

## Galp Energia's Third Quarter and Nine Months 2010 Results

### Introduction

Good afternoon, ladies and gentlemen. Please welcome to Galp Energia's Third Quarter 2010 Results Conference Call and Strategy Update. I will now pass the floor to Mr. Tiago Villas-Boas, Head of Investor Relations division.

### Tiago Villas-Boas, Head of Investor Relations

Hello. Good afternoon or good morning and welcome to Galp Energia's 2010 third quarter results conference call. Joining me today, as usual, is our CEO, Manuel Ferreira De Oliveira, and our CFO, Claudio De Marco. We'll start our presentation with the third quarter and first nine months results overview, followed by a short-term outlook and we will mostly focus on the strategy update and the execution of our transformational projects. Let me just end by reminding you that we will be making forward-looking statements, so I'd like to draw your attention to the disclaimer at the end of our presentation.

And now over to Claudio.

### Claudio De Marco, Chief Financial Officer

Thank you Tiago, and good afternoon to all of you joining this call. Let me share with you that today is a great day for all of us, once we have started, as you know, the pilot project production in Tupi ahead of schedule. Manuel will speak about it later in the presentation, but now I will go briefly through the third quarter results, which we released yesterday and that you already surely analysed.

Let me start by outlining the positive contribution, at the EBITDA level, from all the business segments and emphasizing that in the first nine months, economic results are already better than full year 2009 results. We took advantage, from the market conditions, in terms of higher crude prices and better refining margins, and from the operating performance, mainly in terms of working interest production in E&P business, refineries' throughput increase, and higher electricity and steam production, thanks to the start up of Sinecogeração.

Moving on in a short business by business analysis, in slide 5, you can see that the E&P EBITDA reached €37 mln in the 3Q10, up 31% YoY, driven by the increase in both net entitlement production and crude price. Nevertheless, net entitlement production, showed a QoQ decrease of 12% to 9.5 kbpd mainly due to the terms of the Angolan PSA, leading to the decrease of production allocated to the cost oil component. On the positive side, the ramp up of Tômbua-Lândana in Angola and Tupi in Brazil projects were the main contributors for the increase in working interest production, which in the 3Q10 reached 19.6 kbpd, up 37% YoY.

The R&M business, slide 6, showed an EBITDA of €126 mln in the 3Q10, up 18% YoY, driven by the increase of Galp Energia's refining margin of \$1.5/bbl, up to \$2.1/bbl. This is the result of the diesel crack increase of 53% and of the recovery of heavy and light crude spread. The Marketing division continued to be a solid business in terms of earnings contribution, benefiting from the capture of synergies from the Iberian acquisition.

The EBITDA in the Gas&Power business reached €56 mln in the 3Q10, benefiting from the positive Sines cogeneration contribution. The natural gas infrastructure business continue to produce an important contribution as it is referred in slide 7.

In slide 9, I only would like to put in evidence that financial results in the 3Q10 are more or less in line with the same period of last year, despite the higher level of debt, as Galp debt cost decreased slightly from 3,5% to 3,4%. The net profit was negatively impacted by the higher IRP in Angola and by the increase of marginal income tax in Portugal. All in all the net profit was up 18% YoY in the 3Q10 to €93 mln.

Moving on capex in slide 10, I'm glad to say that the execution of the most important Galp's transformational projects, Tupi and the refining upgrade are on track. Manuel will elaborate on this, later in the presentation. The expenditure reached €385 mln, or €864 mln in the 9M10, of which Tupi and the upgrade Project represented 70%.

As you can see in slide 11, total net debt reached €2.7 billion at the end of September, in consequence of the strong investment project execution. Notice that €1.7 billion of the total Fixed Assets is still allocated to work in progress, which will produce cash flow gradually starting from the end of this year.

In slide 12, regarding the additional facilities, we continued to maintain a solid liquidity position of €1 billion, enough to guarantee the short term projects execution. Looking at the reimbursement profile, we can see a concentration from 2012 and onwards, in line with the expected incremental cash flow generation.

Now, in slide 14, I give you a short-term outlook, based on our current forecast of some key drivers that will influence the fourth quarter results. In the E&P business, the working interest production is expected to increase QoQ, driven by the start-up of the Tupi pilot. In the R&M, the refining margin should be positively impacted by supply disruptions driven by French refining activity due to the strikes. Nevertheless, this is a one-off event and we continue to be still dependent on the economical recovery in the medium and long-term. Concerning the natural gas volumes for the 4Q, we are expecting a slight increase on a quarterly basis. On the financial side, we're very active in the market, in order to maintain our current level of facilities despite the expected high level of capex. And now over to Manuel, who will present the strategy update. Thank you for your attention.

## **Manuel Ferreira De Oliveira, Chief Executive Officer**

Thank you Claudio and good morning or good afternoon to all of you depending on where you are. I have just arrived from Rio de Janeiro where I had the opportunity to participate in the start up of the first definitive pre-salt operation in the Santos Basin. And I simply have to say before anything else that it is an impressive high quality well managed operation.

Now let's go to the substance of what I have to say. Our intention is to share with you the update of what is going on in the key projects that are the anchor of our future.

I will start with the upgrade project in Portugal. As you remember the project is an integrated project that includes investments in the Matosinhos refinery, and in the Sines refinery. The total investment was estimated close to 1.4

billion euros. And I can simply confirm that we are on track in terms of budget and in terms of timing. The timing of Matosinhos refinery was scheduled one quarter ahead of the Sines refinery. As I note to you the reason for that is that Matosinhos refinery will be the supplier of VGO to Sines and that was indispensable to assure that the hydrocracker being built in Sines is a world class in terms of efficiency, performance and size. It is one of the largest hydrocrackers that is installed in refineries, if you remember 45,000 barrels a day of processing capacity. The Matosinhos refinery is on schedule, if anything, ahead, and it will be ready to deliver VGO for the Sines project in due time. The key components of the projects had a vacuum distilling unit as well as a visbreaker and also some tankages and complementary desulphurization facilities.

In Sines all the major equipment is already in place and installed as we already reported to you. The construction is going according to the basic planning, 50% of all the construction work has been completed and we expect the project to be hand over in the beginning of July and the refinery up and running under steady and safe conditions in the fourth quarter of 2011.

As I referred before, the original program for Matosinhos is always one quarter ahead of Sines and that is being totally assured from the development that we see there. So the relevance of this project is that it will bring us much more stable and more aligned with the market refining margins, which put our refineries in terms of process efficiency, energy efficiency and cost efficiency among the top quartile refineries in Europe for that type of refinery.

Now let's move to the upstream business, I am now in page 8. I simply refer the key projects that are going on in Santos Basin, I will save your time, in what refers to the other projects, but focusing on the Santos Basin and within the Santos Basin I will focus on block BM-S- 11 and BM-S-24. The picture there shows, I will simply tell you that locally it's nicer than in the picture, but otherwise it's a fantastic unit. But now moving to page 6 of the presentation. The diagram that you see is a representation of the Tupi-Iracema reservoir complex. This is the historical breakthrough in the pre-salt in Brazil and we just show it to refer two things. One, that nine wells have already been completed or totally drilled, a learning experience that has been progressive. We all are happy with the drilling and more than with that, with results from the drilling. I am now in a solid position to tell you, after discussion with our colleagues on the consortium, after analyzing all the data that we have, that the recoverable reserves of oil and gas in the complex Tupi-Iracema is solidly in the range of 5 to 8 billion barrels of oil equivalent. I remember that this number was generated after the second well and the comprehensive 3D seismic, and that the drilling simply confirms and strengthened our confidence in the numbers that we have there.

Here the major milestone now after that entrance into operation of the first definitive facility in the field is the submission to ANP, the National Petroleum Agency of Brazil, of the development plan which has to be submitted before the end of the year. The consortium is actively working on it, creating, offering the necessary contributed debates and we will be presenting an aggressive development plan that will be shared with you as soon as it has been agreed among the partners and submitted to ANP. It is a plan that is aligned with the estimate reserves that we have and more accelerated than the base case that Galp Energia had in his mind. We assumed originally that the development would be with one FPSO to be commissioned every two years. We are working on a more accelerated program project and therefore we will share with the market as soon as adequate.



So as far as Tupi, I was yesterday in the Cidade Angra dos Reis and I could see in the neighbourhood two wells being drilled. One was the gas injection well that will receive gas from the reservoir, while the commissioning onshore of the gas infrastructure is not completed. And it's obviously going to be used to lessen the pressure in the reservoir. That well will be completed in January. The facility itself, the plant, is able to use that well to inject CO2 isolated if that is necessary, to inject a mixture of CO2 and natural gas, or methane and to inject only methane. The facilities there are waiting for the completion of the well. Not far away I saw the drilling of Tupi South drilling completed. It will be one of the last one of the few remaining appraisal wells that need to be completed. Everything is going according to plan and no surprise other than solid confirmation of the range of reserves that we have with these wells.

Another thing that is important to notice is that Cidade São Vicente, the small FPSO that is now located in Tupi South is going to be transferred to the North, to the Tupi Northeast where it will be entering in the beginning of next year in a Extended Well Test. That is going to be the location of the second FPSO which is already being contracted which is Cidade de Paraty, it will be operational in the mid 2013.

Now let's move to Iara. Block BM-S-11 includes these two areas Tupi and Iracema and a separated area, that is the Iara area. In Iara as has been shared with the market, has a recoverable, expected recoverable oil and gas reserves in the range of 3 to 4 billion barrels. I can simply tell you that we maintain these assessment of the reserves of Iara. After recently discussion on the data that we have about the reservoirs, we will be drilling an additional two appraisal wells as soon as possible, the first one next year in preparation for an EWT, that will start hopefully on 2012 and then prepare a development plan for Iara. The development plan for Iara has to be completed, according to the agreement with the ANP, by December 2013, so three years from now we have to have a development plan for Iara. We maintain the optimism that was shared with the market when the drilling of the well was completed. This is shared by both BG and Petrobras.

Jupiter is a reservoir that has an equal size of Tupi, it's quite a big reservoir which extends itself beyond the end of our contractual area and on which we have only drilled one well. I want to note that, that reservoir has a relevant oil ring complemented by a cap of gas and condensate and with a very high percentage of condensate. Reservoir studies have been intensive in the last nearly two years and we have already agreed the location of the forthcoming well which will be drilled in 2011 to qualify basically the expected concentration along the reservoir of gas and condensate. All in all, it's Galp's opinion that the concentration of condensates is extremely relevant for the future of this reservoir and we are optimistic about the outcome of the forthcoming well, particularly having in mind the kind of studies and analysis that we've been making.

I want to note that the evaluation plan for Jupiter has to be completed by February 2016. We'll do our best to ensure that we can complete that evaluation plan ahead of the contractual limit. That is, I will emphasize, a reservoir which successful exploration is of extreme importance to Galp Energia and we continue believing that it is a valuable prospect in our hands.

As far as block BM-S-8 and 21, we will be drilling appraisal wells soon, according to a drilling program that is being prepared and will be shared with you in the first presentation of 2011.



Thank you for your attention and my self, my colleagues and Claudio will be available to answer to any questions you might have.

## Questions & Answers Session

### **Bruno Silva, BPI**

Good afternoon everyone. So, I have two questions. The first one regarding your opinion on Repsol deal in Brazil, namely what are your valuation readings from that valuation and whether or not you would consider a similar move and if not, why. Second question, if I may, on the EBITDA of the gas supply unit. Just to understand if you could give us a clean and recurrent EBITDA and EBIT number for this quarter considering apparently the new margins that you have contracted with Nigeria and just to know what could be the recurrent number going forward. That's it thank you very much.

### **Manuel Ferreira De Oliveira**

Ok. Bruno good morning thank you for your questions. You see my job is to run Galp Energia, it is not to comment on other transactions done by other companies. It is your job to evaluate it. We follow obviously with interest to learn from what Repsol has done and we will take the necessary conclusions out of that in due time. We think is a fair transaction. The companies involved are experienced, well-knowledged companies and the numbers on the table seem to us reasonable.

Now the second question has to do with the gas supply unit. This quarter the EBITDA and EBIT are absolutely recurrent, so they do not include anything other than business as usual, so you can take it as a clear indicator to track from the operational data. So there's no event of any type that affects the results.

### **Claudio de Marco**

If you remember, last quarter was impacted by two one-off events that had a positive impact of €38 million and the third quarter is in line with the normality of the evolution of the business.

### **Theepan Jothilingam, Morgan Stanley**

Good afternoon. A few questions actually, firstly just around Brazil. I was wondering if you could give any further color around what are your thoughts of the consortiums' plans around gas evacuations for Tupi, and how the plan is progressing. Secondly, thank you for the updates on Iara and Jupiter. Clearly I guess the timing of first production is very important and I was wondering from your perspective or your internal planning, when do you see first production from those fields? And then just a follow-up question around portfolio management, I was wondering if you could give us an update on any potential sell down in the regulated gas assets?

### **Manuel Ferreira De Oliveira**

Ok. Thank you for your questions once again. Let me start with the gas evacuation system in Tupi. You remember, because I know that you follow us very closely, that the construction of a pipeline from the Tupi area to Mexilhão platform which is about a 220 kilometers pipeline has already been completed and this was already linked to the initial platform. But the platform is not operational yet. Is not operational yet because the gas has a destiny in the

internal market and there is about 5km of pipeline that are not yet completed. One of them represents the drilling in a tunnel that is not yet completed and I understood that there's some environmental debates that is going around that project, but is of minor relevance and I was ensured that the project will be soon completed. The pipeline is important to be operational because we want to preserve three options as far as the use of natural gas. One option which is always the backup option is reinjecting the gas. We will not be allowed to burn or vent the gas as now we have a special authorization that terminates by the end of this year in terms of the flaring the gas. So, that's backup option and it only be relevant if the reservoir requires that. The second is the internal market with the price we have already negotiated with Petrobras which would be the buyer and is competitive. The third option that is being worked is the liquefaction of gas in a floating facility offshore. The engineering process of that facility is being done by three engineering entities that are now executing the engineering design and actually optimize the concept. We will be together with Repsol, BG and Petrobras assessing the three proposals, understand that economics, which we still have only preliminary numbers and once we have understood the economics, the decision will be taken. So, if the FLNG, floating LNG facilities is competitive that could be another option for the use of the total gas in the Santos Basin.

As far as the timing, if we do for lara and Jupiter what we did for Tupi-Iracema, in the moment of the declaration of commerciality which is now, we are ready to start operations. And the reason is extremely simple. Once the commerciality is declared you start to book reserves depending on the infrastructure on site and the concession time, the clock starts counting. So, how much advanced, in terms of facilities, would we be before the completion of declaration of commerciality depends on the successful tests that we'll have to do. We have to do an EWT which is basically a reservoir test in lara and another one in Jupiter. Depending on the success of the reservoir performance, whether the reservoir performs as the reservoir models indicate, that is basically the measure of success, whether that will allow us to have facilities ready to start operations after the declaration of commerciality. So, it will be too soon to give you dates but the dates should be as close as possible of 2013 and as close as possible of 2016.

Portfolio management. It is our duty to always have that in mind. We are now pursuing with a program of disposing between 40% and 49% of our regulated assets. If I'm not wrong the memorandum to be discussed and presented to investors will be ready soon or is nearly ready. We have two banks working in the project with us and what I can summarize for you is that we have a lot of interest in those assets. Now our job is to ensure that we have the highest possible price for those assets inline with the value that we think those assets have. Thank you.

## **Hootan Yazhari, Bank of America**

Good afternoon gentlemen. A quick question, you eluded to the fact that you're going to be submitting a plan to the ANP for the development of the Tupi-Iracema complex. And you also mentioned that you're looking at an accelerated development. Can you give us a bit more color on the sorts of acceleration that you're talking about and when we will have certainty on whether this is actually going to be a reality? Thank you.

## **Manuel Ferreira De Oliveira**

You see, when we talk about the acceleration, we have to talk first about the base case, because when we mean acceleration it means versus a base case. Our base case was actually, and we are the only responsible for that case,



that we should have an entrance of one production facility every two years. And that was inline with our view of rig availability and because you need to have the wells drilled ahead or at least somewhat ahead of the FPSO in place. That is a base case. So one unit every two years, the first one starting early 2011 and you see now that's been actually late 2010. What are we doing now? We have to declare commerciality up to the end of December. I have to say that the work has been done, the development plan, but we still are fining tuning and ensure that is extremely robust. The only color that I can give to you, is that whatever the scenarios that we're analyzing, we are still looking at a couple of scenarios more accelerated in relation to our base case. We can not, I wish I could, I can not share that with you because it has to be first approved by the consortium and then approved by the ANP in Brazil.

That is a quite a project. I've been working nearly for 40 years, I've never seen such development of such effect. Remember that three years ago we were discussing whether it will be possible to put in production a reservoir that was in deep as that with pressures of that magnitude. And three years after that, we brought one unit up and running without any issue. I was actually, yesterday, and what impressed me much was the apparent simplicity of all of the operations. And the different engineers how they feel comfortable with the technology they apply. That platform on the vessel that was commissioned yesterday is the most complex that Petrobras has ever put-in place. They operate about 15 FPSO's in, I think, about 50 offshore production facilities, 15 FPSO's and this is the more complex. And complexity in this case is measured by the pressure that it has to handled both for water injection, gas handling, reservoir collection. Reservoir collections are, was yesterday publicly said, and I have seen the measurements with my own eyes, at about 550 kilograms per square centimeter and compared with numbers in other places in the Campos Basin are in the order of about 200 kilograms per square centimeter. The technology is totally dominated, it's extremely safe and we are totally comfortable with the progress achieved. I take this opportunity to publicly complement my colleagues from BG and from Petrobras and what we saw yesterday was a tremendous sign of convergions of interests and the complementarity of competences that so much contributing to the success of the project so far and it will be a major anchor for the future.

## **Jason Kenney, ING**

Hi guys its Jason from ING. Firstly congratulations on Brazil and the Tupi pilot started, that's fantastic turnaround. My question actually is around Group capex and I know in the Q4' 09 results, you were looking for between €4 billion and €4.5 billion of capex over 2010-2014, and there was some split out of E&P capex versus R&M. And I think on the refining and marketing you were looking at €1.1 billion to €1.3 billion, obviously you're spending €1.4 billion on the upgrade project. I'm just wondering what the Group capex is going to be over 2010-14 and if you could give us a bit more clarity on the R&M commitment, the phasing of that spend in the downstream over the next four, five quarters?

## **Manuel Ferreira De Oliveira**

Ok. The R&M project, let me start with that very straight. In the refinery what is called the recurrent investments, has to do safety, other incremental performance in other investments. The investment for the conversion is €1.4 bln is inline with the budget. And whatever we are doing is totally aligned with what we shared with the market a year ago. As far as the other capex, I emphasize the evolution of the capex from exploration to development. That's the phase where we're in. Originally when we started up in this venture, the capex were more concentrated on exploration, now is much more concentrated in the development. We are now at this right moment putting

together our capex plan for the 2011 to 2015 period. As far as the deep offshore in Brazil, we are effectively having a longer view, up to 2020 and because we are discussing the development plan and the capex is a function of it, I don't think it's the right moment for me to comment on it, but I told you and other colleagues several times that higher the apparent stress that we might have, the better for us and we have plenty of options to address the apparent stress that might arise from the acceleration of the project. Effectively, we as management, are pressing for the accelerated development of the project. We all know that, that creates value to all shareholders.

**Jason Kenney, ING**

Ok. If I can just go back, then in the 2010-2014 time you're saying that R&M is in line with the budget?

**Manuel Ferreira De Oliveira**

Yes.

**Jason Kenney, ING**

Out of €4 to e4.5 billion over 2010-2014, can you just remind me what the R&M split of that number is going to be?

**Claudio de Marco**

We will finish the upgrade project in 2011. And in 2011, we have spending of about €500 million. Then for the 2012-2014 period, our major spending is addressed to E&P business, because for the R&M it's just maintenance.

**Filipe Rosa, Banco Espírito Santo**

Hi, good morning everyone. Just a couple of questions. The first one would be on the follow-up question on the possible acceleration of the development plan for Tupi. I would ask given if there is a limitation in terms of the number of FPSOs that you will have available up to 2016 or 2017. Would the acceleration of the Tupi development lead necessarily to delay in the Iara or Jupiter development plans? And the second question is related to Angola. Apparently Angola is underperforming both in terms of production and in terms of profitability. Could you provide us an update on the targets or medium-term targets in terms of production and in terms of cost, because the performance in the past couple of quarters has been quite below initial expectations?

**Manuel Ferreira De Oliveira**

Ok. Filipe, good morning. Let me say to you what the acceleration means. Acceleration is a term I personally use in comparison with our base case. As the consortium itself is preparing that plan. And we are fully supportive in the consortium and in, by the way, BG and Petrobras shared totally these lines of action to as much as to accelerate to the maximum commitment as much as we can. The limitation is not necessarily FPSOs. The limitation is the number of wells. You might have an FPSO ready, but you also would need to have the wells ready to connect with FPSO. At this moment the two are the constraints. The number of rigs available to operate in the ultra-deep waters of Santos



and the ability of the market to supply the FPSOs. These issues are being addressed, being negotiated. And I cannot say more than this, because in a couple of months, the detail of that will be shared with everybody.

As far as the profitability of Angola. You are aware in Angola, as opposed to Brazil, we have production sharing agreements. Your cost oil is the one that covers your costs, including the remuneration of capital. Particularly in the fields Kuito and BBLT that capex has been recovered. So now the growth comes from Tômbua-Lândana. Now we provision what we call the abandonment costs. The abandonment cost of any field is already being provisioned on a per barrel basis. However, that provision is not a cost, it is not been included in the cost oil, so according to the contract as from next year, we will be including, because the contracts say so, the recovering of the provisions for abandonment of Kuito and BBLT. That cost will be recovered from cost oil, so we will see a ratio between net entitlement and working production going up.

## **Thomas Adolff, Credit Suisse**

Good afternoon, gentlemen. Three questions please. Firstly on Jupiter, the Gaffney report published by the ANP questions the economics of the field, A) it carried a much lower volume than initial press releases, to be precise of 1.25 billion barrels with 30% located outside the blocks boundary, and B) the highest CO2 content of 79% plus the oil heavier than had been initially thought, could you comment on this? And secondly, more long-term, Petrobras will be the sole operator of all the new blocks to be auctioned going forward under the PSC model. The main risk is obviously the possibility that Petrobras is being pressured by the government to prioritize the developments given the superior returns to government, you could potentially see delays to the existing concession fields. So, the development of Jupiter assuming it is commercial to be even put out in the current declaration of commerciality deadline suggest. And finally more in Tupi again, how much time does the ANP have to approve the development plan and once approved, should we expect the new results estimate for Tupi? Thank you.

## **Manuel Ferreira De Oliveira**

Thank you for the questions, Thomas. So back to Jupiter, let me tell you that I do not comment the report of Gaffney, because I don't know it in detail, I read what was published, but I don't know the data used there. Obviously they can not have the complete data of the area that is within the concession of Galp/Petrobras partnership. What we have is audited numbers from DeMac, which confirms what I said, that the reservoir is a reservoir of the size of Tupi. Let me, and by the way and confirm that the high value of the condensates is in the upper part of the reservoir. There was some confusion I would say because as it can be read from the Gaffney report the characteristics of the reservoir outside our acreage are homogeneous and extended proportionally to the area where we operate. The reservoir engineers know very well that the higher the reservoir, the better the quality of the reservoir and the quality of the fluids are in the reservoir. The part of Jupiter within our reservoir it's much higher than the part outside the reservoir. So, you cannot extrapolate neither volume wise nor in terms of characteristics of the reservoir. So, what I read from Gaffney, I have to admit, that their conclusions are related to the involvement of our reservoir.

What we say is what is within the limits of block BM-S-24 and, I have nothing else to say, that the reservoir is in a way higher than the previous one. The concentration of condensates is high and it could be or it is the major component of the reservoir. In our resource base estimate, we exclude the CO2. So, our estimates are for natural gas, condensates and crude oil. As you know, when reservoir is homogenous, the sequence of the position of the

different fluids in the reservoir is heavy crude oil, then light crude oil, condensate, gas and CO<sub>2</sub>. So, it is the distribution of these fluids that is not totally understood and particularly across a large area of the reservoir. We have an hypothesis in which we feel extremely confident that needs to be tested. We have no evidence whatsoever, neither we nor Petrobras to change the original of statement after the drilling of the first well.

As far as the second question, that question has been repeated by everybody. So I can not answer to it. What is the pressure, is an issue between the Government of Brazil and Petrobras and has nothing to do with us. What I can tell you is what I see both on the ground and in the discussions with our partner Petrobras. We see no influence whatsoever of additional acreage in the development of the projects that we have. I have never heard from any employee or any manager or the leadership of Petrobras that Jupiter or lara or Bem-te-vi or Caramba will be rescheduled because they have new acreage under their responsibility, that's the statement I can make.

The third question, is when does ANP approve. We expect on the 1st of January to be operating under commercial conditions and why do I say so, because otherwise we have to stop the operation, because we are authorised to flare gas both in the FPSO that is now up there and the EWT. We are authorized to flare gas until the end of the year, so that commerciality begins at beginning of January. When I say that we are going to submit for the approval of ANP, that doesn't mean that ANP is going to receive documents for first time, we are already interacting with ANP and they know what our proposals are. I would expect some review of the resources in particularly to reserves, we will include a part of the resources qualified as reserves.

## Jean-Luc Romain, CM CIC Natixis

Good afternoon. I have got a question regarding lara and Tupi. It seems that the area from lara extends beyond the limits and into the *entorno the lara* that was attributed to Petrobras. I was wondering if there could be discussions to unitize both areas in terms of lara and Tupi?

## Manuel Ferreira De Oliveira

Thank you Jean, starting with Tupi. Yes, we have confirmed there is an extension of the reservoir in the south. We are actually drilling a well close to the border of what we expect to be the limit of the reservoir and that is a small unitization issue. Following the South of Tupi the volume in the part outside of our reservoir area is minimum and we are already discussing with Petrobras the basic rules for unitizing that small part of the reservoir. And we will use standard procedures of the industry to manage unitised reservoir. As far as lara is concerned, the characteristics again of the reservoir outside our area are different from the characteristics of the reservoir within our area. Again our area is a plateau, a high plateau. What is outside is in the lower side of that reservoir and have different characteristics. So, please do not extrapolate the outside to the inside of the reservoir. Secondly, we have to have the unitization agreement. We feel that we will have no difficulty in doing it with Petrobras, as we do not expect in the South of the Tupi, part of which is already discussion at this moment within the development plan for Tupi. So, the unitization issue is a non-issue and we will apply standard rules of the industry. Thank you, Jean.

## Elaine Dunphy, Deutsche Bank

Hi, good afternoon gentlemen. Most of my questions were actually asked and already answered. But if I could just ask I guess two more. And first one, on the drilling plans presented today is mainly focused on development and appraisal for the 2011. I was just wondering what the exploration wells you got planned for next year, particularly

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your drilling outside of Brazil? And then I guess finally, the wind project, are you still expecting a startup of the first 10 MW by the end of this year? Thank you.

## **Manuel Ferreira De Oliveira**

Ok. In Timor we and ENI are going to drill a well early next year and as well as Mozambique. We are excited about the Mozambique well which is an extension of the reservoir already discovered in Mozambique. So we keep the program that we presented to you before. We'll be updating that program in the beginning of next year, and we want to do it for all the areas we operate. But the two promising areas, the ones as we see now, is Mozambique and we are waiting for what comes out of Timor. As far as the wind project, yes, we have a small wind project that we are actually financing with project finance. It will be commissioned by beginning of the next year. You see, wind projects take a long time to obtain environmental permits to build. The project is on-schedule, as originally said. The works are already going on the ground.

## **Manuel Ferreira De Oliveira**

So let me conclude this discussion, thank you once again for the quality of your questions, your interest, your time. And Tiago is asking me to tell you that we would like to have on March the 14th the Investors Day that we'd like to mostly dedicate to the last projects that we're facing, particularly those in the pre salt, which are of interest to most of you, if not to all of you. And on the 14th of March, 2011, we are asking you to save that date to spend one or two days with us to learn as much as possible from what is going on. We are trying to see whether that can be done in Brazil itself. So thank you for your time. We thank you your presence on March, the 14th for Investor's day. But before that we'll have the results of the year and an update of our capex for the forthcoming five years. Thank you very much indeed. And we'll keep in touch. Bye-bye.

