



PETRORECONCAVO S.A.
Earnings Release
2021 First Quarter

RECV
B3 LISTED NM

1Q21 Results Conference Call
Wednesday, May 19, 2021
11:00 (Brasilia Time)
[Webcast](#) (Click here)

Company's EBTIDA totals R\$ 131 Million, a 25% increase compared to 1Q20. Signing of the acquisition of the Miranga Cluster has high strategic relevance in positioning the company even stronger for the opportunities of the New Gas Market.

Mata de São João, May 17, 2021 – PetroReconcavo S.A. ("PetroReconcavo" or "Company") (B3: RECV3) today announces its results of the first quarter of 2021 (1Q21). The following information is presented in a consolidated manner in thousands of Reais (R\$), in accordance with International Financial Statements Standards (IFRS) and with the accounting standards adopted in Brazil, except where otherwise specified.

1Q21 Highlights

- As a subsequent event to 1Q21, the Company announced the completion of the Initial Public Offering (IPO) of primary distribution of common shares issued by the Company in Brazil and with efforts to place common shares abroad, with gross funding of more than R\$1 billion;
- Signing of the acquisition of the Miranga Cluster in February 2021, with approval at CADE in April 2021, announced as a subsequent event to 1Q21;
- Growth of 25.7% and 25.0%, respectively, in net revenue and EBITDA in the first quarter of 2021, when compared to the same period of 2020;
- Reduction 8.6% in net debt and 64% in the debt ratio, shown by net debt/EBITDA;
- Reduction of 8.2% in the average production cost per boe in dollars;
- Approval in CADE (anti-trust) of the acquisition of the Remanso Cluster and beginning of the process of the transfer of concessions with the ANP; and
- The ANP approved at an Officers Meeting held on April 15, 2021, the assignment of the change of operator of Concession Agreement No. 48610.009128/2005-16 (BT-POT-55) that encompasses the fields of Sabiá-da-Mata and Sabiá-Bico-de-Osso, from Sonangol Hidrocarbonetos Brasil Ltda. to our subsidiary Potiguar E&P, subject to the presentation, before the signing of the amendment to the concession contract, of the Approval Reports of various wells data, to be issued by SDT/ANP.

Key Indicators	(in thousand of R\$, excepts as otherwise noted)		
	1Q21	1Q20	Δ %
Net revenue	245.788	195.548	25,7%
Loss of the period	(12.890)	(136.041)	-90,5%
Net margin (1)	-5,24%	-69,57%	-92,5%
EBITDA (2)	131.632	105.329	25,0%
EBITDA Margin (3)	53,56%	53,86%	-0,6%
Net Debt (4)	812.787	889.533	-8,6%
Net Debt/ EBITDA last 12 months (5)	1.62 x	4.51 x	-64,0%
Average gross production (boe per day)	11.597	11.655	-0,5%
Average production cost per boe in R\$ (6)	R\$ 68,47	R\$ 60,76	12,7%
Gross production (in boe)	1.043.724	1.060.622	-1,6%
Average Brent Oil spot price (7)	\$60.90	\$50.26	21,2%
Average exchange rate R\$/US\$ (8)	R\$ 5.47	R\$ 4.46	22,8%
Average production cost per boe in US\$ (9)	\$12.51	\$13.63	-8,2%

- (1) Net margin corresponds to net income/(net loss) for the period divided by net revenues for the period.
- (2) We calculate EBITDA in accordance with the Brazilian 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) the net 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 outstanding debt as of 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, and other companies may calculate differently from us.
- (6) Represents the total costs of the services provided and sales, excluding royalties' depreciation, amortization and depletion, divided by total gross production in boe during the period.
- (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, as disclosed by the Central Bank of Brazil.
- (9) 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.

Message from the Administration

It is with great satisfaction that we, the PetroReconcavo Management, disclose our first results as a listed company. Here we begin a relationship of absolute transparency with the market and with our new shareholders, reinforced by the Company's listing in Novo Mercado segment at B3, with the highest standards of corporate governance.

We could not start this message without proper thanks to our employees. We have a team that works tirelessly to deliver the best results for the Company and practices the true meaning of "teamwork"; where employees contribute without disputes for space, but rather seeking to complement themselves in search of excellence and what is best for the company and its shareholders.

We also thank our shareholders, both those who have been with us since the company's foundation, and the thousands of new shareholders, for their trust in our work. You have our commitment that we will continue to give the best of each one of us to deliver the best results.

Although we have been building the conditions to become a listed company for some time now, we could witness the difficulties and workload involved in this task. Therefore, we extend our thanks to the banks, lawyers, consultants and auditors who participated in our IPO process, for the hard work to make this offer happen successfully.

On May 5, 2021, PetroReconcavo became a public company listed on B3, the Brazilian Stock Exchange. This date, which symbolizes a huge achievement, also marks the renewal of our commitment to shareholders, employees and society, as manifested in our Mission and in our Vision:

Our Mission

We develop opportunities in the oil and gas Industry, turning resources into value and dreams into reality.

Our Vision

To be the safest, most efficient and most profitable independent oil and gas operator and to lead the transformation of the onshore Industry in Brazil.

The Company debuted in the Novo Mercado segment at B3 with its shares priced at R\$14.75, which translates into a market capitalization of more than R\$3.5 billion. This significant event leaves the company capitalized and better prepared to take advantage of the opportunities that Petrobras' disinvestment process offers.

Following our strategy of buying new assets, we signed on February 24, through the subsidiary SPE Miranga, the acquisition of the entire stake of Petrobras in the nine onshore fields of Apraiús, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga, Rio Pipiri, Riacho de São Pedro and Sussuarana, which constitute the Miranga Cluster, in the Recôncavo basin, Bahia. As a subsequent event to 1Q21, on April 7, 2021 CADE approved this acquisition.

The Miranga Cluster paves the way for the Company to position itself as an even more relevant producer of Natural Gas, also enabling access to new opportunities arising from the implementation of legal and regulatory changes in the context of the New Gas Market.

Also, on the acquisitions subject, on March 16, 2021 we obtained cade approval of the Remanso Cluster acquisition, which is composed of the 12 onshore fields that we have already operated, under service contract, in the Recôncavo basin.

We achieved significant financial results in the first quarter of 2021, with a growth of 25.7% and 25.0% in Net Revenues and EBITDA for the period, respectively. We reduced our debt and our leverage indicator, shown by Net Debt/EBITDA by about 64%, demonstrating a solid capital structure.

Our daily production remained stable compared to the first quarter of 2020, largely due to the reduction in field development activities resulting from the prevention and operational safety measures imposed by the pandemic. We emphasize that the average daily oil production of the 30 fields of the Potiguar District operated by the Company, where we intensified investment in production development, was 5,353 barrels, representing an increase of 58% compared to the volume of oil produced when we took over operations of these fields. The average daily production of the Potiguar District, including the fields in partnership operated by other companies was 7,821 boe in the period.

We continue working, seeking to lead the transformation of the onshore oil and natural gas industry in Brazil, transforming resources into value and dreams into reality, aiming to be the safest, the most efficient and the most profitable independent oil operator in Brazil.

1. Covid-19

The Company continues to operate following the rules defined by the internal committee set up to manage the health crisis. The main objectives of the committee are to maintain the health of employees and contractors, to maintain the Company's activities without impacts on operational safety or the environment, and, at the same time, to evaluate the consequences of the crisis in the business plan.

The Company recommended that its employees and contractors not essential to the operation work remotely, in addition to increasing the spacing of people in the work environment and temporarily suspending non-essential trips, visits, face-to-face training and commuting. At this time, employees can voluntarily return to the corporate office, adapted to the protection measures recommended by the committee, including frequent testing of employees. Employees of the risk groups continue to work remotely.

The Company revised its projections for operating income and cash flows for 2021 and did not verify the need to recognize an impairment loss on recoverable value in fixed assets, deferred taxes and accounts receivable. Considering the unpredictability of the evolution of the outbreak and its impacts, the current estimate of the financial effect on projected operating revenues and cash flows may be revised according to new events related to this pandemic.

2. Asset Portfolio

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

On March 31, 2021, we operated or had concessional interest in the following oil and gas producing assets:

Potiguar District

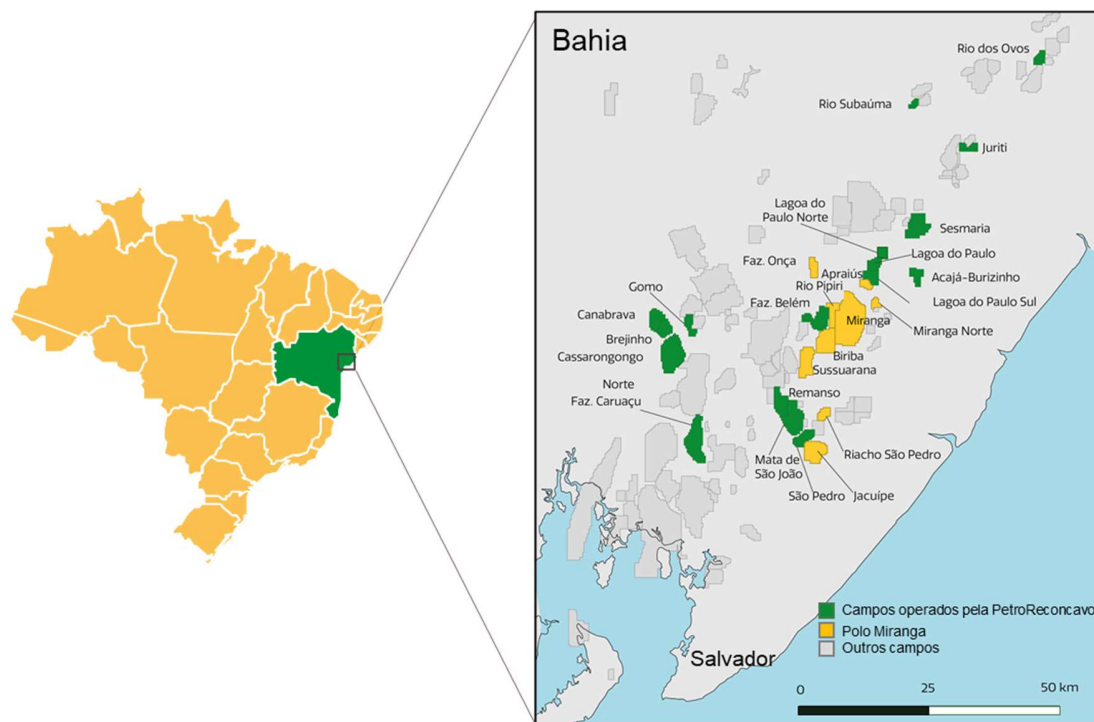
On December 9, 2019, PetroReconcavo, through the subsidiary Potiguar E&P, carried out the acquisition of Petrobras' stake in the Riacho da Forquilha Cluster fields, the first transaction completed involving onshore fields in mature basins of Petrobras' divestiture program. The District, located in the state of Rio Grande do Norte, is composed of 34 concessions, of which 30 are 100% owned and operated by Potiguar E&P, two in partnership with Sonangol Hidrocarbonetos Brasil Ltda and two with Partex Brasil Ltda.

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.



Recôncavo District

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



We operate twelve fields of this District through a Risk Production Agreement signed with Petrobras, the owner of the concessions, since February 1st, 2000. Thus, this Agreement, which is valid until August 2025, will be terminated on the date of the "closing" of the purchase of the Remanso Cluster and after that these fields will be owned by PetroReconcavo. In addition to these fields, we also operate five other concessions in this basin. Most of the concessions of this district are the so-called "round zero" that currently expire in August 2025 and can be extended for an additional period of up to 27 years, upon specific request to ANP and submission of a revised Development Plan.

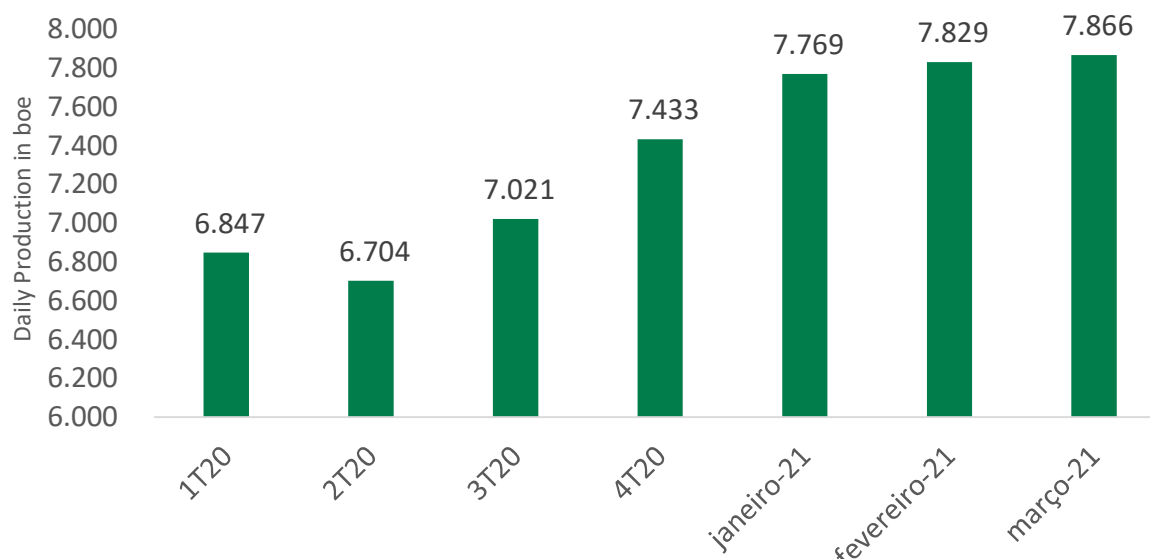
3. Operational Performance

Average daily production fell 0.5% in the first quarter of 2021, when compared to the same period of 2020, from 11,655 boe in 2020 to 11,597 boe in 2021: (i) the average daily production of the Recôncavo District fell 21.5%, from 4,808 boe in 2020 to 3,776 boe in 2021; and (ii) the average daily production in the Potiguar District increased by 14.2%, from 6,847 boe in 1Q20 to 7,821 boe in 1Q21.

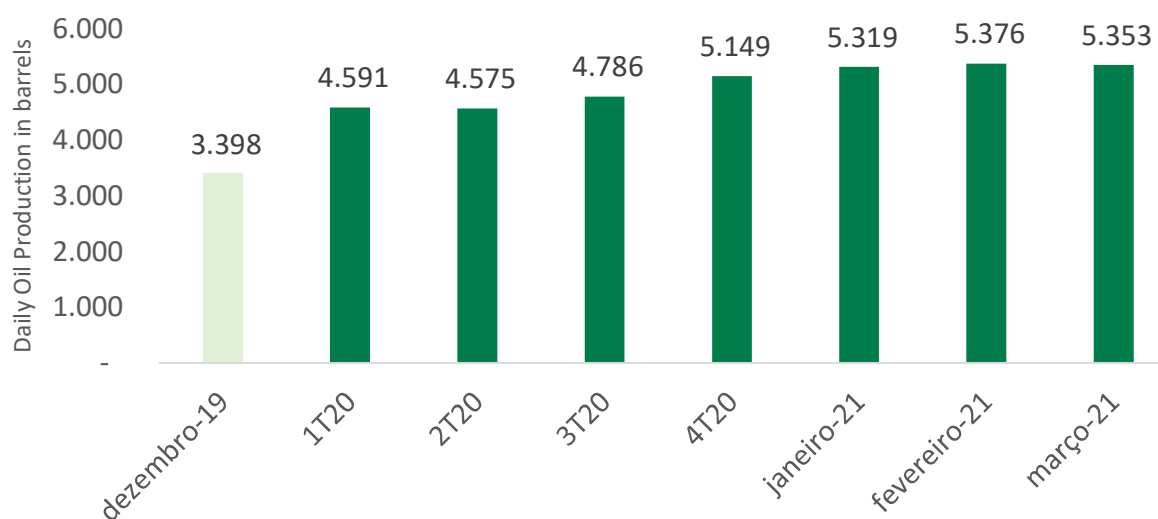
Daily gross production	(in barrels of oil equivalent - BOE)		
	1Q21	1Q20	Δ %
Recôncavo District	3.776	4.808	-21,5%
Potiguar District	7.821	6.847	14,2%
Daily gross production	11.597	11.655	-0,5%

Potiguar District

In the first three months of 2021, production in the Potiguar District continued its upward trajectory, which has been observed since we took over operations in December 2019, having grown 14.2% compared to the first quarter of 2020. The chart below shows the production history of the Potiguar District.



The volumes shown in the table above represent the total production of the Potiguar District, including the 30 fields operated by the Company and its participation in the 4 fields operated by partners. If we look only at the 30 fields operated by the Company, the production increases are even more significant. The average daily oil production in March 2021 was **58%** higher than the volume that was produced when we took over the operation of these fields. The chart below shows the average daily oil production of the 30 fields operated by the Company.



We started the year 2021 with three workover rigs operating in the district, which operated in January. In February we made the scheduled stop for maintenance in one of the rigs and operated with two rigs the next two months, which reduced our ability to execute projects in the period. By way of comparison, in 2020 we started the year with only two workover rigs, moving to three rigs after October 2020.

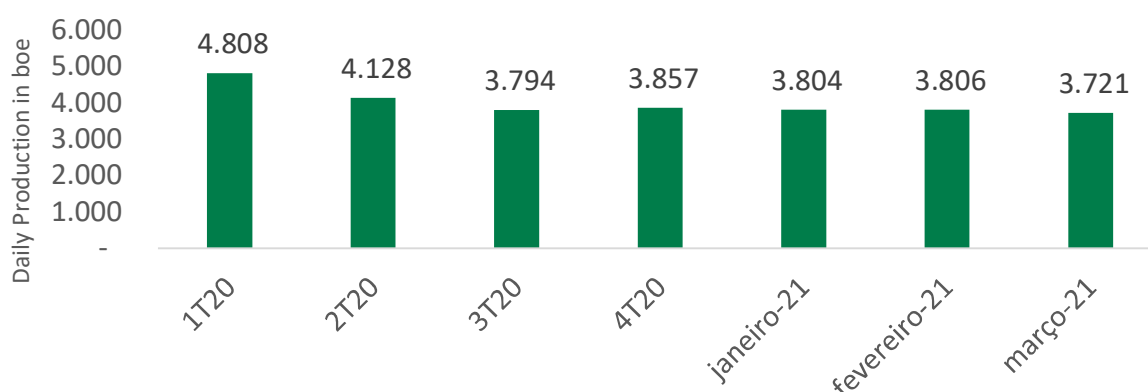
In the first quarter of 2020, we concentrated our capex activities on return to production workovers, which consists of returning wells with economic potential, which were shut in and not producing for some reason. These jobs are generally of rapid execution and lower intervention cost.

In the first quarter of 2021, we invested in more complex jobs, with greater impact on production, but also with higher execution costs, led by the campaign of conventional hydraulic fracturing, especially in the Lorena field.

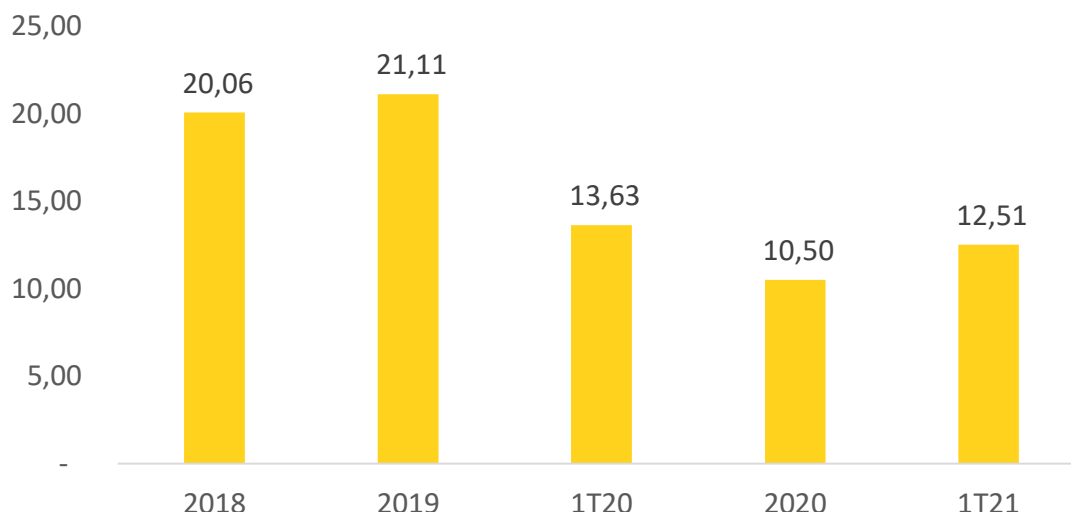
Recôncavo District

As a reflection of the economic crisis and the sharp drop in the price of oil triggered by the Covid-19 pandemic throughout 2020 and also due to the ongoing negotiations regarding the acquisition of the Remanso District, we chose, as a way to preserve liquidity, to significantly reduce investments in the Recôncavo District and to stop production in some wells of the district that had high production costs. With the recent recovery in Brent oil prices in international markets, we resumed over the first quarter of 2021 the execution of some projects in the district.

The investment strategy in the period focused on the realization of some projects aimed at increasing production by conventional hydraulic fracturing in some wells in the Norte Fazenda Caruaçu Field and recovery of production in returns to production of wells that were shut-in in 2020 for the reasons explained above, totaling a CAPEX of about R\$4.5 million and an estimated daily production gain from these projects of approximately 334 boe. A R\$ 2.1million Capex was also invested in Facilities projects focused on integrity and operational safety, highlighting the investment in well production flow lines that improved the operational efficiency of operations, reducing daily production losses by approximately 25 barrels. The chart below shows the recent production history of the Recôncavo District.



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



In the first months of 2020, we were mobilizing for the required services for our operations in the Potiguar District, as we took over the operations of the fields in mid-December 2019. During 2020, with the worsening of the economic consequences of the Covid-19 pandemic, we chose to reduce non-critical activities and, in some cases, stopped the production of some wells in the Potiguar District that had higher production costs. In 1Q21, considering the improvement in Brent prices, we returned to production most of the wells that had been stopped throughout 2020 and, in addition, considering the improvement in prices of the gas sales contract to Petrobras from January 2021, we started a process of revitalization of the gas compression and flow systems in the district in order to allow an increase of the gas production, impacting on the average cost of production for the period.

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 onshore fields of Apraiús, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana that constitute the Miranga Cluster, 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 signing day, on February 24, 2021; (ii) \$44.0 million will be paid on the closing date of the transaction, without price adjustment; (iii) \$20.0 million will be paid in twelve months after the transaction closing; (iv) \$20.0 million that will be paid in twenty-four months after the transaction closes; (v) \$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 ranges of the oil reference price (Brent) in the period between the calendar years 2022, 2023 and 2024.

The average production of Miranga Cluster in 2020 was approximately 899 barrels of oil per day (bopd) and 377,000 m³ of gas per day. As in the other areas, there is the possibility of extending the current expirations

of the concessions, which currently expire in 2025, for 27 additional years, which will be requested through a protocol of a development plan before the ANP and will be subject to the approval of the regulatory agency.

4. Consolidated Financial Performance

Consolidated DRE (in thousand of R\$)			
	1Q21	1Q20	Δ %
Net revenue	245.788	195.548	25,7%
Costs and expenses	(175.208)	(143.489)	22,1%
Operating profit	70.580	52.059	35,6%
Depreciation, amortization and depletion	61.052	53.270	14,6%
EBITDA	131.632	105.329	25,0%
Net financial result	(94.785)	(256.891)	-63,1%
Current taxes	(2.163)	(7.354)	-70,6%
Deferred taxes	13.478	76.145	-82,3%
Net income (losses)	(12.890)	(136.041)	-90,5%

Net Revenue

The Company's net revenue grew by 25.7%, from R\$195,548k in the first quarter of 2020 to R\$245,788k in the first quarter of 2021.

Net revenue (in thousand of R\$)			
	1Q21	1Q20	Δ %
Recôncavo District	76.565	70.782	8,2%
Potiguar District	160.711	94.432	70,2%
Derivative financial instruments	8.512	30.334	-71,9%
Net revenue	245.788	195.548	25,7%

We highlight in net revenues the 70.2% increase in revenues of the Potiguar District, which went from R\$94,432k in the first quarter of 2020 to R\$160,711k in the first quarter of 2021. In addition to the 14.2% increase in production for the period, as verified in the topic "Operating Performance", the average value of the barrel of Brent oil and the average exchange rate were, respectively, 21.2% and 22.8% higher in the first quarter of 2021, when compared to the first quarter of 2020. Additionally, although natural gas represents a lower percentage in the District's revenue, we obtained a new sales contract, with an average price more than 2,000% higher than first quarter of 2020. Thus, the net revenues related to the sale of gas in the Potiguar District increased by 3,446%, from R\$272k in 1Q20 to R\$9,644k in 1Q21.

On the other hand, the appreciation of the value of the barrel of Brent oil led to a 71.9% reduction in revenue from derivative financial instruments settled in the first quarter of 2021. During this period, hedging contracts were settled with a volume of almost 512k barrels of oil, at an average price of

US\$59.29/bbl. In the first quarter of 2020, the volume settled was 470k barrels, at an average price of \$65.13/bbl. The average price per barrel of Brent oil in the first quarters of 2021 and 2020, respectively, were \$60.90 and \$50.26.

The following table describes the outstanding commodity forward contracts as of the end of the period ended March 31, 2021, as well as the information related to their corresponding hedged items.

Instruments of hedge open contracts	Consolidated		
	Average price of the exercise	Quantity	Book value of Hedge instruments
	31/03/2021	31/03/2021	31/03/2021
	US\$/barrel	In barrels	R\$ thousand
Less than 3 months	58,87	453.340	(10.540)
From 3 to 6 months	58,52	527.860	(9.361)
From 6 to 12 months	57,24	1.067.760	(15.062)
From 1 to 2 years	53,28	1.876.247	(45.030)
From 2 to 3 years	49,70	1.280.000	(42.333)

Operating costs and expenses

Costs and expenses grew 22.1%, or R\$31,719k, from R\$143,489k in the first quarter of 2020 to R\$175,208k in the first quarter of 2021. This increase can be explained mainly by the growth of royalty costs of R\$9,689k, following the evolution in revenues, and the growth in costs and expenses with depreciation, amortization and depletion, which increased by R\$7,610k in the period.

Additionally, in the first quarter of 2021 we made a scheduled stop for maintenance of the onshore production Rig PR-01. The costs incurred in the maintenance of this equipment, including its nonproductive time in the period, were about R\$1.5 million.

Finally, we have accelerated our asset maintenance program in the Potiguar District. During the first months of 2020, we were still mobilizing the services needed for the District's operation, since we took over operations in mid-December 2019. Additionally, with the worsening economic consequences of the Covid-19 pandemic, we chose to reduce the non-critical activities from the end of March 2020 and in some cases stopped the production of some wells in the Potiguar District that had higher production costs. In 1Q21, considering the improvement in the price of Brent, we returned to production most of the wells that had been stopped throughout 2020 and, in addition, considering the improvement in the prices of the gas sales contract for Petrobras from January 2021, we started a process of revitalization of gas compression and flow systems in the district in order to allow a growth in the gas production. The estimated impact in the quarter of the points listed above was approximately R\$6.6 million.

Net financial result

We observed a 63.1% reduction in our net financial result (losses), which passes from net expenses of R\$256,891k in the three-month period ended March 31, 2020, to net expenses of R\$94,785k in the first quarter of 2021.

Financial result, net (in thousand of R\$)			
	1Q21	1Q20	Δ %
Financial revenues	15.543	402	3rd. 766.4%
Financial expenses	(23.061)	(28.179)	-18,2%
Exchange variation on financing	(87.299)	(229.439)	-62,0%
Other exchange variations	32	325	-90,2%
Financial result, net	(94.785)	(256.891)	-63,1%

The growth in financial revenues reflects the appreciation of US Dollar exchange rate in the period. The subsidiary Potiguar maintains a balance of investments in a US Dollar denominated exchange fund. These investments are one of the guarantees to the loan contracted by the subsidiary to pay part of the acquisition of oil and natural gas producing fields and the application in exchange fund aims to track the variation of the dollar against the real. Since the Subsidiary's debt is in dollars, the Company therefore aims to protect itself from exchange rate variations.

The exchange variation in foreign currency financing also suffered a sharp reduction compared to the first quarter of 2020. In the first three months of 2020, a significant negative exchange variance was recorded, of R\$229,439k, while in the same period of 2021, the exchange variance was also negative, but of R\$87,299k. This variance is explained by the appreciation of the exchange rate in the period having been smaller than that observed in 2020. The table below shows the appreciation of the exchange rate in each quarter:

	31/03/2021	Δ %	31/12/2020	31/03/2020	Δ %	12/31/2019
R\$/US\$ exchange rate	5,70	9,6%	5,20	5,20	29.0%	4,03

Income tax and social contribution on net income

Income tax and social contribution (in thousand of R\$)			
	1Q21	1Q20	Δ%
Currents	(2.163)	(7.354)	-70,6%
Deferred	13.478	76.145	-82,3%
Income tax and social contribution	11.315	68.791	-83,6%

Income tax and social contribution were strongly impacted by the constitution of deferred taxes, especially on the subsidiary Potiguar tax loss. This loss was caused by the exchange variance in financing, explained in the above topic. In the first quarter of 2021, the consolidated deferred tax on tax losses was R\$9,006k, while in the first three months of 2020 it was R\$65,690k.

Net income

As a combination of the events mentioned in the above topics, the Company posted a net loss of R\$12,890k in the first quarter of 2021, compared to a net loss of R\$136,041k in the same period of 2020.

It is important to note that this result is impacted by the non-cash effect of the devaluation of the Real on the financial result in the quarter, which was R\$87 million. Despite the accounting impact on the Company's net income, EBITDA (and the Company's free cash generation) is positively impacted by the devaluation of the local currency, since most of the expenses are denominated in Real and 98% of the Company's revenues are denominated in Dollars.

Consolidated Cash Flow Statement		(in thousand of R\$)	
	1Q21	1Q20	Δ %
Losses before taxes	(24.205)	(204.832)	-88,2%
Depreciation, amortization and depletion	61.052	53.270	14,6%
Interest and exchange variations, net	103.869	248.629	-58,2%
Changes in assets and liabilities	(25.317)	(34.857)	-27,4%
Interest paid	(15.767)	(9.985)	57,9%
Asset and rental losses	32.270	20.477	57,6%
Other adjustments and variations	5.756	10.600	-45,7%
Cash generated by operating activities	137.658	83.302	65,3%
Additions to property, plant and equipment	(126.005)	(50.718)	148,4%
(Investments) redemptions of financial investments	2.225	(56.634)	-103,9%
Cash invested in investment activities	(123.780)	(107.352)	15,3%
New Loans	60.479	-	N.A.
Amortization of financing and leases	(61.173)	(3.109)	1867,6%
Capital increase and AFAC	-	2.360	-100,0%
Cash invested in financing activities	(694)	(749)	-7,3%
Increase (decrease) in cash balance and cash equivalents	13.184	(24.799)	-153,2%

The cash generated by operating activities increased R\$54,356k, or 65.3%, in the first quarter of 2021, influenced not only by higher EBITDA, but also by the fact that in the first quarter of 2020 we were building the working capital of the subsidiary Potiguar, which began operations in December 2019, reflected in the line "changes in assets and liabilities".

The cash invested in investment activities increased 15.3%, or R\$16,428k, in the first quarter of 2021, as a combination of the following factors:

- (i) The Company invested R\$126,005k in addition to the fixed and intangible assets, generating an increase of R\$75,287k, when compared to the first quarter of 2020, mainly due to the signing of the contract for the acquisition of the Miranga Cluster, on February 24, 2021. This acquisition led to the payment of US\$11 million to Petrobras at the signing date, equivalent to R\$60,549k. Additionally, we made investments to increase production in the quarter in the amount of R\$22,749k, mainly in

conventional hydraulic fracturing projects, as mentioned in the topic "Operational Performance". We made acquisitions for the warehouse for fixed inversions in the amount of R\$34,731 k. These acquisitions aim to leave the Company ready to meet the acceleration of its investment plan, and of this amount we have already invested R\$ 25,519k in investment projects or in repair and maintenance activities;

- (ii) In the first quarter of 2021, we made net redemptions of financial investments in the amount of R\$2,225k, while in the first three months of 2020, we made net investments in the amount of R\$56,634k, reflecting the creation of guarantees for the financing obtained by the subsidiary Potiguar.

The cash invested in financing activities was R\$694k, similar to the amount invested in the first quarter of 2020. As of March 31, 2021, the following events impacted investment cash flow:

- (i) Funding of R\$60,549k for payment of part acquisition of Miranga Cluster, as mentioned in the above topic;
- (ii) Amortization of financing and commercial leases, in the amount of R\$ 61,173k, impacted mainly by the amortization of part of the financing of the subsidiary Potiguar E&P

As a consequence of the items listed above, the increase in cash balance and cash equivalents in the first quarter of 2021 was R\$13,184k, while in the first three months of 2020 there was a reduction of R\$24,799k.

5. Other highlights of the balance sheet

Cash position (cash and cash equivalents and financial investments)

As of March 31st, 2021, the Company recorded a cash position, which represents the sum of cash and equivalent balances and financial investments, of R\$176,631k, an increase of 6.6% when compared to the balances of December 31st, 2020.

As of March 31st, 2021, most of the Company's resources were invested in foreign exchange funds. These investments are one of the guarantees to the loan contracted by the subsidiary to pay part of the acquisition of the oil and natural gas producing fields and the application in exchange fund aims to track the variation of the dollar against the real. Since the Subsidiary's debt is in dollars, the Company therefore aims to protect itself from exchange variations.

Debt

Net Debt (in thousand of R\$)			
	1Q21	1Q20	Δ %
FINEP	2.637	3.927	-32,8%
Bank loans	1.019.055	1.030.590	-1,1%
Costs to be amortized	(32.074)	(46.702)	-31,3%
Gross debt	989.618	987.815	0,2%
Cash and cash equivalents	44.045	31.466	40,0%
Financial investments	132.786	66.816	98,7%
Net debt	812.787	889.533	-8,6%
EBITDA of the last 12 months	500.708	197.315	153,8%
Net Debt/EBITDA last 12 months	1.62 x	4.51 x	-2.88 x

The Company's net debt in the first quarter of 2021 decreased 8.6% compared to March 31, 2020. During the quarter, we signed a financing agreement of US\$11 million, equivalent to R\$60,479k, for the payment of the signing for the acquisition of the Miranga Cluster. During the quarter, we also made principal payments and interest and recorded exchange variance related to our loans in foreign currencies, as shown below:

Movement of loans and financing (in thousand of R\$)	
Balance as of December 31, 2020	894.040
Borrowing	60.479
Principal payments	(55.548)
Interest paid	(15.586)
Accrued interest	15.581
Amortization of acquisition cost	3.353
Exchange variation	87.299
Balance as of March 31, 2021	989.618

Below is the maturity schedule for Loans and Financing, as of March 31st, 2021.

	Parent	Consolidated
2021	63.896	251.211
2022	1.315	292.299
2023	329	318.009
2024	0	160.174
Total	65.540	1.021.692

Derivative financial instruments

The Company constantly evaluates the possibility of carrying out hedge operations of future oil production in order to increase predictability and protect future cash flows. The Company contracted commodity forward contracts to manage commodity price risk associated with future transactions of up to 36 months.

The following table describes the commodity forward contracts opened as of March 31, 2021, as well as the information related to their corresponding hedged items:

Derivative financial instruments

Contracted financial instrument	NDF
Volume (in barrels)	5.205.207
Average Strike (US\$/bbl)	54,23
Fair value as of March 31 st , 2021 (R\$ thousand)	(122.326)

6. Reserves 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 31st, 2020. The evaluation of the Company's Reserves and Resources was completed on January 20th, 2021 for the Company and its subsidiary, Potiguar E&P S.A. The Miranga contingent resources assessment was completed on February 22nd, 2021.

Below is a summary table of the Company's net reserves and contingent resources, as of December 31st, 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.

	Petróleo e Líquidos de Gás Natural				Gás				Barris de Óleo Equivalentes ⁽¹⁾	(Petróleo como % do Total)	(Gás como % do Total)	Fluxo de Caixa Descontado - 10% (MUSS) ⁽²⁾
	Reconcavo ⁽³⁾	Potiguar ⁽⁴⁾	Miranga ⁽⁵⁾	sub-total	Reconcavo ⁽³⁾	Potiguar ⁽⁴⁾	Miranga ⁽⁵⁾	sub-total	Total			
	(em milhares de barris)				(em milhões de pés cúbicos)				(em milhares de boes)			
Reservas Líquidas												
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
Total de reservas provadas (1P)	5.038,9	16.176,0	n.a.	21.214,9	2.760,0	15.955,7	n.a.	18.715,7	24.334,1	87,2%	12,8%	364.302,5
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
Total de reservas provadas + prováveis (2P)	5.477,0	21.644,1	n.a.	27.121,0	3.004,1	18.339,8	n.a.	21.343,8	30.678,3	88,4%	11,6%	464.250,1
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
Total de reservas provadas + prováveis + possíveis (3P)	5.868,1	23.783,5	n.a.	29.651,6	3.042,4	18.903,8	n.a.	21.946,2	33.309,3	89,0%	11,0%	499.196,5
Recursos Contingentes												
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
Total (1P + 1C)	14.080,5	35.357,2	18.639,9	68.077,6	6.789,0	44.918,7	175.918,7	227.626,4	106.015,4	64,2%	35,8%	802.438,7
Total (2P + 2C)	19.395,9	47.741,4	22.309,6	89.446,9	8.698,2	55.644,6	217.971,7	282.314,5	136.499,3	65,5%	34,5%	995.886,4
Total (3P + 3C)	22.878,4	54.011,2	23.193,3	100.082,9	10.218,1	59.386,4	222.590,9	292.195,5	148.782,1	67,3%	32,7%	1.087.177,2

Notes:

- (1) Volume of gas was converted to BOE at the rate 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) the interests (approximately 85%) held by us through our agreement with Petrobras in the 12 fields of the Remanso Cluster; and (ii) a 100% interest in the Lagoa do Paulo, Lagoa do Paulo Sul, Lagoa do Paulo Norte, Juriti and Acará-Burizinho fields. All of these fields are located in the state of Bahia. The contingent resources refer to: (i) the residual interest (approximately 15%) currently held by Petrobras; and (ii) the volumes of oil and gas to be produced after the concession terms currently in effect. Such funds are contingent only on the regulatory approvals for the acquisition of the Remanso Cluster and its subsequent closing, and on the extension of the concessions.
- (4) Potiguar E&P's reserves consist of the 34 fields of the Riacho da Forquilha Cluster, of which 30 are 100% owned and operated by Potiguar E&P, two are owned in partnership with Sonangol Hidrocarbonetos Brasil Ltda (approximately 70% is owned by Potiguar E&P and 30% by Sonangol) and two are owned together with Partex Brasil Ltda (50% is owned by Potiguar E&P and 50% by 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 terms currently in force. Such funds are contingent only on the extent of the concessions. The amounts shown in the tables reflect only our working interest in these concessions.
- (5) Miranga's contingent resources include a 100% interest in the nine fields of the Miranga Cluster, all located in the state of Bahia. Such funds are contingent only on the regulatory approvals for the acquisition of the Miranga Cluster and its subsequent closing, and on the extension of the concessions.
- (6) The total values may not reflect the exact account, due to possible rounding of numbers.
- (7) The different classifications of oil accumulations have varying degrees of technical and commercial risk that are difficult to quantify; therefore, reserves, contingent resources and prospective resources should not be aggregated without a broad consideration of these factors. This table shows the sum of the reserves and contingent resources shown in the NSAI reports without adjustments for these factors; these sums are shown in this table for convenience only.

7. Safety, Health, Environment and Sustainability

For PetroReconcavo, safety is a non-negotiable value and a commitment made in our Strategic Planning, which guide our daily operations and those who relate to us. We develop our activities in accordance with applicable laws and regulations in the places where we operate, in addition to complying with our own internal guidelines and procedures based on best market practices.

Our business requires an excellent performance based on responsible management of the impacts that our activity generates on people, communities and the environment. In order to mitigate these impacts, we apply tools to identify the risks associated with the activities and verify if the barriers we adopt are sufficient to keep them under control. In the first quarter, we had 626,523 hours worked with zero lost time incident rate.

To strengthen our HS&E culture, throughout the first quarter, we conducted Live Streaming and Corporate Campaigns focused on accident prevention, with emphasis on hand protection. In addition, we started the annual audit program at our critical service providers, aiming to know and evaluate risks and develop improvement actions in our supply chain.

PetroReconcavo believes that it is up to its executives to promote at all hierarchical levels the sense of individual responsibility in relation to safety, health and environment and for this we carry out the launch of the "Safe Leader" Program, a program that seeks to enhance leadership skills and behaviors in SSMS at all levels of the Company's command.

Within the program of continuous improvement of SSMS management, we have closed a corporate contract to support the response to possible environmental emergencies, inside and outside our facilities, to expand the safeguarding of our operations and in alignment with our social and environmental responsibility.

Within our commitment to contribute to the promotion of social and economic prosperity of the areas where we operate, we continue to invest in our social projects Ciranda Educativa and Ciranda Esportiva, which serve 190 children and adolescents, from 108 families, from the communities of Pedras, Flechas and Veadinho, in the municipality of Catu-BA, developing activities in the areas of natural sciences, food security, environmental education and sports activities.

From January to March 2021, at Potiguar E&P, we began a study and development of the strategic plan for the implementation of projects in the surrounding communities, being carried out analysis of the local context and identification of the actors, mapping of stakeholders, survey of information and establishment of preliminary intervention guidelines.

Annex 1 - Balance Sheet

PETRORECONCAVO S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT MARCH 31, 2020
(In thousands of Brazilian reais - R\$)

ASSETS	Notes	Parent		Consolidated		LIABILITIES AND EQUITY	Notes	Parent		Consolidated	
		03/31/21	12/31/20	03/31/21	12/31/20			03/31/21	12/31/20	03/31/21	12/31/20
CURRENT ASSETS						CIRCULANTE					
Cash and cash equivalents	3	28.030	11.663	44.045	30.861	Trade payables	9	45.176	49.022	85.397	80.089
Short-term investments	3	-	9.993	58.537	66.414	Payroll and related taxes		14.698	12.002	19.765	16.065
Trade receivables	4	44.228	52.578	145.122	108.733	Taxes payable		14.353	14.083	34.835	22.762
Inventories		-	127	1.261	1.211	Loans	10	64.116	1.355	294.175	212.931
Dividends receivable	16	304	304	-	-	Leases payable	22	6.113	5.995	15.269	15.241
Recoverable taxes	5	14.506	13.457	27.587	22.433	Derivatives	14	-	-	37.137	-
Derivatives	14	-	-	2.173	80.506	Dividends payable	15 f	2	2	2	2
Other assets		14.053	11.161	14.418	12.826	Provision for well abandonment	13	-	-	6.301	6.301
Total current assets		101.121	99.283	293.143	322.984	Other payables		212	1.168	467	1.170
						Total current liabilities		144.670	83.627	493.348	354.561
NONCURRENT ASSETS						NONCURRENT LIABILITIES				695.443	
Short-term investments	3	-	-	74.249	68.597	Loans	10	1.205	1.379	5.841	681.109
Related parties	16	4.477	20.460	-	-	Leases payable	22	4.239	5.100	89.836	7.646
Recoverable taxes	5	493	14	1.064	562	Derivatives	14	-	-	-	17.886
Derivatives	14	-	-	2.472	56.576	Provision for tax, civil and labor risks	12	4.965	4.965	35.875	4.965
Judicial deposits	6	2.224	2.237	2.298	2.311	Provision for well abandonment	13	11.394	10.914	-	33.810
Other assets		468	475	468	475	Total noncurrent liabilities		21.803	22.358	831.960	745.416
Deferred income tax and social contribution	11	5.757	2.482	98.664	3.070						
Investments	7	463.605	560.003	-	-	EQUITY					
Property, plant and equipment	8	382.142	386.092	1.637.099	1.599.890	Capital	15	674.941	674.941	674.941	674.941
Lease right-of-use assets	22	9.698	10.528	18.961	20.680	Capital reserve		31.158	31.158	31.158	31.158
Intangible assets		4.387	4.607	4.789	5.028	Earnings reserves		148.055	160.945	148.055	160.945
Total noncurrent assets		873.251	986.898	1.840.064	1.757.189	Valuation adjustments to equity		(80.736)	78.671	(80.736)	78.671
						Capital transaction		34.481	34.481	34.481	34.481
						Total equity		807.899	980.196	807.899	980.196
TOTAL ASSETS		974.372	1.086.181	2.133.207	2.080.173	TOTAL LIABILITIES AND EQUITY		974.372	1.086.181	2.133.207	2.080.173

The accompanying notes are an integral part of the quarterly information.

Annex 2 - Income Statement

PETRORECONCAVO S.A. AND SUBSIDIARIES

STATEMENT OF PROFIT AND LOSS

FOR THE PERIOD ENDED MARCH 31, 2021

(In thousands of Brazilian reais - R\$, except earnings per share)

	Notes	Parent		Consolidated	
		03/31/21	03/31/20	03/31/21	03/31/20
NET REVENUE	18	73.764	79.340	245.788	195.548
COSTS OF SERVICES AND SALES	19	(53.589)	(59.672)	(153.098)	(128.605)
GROSS PROFIT		<u>20.175</u>	<u>19.668</u>	<u>92.690</u>	<u>66.943</u>
REVENUE (EXPENSES)					
General and administrative expenses	19	(9.566)	(12.533)	(11.283)	(14.882)
Other income (expenses), net	19	690	598	(10.827)	(2)
(Losses) gains on equity interests	7, 19	(26.691)	(139.298)	-	-
Total		<u>(35.567)</u>	<u>(151.233)</u>	<u>(22.110)</u>	<u>(14.884)</u>
OPERATING INCOME (LOSS)		(15.392)	(131.565)	70.580	52.059
FINANCE INCOME (COSTS)					
Finance income	20	5.965	240	15.543	402
Finance expenses	20	(1.691)	(1.614)	(23.061)	(28.179)
Foreign exchange gains (losses), net	20	(2.952)	(4.298)	(87.267)	(229.114)
		<u>1.322</u>	<u>(5.672)</u>	<u>(94.785)</u>	<u>(256.891)</u>
PRETAX PROFIT (LOSS)		(14.070)	(137.237)	(24.205)	(204.832)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current		(4.323)	(7.289)	(4.459)	(7.384)
Deferred		3.275	4.375	13.478	76.145
Reduction – tax benefits		<u>2.228</u>	-	<u>2.296</u>	<u>30</u>
	11	1.180	(2.914)	11.315	68.791
PROFIT (LOSS) FOR THE PERIOD		<u>(12.890)</u>	<u>(140.151)</u>	<u>(12.890)</u>	<u>(136.041)</u>
Basic earnings per common and preferred share - R\$	15.e	(0,1536)	(1,6758)		
Diluted earnings per common and preferred share - R\$	15.e	(0,1525)	(1,6639)		

The accompanying notes are an integral part of the quarterly information.

Annex 3 - Cash Flow Statement

PETROBRAS S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2021
(In thousands of Brazilian reais - R\$)

		Parent		Consolidated	
	Notes	03/31/21	03/31/20	03/31/21	03/31/20
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (loss) before taxes on income		(14.070)	(137.237)	(24.205)	(204.832)
Adjustments to reconcile profit for the year to cash generated by operating activities:					
Interest and exchange differences, net		2.469	103	103.869	248.629
Exchange differences on translating cash and cash equivalents	3	-	-	(988)	(361)
Interest and foreign exchange differences on leases	22	809	5.205	1.461	1.043
Depreciation and depletion of property, plant and equipment	8	17.600	19.901	56.043	48.476
Amortization of intangible assets		221	48	241	198
Depreciation of right-of-use assets	22	1.577	2.780	4.768	4.596
Amortization of borrowing costs	10	14	-	3.353	5.208
Allowance for (reversal of) inventory losses		-	-	-	58
Share of profit (loss) of subsidiaries	7, 19	26.691	139.298	-	-
Provision for and reversal for tax, civil, labor, and regulatory risks	12	-	989	-	989
Share-based payments and stock options		-	3.674	-	3.674
Adjustment to the provision for well abandonment	13	480	435	2.065	1.273
Derecognition of property, plant and equipment and leases		10.551	11.810	32.270	20.477
CHANGES IN ASSETS					
Trade receivables		8.350	(20.024)	(36.389)	(45.969)
Inventories		127	-	(50)	(731)
Recoverable taxes		(1.528)	3.238	(5.656)	(4.627)
Judicial Deposits		13	(10)	13	(10)
Other assets		(2.885)	1	(1.585)	(5.429)
CHANGES IN LIABILITIES					
Trade payables		(3.846)	7.493	5.308	14.945
Payroll and related taxes		2.696	(921)	3.700	1.208
Taxes payable		(1.690)	(3.347)	10.045	5.199
Other payables		(956)	(343)	(703)	557
Interest paid	10	(44)	(78)	(15.586)	(9.265)
Interest on leases paid	22	(107)	(533)	(181)	(720)
Income tax and social contribution paid		(135)	-	(135)	(1.284)
CASH GENERATED BY OPERATING ACTIVITIES		46.337	32.482	137.658	83.302
CASH FLOWS FROM INVESTING ACTIVITIES					
Intragroup loans		(13.167)	-	-	-
Interest on loans with related parties		-	7	-	-
(Investments) redemptions of short-term investments		9.993	-	2.225	(56.634)
Additions of property, plant and equipment	8	(24.589)	(25.334)	(126.003)	(50.202)
Additions of intangible assets		(1)	(356)	(2)	(516)
Capital increase in subsidiaries	7	(60.550)	-	-	-
CASH USED IN INVESTING ACTIVITIES		(88.314)	(25.683)	(123.780)	(107.352)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing raised	10	60.479	-	60.479	-
Repayment of financing	10	(331)	(334)	(55.548)	(349)
Repayment of leases - principal	22	(1.804)	(3.202)	(5.625)	(2.760)
Capital increase	15	-	2.664	-	2.664
Receipt of loans from related parties		-	2.634	-	-
Advance for future capital increase		-	(304)	-	(304)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		58.344	1.458	(694)	(749)
Increase (decrease) in cash and cash equivalents		16.367	8.257	13.184	(24.799)
Cash and cash equivalents at the beginning of the year	3	11.663	19.977	30.861	56.265
Cash and cash equivalents at the end of the year	3	28.030	28.234	44.045	31.466
Increase (decrease) in cash and cash equivalents		16.367	8.257	13.184	(24.799)

The accompanying notes are an integral part of the quarterly information.

(Convenience Translation into
English from the Original Previously Issued in Portuguese)

PetroRecôncavo S.A.

Report on Review of Interim Financial
Information for the
Three-month Period Ended
March 31, 2021

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of
PetroRecôncavo S.A.

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of PetroRecôncavo S.A. ("Company"), included in the Interim Financial Information Form - ITR, for the quarter ended March 31, 2021, which comprises the balance sheet as at March 31, 2021 and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (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 interim financial information referred to above has not been prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

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Emphasis of matter

Without modifying our conclusion, we draw attention to note 21 to the individual and consolidated interim financial information, which states that, as a result of the characteristics of the Company's and its subsidiaries' operations, they concentrate their sales on one single customer (Petróleo Brasileiro S.A. - Petrobras). Consequently, any interpretation or analysis of this individual and consolidated interim financial information must take these circumstances into consideration.


Other matters

Statement of value added

The interim financial information referred to above includes the individual and consolidated statements of value added ("DVA") for the three-month period ended March 31, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the international standard IAS 34. These statements were subject to review procedures performed together with the review of the Interim Financial Information (ITR) to reach a conclusion on whether they were reconciled with the interim financial information and the accounting records, as applicable, and if their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set out in this technical pronouncement and consistently with the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Salvador, May 14, 2021


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Jônatas José Medeiros de Barcelos
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT MARCH 31, 2020
(In thousands of Brazilian reais - R\$)

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF PROFIT AND LOSS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

(In thousands of Brazilian reais - R\$, except earnings per share)

	Notes	Parent		Consolidated	
		03/31/21	03/31/20	03/31/21	03/31/20
NET REVENUE	18	73,764	79,340	245,788	195,548
COSTS OF SERVICES AND SALES	19	(53,589)	(59,672)	(153,098)	(128,605)
GROSS PROFIT		<u>20,175</u>	<u>19,668</u>	<u>92,690</u>	<u>66,943</u>
REVENUE (EXPENSES)					
General and administrative expenses	19	(9,566)	(12,533)	(11,283)	(14,882)
Other income (expenses), net	19	690	598	(10,827)	(2)
(Losses) gains on equity interests	7, 19	(26,691)	(139,298)	-	-
Total		<u>(35,567)</u>	<u>(151,233)</u>	<u>(22,110)</u>	<u>(14,884)</u>
OPERATING INCOME (LOSS)		<u>(15,392)</u>	<u>(131,565)</u>	<u>70,580</u>	<u>52,059</u>
FINANCE INCOME (COSTS)					
Finance income	20	5,965	240	15,543	402
Finance expenses	20	(1,691)	(1,614)	(23,061)	(28,179)
Foreign exchange gains (losses), net	20	(2,952)	(4,298)	(87,267)	(229,114)
		<u>1,322</u>	<u>(5,672)</u>	<u>(94,785)</u>	<u>(256,891)</u>
PRETAX LOSS		<u>(14,070)</u>	<u>(137,237)</u>	<u>(24,205)</u>	<u>(204,832)</u>
INCOME TAX AND SOCIAL CONTRIBUTION					
Current		(4,323)	(7,289)	(4,459)	(7,384)
Deferred		3,275	4,375	13,478	76,145
Reduction - Tax benefits		<u>2,228</u>	<u>-</u>	<u>2,296</u>	<u>30</u>
	11	<u>1,180</u>	<u>(2,914)</u>	<u>11,315</u>	<u>68,791</u>
LOSS FOR THE PERIOD		<u>(12,890)</u>	<u>(140,151)</u>	<u>(12,890)</u>	<u>(136,041)</u>
Basic earnings per common and preferred share - R\$	15.e	(0.1536)	(1.6758)		
Diluted earnings per common and preferred share - R\$	15.e	(0.1525)	(1.6639)		

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
LOSSES FOR THE PERIOD	(12,890)	(140,151)	(12,890)	(136,041)
Hedging instruments	-	40,972	(241,524)	524,481
Deferred taxes on financial instruments	-	(13,930)	82,117	(178,324)
COMPREHENSIVE INCOME FOR THE PERIOD	<u>(12,890)</u>	<u>(113,109)</u>	<u>(172,297)</u>	<u>210,116</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(In thousands of Brazilian reais - R\$)

Notes	Capital	Capital reserve		Earnings reserves			Valuation adjustments to equity	Capital transaction	Advance for future capital increase	Accumulated losses	Total equity attributable to owner of the Company	Reconciliation	Total consolidated equity
		Income tax relief incentive	Shares and stock options granted	Legal reserve	Tax incentives	Reinvestment reserve	Cash flow hedge accounting						
BALANCE AS AT DECEMBER 31, 2019	669,295	18,501	12,657	23,187	36,423	169,480	(3,391)	34,481	304	-	960,937	860	961,797
Capital increase	2,664	-	-	-	-	-	-	-	(304)	-	2,360	-	2,360
Other comprehensive income	-	-	-	-	-	-	27,042	-	-	-	27,042	-	27,042
Other subsidiary's comprehensive income	-	-	-	-	-	-	319,115	-	-	-	319,115	-	319,115
Losses for the period	-	-	-	-	-	-	-	-	-	(140,151)	(140,151)	4,110	(136,041)
BALANCE AS AT MARCH 31, 2020	671,959	18,501	12,657	23,187	36,423	169,480	342,766	34,481	-	(140,151)	1,169,303	4,970	1,174,273
BALANCE AS AT DECEMBER 31, 2020	674,941	18,501	12,657	23,187	36,423	101,335	78,671	34,481	-	-	980,196	-	980,196
Other subsidiary's comprehensive income	7	-	-	-	-	-	(159,407)	-	-	-	(159,407)	-	(159,407)
Losses for the period	-	-	-	-	-	-	-	-	-	(12,890)	(12,890)	-	(12,890)
BALANCE AS AT MARCH 31, 2021	674,941	18,501	12,657	23,187	36,423	101,335	(80,736)	34,481	-	(12,890)	807,899	-	807,899

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

(In thousands of Brazilian reais - R\$)

		Parent		Consolidated	
	Notes	03/31/21	03/31/20	03/31/21	03/31/20
CASH FLOWS FROM OPERATING ACTIVITIES					
Losses before taxes on income		(14,070)	(137,237)	(24,205)	(204,832)
Adjustments to reconcile profit for the three-month period to cash generated by operating activities:					
Interest and exchange differences, net		2,469	103	103,869	248,629
Exchange differences on translating cash and cash equivalents	3	-	-	(988)	(361)
Interest and foreign exchange differences on leases	22	809	5,205	1,461	1,043
Depreciation and depletion of property, plant and equipment	8	17,600	19,901	56,043	48,476
Amortization of intangible assets		221	48	241	198
Depreciation of right-of-use assets	22	1,577	2,780	4,768	4,596
Amortization of borrowing costs	10	14	-	3,353	5,208
Allowance for inventory losses		-	-	-	58
(Losses) gains on equity interests	7, 19	26,691	139,298	-	-
Provision for and reversal for tax, civil, labor, and regulatory risks	12	-	989	-	989
Share-based payments and stock options		-	3,674	-	3,674
Adjustment to the provision for well abandonment	13	480	435	2,065	1,273
Derecognition of property, plant and equipment and leases		10,551	11,810	32,270	20,477
CHANGES IN ASSETS					
Trade receivables		8,350	(20,024)	(36,389)	(45,969)
Inventories		127	-	(50)	(731)
Recoverable taxes		(1,528)	3,238	(5,656)	(4,627)
Judicial deposits		13	(10)	13	(10)
Other assets		(2,885)	1	(1,585)	(5,429)
CHANGES IN LIABILITIES					
Trade payables		(3,846)	7,493	5,308	14,945
Payroll and related taxes		2,696	(921)	3,700	1,208
Taxes payable		(1,690)	(3,347)	10,045	5,199
Other payables		(956)	(343)	(703)	557
Interest paid	10	(44)	(78)	(15,586)	(9,265)
Interest on leases paid	22	(107)	(533)	(181)	(720)
Income tax and social contribution paid		(135)	-	(135)	(1,284)
CASH GENERATED BY OPERATING ACTIVITIES		46,337	32,482	137,658	83,302
CASH FLOWS FROM INVESTING ACTIVITIES					
Intragroup loans		(13,167)	-	-	-
Interest on loans with related parties		-	7	-	-
(Investments) redemptions of short-term investments		9,993	-	2,225	(56,634)
Additions of property, plant and equipment	8	(24,589)	(25,334)	(126,003)	(50,202)
Additions of intangible assets		(1)	(356)	(2)	(516)
Capital increase in subsidiaries	7	(60,550)	-	-	-
CASH USED IN INVESTING ACTIVITIES		(88,314)	(25,683)	(123,780)	(107,352)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing raised	10	60,479	-	60,479	-
Repayment of financing	10	(331)	(334)	(55,548)	(349)
Repayment of leases - principal	22	(1,804)	(3,202)	(5,625)	(2,760)
Capital increase	15	-	2,664	-	2,664
Receipt of loans from related parties		-	2,634	-	-
Advance for future capital increase		-	(304)	-	(304)
NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		58,344	1,458	(694)	(749)
Increase (decrease) in cash and cash equivalents		16,367	8,257	13,184	(24,799)
Cash and cash equivalents at the beginning of the period	3	11,663	19,977	30,861	56,265
Cash and cash equivalents at the end of the period	3	28,030	28,234	44,045	31,466
Increase (decrease) in cash and cash equivalents		16,367	8,257	13,184	(24,799)

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECONCAVO S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(In thousands of Brazilian reais - R\$)

		Parent		Consolidated	
	Notes	03/31/21	03/31/20	03/31/21	03/31/20
<u>Wealth creation</u>					
Revenue					
Services	18	79,768	85,074	79,768	85,074
Products	18	-	-	225,010	144,241
Other		886	2,313	219	29
Total revenue		80,654	87,387	304,997	229,344
<u>Inputs purchased from third parties</u>					
Cost of sales and services		(6,981)	(8,662)	(14,672)	(9,256)
Supplies, power, outside services and other inputs		(17,947)	(23,054)	(48,685)	(44,015)
Recovery (loss) of receivables		-	(403)	414	(461)
Total inputs purchased from third parties		(24,928)	(32,119)	(62,943)	(53,732)
Gross value added		55,726	55,268	242,054	175,612
Depreciation, amortization and depletion	19	(19,398)	(22,656)	(61,052)	(53,270)
Wealth created by the entity		36,328	32,612	181,002	122,342
<u>Wealth received in transfer</u>					
Finance income	20	6,123	402	16,618	928
Equity in subsidiaries	11	(26,691)	(139,298)	-	-
Total wealth received in transfer		(20,568)	(138,896)	16,618	928
Wealth for distribution		15,760	(106,284)	197,620	123,270
<u>Wealth distributed</u>					
Personnel:					
Wages		10,317	12,621	14,824	16,650
Benefits		3,255	2,616	6,178	4,787
Governmental severance fund (FGTS)		623	614	986	867
Taxes, fees and contributions:					
Federal		4,441	7,964	16,385	(54,067)
State		-	73	32,499	16,647
Municipal		2,926	2,742	2,926	2,742
Third-party capital remuneration					
Leases	19	2,288	1,162	4,733	2,923
Royalties	17, 19	-	-	20,579	10,890
Interest		4,800	6,075	111,400	257,872
Shareholders:					
Accumulated losses		(12,890)	(140,151)	(12,890)	(136,041)
Wealth distributed		15,760	(106,284)	197,620	123,270

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

1. GENERAL INFORMATION

PetroRecôncavo S.A. ("Company", "PetroRecôncavo" or "Parent Company") is engaged in the operation and production of mature oil and natural gas fields in Brazil. The Company is headquartered in the city of Mata de São João, State of Bahia, and was organized on July 21, 1999, for the purpose of, together with Petróleo Brasileiro S.A. (Petrobras S.A.), restore, reactivate and rejuvenate 12 oil and gas fields in Brazil's Recôncavo basin through a "risk production agreement", dated February 1, 2000, effective for twenty-seven years counted from the execution date and renewable for a similar term, at the discretion of the Brazilian Oil Agency - ANP ("Agência de Petróleo", "Gás Natural e Biocombustíveis"). This activity encompasses the planning and implementation of all phases in the production chain of an oil and gas field such as reservoir study, implementation of well intervention programs, production monitoring and control, including production measurement, transportation and handling.

In operation since February 2000, PetroRecôncavo is paid on a monthly basis for the production of oil and natural gas, exclusively by Petrobras S.A., in accordance with the second clause of the "risk production agreement" signed by the parties, which sets forth that the hydrocarbons produced within the established areas, on the aforementioned agreement, are exclusively property of Petrobras. The exploration areas PetroRecôncavo operates refer to fields whose concessions belongs to Petrobras.

On December 23, 2020, the Company entered into an agreement to acquire the total interests held by Petrobras in the twelve onshore fields that are the subject matter of the "risk production agreement", which are grouped in another set called the Remanso Cluster and include the fields Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro, and Sesmaria, in the Recôncavo basin, State of Bahia. The acquisition price was of US\$30.0 million. Of this amount: (i) US\$4.0 million, equivalent to R\$20.6 million, was paid on the signing date, December 23, 2020; (ii) US\$21.0 million is due and will be paid when the deal is closed, less the cash generation of the asset, that will be presented by Petrobras, from July 2020 to the transaction closing date, plus other price adjustment terms; and (iii) US\$5.0 million is payable in twelve months after the deal is closed, which is expected to take place during 2021. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from CADE (Brazilian antitrust agency), ANP, environmental agencies, among others. The "risk production agreement" will be terminated with the closing of the transaction. On March 16, 2021, CADE approved the transaction, with the precedent conditions mentioned above being maintained.

The Company's subsidiaries are Recôncavo E&P S.A. ("Recôncavo"), Reconcavo America LLC ("Reconcavo America"), Potiguar E&P S.A. ("Potiguar") and SPE Miranga S.A. ("SPE Miranga") (collectively with PetroRecôncavo referred to as the "Group"), whose activities are described below:

Recôncavo

Recôncavo was established on March 22, 2004 and is engaged in the development, prospection, exploration, and drilling in oil basins and the production and sale of oil, gas and other byproducts, including, but not limited to: (a) the purchase, sale, import and lease of oil and gas drilling and production equipment; (b) the engagement of oil and gas exploration services; (c) the sale, trade, import and export of oil and gas and other byproducts; (d) the processing, refine, purchase and sale of oil and natural gas; and (e) any other activity necessary or required for the exploitation, production and sale of oil, gas and byproducts. Recôncavo operates the concessions to exploit own fields and blocks, working in fields through the concession obtained from ANP.

The subsidiary Recôncavo E&P S.A. currently holds concessions to exploit the Lagoa do Paulo, Lagoa do Paulo Norte, Lagoa do Paulo Sul, Acajá-Burizinho, and Juriti fields, which were purchased in the 4th and 6th ANP bidding rounds.

Recôncavo America

Recôncavo América, established on May 15, 2006, based in the State of Delaware, United States of America, is engaged in purchasing oilfield equipment, especially workover and drilling rigs, and leasing them in Brazil, under the special customs regime for the export and import of goods intended to be used in oil and natural gas prospection and extraction activities, called REPETRO. This equipment is mainly used in the operations of the Company and its subsidiaries, however, during idle periods, the equipment may be leased to third parties. In December 2020, Recôncavo America sold its assets to its parent company PetroRecôncavo S.A. and its subsidiary Potiguar for R\$18,156, at these assets' carrying amounts on the sale date.

Potiguar

Potiguar E&P S.A., headquartered in the city of Mossoró, State of Rio Grande do Norte, is a privately-held company, established on June 15, 2018 and is controlled by PetroRecôncavo S.A.

Potiguar is engaged in the development, research, exploration and drilling of oil basins, and the production and trading of oil, gas and other related products, including, but not limited to: (a) the acquisition, sale, importation and leasing of equipment related to the exploration and production of oil and gas; (b) contracting of services related to the exploration of oil and gas; (c) sale, trading, importation and exportation of oil and gas and other related products; (d) processing, refinery, purchase and sale of oil and natural gas; and (e) any other activity necessary or required in relation to the exploration, production and trading of oil and gas and other related products. Potiguar consolidates concessions for the exploration and production of its own fields, working in fields through concessions obtained from ANP.

Potiguar is the concessionaire for the exploration and production of the Acauã, Asa Branca, Baixa do Algodão, Baixa do Juazeiro, Boa Esperança, Brejinho, Cachoeirinha, Cardeal, Colibri, Fazenda Curral, Fazenda Junco, Fazenda Malaquias, Jaçanã, Jandui, Juazeiro, Leste de Poço Xavier, Livramento, Lorena, Maçarico, Pajeú, Pardal, Patativa, Paturi, Poço Xavier, Riacho da Forquilha, Rio Mossoró, Sabiá, Sabiá Bico de Osso, Sabiá da Mata, Sibite, Três Marias, Trinca Ferro, Upanema and Varginha fields, which were acquired from Petróleo Brasileiro S.A. - Petrobras and the operations of which began on December 10, 2019. Potiguar E&P is the operator of all the above-mentioned concessions, with exception of: (i) the Sabiá Bico de Osso and Sabiá da Mata fields which are presently operated by Sonangol Hidrocarbonetos S.A.; and (ii) the Cardeal and Colibri fields, presently operated by Partex.

SPE Miranga

SPE Miranga, established in the Municipality of Salvador, state of Bahia, is a privately-held company, established on January 12, 2021, controlled by PetroRecôncavo S.A., engaged in the extraction of oil and natural gas, encompassing the development, research, exploration and drilling of oil basins and the production and trade of oil, gas and related products, including, but not limited to: (a) the acquisition, sale, importation and leasing of equipment related to the exploration and production of oil and gas; (b) contracting of services related to the exploration of oil and gas; (c) sale, trading, importation and exportation of oil and gas and related products; (d) processing, refinery, purchase and sale of oil and natural gas; and (e) any other activity necessary or required in relation to the exploration, production and trading of oil and gas and other related products.

On February 24, 2021 SPE Miranga signed a contract for the purchase of total equity interest of Petrobras in the nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranda Cluster, in the Recôncavo basin, in Bahia. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from ANP, CADE and environmental agencies, as applicable.

The acquisition price was of US\$220.1 million, out of which (i) US\$11.0 million was paid on the signing date, February 24, 2021; (ii) US\$44.0 million to be paid on the closing date of the transaction, without any adjustment to the price; (iii) US\$20.0 million payable in twelve months after the deal is closed; (iv) US\$20.0 million payable in twenty-four months after the deal is closed; (v) US\$40.1 million payable in thirty-six months after the deal is closed; and (vi) up to US\$85.0 million in contingent payments, pegged to possible different reference price range of oil (Brent) during the period between the calendar-years 2022, 2023 and 2024.

Petrobras will have the right to withhold the deposit should the contract be terminated due to violation attributed to SPE Miranga, including events such as: (i) the Company's failure to pay the amounts due on the transaction closing date; (ii) in the case of CADE and/or ANP not approving the transaction, should such non-approval be caused by omission or non-compliance of a legal requirement attributed to SPE Miranga; and (iii) should ANP not grant its final approval of the transaction due to the fact that the Company is not qualified as an Operator, when the case requires, for onshore fields in accordance with any applicable Laws and Regulations.

Should the deal not be closed due to any violation on the part of Petrobras, SPE Miranga will have the right to receive reimbursement of the total value of the deposit, plus a fine-penalty in the amount of the deposit.

Presently, SPE Miranga in a pre-operational phase and its activities are being maintained through financial contributions from its shareholders. The start-up of operations depends on the conclusion of the operation for the transfer of the concessions of the fields presented above.

Considering that the operations of the Company and its subsidiaries Recôncavo and Potiguar are exclusively related to Petrobras S.A., the results of operations of the Company and its subsidiaries could be affected as a result of the dependency on one single customer.

As at March 31, 2021, the Company believes that it has adequate liquidity, even though it has presented negative working capital, corresponding to the difference between current assets and current liabilities, of R\$200,205 (2020, R\$31,577). Management believes that the Company is not exposed to a significant liquidity risk, considering its cash generation capacity as per its EBITDA, considering that this cash generation is sufficient to pay debts, maintain the investments, and to cover working capital requirements generated by its obligations.

Additionally, Management believes that the Company's debt maturity profile is consistent with the Company's cash generation.

1.1. Main actions and impacts resulting from COVID-19

As it is widely known, the pandemic caused by the COVID-19 virus has been producing changes in the world and also Brazilian markets. As a result of that, the US dollar rate appreciated by approximately 41% against the local currency since the reporting date December 31, 2019. The commercial exchange rate has increased from R\$4.03 as at March 31, 2021 to approximately R\$5.70 on March 31, 2021. The Company has been constantly monitoring new developments regarding this issue and assessing the possible impacts in the Company's operations. However, the Company's operations denominated in US dollars have a "natural hedge", due to the fact that the price of its sales and services are also denominated in US dollars.

The Company has been closely monitoring the impacts of the COVID-19 pandemic on its business and the communities where it operates. As a result, the Company has taken the actions recommended by the health authorities and its medical department, to protect its employees. Listed below are some of the actions taken:

- (i) In compliance with Decree 10282, of March 20, 2020, which classified the "production of oil and the production, distribution, and sale of fuel, biofuel, liquefied petroleum gas and other oil byproducts" as an "essential activity", the Company's operations were not suspended.
- (ii) Recommending non-essential employees and contractors to work from home.
- (iii) Distancing personnel in the workplaces.
- (iv) Temporary suspension of non-essential travel, visits, on-site training, and movements.
- (v) Disseminating, on the intranet and through leaflets, guidance on measures and precautions to be adopted by all employees.
- (vi) Conducting periodic infection tests.
- (vii) Monitoring employees to identify any symptoms and immediately remove infected personnel from the workplace.
- (viii) Preparing Company facilities for a lockdown, if necessary.

Additionally, in line with its key value, safety, the Company started to operate its assets with the smallest required teams. In addition, the Company has adopted a series of measures to preserve cash in order to maintain its financial soundness and the resilience of its business, including:

- (i) Reducing overhead.
- (ii) Optimizing working capital by postponing investments.

- (iii) Additionally, in March 2020, due to disagreements among major global oil producers, in addition to the decrease in demand and the consequent increase in oil inventories, the Brent oil price dropped substantially in the international markets, from US\$65/bbl to US\$20/bbl. In May 2020, prices started to recover and were traded in the first quarter of 2021 approximately between US\$60/bbl and US\$67/bbl. This drop during the last year has affected the Company's business, mainly resulting in the postponement of investment projects. As the Company adopts a hedging policy for oil prices, this fluctuation was strongly mitigated and the impacts on cash generation were minimized.

The Company reviewed its operating revenue and cash flow projection for 2021 and did not ascertain the need to recognize any impairment loss of property, plant and equipment, deferred taxes, and trade receivables. Considering the unpredictability of the evolution of the outbreak and its impacts, the current estimate of the financial impact of the outbreak on operating revenue and projected cash flows may be revised according to new developments related to this pandemic crisis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED IN PREPARING THE INTERIM FINANCIAL STATEMENTS

The accounting practices of the previous year were applied consistently in the preparation of these interim financial statements.

2.1. Basis of preparation and presentation of the interim financial statements

- a) The individual and consolidated interim financial statements are prepared in accordance with technical pronouncement CPC 21 (R1) - issued by the Accounting Pronouncements Committee ("CPC"); and with the international standard IAS 34; and guidelines issued by Brazilian Securities and Exchange Commission ("CVM").

The individual and consolidated interim financial statements should be read in conjunction with the individual and consolidated financial statements of the Company as at December 31, 2020.

- b) In preparing these interim financial statements Management is required to use certain critical accounting estimates and to make judgments in the process of applying its accounting practices.
- c) There were no significant changes to the assumptions and judgments made by Management in the use of the estimates for the preparation of these interim financial statements in relation to those used for the financial statements as at December 31, 2020.
- d) These interim financial statements were authorized for issue by Company Management on May 14, 2021.

2.2. Significant accounting policies

All relevant information specifically related to these financial statements, and only in relation to these, are being evidenced and correspond to the information used by the Company in its management. The significant accounting policies and estimates adopted by the Company and its subsidiaries are in accordance with CPC 21 and were disclosed in the individual and consolidated financial statements as at December 31, 2020. There were no alterations between the policies disclosed in the financial statements as at December 31, 2020 and these interim financial statements.

2.3. Basis of consolidation and investments in subsidiaries

The Company consolidates all investees over which it has control, i.e., when it is exposed or has rights to variable returns from its involvement with the investee, and has the ability to steer all relevant activities of the investee.

When necessary, the subsidiaries' interim financial statements are adjusted to conform their accounting policies to those adopted by the Company. All intragroup transactions, balances, income and expenses are fully eliminated in consolidation.

In the Company's interim financial statements, the financial information on the subsidiaries is recognized under the equity method. The same adjustments are made to the parent company's interim financial statements.

2.4. Functional currency and foreign currency translation

The Company's Management defined the Brazilian currency, the real (R\$), as the "Functional Currency", for the Company and each of its subsidiaries, since this is the currency of the primary economic environment in which the Company and each subsidiary operate. The Brazilian real is also the presentation currency for these interim financial statements.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Banks - checking account	456	289	11,014	9,045
Certificates of bank deposits and fixed-income funds	27,574	11,374	33,031	21,816
Total	28,030	11,663	44,045	30,861

Marketable securities refer to fixed-income transactions (Certificates of Bank Deposits (CDB)), indexed between 75.53% and 113.18% of the Interbank Deposit Certificate rates (CDI) (75% on December 31, 2020) maintained by top tier banks, as per Note 22.3 to the interim financial statements, having ratings of between Aa1 (BR) and Ba3, based on the Moody rating and to investment funds with yields equivalent to 73.59% of the CDI (131.93% to 177.07% of the CDI on December 31, 2020). The Company and its subsidiaries can immediately redeem these investments without any fee or restriction and their market values do not differ from the amounts recognized in books.

As at March 31, 2021, subsidiary Recôncavo América LLC has R\$9,383 (R\$7,900 on December 31, 2020) in cash and cash equivalents, held in U.S. dollars. In the three-month period ended March 31, 2021, this subsidiary recorded R\$988 (R\$361 in 2020) relating to foreign exchange differences arising on translating foreign currency-denominated balances.

Short-term investments

	Parent		Consolidated	
	<u>03/31/2021</u>	<u>12/31/2020</u>	<u>03/31/2021</u>	<u>12/31/2020</u>
Short-term investments	-	9,993	132,786	135,011
Total	<u>-</u>	<u>9,993</u>	<u>132,786</u>	<u>135,011</u>
Current	-	9,993	58,537	66,414
Non-current	-	-	74,249	68,597

Subsidiary Potiguar must keep short-term investments as loan collateral of at least R\$129,723 as at March 31, 2021. This amount is invested in an Exchange Fund (Itaú Cambial FICFI), recognized in line item 'financial investments' and with yield equivalent to 1.18% in the quarter calculated at the amount invested, as follows:

- All funds of the Debt Service Reserve Account Exchange Fund represent a Long-term Restricted Investment, since they cannot be freely used and will remain restricted until the end of the financing, scheduled for April 2024, according to the agreement.
- All the funds of the Exchange Fund of other restricted accounts (Retention Account, Cash Reserve Account, and Centralizing Account) represent a Short-term Restricted Investment, since they cannot be freely used, but should be used within 12 months.

The goal of the Foreign Exchange Fund is to match the US dollar fluctuation against the Brazilian real. Since the subsidiary's debt is denominated in US dollars, the Company aims, therefore, to hedge against the foreign exchange fluctuation.

4. TRADE RECEIVABLES

	Parent		Consolidated	
	<u>03/31/2021</u>	<u>12/31/2020</u>	<u>03/31/2021</u>	<u>12/31/2020</u>
Petrobras S.A.	44,228	52,578	145,122	108,733
Total	<u>44,228</u>	<u>52,578</u>	<u>145,122</u>	<u>108,733</u>

As at March 31, 2021 and December 31, 2020, the Company and its subsidiaries had no past-due balances and no estimated loss on doubtful debts. Invoices are issued to customer Petrobras S.A. with an average due date from 30 to 50 days. The Company and its subsidiaries have no history of material losses or delays of receivables, and expect no future loss on such receivables.

5. RECOVERABLE TAXES

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Withholding income tax (IRRF)	95	89	4,238	169
Corporate income tax (IRPJ)	9,261	9,166	10,847	11,146
Social contribution (CSLL)	3,205	2,322	4,095	3,212
Tax on revenue (PIS)	255	207	814	776
Tax on revenue (COFINS)	1,089	824	3,748	3,717
State VAT (ICMS)	-	-	3,373	2,678
Other	1,094	863	1,536	1,297
Total	<u>14,999</u>	<u>13,471</u>	<u>28,651</u>	<u>22,995</u>
Total current	14,506	13,457	27,587	22,433
Total non-current	493	14	1,064	562

6. JUDICIAL DEPOSITS

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
PIS, COFINS, Economic Intervention				
Contribution (CIDE) and IRPJ (a)	1,287	1,287	1,303	1,303
IRPJ	-	-	17	17
Labor	813	826	813	826
Other	124	124	165	165
Total	<u>2,224</u>	<u>2,237</u>	<u>2,298</u>	<u>2,311</u>

- (a) In 2007, the Company was assessed for alleged nonpayment of PIS and COFINS. The Company believes that this assessment is unfounded due to the existence of payments related to debts of these taxes. The Company filed an annulment action and deposited in escrow the amounts related to the aforementioned taxes. As at March 31, 2021 and December 31, 2020 the Company recognizes the adjusted amount of R\$1,287 as an escrow deposit for PIS and COFINS. The Company, based on the opinion of its legal counsel, who assess the Company's likelihood of a favorable outcome as probable, did not recognize any provision in these interim financial statements.

7. INVESTMENTS

Information on investees

<u>Investees</u>	<u>Reporting date</u>	<u>Common shares held (in thousands)</u>	<u>Share in paid-in capital - %</u>	<u>Capital</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Equity</u>	<u>Gross revenue</u>	<u>Profit (loss) for the year</u>
Recôncavo E&P S.A.	03/31/2021	6,561	100	6,561	17,228	3,770	13,458	3,109	1,796
Reconcavo America LLC	03/31/2021	n/a	100	9,242	27,206	-	267,206	-	302
Potiguar E&P S.A.	03/31/2021	525,183	100	525,183	1,553,160	1,180,870	372,290	221,902	(18,890)
SPE Miranga S.A.	03/31/2021	60,550	100	60,550	60,550	-	60,550	-	-
Recôncavo E&P S.A.	12/31/2020	6,561	100	6,561	15,145	3,483	11,662	7,050	(1,220)
Reconcavo America LLC	12/31/2020	n/a	100	9,242	26,904	-	26,904	8,598	16,269
Potiguar E&P S.A.	12/31/2020	525,183	100	525,183	1,554,911	1,033,474	521,437	626,549	(93,549)

Variations

	<u>Recôncavo E&P S.A.</u>	<u>Recôncavo America LLC</u>	<u>Potiguar E&P S.A.</u>	<u>SPE Miranga S.A.</u>	<u>Total</u>
		(iii)			
Balances as at December 31, 2019	12,882	10,635	530,280	-	553,797
Equity in investments	(1,220)	16,269	(93,549)	-	(78,500)
Cancellation of dividends (i)	-	-	2,644	-	2,644
Valuation adjustments to equity	-	-	82,062	-	82,062
Balance as at December 31, 2020	11,662	26,904	521,437	-	560,003
Equity in investments (iii)	1,796	(9,597)	(18,890)	-	(26,691)
Capital increase (ii)	-	-	-	60,550	60,550
Advance for future capital increase	-	-	29,150	-	29,150
Valuation adjustments to equity	-	-	(159,407)	-	(159,407)
Balances as at March 31, 2021	13,458	17,307	372,290	60,550	463,605

- (i) As mentioned under Note 11 to the interim financial statements, the financing contract obtained with the purpose of financing part of the acquisition of the Riacho da Forquilha Cluster, forbids the payment of dividends by the Company and its subsidiaries resulting from the profit obtained or other cash balances obtained during the fiscal year 2020. Considering these restrictions, and in a similar manner as occurred in 2019, Management of the Company recommended to the shareholders to vote against the minimum mandatory dividends in the next General Shareholders' Meeting. As at December 31, 2019 PetroRecôncavo, Potiguar and Recôncavo established minimum mandatory dividends in the amounts of R\$12,894, R\$2,644 and R\$304, respectively. Such dividends were cancelled in the respective General Shareholders' Meeting held on June 30, 2020, with the exception of Recôncavo, whose General Shareholders' Meeting has not yet occurred. Company Management will recommend to the shareholders of Recôncavo E&P S.A. to vote for the cancelation of the minimum mandatory dividends, mentioned above, in their next General Shareholders' Meeting.
- (ii) During the three-month period ended March 31, 2021, there were 60,549,300 (sixty million, five hundred and forty-nine thousand, three hundred) common shares of the investee SPE Miranga issued at a subscription price of R\$1 (one Brazilian real). All of the shares were subscribed and paid-in by the Company in cash.
- (iii) The equity in investments of the subsidiary Reconcavo America in the three-month period ended March 31, 2021 includes the elimination of a balance related to unrealized profits between related parties.

8. PROPERTY, PLANT AND EQUIPMENT

Variations table

					Parent				Balance as at 03/31/2021
	Balance as at 12/31/2019	Additions	Write-offs	Transfers (a)	Balance as at 12/31/2020	Additions	Write-offs (vii)	Transfers (a)	
<u>Cost</u>									
Land	80	-	-	-	80	-	-	-	80
Properties and construction	7,799	8	(2)	-	7,805	-	-	-	7,805
Machinery and equipment	15,780	16,425	(47)	1,017	33,175	1,508	-	-	34,683
Furniture and fixtures	10,543	669	-	65	11,277	205	-	-	11,482
Company vehicles	3,274	113	-	-	3,387	-	-	-	3,387
Computers and peripherals	2,103	128	(4)	126	2,353	148	-	-	2,501
Investment to increase well production and drilling (i)	846,512	33,361	(3,613)	7,419	883,679	5,188	-	1,848	890,715
Advance to acquire oil and gas production rights (vi)	-	20,629	-	-	20,629	-	-	-	20,629
Spare parts inventories (iii)	36,250	36,082	(36,628)	(3,911)	31,793	15,099	(10,939)	(1,848)	34,105
Advance to acquire capital assets (v)	447	6,050	(979)	(3,530)	1,988	982	-	-	2,970
PP&E in progress (iv)	65	3,765	(3)	(1,591)	2,236	1,459	-	-	3,695
Total	922,853	117,230	(41,276)	(405)	998,402	24,589	(10,939)	-	1,012,052

	Parent							
	Balance as at 12/31/2019	Additions	Write-offs	Transfers (a)	Balance as at 12/31/2020	Additions	Write-offs (vii)	Transfers (a)
<u>Depreciation and amortization</u>								
Properties and constructions	(3,919)	(541)	-	-	(4,460)	(135)	-	-
Machinery and equipment	(9,117)	(886)	8	-	(9,995)	(787)	-	-
Furniture and fixtures	(6,086)	(733)	-	-	(6,819)	(197)	-	-
Company vehicles	(1,677)	(293)	-	-	(1,970)	(75)	-	-
Computers and peripherals	(941)	(220)	-	-	(1,161)	(68)	-	-
Investment to increase well production and drilling	(514,323)	(73,582)	-	-	(587,905)	(16,338)	-	-
Total	(536,063)	(76,255)	8	-	(612,310)	(17,600)	-	-
<u>Impairment</u>								
Estimated loss on the recovery of assets	(1,691)	-	1,691	-	-	-	-	-
Total	(1,691)	-	1,691	-	-	-	-	-
Net balance	385,099	40,975	(39,577)	(405)	386,092	6,989	(10,939)	-

	Consolidated							
	Balance as at 12/31/2019	Additions	Write-offs	Transfers (a)	Balance as at 12/31/2020	Additions	Write-offs (vii)	Transfers (a)
<u>Cost</u>								
Land	105	-	-	-	105	-	-	-
Properties and construction	12,808	315	(2)	-	13,121	-	-	-
Machinery and equipment	49,135	22,982	(27,822)	(792)	43,503	887	(10,420)	-
Furniture and fixtures	11,042	2,098	(100)	65	13,105	253	-	-
Company vehicles	3,274	262	-	-	3,536	162	-	-
Computers and peripherals	2,218	720	(4)	126	3,060	187	-	-
Investment to increase well production and drilling (i)	882,562	72,843	(4,012)	22,907	974,300	22,749	-	4,461
Oil and gas production rights (ii)	1,237,215	-	-	-	1,237,215	-	-	-
Advance to acquire oil and gas production rights (vi)	-	20,628	-	-	20,628	60,549	-	-
Spare parts inventories (iii)	45,320	92,229	(68,531)	(13,605)	55,413	34,731	(23,058)	(4,461)
Advance to acquire capital assets (v)	749	13,646	(979)	(7,730)	5,686	2,264	-	-
PP&E in progress (iv)	1,705	6,897	(29)	(1,591)	6,982	4,221	-	-
Total	2,246,133	232,620	(101,479)	(620)	2,376,654	126,003	(33,478)	-

					Consolidated				Balance as at 03/31/2021
	Balance as at 12/31/2019	Additions	Write-offs	Transfers	Balance as at 12/31/2020	Additions	Write-offs (vii)	Transfers	
<u>Depreciation</u>									
Properties and constructions	(5,400)	(705)	-	-	(6,105)	(175)	-	-	(6,280)
Machinery and equipment	(29,089)	(2,486)	19,442	-	(12,133)	(391)	727	-	(11,797)
Furniture and fixtures	(6,125)	(803)	-	-	(6,928)	(204)	-	-	(7,132)
Company vehicles	(1,677)	(293)	-	-	(1,970)	(76)	-	-	(2,046)
Computers and peripherals	(944)	(241)	-	-	(1,185)	(85)	-	-	(1,270)
Investment to increase well production and drilling	(526,470)	(86,782)	-	(10)	(613,262)	(20,554)	-	-	(633,816)
Oil and gas production rights	(9,202)	(126,485)	-	506	(135,181)	(34,558)	-	-	(169,739)
Total	(578,907)	(217,795)	19,442	496	(776,764)	(56,043)	727	-	(832,080)
<u>Impairment</u>									
Estimated loss on the recovery of assets	(1,691)	-	1,691	-	-	-	-	-	-
Total	(1,691)	-	1,691	-	-	-	-	-	-
Net balance	1,665,535	14,825	(80,346)	(124)	1,599,890	69,960	(32,751)	-	1,637,099

- (a) Part of the balance was transferred to intangible assets and another part that refers to finance leases, was transferred to line item "Right-of-use leases".

Pursuant to the contractual provision, the Company uses in its operations equipment belonging to Petrobras, kept in the fields of the Recôncavo basin. These assets are not recognized in the Company's interim financial statements nor are the corresponding depreciation charges. The Company does not make any payment for the use of these assets.

- (i) Investment to increase production' refers to motors, transformers, equipment, or sundry expenses used in the wells or over ground facilities aimed at increasing production or work in recoverable reserves. Well drilling refers to the capitalization of expenses incurred on the drilling of new wells in fields that have been proved commercially feasible. The depreciation of these assets and the depletion of expenses are made using the percentage of current production as a ratio of the developed proven reserve of each field, limited to the expiration date of the concession agreements for each field (most expire in 2025). The evaluation of the total reserve as at December 31, 2020 was performed by independent expert Netherland Sewell & Associates, Inc.
- (ii) The 'Oil and gas production rights' represent the concession cost for the: (a) exploitation of onshore blocks BT-REC-10 and BT-REC-14 acquired in the 4th, 6th and 9th ANP bidding rounds and (b) the concessions of 34 onshore oil and natural gas production fields, called "Riacho da Forquilha Cluster", described below. The amortization of this cost is calculated based on the units produced method, which consists of calculating the ratio of the annual volume produced to the total proven reserve of each field, limited to the expiration date of the concession agreements. Additions to this line item in the year represent the cost of acquiring the onshore fields from Petrobras.

On April 25, 2019, the subsidiary Potiguar entered into a Purchase and Sale Agreement for the acquisition of Petrobras' interests in a set of 34 onshore oil and natural gas producing fields, called "Riacho da Forquilha Cluster", located in the Potiguar Basin, State of Rio Grande do Norte. The acquisition was completed on December 9, 2019, after its approval by the relevant regulatory bodies. The adjusted acquisition price was of US\$351,453, less the cash generation of the asset and other price adjustment conditions as from January 1, 2019 (effective date) of the transaction. In the year ended December 31, 2019, Potiguar paid an amount equivalent of US\$295,221 (R\$1,235,568), corresponding to 84% of the adjusted acquisition price. The table below shows the reconciliation of R\$1,235,568 thousand paid to Petrobras at the closing of the transaction on December 9, 2019:

Adjustment items (01/01/2019 to 12/09/2019) pursuant to the Purchase and Sale agreement submitted by Petrobras	Amounts set in US dollars for final price adjustment purposes (US\$'000)	Final price adjustment (exchange rate of R\$4.2136 for amounts calculated in US dollars) (In thousands of Reais - R\$)
(+) Total acquisition price	384,200	1,618,865
(-) Advance	(28,815)	(121,415)
(+) LIBOR Interest	18,579	78,284
(-) Revenue generated (*)	(109,655)	(462,043)
(+) Royalties (*)	11,837	49,876
(+) Environmental licensing (*)	2,772	11,682
(+) Operating costs/expenses (*)	25,016	105,406
(+) Taxes on assets (*)	16,932	71,343
(+) Investments in assets (*)	784	3,308
(+) Opening oil inventory (*)	988	4,161
(=) Closing adjustment	322,638	1,359,468
Deposit paid to Petrobras on 4/25/2019 (Signing)	28,815	113,041
Total adjusted acquisition price	351,453	1,472,509
Deposit paid to Petrobras on 4/25/2019 (Signing)	28,815	113,041
Amount paid to Petrobras on 12/9/2019 (Closing)	266,406	1,122,527
Total amount paid to Petrobras through 12/9/2019 (84% closing)	295,221	1,235,568

(*) Amounts stated as an integral part of the purchase and sale agreement and equally stated by the seller, Petrobras, as the "adjustment" to the acquisition price of the Riacho da Forquilha Cluster group of assets. The amounts are adjusted using the CDI from the date they were generated to December 9, 2019.

The subsidiary must pay Petrobras a remaining balance corresponding to 16% of the adjusted acquisition value, or approximately US\$56,000, contingent to the extension of the concessions of eleven of the 34 fields acquired, as shown below:

Field	Percentage
Baixa do Algodão	0.2%
Boa Esperança	0.5%
Brejinho	1.5%
Cachoeirinha	1.0%
Fazenda Curral	0.2%
Fazenda Malaquias	1.0%
Leste de Poço Xavier	0.3%
Livramento	1.8%
Lorena	2.8%
Pajeú	0.2%
Riacho da Forquilha	6.5%
Total	16.0%

The process for extending concessions involves filing with the National Agency of Petroleum, Biofuel and Natural Gas (ANP) of Development Plans showing a viable investment and production plan beyond the current contractual period. On March 5, 2020, Potiguar filed with the ANP the Development Plans for the eleven fields listed above. The assessment process of the extension requests is managed by ANP's Development and Production Authority, which judges the development strategy presented, the physical and financial calendar of the production development projects, the increase in production capacity of the facilities, financial provisions for decommissioning and abandonment of facilities, among other issues. If approved, the extension of the concessions should add new volumes of proven reserves, with potential impacts on the estimates used to calculate the depletion and provision for abandonment of wells. By the issue date of the interim financial statements, the ANP had not ruled on the approval of the Development Plans submitted. No obligations and impact arising from the increase in proven reserves were recognized in these interim financial statements.

- (iii) The motors, production equipment, and sundry materials that will be used in production are recognized in line item "Storeroom of capital assets". The depreciation of these assets is calculated using the units produced method, which calculating the ratio of the annual volume produced to the total proven reserve of each field, limited to the expiration date of the concession agreements, as from the time they are transferred to line item "Investment to increase production".

- (iv) Construction in progress represent items of property, plant and equipment that are in the process of construction or transportation, and are not yet ready for use.
- (v) The advance for acquisition of capital assets refers to advances made to suppliers of production materials and equipment that will be used to increase production.
- (vi) On December 23, 2020, the Company entered into an agreement to acquire the total interests held by Petrobras in the twelve onshore fields that are the subject matter of the "production agreement with risk clause", which are grouped in another set called the Remanso cluster, and include the fields Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro, and Sesmaria, in the Recôncavo basin, State of Bahia. The acquisition price is US\$30.0 million. Of this amount: (i) US\$4.0 million, equivalent to R\$20.6 million, was paid on the execution date, December 23, 2020; (ii) US\$21.0 million is due and payable when the deal is closed, less the cash generation of the asset from July 2020 to the transaction closing date, to be submitted by Petrobras, plus other price adjustment terms; and (iii) US\$5.0 million is payable in twelve months after the deal is closed, which is expected to take place in 2021. This acquisition is subject to compliance with conditions precedent, such as regulatory authorizations from CADE (Brazilian antitrust agency), ANP, environmental agencies, among others. The "production agreement with risk clause" will be terminated with the closing of the transaction.

On February 24, 2021 SPE Miranga signed a contract for the purchase of total equity interest of Petrobras in the nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranda Cluster, in the Recôncavo basin, in Bahia. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from ANP, CADE and environmental agencies, as applicable.

The acquisition price was of US\$220.1 million, out of which (i) US\$11.0 million was paid on the signing date, February 24, 2021; (ii) US\$44.0 million to be paid on the closing date of the transaction, without any adjustment to the price; (iii) US\$20.0 million payable in twelve months after the deal is closed; (iv) US\$20.0 million payable in twenty-four months after the deal is closed; (v) US\$40.1 million payable in thirty-six months after the deal is closed; and (vi) up to US\$85.0 million in contingent payments, pegged to possible different reference price range of oil (Brent) during the period between the calendar-years 2022, 2023 and 2024.

- (vii) The write-offs recognized in line item 'Spare parts inventories' refer basically to motors, production equipment, and sundry materials which were used in repair and maintenance activities and recognized in the cost of services and sales.

Impairment losses of property, plant and equipment

The Company and its subsidiaries annually review indications of possible impairment of their investments to increase production and well drilling, pursuant to the accounting policy shown in note 2.8. The recoverable amounts of the Cash-generating Units (CGUs) have been determined based on value-in-use calculations, made based on estimates (see note 3). As of March 31, 2021 and December 31, 2020, the Company did not find any indications of impairment for its assets.

Assets pledged as collateral

The Company has a land drilling rig pledged as collateral in tax foreclosure lawsuit No. 0000566-44.2011,805.0164, filed against the parent company.

As part of the bank financing contractual obligations, Potiguar pledged as collateral (i) the rights arising from the concession contracts of the 34 fields belonging to the Riacho da Forquilha cluster; (ii) its position in oil and natural gas purchase and sale, and interests in well decommissioning contracts, all entered into with Petrobras; (iii) oil inventories; (iv) own equipment and machinery, (v) 100% of its shares; and (vi) the receivables arising on: (a) the oil and natural gas purchase and sale, and interests in well decommissioning contracts, (b) insurance policies, (c) swaps entered into with Banco ABC, Goldman Sachs, Itaú Unibanco and Morgan Stanley, and (d) the guarantees granted under the assigned contracts.

9. TRADE PAYABLES

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
In local currency	26,715	31,107	76,903	73,681
In foreign currency	2,910	1,702	7,270	5,030
Related parties (note 16)	15,551	16,213	1,224	1,378
Total	45,176	49,022	85,397	80,089

10. LOANS

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
FINEP	2,637	2,734	2,637	2,733
Bank loans	62,903	-	1,019,055	926,501
Unamortized costs	(219)	-	(32,074)	(35,194)
Total	65,321	2,734	989,618	894,040
Total current	64,116	1,355	294,175	212,931
Total non-current	1,205	1,379	695,443	681,109

	Parent	Consolidated
Balance as at December 31, 2019	4,263	744,019
Principal repayments	(1,522)	(104,585)
Interest paid	(308)	(67,929)
Accrued interest	301	72,881
Amortization of borrowing costs	-	16,848
Foreign exchange differences	-	232,806
Balance as at December 31, 2019	2,734	894,040
Additions	60,479	60,479
Principal repayments	(331)	(55,548)
Interest paid	(44)	(15,586)
Accrued interest	276	15,581
Amortization of borrowing costs	14	3,353
Foreign exchange differences	2,193	87,299
Balance as at March 31, 2021	65,321	989,618

	Parent		Consolidated	
	R\$	US\$	R\$	US\$
<u>Review of loans per currency:</u>				
<u>December 31, 2020:</u>				
FINEP	2,374	-	2,374	-
Bank loans				171,514
<u>March 31, 2021</u>				
FINEP	2,418	-	2,418	-
Bank loans	-	11,041	-	173,275

The table below shows the maturities of noncurrent loans:

	Parent	Consolidated
2022	904	224,168
2023	301	311,741
2024	-	159,534
Total	1,205	695,443

In the year ended December 31, 2016, the Company obtained a financing facility from Financiadora de Estudos e Projetos (Finep) (government project financing agency), in order to finance activities related to PetroRecôncavo's innovation plan over the next 36 months. The total facility contracted was R\$10,691, at an interest rate equivalent to the TJLP (long-term benchmark rate) + 2.0% per year, a 24-month grace period, and total term of 84 months. The amount raised is to be released to the Company in three annual tranches, and the balance outstanding as at December 31, 2018, 2019 and 2020 refers to the release of two tranches. There are no restrictive covenants relating to this financing. In the year ended December 31, 2018, the Company elected not to receive the third tranche of the financing. The agreement does not provide for any penalties in case one of the tranches is not received.

On February 19, 2021 the Company, through its subsidiary SPE Miranga S.A., signed a contract for the purchase of 100% of the equity interest of Petrobras in nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranda Cluster. With the purpose of financing part of the payment, the Company signed an International Loan Contract, AGE1187904 with the financial institution Itaú Unibanco S.A. Nassau Branch, in the total amount of US\$11,000,000.00 (eleven million U.S. dollars), at a fixed interest rate of 3.7225%. The loan is payable in 5 installments with the following maturities 06/24/2021, 07/26/2021, 08/25/2021, 09/22/2021 and 10/21/2021.

On April 25, 2019, the subsidiary Potiguar contracted a loan for the purpose of financing part of the payment arising from the acquisition of the 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. The total amount contracted was of US\$232,000, at an interest rate of 6.3% above the three-month LIBOR, and the amount received by December 31, 2019 totaled US\$195,428. Potiguar must maintain short-term investments as collateral for the loan with a carrying amount of at least R\$126,603 and this amount is deposited with the financial institution and recognized in line item "Short-term investments". The loan will be repaid in quarterly installments until April 2024, and the grace period for the principal ended on July 25, 2020. As guarantee of this financing the subsidiary Potiguar must maintain balance in the linked financial investments and as at March 31, 2021 the amount of R\$129,723 was registered in this heading (December 31, 2020, R\$118,114).

Additionally, the agreement contains terms and conditions on dividend distribution, including:

- Distribution of dividends only after the grace period, which expired on July 25, 2020. No payment of dividends originating from profit for the year or other cash balances earned during 2019. Because of this covenant, the Company and its subsidiaries cancelled the mandatory minimum dividends accounted for in the year ended December 31, 2019, in accordance with the related General Shareholders' Meetings held on June 30, 2020, except for the subsidiary Recôncavo, whose Annual Shareholders' Meeting has not yet been held. The Company's Management will recommend that at the next Annual Shareholders' Meeting, the shareholders of Recôncavo E&P S.A. vote to cancel the mandatory minimum dividends mentioned above.
- Average price of Brent Oil in the previous year cannot be lower than US\$45/bbl.

- Average price of Brent Oil at the end date of the last quarter cannot be lower than U\$45/bbl. Potiguar must be compliant with all contractual obligations.
- The Company and its subsidiaries must agree to all maturity acceleration covenants.

As at December 31, 2019, PetroRecôncavo, Potiguar and Recôncavo recognized mandatory minimum dividends totaling R\$12,894, R\$2,644, and R\$304, respectively, as referred to in notes 8 and 16. These dividends were cancelled at the respective Annual Shareholders' Meetings.

As at March 31, 2021, the Company has met all the covenants set forth in its debt agreements, including: (i) presentation of the financial statements of the subsidiary Potiguar within 90 days, audited by an independent auditor; (ii) the covenant whereby the Company and its subsidiaries undertake not to create liens on its assets to guarantee debt beyond those permitted; (iii) the covenants requiring compliance with laws, rules and regulations applicable to its business, including, but not limited to, environmental laws; and (iv) the covenants in financing agreements that require the Company and its subsidiaries to conduct their business in compliance with anticorruption laws and anti-money laundering laws, and to implement and maintain policies necessary for such compliance. Additionally, the financing of the subsidiary Potiguar includes covenants requiring compliance with periodic performance indices, under the penalty of accelerating debt maturity in case of noncompliance. As at December 31, 2020, the obligations are as follows:

- On the last day of each fiscal quarter (beginning December 31, 2020), the Leverage Ratio (Net Debt-to-EBITDA) of subsidiary Potiguar must not be greater than:
 - 2.5 by the end of 2020.
 - 2.25 during 2021.
 - 2.0 during 2022.
 - 1.5 during 2023 onward.
- On the last day of each fiscal quarter, the Group's consolidated Leverage Ratio (Net Debt-to-EBITDA) must not be greater than 2.5.
- On the last day of each fiscal year, the Asset Coverage Ratio (PV-10 of Proven Reserves-to-Gross Debt) of subsidiary Potiguar must not be lower than 1.5.
- At any time, Free Cash (Cash and cash equivalents, including Restricted accounts relating to loans) of subsidiary Potiguar must not be lower than R\$20,000.

In the three-month period ended March 31, 2021 and in the year ended December 31, 2020, the Group complied with the applicable covenants.

The assets pledged as collateral for the agreement were disclosed in note 8.

11. INCOME TAX AND SOCIAL CONTRIBUTION

The amounts of income tax and social contribution that affected profit or loss for the year are as follows:

	Parent		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Profit (loss) before income tax and social contribution	(14,070)	(137,237)	(24,205)	(204,832)
Combined income tax and social contribution tax rate	34%	34%	34%	34%
Income tax and social contribution	4,784	46,661	8,230	69,643
Share of profit (loss) of subsidiaries	(9,075)	(47,361)	-	-
Other	3,243	3,614	789	(882)
Reduction - tax incentive	2,228	-	2,296	30
Income tax and social contribution	<u>1,180</u>	<u>(2,914)</u>	<u>11,315</u>	<u>68,791</u>
	Parent		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
<u>Assets</u>				
Provision for well abandonment	3,874	3,711	5,423	5,243
Derivative	-	-	41,591	-
Tax loss carryforwards	-	-	48,226	39,220
Deferred tax on provisions and others	7,480	4,812	9,152	5,575
Total	<u>11,354</u>	<u>8,523</u>	<u>104,392</u>	<u>50,038</u>
<u>Liabilities</u>				
IFRS adoption (property, plant and equipment)	5,597	6,041	5,728	6,414
Differed tax on derivatives	-	-	-	40,527
Unrealized foreign exchange differences	-	-	-	27
Total	<u>5,597</u>	<u>6,041</u>	<u>5,728</u>	<u>46,968</u>
Total deferred income tax and social contribution	<u>5,757</u>	<u>2,482</u>	<u>98,664</u>	<u>3,070</u>

The balance of deferred income tax and social contribution arises basically from the temporary difference of the provision for well abandonment, subsidiaries' tax loss carryforwards (tax assets), and deferred taxes on the balance of the fair value of derivative financial instruments of subsidiary Potiguar and adoption of CPC (tax liabilities).

Management considers that the tax assets arising from the temporary provisions will be proportionally realized, as the wells are abandoned and the contingencies and other provisions are realized.

Management's expectation for the realization of the tax credits is presented below:

	Parent	Consolidated
2021	2,958	39,470
2022	2,831	44,030
2023	1,306	15,980
2024	1,687	1,941
2025 onwards	2,572	2,971
	<u>11,354</u>	<u>104,392</u>

12. PROVISION FOR TAX, CIVIL AND LABOR RISKS

12.1. Probable losses - labor and tax

Based on the individual analysis of the lawsuits filed against the Company and its subsidiaries, and supported by the opinion of its in-house and outside legal counsel, provisions for risks were recognized in noncurrent liabilities, for risks whose likelihood of loss is considered probable, as shown below:

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Tax lawsuits	3,594	3,594	3,594	3,594
Labor lawsuits	1,371	1,371	1,371	1,371
Total	<u>4,965</u>	<u>4,965</u>	<u>4,965</u>	<u>4,965</u>

Variations in the provision

	Parent	Consolidated
Balance as at December 31, 2019	2,777	2,777
Recognized provisions	2,604	2,604
Reversed provisions	(416)	(416)
Balance as at December 31, 2020 and March 31, 2021	<u>4,965</u>	<u>4,965</u>

The Company is a party to 48 labor lawsuits (48 as at December 31, 2020), of which 21 (21 as at December 31, 2020) are assessed as probable losses. Most of these labor lawsuits are filed against companies outsourced by the Company, in which PetroRecôncavo appears as a jointly and severally liable party.

12.2. Possible losses - labor, civil and social security

As at March 31, 2021 and December 31, 2020, the Company was involved in litigation with possible likelihood of loss, based on the opinion of Management and its legal counsel, as follows:

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Tax lawsuits	25,608	25,608	25,608	25,608
Labor lawsuits	1,041	1,041	1,041	1,041
Regulatory lawsuits	-	-	-	-
Civil lawsuits	1,365	1,365	1,375	1,375
Environmental lawsuits	-	-	-	-

Tax lawsuits consist of innumerable claims involving federal taxes.

Labor lawsuits consist of innumerable claims filed by former employees and mainly lawsuits claiming joint and several liability, claiming the payment of severance pay, overtime, risk premiums, and other amounts.

13. PROVISION FOR WELL ABANDONMENT

	Parent	Consolidated
Balance as at December 31, 2019	10,582	29,982
Adjustment	1,740	5,480
Recognition of provision	-	6,624
Revision of estimates	(1,408)	(1,975)
Balance as at December 31, 2020	10,914	40,111
Adjustment	480	2,065
Balance as at March 31, 2021	11,394	42,176
Total current liabilities	-	6,301
Total non-current liabilities	11,394	35,875

The main assumptions for the recognition/adjustment of the provision for well abandonment are as follows:

- Well abandonment and area decommissioning costs are recognized as part of the costs of these assets against the provision that will support such expenditure.
- The abandonment cost estimates are accounted for taking into account the present value of these obligations, discounted at a risk rate of 12% p.a.
- The estimated abandonment costs are reviewed annually, with the consequent revision of the present value calculation by adjusting the amounts of assets and liabilities already recognized. The annual reviews of the useful lives of the wells are made based on the reserves report issued annually by the Company's independent reserves certifiers. Estimates are revised within a given year whenever there is a revision of the useful lives and a reduction of the abandonment cost of each well.

- The estimated abandonment costs were calculated and accounted for taking into account the present value of these obligations for the wells whose useful lives do not exceed the end of the concession agreements for each field. The Company believes that it will not incur any abandonment costs in the case of wells whose estimated end of reserves exceeds the end of the concessions, since they will still have useful lives even after the end of the concessions.

Based on the foregoing, the Company's Management believes that the amounts provided for are sufficient to cover the expected well abandonment costs.

14. DERIVATIVES

Subsidiary Potiguar entered into offset agreements with counterparties Itaú BBA, Morgan Stanley, Goldman Sachs and Banco ABC. The resulting derivatives are as follows:

	Consolidated	
	03/31/2021	12/31/2020
<u>Derivative financial assets</u>		
Commodity non-deliverable forwards, current assets	2,173	80,506
Commodity non-deliverable forwards, noncurrent assets	2,472	56,576
Total	4,645	137,082
<u>Derivative financial liabilities</u>		
Commodity non-deliverable forwards, current liabilities	(37,137)	-
Commodity non-deliverable forwards, noncurrent liabilities	(89,836)	(17,886)
Total	(126,973)	(17,886)
Commodity non-deliverable forwards, net	<u>(122,328)</u>	<u>119,196</u>

a) Variations in derivative financial instruments

	Parent	Consolidated
Balance as at December 31, 2019	-	(5,140)
Fair value of financial instruments before settlement	43,025	153,969
Settlement of derivative contracts	(43,025)	(153,969)
Fair value of unrealized financial instruments	-	124,336
Balance as at December 31, 2020	-	119,196
Fair value of financial instruments before payments	-	4,743
Payments of derivative contracts	-	(4,743)
Fair value of unrealized financial instruments	-	(241,524)
Balance as at March 31, 2021	<u>-</u>	<u>(122,328)</u>

On April 25, 2019, subsidiary Potiguar, having PetroRecôncavo as Sponsor, entered into a financing agreement with three different banks to pay part of the amount arising from the acquisition of a set of 34 oil and natural gas fields. In order to hedge future earnings and manage the risks of not being able to repay this loan, Potiguar entered into cash flow hedge transactions that fix the future prices of Brent oil, thus protecting itself against from market fluctuations.

While it did not assume the operation of the Riacho da Forquilha cluster, said agreement required PetroRecôncavo to enter into hedging contracts that represented:

- 85% of the net volume of its proven, developed, producing (PDP) reserves hedged for the next 24 months.
- 57% of the net volume of its PDP reserves hedged for the other 12 months, totaling 36 months of hedging.

It is worth noting that such volumes were measured as per the Reserves Report issued by expert Netherland Sewell & Associates Inc. ("NSAI"), thus mitigating the risk of speculation.

After the acquisition of the cluster and control of the operation by Potiguar, the outstanding contracts entered into by PetroRecôncavo were transferred to Potiguar and new derivatives were contracted to keep their net volumes hedged as follows:

- For months 1 to 12, (i) at least 85% of its PDP reserves or (ii) 80% of its 1P reserves, limited to 95% of its 1P reserves.
- For months 13 to 24, (i) at least 60% of its 1P reserves, limited to 75% of its 1P reserves.
- For months 25 to 36, (i) at least 40% of its 1P reserves, limited to 55% of its 1P reserves.

At the time of the closing of the asset acquisition transaction on December 10, 2019, Potiguar entered into additional derivatives to be compliant with the financing agreement's covenants.

The contracting of derivatives to hedge part of the net production verified by an independent expert proved useful for the oil market since commodity price fluctuations have a strong impact on Company's profit or loss.

The Group applied hedge accounting for the highly probable cash flows from oil sales. The existence of an economic relationship was determined at the time of designation and prospectively by comparing the critical terms of the hedging instrument and the hedged item. The Group entered into derivatives for its hedging strategy to hedge a percentage of the estimated production volume, as mentioned above.

As regards the hedge effectiveness requirements, Management concluded that

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not significantly affect the fair value changes that result from that economic relationship of the hedging instruments.

The hedge ratio of the hedge relationship is 1:1 and is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge the quantity of the hedged item.

15. EQUITY

a) Issued capital

As at March 31, 2021 and December 31, 2020, subscribed and paid-in capital is R\$674,941 represented by 83,911,766 common shares (82,962,761 as at December 31, 2020) and no nonvoting preferred shares (949,005 as at December 31, 2020)), all registered, book-entry and without par value, held as follows:

Shareholder	03/31/2021		12/31/2020	
	Common	Preferred	Common	Preferred
PetroSantander Luxembourg Holdings S.a.r.l.	41,268,358	-	41,268,358	-
Opportunity Holding Fip	29,303,769	-	29,303,769	-
Perbras - Empresa Brasileira de Perfurações Ltda.	6,261,652	-	6,261,652	-
Eduardo Cintra Santos	3,035,828	-	3,035,828	-
Eduardo Figueira Santos	2,667,109	-	2,667,109	-
Other shareholders	1,375,050	-	426,045	949,005
Total	<u>83,911,766</u>	<u>-</u>	<u>82,962,761</u>	<u>949,005</u>

On February 24, 2021, in a General Shareholders' Meeting, the shareholders of the Company effected certain deliberations, such as:

- Approval of the conversion of the total amount of the 949,005 (nine hundred and forty-nine thousand and five) preferred shares, nominal and without par value, issued by the Company, into an equal amount of common, nominal shares, without par value, at the rate of 1 (one) common share for every converted preferred share.
- Approval of authorized capital increase, from R\$300,000,000.00 (three hundred million Brazilian reais) to R\$2,750,000,000.00 (two billion, seven hundred and fifty million Brazilian reais).
- Approval of the initial public offer (IPO) of the Company and authorization for submission, by the Company, for the application for registering as a publicly-held company, as category "A", at the CVM, under the terms of CVM Instruction 480/2009, including conducting a public offering of primary distribution of common shares issued by the Company in Brazil and including placement efforts of common shares abroad, as well as adhesion to the New B3 Market for negotiating its shares.

During the year ended December 31, 2020, the Company issued 271,320 new nonvoting preferred shares, at an issue price of R\$13,560498 totaling R\$3,679, and 142,916 new nonvoting preferred shares, at an issue price of R\$13,767723 totaling R\$1,967. The total capital increase in the period was R\$5,646 and all capital increases were fully paid in within the period.

In 2020, the Company bought back 11,869 preferred shares at an average price of R\$11.85, exercising its preemptive right in the case of severance of employees who are Company shareholders, as provided for by the share subscription agreement. The shares were bought back at their estimated fair value, which was calculated using market value multiples of comparable companies. All shares were cancelled by the Company upon repurchase.

Under Company bylaws, shareholders are entitled to mandatory minimum dividends of 25% of the adjusted profit, calculated pursuant to the provisions of the Brazilian Corporate Law.

b) Capital reserve and earnings reserve - Income Tax relief

The Company and its subsidiaries Recôncavo and Potiguar are entitled to a tax benefit consisting of a 75% relief of income tax on their profits from operations.

The corresponding tax incentive calculated in the period is recognized in profit or loss for the period and, after calculating profit for the period, it is transferred to the tax incentive reserve (earnings reserve). The legal reserve can only be used in capital increases or to offset losses. This capital reserve was used until 2007.

c) Reinvestment reserve

Recognizes the earnings retained for reinvestment; earnings retention is subject to the approval of shareholders at the Annual Shareholders' Meeting. It will also be up to the Annual Shareholders' Meeting to allocate the portion of earnings reserves that exceeds the amount of the capital.

d) Legal reserve

The legal reserve is recognized as 5% of profit for each year and cannot exceed 20% of the issued capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be utilized to offset losses or increase capital. No legal reserve was recognized in 2020.

e) Earnings (loss) per share

	Parent	
	03/31/2021	03/31/2020
Losses for the period	(12,890)	(140,151)
Weighted average number of common and preferred shares used to calculate basic and diluted earnings per share	83,911,766	83,632,493
Basic earnings (loss) per common and preferred share - R\$	(0.1536)	(1.6758)
Weighted average number of common and preferred shares and common stock options issued	598,797	598,797
Diluted earnings (loss) per common and preferred share - R\$	<u>(0.1525)</u>	<u>(1.6639)</u>

f) Proposed dividends

According to the bylaws, the mandatory minimum dividends correspond to 25% of profit for the year, less any accumulated losses, adjusted by the legal, tax incentive, and contingency reserves, if any.

	Parent and Consolidated
Balance as at December 31, 2020 and March 31, 2021	<u>2</u>

As mentioned in note 10, the financing agreement entered into to finance part of the acquisition of the Riacho da Forquilha cluster restricts the payment by the Company and its subsidiaries of dividends based on their profit for the year or other cash balances obtained during fiscal year 2020. In light of these restrictions, and similarly to 2019, the Company's Management will recommend that at the next Annual Shareholders' Meeting, shareholders vote to cancel the mandatory minimum dividends mentioned above.

As at December 31, 2019, PetroRecôncavo, Potiguar and Recôncavo recognized minimum mandatory dividends totaling R\$12,894, R\$2,644, and R\$304, respectively. These dividends were cancelled at the respective Annual Shareholders' Meetings held on June 30, 2020, except for Recôncavo, whose Annual Shareholders' Meeting has not yet been held. The Company's Management will recommend that at the next Annual Shareholders' Meeting, the shareholders of Recôncavo E&P S.A. vote to cancel the minimum mandatory dividends mentioned above.

g) Share-based compensation

During the year ended December 31, 2020, the Company issued 271,320 new nonvoting preferred shares, at an issue price of R\$13,560,498 totaling R\$3,679, and 142,916 new nonvoting preferred shares, at an issue price of R\$13,767,723 totaling R\$1,967. The new shares issued in this occasion were subscribed and paid in by the Company's officers and strategic employees and fully accounted for as share-based payment expenses within 2020, in line items 'Share-based compensation'. The total effect in the year ended December 31, 2020, net of the amounts paid in by the executives as part of the program refers to the payment of an Advance for Future Capital Increase (AFAC), amounting to (R\$304), was R\$5,342.

In the years ended December 31, 2013, 2014 and 2016, the Company granted employees holding strategic positions a stock option-based compensation plan. Each employee stock option may be converted into one Company common share upon exercise of the option. No amounts are paid or will be paid by the beneficiary upon receiving a stock option. The stock options have a vesting period, where one third the stock options become vested each year after the grant date. After the vesting period, the stock options can be exercised at any time up to their expiry date.

The following stock option agreements became effective during the year ended December 31, 2020 and the three-month period ended March 31, 2021:

Stock option series	Number	Grant date	Expiry date	Strike price - R\$	Fair value on grant date- R\$
Issued on October 10, 2013	188,054	10/10/2013	10/09/2023	20.73	15.84
Issued on August 20, 2014	215,743	08/20/2014	08/19/2024	21.41	16.99
Issued on May 13, 2016	195,000	05/13/2016	05/12/2026	14.81	11.93

There is no remaining balance of estimated fair value to be recognized in profit or loss in the coming years as the vesting periods expired during the year ended December 31, 2019.

h) Valuation adjustments to equity

In the three-month period ended December 31, 2020, subsidiary Potiguar recognized the effective portion of the changes in the fair value of derivatives, net of taxes, which are designated and qualified as cash flow hedges, totaling R\$159,406 (R\$82,062 on December 31, 2020).

16. RELATED PARTIES

	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
<u>Balances</u>				
Other assets:				
Recôncavo E&P (d)	321	256	-	-
Potiguar (f)	2,743	2,854	-	-
Total	<u>3,064</u>	<u>3,110</u>	<u>-</u>	<u>-</u>
Dividends receivable:				
Recôncavo E&P	304	304	-	-
Total dividends receivable	<u>304</u>	<u>304</u>	<u>-</u>	<u>-</u>
Related parties:				
Intragroup loans- Potiguar E&P (e)	-	15,983	-	-
Other receivables - Potiguar (f)	4,477	4,477	-	-
Total related parties	<u>4,777</u>	<u>20,460</u>	<u>-</u>	<u>-</u>
Trade payables:				
Recôncavo E&P (b)	97	-	-	-
Potiguar S.A.	122	205	-	-
Recôncavo America LLC (a)	14,566	15,229	-	-
PERBRAS - Empresa Brasileira de Perfurações Ltda. (c)	746	527	1,204	1,126
PetroSantander Holdings GMBH (d)	20	-	20	-
PetroSantander USA	-	252	-	252
Total	<u>15,551</u>	<u>16,213</u>	<u>1,224</u>	<u>1,378</u>

	Parent		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
<u>Transactions</u>				
Other income:				
PERBRAS -Empresa Brasileira de				
Perfurações Ltda.	-	6	-	6
PetroSantander USA	-	28	-	28
PetroSantander Colombia	-	122	-	122
Potiguar	776	573	-	-
Service/material costs:				
Recôncavo América LLC (g)	-	(1,903)	-	-
Recôncavo E&P	-	(56)	-	-
PERBRAS -Empresa Brasileira de				
Perfurações Ltda. (c).	(1,065)	(6,656)	(1,412)	(7,086)
PetroSantander Management Inc.				
(d)				
PetroSantander Colombia (d)	-	(369)	-	(369)
Interservice	-	(325)	-	(325)
General and administrative				
expenses:				
Recôncavo E&P (b)	-	(387)	-	-
PetroSantander Management Inc.				
(d)	-	(894)	-	(894)
PetroSantander Holdings GMBH (d)	(24)	(847)	-	(847)
Total	<u>(313)</u>	<u>(10,708)</u>	<u>(1,412)</u>	<u>(9,365)</u>

- (a) Refers to the amount that PetroRecôncavo owes Recôncavo America due to the acquisition of the equipment in December 2020. This transaction was carried out through REPETRO SPED, which is a special customs and tax regime for the Oil & Gas industry, which allows the production, purchase, and/or permanent or temporary import of goods used in the oil and natural gas exploration and production operations with total or partial tax exemption throughout the chain.
- (b) Shared expenses are initially assumed by the parent company PetroRecôncavo and are prorated among the group companies, leading to the recognition of an expense recovery in the parent and a corresponding expense in the relevant subsidiary.
- (c) The Company and its subsidiaries Recôncavo and Potiguar conduct transactions with shareholder PERBRAS - Empresa Brasileira de Perfuração Ltda., which performs services using onshore production rigs and other sundry production support services, under a unit price service agreement, annually adjusted using the General Market Price Index (IGP-M).
- (d) The Company conducts transactions with PetroSantander Management Inc., PetroSantander Colombia, and PetroSantander Holdings GMBH which provide technical assistance and specialized consulting services on a "man-hour" basis related to the exploration and production of oil wells, under a service agreement that does not provide for finance charges.
- (e) Refers to intragroup loan agreements with subsidiary Potiguar for working capital, bearing interest equivalent to the SELIC (Central Bank's policy rate). During the three-month period ended March 31, 2021 the Company converted its loan agreement balance into advance for future capital increase in the subsidiary Potiguar.

- (f) Refers to the sale of materials to subsidiary Potiguar and the payment of pre-operational expenses of the subsidiary Potiguar made by the Parent Company.
- (g) Refers to operating leases of rigs and other equipment as mentioned in note 22. These leases were in force throughout 2020, since the sale of the rigs and equipment was only made in December, as described in note (a).

Compensation of key management personnel

	Parent		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Short-term benefits - Executive Officers (a)	999	825	1,006	831
Short-term benefits - Board of Directors (a)	210	90	210	90
Other benefits (b)	46	28	46	891
Share-based compensation (c)	-	2,222	-	2,222
Total	<u>1,255</u>	<u>3,165</u>	<u>1,262</u>	<u>4,034</u>

- (a) Refers to the management fees paid to the Company's officers and directors.
- (b) Refers to contributions made by the Company to a private pension plan, profit sharing, and performance bonuses.
- (c) PetroRecôncavo has granted its officers shares issued by the Company, as part of the annual compensation of the executives.

The compensation of the Executive Officers is set by the Board of Directors taking into consideration the performance of the Company and the officers, as well as market trends. The compensation of the Board of Directors is set by the shareholders and consists only of a fixed portion. The maximum compensation set for 2021 by the Parent Company was R\$23,000.

On February 24, 2021, in an Extraordinary Shareholders' Meeting, the shareholders of the Company resolved to adjust the amount of the global remuneration paid to members of Executive Committee and Board of Directors in 2020 to R\$11,235, from the amount of R\$10,000 that was informed in the Minutes of the General Shareholders Meeting held on June 30, 2020.

17. RIGHTS AND COMMITMENTS WITH THE ANP (OIL, GAS AND BIOFUEL AGENCY)

In 2002 the Company acquired the concession of the exploration and production rights for oil and natural gas in the BT-REC-10 block, with an original area of 312.9 km², which was transferred to subsidiary Recôncavo E&P S.A. in the form of a capital payment. In this block, the Company successfully reactivated the Lagoa do Paulo, Lagoa do Paulo Sul, Lagoa do Paulo Norte and Acajá-Burizinho fields, all in the Recôncavo basin. In 2004, the Company participated in the Sixth Bidding Round and acquired two blocks, BT-REC-14 and BT-REC-17, also located in the Recôncavo Basin. In BT-REC-14, the Company reactivated production from an abandoned well and declared the commercial feasibility of the Juriti field. BT-REC-17 was returned to the ANP after complying with the Minimum Exploratory Program.

In 2019, subsidiary Potiguar acquired Petrobras' interests in the Acauã, Asa Branca, Baixa do Algodão, Baixa do Juazeiro, Boa Esperança, Brejinho, Cachoeirinha, Cardeal, Colibri, Fazenda Curral, Fazenda Junco, Fazenda Malaquias, Jaçanã, Jandui, Juazeiro, Leste de Poço Xavier, Livramento, Lorena, Maçarico, Pajeú, Pardal, Patativa, Paturi, Poço Xavier, Riacho da Forquilha, Rio Mossoró, Sabiá, Sabiá Bico de Osso, Sabiá da Mata, Sibite, Três Marias, Trinca Ferro, Upanema, and Varginha fields, whose operations began on December 10, 2019. Potiguar is the operator of all the concessions listed above, with the exception of: (i) the Sabiá Bico de Osso and Sabiá da Mata fields, which are currently operated by Sonangol Hidrocarbonetos S.A.; (ii) the Cardeal and Colibri fields, which are currently operated by Partex.

Under the terms of the concession agreements referred to above, in the event of discovery and confirmation of a commercially viable field, the Company is guaranteed the rights to develop and produce, over 27-year period, oil and natural gas in the commercial fields that may be ringfenced within the boundaries of these blocks. There are no price restrictions on the sale of products resulting from the exploitation of these areas.

The following government and third-party participations are payable by the Company as a result of holding and conducting and activities in these fields:

Participations	Details
Royalties	7.8% up to 10% applied on the gross production of oil and/or natural gas, from the date of the beginning of the commercial production of the Concession Area (R\$20,579 on March 31, 2021; R\$10,890 on March 31, 2020).
Special participation	In the amount defined in the Participation Decree 2705/98 and ANP Administrative Rule 10/99.
Payment for occupying and retaining the Concession Area	An amount in R\$ per square kilometer in payable for each field there, which varies according to each field's concession agreement and the stage of operation, which can be: (i) exploration stage; (ii) development stage; and (iii) production stage. All fields are in the production stage.
Payment to landowners	Equivalent to one percent (1%) of oil and natural gas production, in accordance with applicable Brazilian law (R\$1,852 on March 31, 2021; R\$1,056 on March 31, 2020).

18. NET REVENUE

	Three-month periods ended March, 31			
	Parent		Consolidated	
	2021	2020	2021	2020
Gross revenue:				
Service revenue	79,768	85,074	79,768	85,074
Sales revenue	-	-	225,010	144,241
Total	<u>79,768</u>	<u>85,074</u>	<u>304,778</u>	<u>229,315</u>

	Three-month periods ended March, 31			
	Parent		Consolidated	
	2021	2020	2021	2020
Taxes on services and sales:				
Tax on revenue (PIS)	(548)	(532)	(4,201)	(2,576)
Tax on revenue (COFINS)	(2,530)	(2,459)	(19,364)	(11,874)
Service tax (ISS)	(2,926)	(2,743)	(2,926)	(2,743)
State VAT (ICMS)	-	-	(32,499)	(16,574)
Total	(6,004)	(5,734)	(58,990)	(33,767)
Net revenue	<u>73,764</u>	<u>79,340</u>	<u>245,788</u>	<u>195,548</u>

Gross operating revenues are directly linked to the price of Brent oil, the quotations of which are freely negotiated in the foreign markets, and to the sale price of natural gas, a commodity to Petrobras.

19. INFORMATION ON THE NATURE OF THE EXPENSES RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS

	Three-month periods ended March, 31			
	Parent		Consolidated	
	2021	2020	2021	2020
Personnel	(16,530)	(14,233)	(25,614)	(21,692)
Services	(4,286)	(6,898)	(8,680)	(13,666)
Consulting, audit, and other fees	(3,145)	(1,486)	(3,741)	(1,679)
Materials	(11,490)	(10,513)	(20,163)	(12,827)
Rentals	(2,288)	(1,162)	(4,733)	(2,923)
Electricity	(7,727)	(9,227)	(12,195)	(13,995)
Other taxes	-	(73)	-	(248)
Depletion, depreciation and amortization	(17,821)	(19,876)	(56,284)	(48,674)
Depreciation of right-of-use assets	(1,577)	(2,780)	(4,768)	(4,596)
Costs of non-operated fields	-	-	(5,377)	(5,415)
Royalties	-	-	(20,579)	(10,890)
Share-based compensation and related costs	-	(3,674)	-	(3,674)
(Losses) gains on equity interests	(26,691)	(139,298)	-	-
Environmental permit	(1)	-	(3,887)	(3,293)
Other	<u>2,400</u>	<u>(1,685)</u>	<u>(9,187)</u>	<u>83</u>
Total	<u>(89,156)</u>	<u>(210,905)</u>	<u>(175,208)</u>	<u>(143,489)</u>
Costs of services and sales	(53,589)	(59,672)	(153,098)	(128,605)
General and administrative expenses	(9,566)	(12,533)	(11,283)	(14,882)
Other income, net	690	598	(10,827)	(2)
(Losses) gains on equity interests	<u>(26,691)</u>	<u>(139,298)</u>	<u>-</u>	<u>-</u>
Total	<u>(89,156)</u>	<u>(210,905)</u>	<u>(175,189)</u>	<u>(143,489)</u>

20. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Finance income:				
Interest, net	5,865	110	15,528	293
Interest on loan agreement	97	22	-	-
Other	3	108	15	109
Total	5,965	240	15,543	402
Finance cost:				
Interest on well abandonment	(480)	(435)	(2,065)	(1,272)
Interest	-	(1)	-	(282)
Amortization of borrowing costs	-	-	(3,338)	(5,193)
Income tax - remittances abroad	-	(29)	-	(1,340)
Losses on short-term investments, net	(119)	-	(119)	-
Interest on loans	(335)	(76)	(15,698)	(18,763)
Interest on leases	(265)	(985)	(840)	(1,162)
Other costs	(492)	(88)	(1,001)	(167)
Total	(1,691)	(1,614)	(23,061)	(28,179)
Foreign exchange differences, net				
Foreign exchange gains (losses), net	(759)	(4,298)	32	325
Foreign exchange losses on loans	(2,193)	-	(87,299)	(229,439)
Total	(2,952)	(4,298)	(87,267)	(229,114)
Total	1,322	(5,672)	(94,785)	(256,891)

21. FINANCIAL INSTRUMENTS

21.1. Capital risk management

The Company and its subsidiaries manage their capital to ensure that both the Company and its subsidiaries can continue as going concerns. It is the Management's policy to sustain a solid capital basis to ensure the confidence of investors, creditors and the market and to maintain the business' future development.

Management monitors the return on capital employed taking into account the results of the economic activities of its industry. Historically the Company has financed its operations with its own capital and had low indebtedness to third parties, not related to the Company. In 2019, subsidiary Potiguar E&P S.A. contracted a loan for the purpose of financing part of the payment arising from the acquisition of 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. In the three-month period ended March 31, 2021, the Parent Company obtained a loan in the amount of US\$11,000 with the purpose of financing the payment of the installment for the signing of the acquisition of 9 oil and gas production fields in the Recôncavo basin. The debt instruments currently in effect refer to a finance lease, a financing facility aimed at funding innovation with Finep, bank loans raised by subsidiary Potiguar. These agreements with its subsidiary, however, have no impact on the consolidated interim financial statements.

The Company's capital structure consists of its equity (which includes capital, reserves, and earnings reserve, as disclosed in note 15) and the bank and Finep debts.

The Company is not subject to any external requirement on capital.

Management reviews its capital structure annually. As part of this review, Management assesses possible financing requirement (or not) for its operations and investment programs, as well as the cost of capital and the risks associated to each class of capital.

21.2. Category of financial instruments and fair value hierarchy

The fair value hierarchy awards greater weight to available market information (i.e., observable inputs) and less weight to information related to opaque data (i.e., unobservable inputs). Additionally, the relevant standard requires that the Company takes into consideration all aspects of the nonperformance risk, including the Company's own credit, when measuring the fair value of a liability.

CPC 40 /IFRS 7 establishes a three-level fair value hierarchy to measure and disclose the fair value. A categorization instrument in the fair value hierarchy is based on the lowest level of input significant to its measurement. A description of the three-level hierarchy is shown below:

- Level 1 - inputs are determined based on prices quoted in active markets for identical assets and liabilities on measurement date. Additionally, the Company should be authorized to conduct transactions in such active market and the price cannot be adjusted by the Company.
- Level 2 - inputs other than the quoted prices as determined in Level 1, which are observable for an asset or liability, either directly or indirectly. Level 2 inputs include prices quoted in an active market for similar assets or liabilities, prices quoted in an inactive market for identical assets or liabilities; or inputs that are observable or can corroborate a market data by means of correlation or other methods for substantially all the asset or liability.
- Level 3 - unobservable inputs are those arising from few or no market activity. These inputs correspond to the Company's Management best estimate of how market players can determine a value/price for these assets or liabilities. Level 3 assets and liabilities are usually measured using pricing models, discounted cash flows, or similar methodologies that require significant judgment or estimate. The Company has no financial instruments measured as Level 3 in these interim financial statements.

		Parent		Consolidated	
	Notes	03/31/2021	12/31/2020	03/31/2021	12/31/2020
<u>Financial assets</u>					
Amortized cost:					
Cash and cash					
equivalents	3	28,030	11,663	44,045	30,861
Trade receivables	4	44,228	52,578	145,122	108,733
Short-term					
investments	3	-	9,993	132,786	135,011
Related parties	16	4,477	20,460	-	-
Dividends receivable	16	304	304	-	-
Escrow deposits	6	2,224	2,237	2,298	2,311

Fair value through profit or loss, but in a cash flow hedge strategy, accounted for in Other comprehensive income:

	Notes	Parent		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Derivatives(i)	14	-	-	4,645	137,082

Financial liabilities

Amortized cost:

Trade payables	9	45,176	49,022	85,397	80,089
Loans	10	65,321	2,734	989,618	894,040
Dividends payable	15.f	2	2	2	2
Leases payable	22	10,352	11,095	21,110	22,887

Fair value through profit or loss, but in a cash flow hedge strategy, accounted for in Other comprehensive income:

	Notes	Parent		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Derivatives(i)	14	-	-	126,973	17,886

- (i) Level 2 - financial instruments that are not traded in active markets (e.g., over-the-counter derivatives) using valuation techniques that, in addition to the prices quoted in active markets for identical assets or liabilities, use other information adopted by the market for the asset or liability directly (such as prices) or indirectly (derived from prices).

21.3. Financial risk management

The Company and its subsidiaries are exposed to the following risks arising from the use of financial instruments: credit risk, liquidity risk, and market risk.

This note provides information on the Company's exposure to each one of the risks above, including the Company's goals, policies and processes designed to measure and manage risks, and manage the Company's capital. Additional quantitative disclosures are included in these interim financial statements and also in this note.

Risk management framework

The Company's risk management policies are set out to identify and analyze the risks faced by the Company, set limits and appropriate risk controls, and monitor risks and compliance with limits. Risk and system management policies are frequently reviewed in order to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims at developing a regulated and constructive control environment, where all employees understand their roles and obligations.

The Company does not operate derivative financial instruments for speculative purposes; all derivatives contracted are aimed at mitigating the risks arising from the Company's exposures arising in its operations.

The main market risks to which the Company is exposed in conducting its business are:

Credit risk

Credit risk refers to the risk of a counterparty not complying with its contractual obligations, which would result in financial losses for the Company.

Cash and cash equivalents

Bank deposits and investments are made in prime financial institutions.

The Company maintains bank accounts and short-term investments in financial institutions, according to strategies previously approved by Management. These transactions are carried out with Banco do Brasil S.A., Banco Itaú S.A., Banco Opportunity, Banco Santander S.A., Caixa Econômica Federal, and Banco Bradesco S.A.

Trade receivables

The risk arises from the possibility of the Company and its subsidiaries incurring losses due to the difficulty of receiving the amounts invoiced to its customer, as detailed in note 3.

Since the operations of the Company and its subsidiaries Recôncavo and Potiguar are exclusively linked to Petrobras S.A., the results of the Company's and its subsidiary's operations are exposed to the adverse position of being dependent on only a single customer.

Liquidity risk

The liquidity risk represents the possibility of a mismatch between maturities of assets and liabilities, which could result in an inability to meet obligations by the established due dates.

It is the Company's policy to maintain adequate liquidity levels that can ensure that present and future liabilities are met, while seizing any commercial opportunities that may arise.

Management believes that the Company has low liquidity risk, considering its cash generation capacity and its capital structure with moderate participation of third-party capital. The Company manages the liquidity risk by maintaining reserves it considers adequate, based on the continuous monitoring of projected and actual cash flows, and the combination of the maturity profiles of assets and liabilities.

The nominal (undiscounted) flow of principal and interest on financing and financial instruments, by maturity, is shown below:

Maturity	2021	2022	2023	2024	2025	Total
Loans (a)	287,887	340,406	343,930	164,524	-	1,136,747
Derivatives	27,797	36,399	58,264	337	-	122,797
Leases payable	17,163	7,194	892	104	56	25,409

(a) Projected flow based on the contract's future benchmark rate according to the futures traded on B3.

Market risk

Foreign exchange risk

This risk is tied to a possible change in exchange rates that would affect the expense (or income) and the liability (or asset) balance of contracts indexed to a foreign currency.

The Company carries out foreign currency-denominated transactions, which generates exposure to the fluctuations of exchange rates.

In the three-month period ended March 31, 2021, 98% (97% in 2020) of the Company's and its subsidiaries' gross operating revenues were indexed to the U.S. dollar exchange rate at the time of billing, as they refer to the sale of oil that is indexed to the price of Brent oil, which in turn is quoted in US dollars. On the other hand, most of the Company's costs were denominated in Brazilian reais. In addition, the Company's subsidiary located in the United States, Recôncavo America LLC, has some financial assets in US dollars (bank deposits and short-term investments) that are translated into Brazilian reais at the end of the reporting period. On April 25, 2019, subsidiary Potiguar contracted a loan in US dollars for the purpose of financing part of the payment arising from the acquisition of the 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. The total amount contracted was US\$232,000, at an interest rate of 6.3% above the three-month LIBOR, and the amount released by December 31, 2019 totaled US\$195,428.

Currently, the Company is not hedged against exchange rate fluctuations.

Sensitivity analysis - foreign currency

Parent						
As at 03/31/2021 - balances	Risk	Rate (a)	Foreign currency exposure - R\$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>						
Loans	US\$ appreciation	5.887	62,904	64,998	78,630	94,356
Impact on profit or loss				(2,094)	(15,726)	(31,452)
Consolidated						
As at 03/31/2021 -balances	Risk	Rate (a)	Foreign currency exposure - R\$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>						
Cash and cash equivalents	US\$ depreciation	5.887	137,624	142,206	103,218	68,812
Impact on profit or loss				4,582	(34,406)	(68,812)
<u>Liabilities</u>						
Loans	US\$ appreciation	5.887	1,019,057	1,052,988	1,273,821	1,528,586
Impact on profit or loss				(33,931)	(254,764)	(509,529)

(a) The translation rate (R\$5.887 per US\$1.00) used in the sensitivity tables as the probable scenario were obtained from the Central Bank of Brazil and correspond to the US dollar exchange rate for March 31, 2022. As at March 31, 2021 the exchange rate was R\$5.6973

(b) Scenario A considers a depreciation of the US against the Brazilian real dollar by 25% and scenario B a depreciation of 50% of the US dollar effective as at March 31, 2021.

Interest rate risk

This risk arises from the possibility of the Company and its subsidiaries incurring losses due to fluctuations in the interest rates that are applied to their assets (investments) or liabilities (loans) in the market.

In the assets side, the Company has short-term investments exposed to floating interest rates, mostly linked to the CDI variance, as well as intragroup loans exposed to floating interest rates, mostly linked to the LIBOR variance. These intragroup loans, however, have no impact on the consolidated interim financial statements.

In the liabilities side, interest is recognized at a spread of 6.3% plus 3-month LIBOR.

Sensitivity analysis - interest rates

At the yearend, Management estimates a probable scenario for changes in DI rates based on rates implied in the closing quotations of the DI futures contract referring to March, 2022.

For LIBOR, the latest release made by the ICE on April 14, 2021 was used.

In addition to the probable scenario, the Company presented two additional scenarios, with stresses of 25% and 50% in the risk variable.

		Parent			
	Risk	Rate (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>					
	CDI				
Short-term investments	decrease	5.10%	1,406	459	306
Impact on profit or loss			794	(153)	(306)
		Consolidated			
	Risk	Rate (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>					
	CDI				
Short-term investments	decrease	5.10%	1,685	550	367
Impact on profit or loss			952	(183)	(367)
<u>Liabilities and equity</u>					
	Libor				
Loans	increase	0.184%	53,556	54,287	54,737
Impact on profit or loss			282	(450)	(899)

(a) The rates used in the sensitivity table as the probable scenario were obtained from B3 and the ICE and refer to the estimated rates for 2021.

(b) Scenarios A and B consider a decrease of the indices by 25% and 50%, respectively, on the impact of CDI and Libor as at March 31, 2021.

Commodity price risk

During the three-month period ended March 31, 2021, 96% of the Company's gross operating revenue was directly linked to the price of Brent oil, the quotations of which are freely traded in foreign markets (95% in 2020).

During the year ended December 31, 2020, 3% of the Company's gross operating revenue was directly linked to the sales price of the commodity natural gas in the State of Bahia, more specifically, to the sales price of the commodity natural gas for industrial use by Petrobras to the legal distributor, Bahiagás (9% in 2019 and 6% in 2018).

In the first quarter of 2021, as a way of hedging against the volatilities of the oil market, the Company entered into several hedge contracts, and hedged, during this period, a volume of almost 512 thousand barrels (79% of net oil production for the year) (470 thousand barrels in 2020, 60% of net oil production for the year) at an average price of US\$59.29/bbl (US\$65.13/bbl in 2020). These volumes correspond to the “hedge” contracts settled during the mentioned periods.

Sensitivity analysis - commodity prices

	Price decrease risk of:	Price (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Gross operating revenue - oil	Brent	348.41	302,935	219,266	146,178
Financial Instruments - hedges			(4,731)	28,286	57,127
Total			<u>298,204</u>	<u>247,552</u>	<u>203,305</u>
Probable impact on profit or loss			<u>1,106</u>	<u>(49,546)</u>	<u>(93,763)</u>

- (a) The commodity prices used in the sensitivity table as the probable scenario, in US dollars, were obtained from the commodity pricing agency S&P Global Platts and translated into Brazilian reais.
- (b) Scenarios A and B consider an index decrease of 25% and 50%, respectively over the Brent prices shown in the real scenario.

The policy of the Company and its subsidiaries is to contract commodity forwards to manage the commodity price risk associated with future transactions of up to 36 months. In the current year, subsidiary Potiguar designated certain commodity forwards as cash flow hedges for high probability sales. Since the critical terms (i.e., volume, maturity, and underlying factor) of the commodity forwards and their corresponding hedged items are the same, the Company conducts an effectiveness qualitative assessment and the fair value of the commodity forwards and the amount of the corresponding hedged items are expected to systematically change in the opposite direction in response to movements in the underlying commodity price.

The following table describes the commodity forwards outstanding for the three-month period ended March 31, 2021 as well as information related to their corresponding hedged items. The commodity forwards are stated in line item ‘Derivative financial instruments’ in the balance sheet (see note 14 for further information):

Cash flow hedges

Hedge instruments	Consolidated		
	Average strike price	Number	Fair value of the hedging instruments
Outstanding contracts	03/31/2021	03/31/2021	03/31/2021
	US\$/barrel	In barrels	R\$'000
Less than 3 months	58.87	453,340	(10,540)
3-6 months	58.52	527,860	(9,361)
6-12 months	57.24	1,067,760	(15,062)
1-2 years	53.28	1,876,247	(45,030)
2-3 years	49.70	1,280,000	(42,333)

Hedge instruments	Consolidated		
	Average	Number	Fair value of the
	strike price		hedging instruments
	03/31/2020	03/31/2020	03/31/2020
Outstanding contracts	US\$/barrel	In barrels	R\$'000
Less than 3 months	63.89	460,040	86,415
3-6 months	62.63	448,520	65,670
6-12 months	60.22	977,490	112,027
1-2 years	58.20	1,984,960	175,832
2-3 years	55.09	1,380,247	79,398

22. LEASE CONTRACTS

Lease right-of-use assets

Cost	Parent				
	Properties	Machinery and equipment	Computers and peripherals	Vehicles	Total
<u>Assets and rights of use</u>					
As at December 31, 2019	847	29,285	292	7,408	37,832
(+) Additions for new contracts	111	18,495	207	3,213	22,026
(-) Write-offs for terminated contracts	(126)	(37,872)	-	(4,731)	42,729
As at December 31, 2020	832	9,908	499	5,890	17,129
(+) Additions for new contracts	99	-	260	-	359
(-) Write-offs for terminated contracts	-	-	-	(2,176)	(2,176)
As at March 31, 2021	931	9,908	759	3,714	15,312
<u>Accumulated depreciation</u>					
As at December 31, 2019	(224)	(8,276)	(33)	(2,410)	10,943
Depreciation	(231)	(9,035)	(143)	(1,871)	11,280
Write-offs for terminated contracts	87	14,182	-	1,353	15,622
As at December 31, 2020	(368)	(3,129)	(176)	(2,928)	(6,601)
Depreciation	(63)	(1,069)	(56)	(389)	(1,577)
Write-offs for terminated contracts	-	-	-	2,564	2,564
As at March 31, 2021	(431)	(4,198)	(232)	(752)	(5,614)
Balance as at March 31, 2021	500	5,710	527	2,962	9,698
Cost	Consolidated				
	Properties	Machinery and equipment	Computers and peripherals	Vehicles	Total
<u>Assets and rights of use</u>					
As at December 31, 2019	1,015	25,139	292	7,408	33,854
Additions	111	27,704	710	5,499	34,024
Write-offs for terminated contracts	(154)	(23,799)	(93)	(4,730)	(28,776)
As at December 31, 2020	972	29,044	909	8,177	39,102
Additions	99	-	354	2,114	2,568
Write-offs for terminated contracts	-	-	-	(2,529)	(2,529)
As at March 31, 2021	1,071	29,904	1,263	7,763	39,141

Cost	Consolidated				
	Properties	Machinery and equipment	Computers and peripherals	Vehicles	Total
<u>Accumulated depreciation</u>					
As at December 31, 2019	(233)	(3,581)	(33)	(2,411)	(6,258)
Depreciation	(309)	(19,633)	(231)	(3,864)	(24,037)
Write-offs for terminated contracts	193	10,327	-	1,353	11,873
As at December 31, 2020	(349)	(12,887)	(264)	(4,922)	(18,422)
Depreciation	(81)	(3,686)	(98)	(903)	(4,768)
Write-offs for terminated contracts	-	-	-	3,010	3,010
As at March 31, 2021	(430)	(16,573)	(362)	(2,815)	(20,180)
Balance as at March 31, 2021	642	12,471	901	4,948	18,961

The Company and its subsidiaries lease several assets, including properties, machinery and equipment, computers and peripherals, and vehicles. The average lease term is 5 years.

Leases payable

The variations in lease liabilities during the three-month period ended March 31, 2021 are showed below:

	Parent				
	Properties	Machinery and equipment	Computers and peripherals	Vehicles	Total
Balance as at December 31, 2019	597	19,498	274	5,011	25,380
Additions	111	18,542	207	3,166	22,026
Write-offs	(45)	(24,736)	(490)	(3,201)	(28,472)
Payments	(244)	(10,571)	(87)	(1,805)	(12,707)
Interest payments	(64)	(1,532)	(76)	(452)	(2,124)
Interest	64	1,532	76	452	2,124
Foreign exchange differences	-	4,868	-	-	4,868
Balance as at December 31, 2020	419	7,601	(96)	3,171	11,095
Additions	99	-	260	-	359
Payments	(68)	(1,556)	(41)	(139)	(1,804)
Interest payments	-	(107)	-	-	(107)
Interest	-	107	-	-	107
Foreign exchange differences	18	181	449	55	702
Balance as at March 31, 2021	468	6,225	572	3,087	10,352
Current					6,113
Non-current					4,239

	Consolidated				
	Properties	Machinery and equipment	Computers and peripherals	Vehicles	Total
Balance as at December 31, 2019	765	20,435	274	4,654	26,128
Additions	111	27,997	464	5,452	34,024
Write-offs	(202)	(14,626)	(328)	(2,507)	(17,663)
Payments	(182)	(20,221)	(165)	(3,826)	(24,394)
Interest payments	(213)	(3,192)	(89)	(585)	(4,079)
Interest	213	3,192	89	585	4,079
Foreign exchange differences	-	4,792	-	-	4,792
Balance as at December 31, 2020	492	18,377	245	3,773	22,887
Additions	99	-	260	2,208	2,568
Payments	(90)	(4,662)	(2)	(871)	(5,625)
Interest payments	-	(181)	-	-	(181)
Interest	-	181	-	-	181
Foreign exchange differences	24	680	456	120	1,280
Balance as at March 31, 2021	525	14,395	959	5,231	21,110
Current					15,269
Non-current					5,841

	Parent 03/31/2021	Consolidated 03/31/2021
<u>Leases payable</u>		
Up to 1 year	6,113	15,269
2-3 years	3,572	5,095
3-4 years	553	632
4-5 years	74	74
More than 5 years	40	40
Total	10,352	21,110
Current liabilities	6,113	15,269
Non-current liabilities	4,239	5,841

Other information

Lease term	Rate % p.a.
Up to 1 year	8.51
2-3 years	10.18
3-4 years	10.64
4-5 years	12.49
More than 5 years	12.49

23. INSURANCE

The company and its subsidiaries maintains a monitoring policy of the risks inherent to its business. As at March 31, 2021, the Company had insurance contracts in place to cover operational, environmental, civil liability, and other risks.

Lines (*)	Currency (*)	Insured amounts		Maximum Indemnifiable Amount	
		Parent (*)	Consolidated (*)	Parent (*)	Consolidated (*)
Environmental risks.	US\$	6,050	12,100	6,050	12,100
Property damages	US\$	55,793	99,820	25,100	50,200
Civil liability	US\$	3,000	6,000	3,000	6,000
Corporate D&O	R\$	50,000	50,000	50,000	50,000

(*) According to the insurance policies.

24. SEGMENT REPORTING

The Group operates exclusively in the exploration and production (E&P) of Oil and Natural Gas, whether by providing services or selling products, which accounts for 100% of the Company's net revenue.

The information reported to the Company's management (the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance is reviewed monthly using managerial results reports that present expenses by cost center. The Company's Management evaluates investments, expenses, production, and other operating indicators and makes its decisions based on the consolidated information from all the Group companies.

25. NON-CASH TRANSACTIONS

In the three-month period ended March 31, 2021 and 2020, the Company carried out the following transactions not involving cash; therefore, these are not reflected in the statements of cash flows.

Description	Parent		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Conversion of loan contracts to advance for future capital increase	29,150	-	-	-
Additions for new contracts IFRS 16	359	1,189	2,568	17,418
Total	<u>29,509</u>	<u>1,819</u>	<u>2,568</u>	<u>17,418</u>

26. SUBSEQUENT EVENTS

On April 1, 2021, in an Extraordinary Shareholders' Meeting, the shareholders of the Company made certain resolutions, among which are included the approval of the split of the total amount of the non-par, registered, book-entry common shares issued by the Company, at the reason of 1:2, without alteration to the share capital value of the Company, in such a manner that for each 1 (one) common share issued by the Company, a new one is created and attributed to the respective shareholder, with the same rights and advantages of the presently existing common shares. Accordingly, the share capital, previously divided into 83,911,766 (eighty-three million, nine hundred and eleven thousand, seven hundred and sixty) shares, is now divided into 167,823,532 (one hundred and sixty-seven million, eight hundred and twenty-three thousand, five hundred and thirty-two) common shares.

The numbers of shares related to the purchase option of shares issued by the Company, granted in accordance with the stock option-based compensation plan of the Company, and not yet exercised up to date, will be adjusted proportionally, in order to reflect the split of the shares issued by the Company and approved herein. For more information on the stock option-based plan of the Company, see Note 15.g to these interim financial statements.

On April 7, 2021, CADE approved the acquisition of the Miranga Cluster by the Company, one of the precedent conditions for the conclusion of the transaction. The remaining precedent conditions, mentioned under Note 1, remained pending up until the issue of these interim financial statements.

On May 3, 2021, in a meeting of the Executive Committee, the following was approved:

- The fixation of the price of R\$14.75 (fourteen Brazilian reais and seventy-five cents) per common share issued by the Company, object of the public offering for primary distribution of common shares issued by the Company in Brazil and with placement efforts of common shares abroad.
- The capital increase of the Company, within the limits of its authorized capital, in the amount of R\$1,032,500,000.00 (one billion, thirty-two million, five hundred Brazilian reais), from R\$674,941,437.37 (six hundred and seventy-four million, nine hundred and forty-one thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents) to R\$1,707,441,437.37 (one billion, seven hundred and seven million, four hundred and forty-one thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents), through the issue of 70,000,000 (seventy million) new common shares, with an issue price of R\$14.75 (fourteen Brazilian reais and seventy-five cents) each, all non-par, registered, book-entry common shares, which will be the object of the above mentioned public offering, with the exclusion of the preference right of the present shareholders of the Company in the subscription, in compliance with the provision of art. 172, item I, of the Brazilian Corporate Law and with the Bylaws of the Company, with the share capital of the Company being divided into 237,823,532 (two hundred and thirty-seven million, eight hundred and twenty-three thousand, five hundred and thirty-two) common shares.