarter of 2021, we recorded a loss of R\$ 39,642k under this heading, while in the same period of 2020, the result was positive by R\$ 46,103k. During this quarter, hedging contracts with a volume of 528k barrels of oil were settled, at an average price of US\$ 58.52/bbl. In the third quarter of 2020, the volume settled was of 449k barrels, at an average price of US\$ 62.63/bbl. The average price of a barrel of Brent oil in the third quarters of 2021 and 2020, respectively, was of US\$ 73.51 and US\$ 42.91.



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### Operating costs and expenses

The table below presents some breakdowns and comparisons of our costs and expenses in 2020 and 2021, which should be interpreted with caution, considering that, due to the Covid-19 pandemic and its impacts on international Brent oil prices, the Company significantly reduced non-critical activities in 2020.

<b>Costs and expenses</b> (in thousands of Brazilian reais – R\$)						
	<b>3Q21</b>	<b>3Q20</b>	<b>Δ%</b>	<b>9M21</b>	<b>9M20</b>	<b>Δ%</b>
<b>Bahia Asset</b>	<b>38,371</b>	<b>31,457</b>	<b>22.0%</b>	<b>119,261</b>	<b>90,407</b>	<b>31.9%</b>
Personnel	13,402	7,573	77.0%	32,625	22,276	46.5%
Well repair costs	10,511	7,286	44.3%	33,705	23,064	46.1%
Electric power	9,452	6,542	44.5%	25,814	23,278	10.9%
Other costs and expenses	5,006	10,056	-50.2%	27,118	21,790	24.5%
<b>Potiguar Asset</b>	<b>38,675</b>	<b>25,519</b>	<b>51.6%</b>	<b>114,699</b>	<b>81,632</b>	<b>40.5%</b>
Personnel	10,292	6,660	54.5%	29,647	19,966	48.5%
Well repair costs	9,162	5,863	56.3%	23,428	18,330	27.8%
Electric power	4,736	3,488	35.8%	13,258	11,149	18.9%
Environmental licensing	3,074	1,739	76.8%	10,534	7,217	46.0%
Other costs and expenses	11,411	7,770	46.9%	37,832	24,971	51.5%
<b>Corporate</b>	<b>21,050</b>	<b>10,768</b>	<b>95.5%</b>	<b>51,285</b>	<b>33,674</b>	<b>52.3%</b>
<b>Total</b>	<b>98,096</b>	<b>67,743</b>	<b>44.8%</b>	<b>285,245</b>	<b>205,713</b>	<b>38.7%</b>

Costs and expenses increased 44.8%, from R\$ 67,743k in the third quarter of 2020, to R\$ 98,096k in the third quarter of 2021. In the accumulated value for the year, costs and expenses increased 38.7%, from R\$ 205,713k in the first nine months of 2020 to R\$ 285,245k in the same period of 2021. The cost increase is explained in the topics below:



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### Bahia Asset

Costs and expenses in the Bahia Asset increased 22.0%, from R\$ 31,457k in the third quarter of 2020, to R\$ 38,371k in the same period of 2021. In the accumulated value for the year, costs and expenses in the Bahia Asset increased 31.9%, from R\$ 90,407k in the first nine months of 2020, to R\$ 119,261k in the same period of 2021. The main explanations for these variations are listed below:

- (a) Personnel costs increased 77%, from R\$ 7,573k in the third quarter of 2020, to R\$ 13,402k in the same period of 2021. This increase stems from the reduction of non-critical activities in the second quarter of 2020, due to the Covid-19 pandemic. Among the measures taken by the Company, in order to preserve jobs, we temporarily suspended the employment contract of some employees in the period, reducing personnel costs. Additionally, the Company is preparing to become a concessionaire of the Remanso Cluster fields and for the takeover of the Miranga Cluster, demanding further hiring in 2021;
- (b) Well repair costs increased 44.3%, from R\$ 7,286k in the third quarter of 2020, to R\$ 10,511k in the same period of 2021. With the Covid-19 pandemic, and the consequent drop in the price of a barrel of Brent-type oil seen in 2020, it became uneconomic to repair some wells that broke throughout the year. Thus, well repair costs were lower in 2020; and
- (c) Electricity costs increased 44.5%, from R\$6,542k in the third quarter of 2020 to R\$ 9,452k in the same period of 2021. In 2020, due to the impacts generated by the Covid-19 pandemic, tariff impacts on electricity were postponed. This postponement was compensated in 2021. In addition, in 2020 we interrupted production of some wells in the asset that had high production costs.



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### Potiguar Asset

Costs and expenses in the Potiguar Asset increased 51.6%, from R\$ 25,519k in the third quarter of 2020 to R\$ 38,675k in the same period of 2021. In the accumulated value for the year, costs and expenses in the Potiguar Asset increased 40.5%, from R\$ 81,632k in the first nine months of 2020, to R\$ 114,699k in the same period of 2021. The main points that explain these variations are:

- (a) Personnel costs increased 54.5%, from R\$6,660k in the third quarter of 2020 to R\$10,292k in the same period of 2021. At the beginning of 2020, the Potiguar Asset was still in the process of structuring and mobilizing personnel to start the asset maintenance program. With the Covid-19 pandemic, we ended up postponing the mobilization of personnel, reflecting lower costs in the first months of 2020. In addition, the Company chose to internalize some functions that were initially contracted as outsourced services;
- (b) Well repair costs increased 56.3%, from R\$ 5,863k in the third quarter of 2020, to R\$ 9,162k in the same period of 2021. With the Covid-19 pandemic and the consequent drop in the price of the barrel of Brent type oil observed in the first nine months of 2020, it became uneconomic to repair some wells that broke during the quarter and, accordingly, the repair costs were lower in 2020;
- (c) Electricity costs increased 35.8%, from R\$ 3,488k in the third quarter of 2020 to R\$ 4,736k in the same period of 2021. In addition to the tariff impacts, this variation follows the increase in the production level and active wells in the Potiguar Asset in the year 2021; and
- (d) Environmental licensing costs increased 76.8%, from R\$ 1,739k in the third quarter of 2020 to R\$ 3,074k in the same period of 2021. With the Covid-19 pandemic there was a postponement in the payment of environmental permits during part of the year 2020. In addition, there was a price readjustment of the fees charged by the environmental agency; and
- (e) Finally, the other costs and expenses showed a 46.9% increase, from R\$ 7,770k in the third quarter of 2020 to R\$ 11,411k in the same period of 2021. This variation is mainly due to the increase in operating and maintenance costs resulting from the increase in production and the number of active wells in the period.

### Corporate

Corporate costs and expenses increased 95.5%, from R\$ 10,768k in the third quarter of 2020, to R\$ 21,050k in the same period of 2021. In the accumulated value for the year, Corporate costs and expenses increased 52.3%, from R\$ 33,674k in the first nine months of 2020, to R\$ 51,285k in the same period of 2021.



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In the third quarter of 2021, R\$ 4.0 million were paid in consulting services related to merger and acquisition processes. Additionally, R\$ 7.3 million were recorded in the period in relation to share-based payment to executives and key-personnel of the Company, associated to deferred and matching share programs. Finally, the increase in the corporate area was expected and reflects the structure necessary for the increase in the activities of the Company and to the new requirements arising after the IPO.

### Net financial result

Net financial results in the third quarter were negative in R\$ 21,140k, compared to a negative net result of R\$ 53,788k in the same period of 2020.

Financial results, net (in thousands of Brazilian reais – R\$)						
	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Financial income	5,228	5,330	-1.9%	26,106	9,767	167.3%
Financial expenses	(22,148)	(33,518)	-33.9%	(76,171)	(95,109)	-19.9%
Exchange variation on financing	(68,516)	(25,041)	173.6%	(37,236)	(310,446)	-88.0%
Net variation on foreign exchange fund	63,761	4,009	1490.4%	34,761	7,357	372.5%
Other exchange variations	535	(4,568)	n.m.	285	(7,702)	n.m.
<b>Financial result, net</b>	<b>(21,140)</b>	<b>(53,788)</b>	<b>-60.7%</b>	<b>(52,255)</b>	<b>(396,133)</b>	<b>-86.8%</b>

The net financial result in the third quarter of 2021 was negative in R\$ 21,140k, compared to the negative result of R\$53,788k in the same period of 2020. The result is impacted by the exchange variation in the period. The Company has financial investments and financing linked to the U.S. exchange rate. The table below demonstrates the appreciation of the exchange rate in each period:

R\$/US\$ exchange rate	09/30/2021	Δ%	06/30/2021	09/30/2020	Δ%	06/30/2020
	5.44	8.8%	5.00	5.64	2.9%	5.48



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### Income tax and social contribution on net income

Income tax and social contribution						
	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Current taxes	(13,669)	(2,783)	391.2%	(33,818)	(15,453)	118.8%
Deferred taxes	797	(4,141)	-119.2%	184	81,758	-99.8%
<b>Income tax and social contribution</b>	<b>(12,872)</b>	<b>(6,924)</b>	<b>85.9%</b>	<b>(33,634)</b>	<b>66,305</b>	<b>-150.7%</b>

As a consequence of the higher result observed in the third quarter of 2021, as well as for the fact of having presented a profit in the Controlling Company and loss in the subsidiary Potiguar E&P, current taxes were 391.2% higher than in the same period of 2020.

In the deferred tax line, the variation is of R\$ 4,938k and the main variation is observed in the line of accumulated tax losses.



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**Consolidated cash flow statement** (in thousands of Brazilian reais – R\$)

	3Q21	3Q20	Δ%	9M21	9M20	Δ%
Profit (loss) before taxes	35,798	13,266	169.8%	138,236	(211,160)	n.m.
Depreciation, amortization and depletion	77,661	51,861	49.7%	207,094	158,238	30.9%
Interest and exchange variation, net	19,377	42,295	-54.2%	48,088	368,565	-87.0%
Write-off of property, plant equipment and leases	44,695	38,534	16.0%	101,435	62,055	63.5%
Other profit adjustments	(11,993)	9,407	n.m.	(3,407)	19,194	n.m.
Changes in assets and liabilities	(45,487)	(5,418)	739.6%	(53,979)	(37,398)	44.3%
Interest paid	(13,529)	(13,273)	1.9%	(44,860)	(45,402)	-1.2%
<b>Cash generated by operating activities</b>	<b>106,522</b>	<b>136,672</b>	<b>-22.1%</b>	<b>392,607</b>	<b>314,092</b>	<b>25.0%</b>
Additions to property, plant and equipment	(123,178)	(56,700)	117.2%	(310,256)	(117,770)	163.4%
Financial investments	235,468	(16,673)	n.m.	(662,919)	(147,264)	350.2%
<b>Cash generated by investment activities</b>	<b>112,290</b>	<b>(73,373)</b>	<b>n.m.</b>	<b>(973,175)</b>	<b>(265,034)</b>	<b>267.2%</b>
Borrowings	-	-	n.m.	60,479	-	n.m.
Amortization of financing and lease operations	(93,431)	(75,004)	24.6%	(228,084)	(85,789)	165.9%
Increase in share capital, net of issuance cost	778	1,967	-60.4%	1,112,426	5,342	20724.1%
Net effect on share acquisition and sale	(2,708)	(140)	1834.3%	(2,708)	(140)	1834.3%
<b>Cash generated by (used in) financing activities</b>	<b>(95,361)</b>	<b>(73,177)</b>	<b>30.3%</b>	<b>942,113</b>	<b>(80,587)</b>	<b>n.m.</b>
<b>Increase (decrease) in cash balance and cash equivalents</b>	<b>123,451</b>	<b>(9,878)</b>	<b>n.m.</b>	<b>361,545</b>	<b>(31,529)</b>	<b>n.m.</b>



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Cash generated by operating activities dropped 22.1% in the third quarter of 2021, when compared to the same period of 2020. In the accumulated value for the year, a 25.0% increase was recorded when compared to the same period in 2020.

Cash used in investment activities totaled R\$ 112,290k in the third quarter of 2021, as a combination of the following factors:

- (I) The Company invested R\$ 123,178k in additions to the fixed assets and intangible assets, generating an increase of R\$ 66,478k, when compared to the same period of 2020, mainly due to the resumption of the Company's investment program, which was reduced in 2020 due to the Covid-19 pandemic;
- (II) In the third quarter of 2021, we transferred to cash and cash equivalents, financial investments of R\$ 235,468k.

The cash generated in the financing activities was R\$95,361k in the third quarter of 2021, while in the same period of 2020 R\$ 73,177k was invested. This variation is mainly due to the amortization of financing associated to the acquisitions.

Because of the items listed above, the increase in cash balance and cash equivalents in the third quarter of 2021 was R\$ 123,451k, while in the same period of 2020 there was a reduction of R\$ 9,878k.



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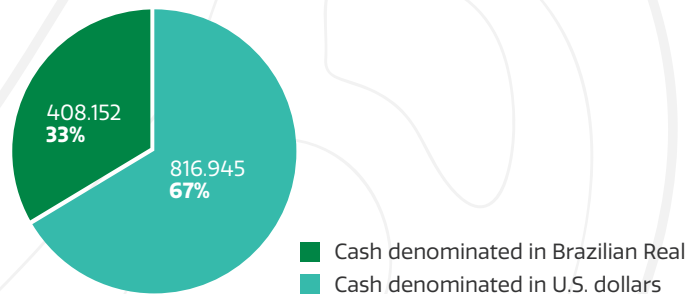
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## Other Highlights of the Balance Sheet

### Cash position (cash and cash equivalents and financial investments)

As of September 30, 2021 the Company recorded a cash position, which represents the sum of cash and cash equivalent balances and financial investments, in the amount of R\$1.2 billion.

Presently, a good part of the Company's resources is invested in foreign exchange funds. Part of these investments are a guarantee for the loan taken by the subsidiary for the payment of part of the acquisition of oil and natural gas production fields and the investment in foreign exchange funds has the purpose of accompanying the U.S. dollar exchange variation against the Brazilian real. Since the debt of the subsidiary is in U.S. dollars, the Company aims, in such a manner, to protect itself from exchange variation. In addition, the Company has potential future commitments related to the acquisition of assets also denominated in U.S. dollars. Accordingly, a good part of the funds raised by the Company in the IPO was also invested in exchange funds. Total cash denominated in U.S. dollars was of R\$817 million, corresponding to 67% of the cash balance of the Company. These amounts are demonstrated on the graph below.



### Net indebtedness (in thousands of Brazilian reais – R\$)

	09/30/21	12/31/20	Δ%
FINEP	1,978	2,733	-27.6%
Bank loans	811,391	926,501	-12.4%
Costs to amortize	(25,410)	(35,194)	-27.8%
<b>Gross debt</b>	<b>787,959</b>	<b>894,040</b>	<b>-11.9%</b>
Cash and cash equivalents	392,406	30,861	1171.5%
Financial investments	832,691	135,011	516.8%
<b>(Net cash) Net debt</b>	<b>(437,138)</b>	<b>728,168</b>	<b>n.m.</b>



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The gross indebtedness of the Company in the first nine months of 2021 decreased 11.9%. During this period, we signed a financing contract in the amount of US\$ 11 million, equivalent to R\$ 60,479k, with the purpose of paying for part of the acquisition of the Miranga Cluster. During the period, we also made payment of the principal and interest and recorded the exchange variation related to our foreign currency loan, as demonstrated below.

The Company and its subsidiaries had net cash of R\$ 437,138k in the third quarter of 2021, compared to a net debt of R\$ 728,168k in the same period of 2020. This variation is basically due to the funds obtained from the IPO, as previously explained.

Changes in the balance of loans and financing in the period are demonstrated below.

Changes in loans and financing (in thousands of Brazilian reais – R\$)	
<b>Balance as of December 31, 2020</b>	<b>894,040</b>
Borrowings	60,479
Payment of principal	(211,770)
Interest paid	(44,860)
Accrued interest	42,816
Amortization of acquisition cost	10,018
Exchange variation	37,236
<b>Balance as of September 30, 2021</b>	<b>787,959</b>

### Derivative financial instruments

The Company constantly evaluates the possibility of carrying out hedging operations of future oil production in order to increase predictability and protect future cash flow. The Company contracted commodity forward contracts to manage commodity price risk associated with future transactions of up to 36 months, all in the subsidiary Potiguar E&P, as mentioned under the item "Net Revenue".



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The following table describes the commodity forward contracts outstanding as of September 30, 2021, as well as the information related to their corresponding hedged items:

Hedge instruments outstanding contracts	Average strike price 09/30/2021	Quantity 09/30/2021	Fair value of the hedging instrument 09/30/2021
	US\$/barrel	In barrels	R\$ thousand
Under 3 months	57.82	557,240	(61,171)
From 3 to 6 months	56.61	510,520	(53,784)
From 6 to 12 months	54.60	967,408	(96,904)
From 1 to 2 years	51.92	1,832,839	(173,731)
From 2 to 3 years	56.23	1,280,000	(62,889)
<b>Total</b>	<b>54.60*</b>	<b>5,148,007</b>	<b>(448,479)</b>

\*Average strike price of fixed-term contracts not yet settled as of September 30, 2021.



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## 05

## Reserve certification

This section contains a summary of the Reserve Reports prepared by independent expert Netherland, Sewell & Associates, Inc. (NSAI). The Reserve Reports were prepared based on an analysis of our concessions and of some Petrobras' fields located in the Recôncavo basin in the State of Bahia, and in the Potiguar Basin in the State of Rio Grande do Norte, as of December 31, 2020. The evaluation of the Company's Reserves and Resources was completed on January 20, 2021, for the Company and its subsidiary, Potiguar E&P S.A. The Miranga contingent resources assessment was completed on February 22, 2021.

Below is a summary table of the Company's net reserves and contingent resources, as of December 31, 2020, prepared according to the reports on reserves and contingent resources. The net reserves and contingent resources represent the portions of the reserves and contingent resources of referred concessions owned by or contractually attributed to the Company, discounted by the participations of any third parties and the Government's royalties.

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	Petróleo e Líquidos de Gás Natural				Gás				Barris de Óleo Equivalentes <sup>(1)</sup>	(Petróleo como % do Total)	(Gás como % do Total)	Fluxo de Caixa Descontado - 10% (MUS\$) <sup>(2)</sup>
	Reconcavo <sup>(3)</sup>	Potiguar <sup>(4)</sup>	Miranga <sup>(5)</sup>	sub-total	Reconcavo <sup>(3)</sup>	Potiguar <sup>(4)</sup>	Miranga <sup>(5)</sup>	sub-total	Total			
	(em milhares de barris)				(em milhões de pés cúbicos)				(em milhares de boes)			
<b>Reservas Líquidas</b>												
Reservas provadas em produção	2.739,1	7.626,1	n.a.	10.365,2	1.903,2	6.901,7	n.a.	8.804,9	11.832,7	87,6%	12,4%	153.131,9
Reservas provadas desenvolvidas, porém não em produção ("shut in" ou "behind pipe")	1.370,5	2.437,3	n.a.	3.807,8	590,0	6.725,3	n.a.	7.315,3	5.027,0	75,7%	24,3%	74.803,7
Reservas provadas não desenvolvidas	929,2	6.112,6	n.a.	7.041,8	266,7	2.328,7	n.a.	2.595,4	7.474,4	94,2%	5,8%	136.366,9
<b>Total de reservas provadas (1P)</b>	<b>5.038,9</b>	<b>16.176,0</b>	<b>n.a.</b>	<b>21.214,9</b>	<b>2.760,0</b>	<b>15.955,7</b>	<b>n.a.</b>	<b>18.715,7</b>	<b>24.334,1</b>	<b>87,2%</b>	<b>12,8%</b>	<b>364.302,5</b>
Total de reservas prováveis	438,1	5.468,1	n.a.	5.906,2	244,1	2.384,1	n.a.	2.628,2	6.344,2	93,1%	6,9%	99.947,6
<b>Total de reservas provadas + prováveis (2P)</b>	<b>5.477,0</b>	<b>21.644,1</b>	<b>n.a.</b>	<b>27.121,0</b>	<b>3.004,1</b>	<b>18.339,8</b>	<b>n.a.</b>	<b>21.343,8</b>	<b>30.678,3</b>	<b>88,4%</b>	<b>11,6%</b>	<b>464.250,1</b>
Total de reservas possíveis	391,2	2.139,5	n.a.	2.530,6	38,4	564,0	n.a.	602,4	2.631,0	96,2%	3,8%	34.946,3
<b>Total de reservas provadas + prováveis + possíveis (3P)</b>	<b>5.868,1</b>	<b>23.783,5</b>	<b>n.a.</b>	<b>29.651,6</b>	<b>3.042,4</b>	<b>18.903,8</b>	<b>n.a.</b>	<b>21.946,2</b>	<b>33.309,3</b>	<b>89,0%</b>	<b>11,0%</b>	<b>499.196,5</b>
<b>Recursos Contingentes</b>												
Menor Estimativa (1C)	9.041,7	19.181,2	18.639,9	46.862,8	4.029,0	28.963,0	175.918,7	208.910,7	81.681,2	57,4%	42,6%	438.136,1
Melhor Estimativa (2C)	13.918,9	26.097,3	22.309,6	62.325,8	5.694,1	37.304,8	217.971,7	260.970,7	105.821,0	58,9%	41,1%	531.636,2
Maior Estimativa (3C)	17.010,3	30.227,6	23.193,3	70.431,2	7.175,7	40.482,7	222.590,9	270.249,3	115.472,8	61,0%	39,0%	587.980,8
<b>Total (1P + 1C)</b>	<b>14.080,5</b>	<b>35.357,2</b>	<b>18.639,9</b>	<b>68.077,6</b>	<b>6.789,0</b>	<b>44.918,7</b>	<b>175.918,7</b>	<b>227.626,4</b>	<b>106.015,4</b>	<b>64,2%</b>	<b>35,8%</b>	<b>802.438,7</b>
<b>Total (2P + 2C)</b>	<b>19.395,9</b>	<b>47.741,4</b>	<b>22.309,6</b>	<b>89.446,9</b>	<b>8.698,2</b>	<b>55.644,6</b>	<b>217.971,7</b>	<b>282.314,5</b>	<b>136.499,3</b>	<b>65,5%</b>	<b>34,5%</b>	<b>995.886,4</b>
<b>Total (3P + 3C)</b>	<b>22.878,4</b>	<b>54.011,2</b>	<b>23.193,3</b>	<b>100.082,9</b>	<b>10.218,1</b>	<b>59.386,4</b>	<b>222.590,9</b>	<b>292.195,5</b>	<b>148.782,1</b>	<b>67,3%</b>	<b>32,7%</b>	<b>1.087.177,2</b>

**Notes:**

(1) Gas volumes were converted into boe at the ratio of 6,000 cubic feet of gas to 1 boe.

(2) Cash flow before financial expenses and income tax and social contribution discounted at an annual rate of 10%.

(3) Reconcavo's reserves include: (i) equity interest (approximately 85%) held by the Company through the Risk Clause Production Agreement (CPCR) in the 12 fields of the Remanso Cluster; and (ii) 100% equity interest in the fields of Lagoa do Paulo, Lagoa do Paulo Sul, Lagoa do Paulo Norte, Juriti and Acará-Burizinho. All of these fields are located in the state of Bahia. Contingent resources refer to: (i) residual participation (approximately 15%) presently held by Petrobras in the CPCR; and (ii) the volumes of oil and gas to be produced after the deadlines of the concessions currently in force. Such resources are contingent only on regulatory approvals of the acquisition of the Remanso Cluster and its subsequent closing, and the extension of concessions.

(4) Potiguar's reserves are composed of the 34 fields of the Riacho da Forquilha Cluster, of which 30 are 100% owned and operated by Potiguar E&P, 2 in partnership with Sonangol Hidrocarbonetos Brasil Ltda (approximately 70% Potiguar E&P and 30% Sonangol) and 2 with Partex Brasil Ltda (50% Potiguar E&P and 50% Partex), all located in the state of Rio Grande do Norte. Contingent resources refer to the volumes of oil and gas to be produced after the concession deadlines currently in force. Such resources are contingent only in the extent of the concessions. The values presented in the tables reflect only the participation (working interest) of the Company in these concessions.

(5) Miranga's contingent resources include 100% stake in the 9 fields of the Miranga Cluster, all located in the state of Bahia. Such resources are contingent only on regulatory approvals of the acquisition of the Miranga Cluster and its subsequent closing, and the extension of the concessions.

(6) The total values may not reflect the exact value due to possible rounding-off of numbers.

(7) The different classifications of oil accumulations have varying degrees of technical and commercial risks that are difficult to quantify; accordingly, reserves, contingent resources and prospective resources should not be aggregated without a broad consideration of these factors. This table demonstrates the sum of the reserves and contingent resources shown on the NSAI reports without adjustments to these factors; these sums are shown on this table for convenience purposes only.



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## 06

## Safety, Health, Environment and Sustainability (HS&E)

Safety is one of the values for PetroReconcavo. Our business requires an excellent performance based on responsible management of the impacts that our activity generates on people, communities and the environment. Our activities are in compliance with applicable laws and regulations in the locations where we operate and comply with our own internal guidelines and procedures based on best market practices.

In the third quarter, there were 798,320 hours worked in the Company with zero lost-time accidents. In the Potiguar Asset we continue with zero lost-time accidents in 2021 and in the Bahia Asset with a record number of days with zero lost-time accidents, reaching at the end of September the mark of 1,130 days.

We identify the risks associated with the activities and apply tools to keep them under control and mitigate their impacts. Continuing with the process of consolidating the HS&E Culture, the Company has been promoting several internal actions: lives of the Executive Officers about Quality of Life, accident prevention and suicide prevention (Yellow September); Safe Leader Program; and Online Work Permit System on the Petro Digital platform.

As a subsequent event, in October 2021, we achieved a silver medal in the category of Occupational Hygiene from the Brazil Protection Award 2021 ("Prêmio Proteção Brasil 2021)", with the project "Occupational Risk Control in the Dewaxing of Oil Pipes".

In the third quarter of 2021, we advanced in our project for the preparation of the Company's Sustainability Report, beginning in the month of July with the preparation of our first inventory of greenhouse gas emissions.



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