

Galp Energia First Quarter 2011 Results

Introduction

Good afternoon, ladies and gentlemen. Please welcome to Galp Energia's First Quarter 2011 Results Conference Call and Strategy Update. I will now pass the floor to Mr. Tiago Villas-Boas, Head of Investor Relations division. Thank you.

Tiago Villas-Boas, Head of Investor Relations

Hello, good afternoon and welcome to Galp Energia's 2011 first quarter results conference call. As usual, joining me is our CEO, Manuel Ferreira De Oliveira, and our CFO, Claudio De Marco. We'll start our presentation with the key highlights of the first quarter results followed by a short-term outlook and an update of the execution status of our key operational and financial projects in hand, after which we will be available for your questions.

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 Manuel.

Manuel Ferreira De Oliveira, Chief Executive Officer

Thank you Tiago, and good afternoon to all of you joining this call. Welcome to Galp Energia's first quarter results and a brief strategy execution status.

I will now give you the highlights of this presentation and then Claudio will go through the first quarter operating performance, after which, I will elaborate on the execution of some of our key projects on hand.

I will start with just one slide. It's slide number three, sharing with you the main highlights of this presentation.

The first quarter of 2011 was a tough quarter for all of us due not only to endogenous factors, but also due to exogenous factors, both impacting the performance of our company. On one hand, the Sines refinery was shut down during 40 days for technical works related with the preventive maintenance and the construction of more than 600 connections to the new units. This impacted the operating performance of the refining business, due obviously to less processed crude. On the other hand, the weakness of the refining margins in the international markets and the depressed economical environment in Iberia impacted both the refining and the marketing businesses. Although the gas business posted a better operating performance, with natural gas volumes increasing supported by the demand



in the electrical sector, this was not enough to off set the worse performance, mainly or basically on the Refining & Marketing business. Consequently, during the quarter our net profit achieved the level of €41 mln.

During the quarter, we kept on executing the investment of our transformational projects with Capex channeled mainly to the refinery upgrade projects and to the development of the Lula field. In fact, as planned, works at the Matosinhos refinery are already materially completed, and in Brazil, we have just started the Lula Northeast extended well test.

Later in the presentation, I'll give you more details on the execution of these important projects to Galp. Also, I will elaborate on the funding solutions, namely the natural gas infrastructure sale and the capital ingredient of our Brazilian subsidiary. These funding deals are essential for us to achieve and consolidate a solid capital structure, which is critical to the successful execution of our growth.

And now, I will pass the word to Claudio, which will present our 1Q11 results. Claudio, the word is yours.

Claudio De Marco, Chief Financial Officer

Ok. Thank you Manuel and good afternoon to all of you attending this call.

I'll now go through the business overview, with focus, firstly, on how our operational indicators evolved during the first quarter of the year and then on the financials. I'll conclude with our usual short term outlook, meaning our view about the business drivers that should impact the second quarter results performance.

This quarter was a tough quarter for Galp Energia, mainly due to a lower level of refining margins, lower crude processed and also due to the decrease of oil products sold.

Starting by business the review, in the E&P segment, I would like to highlight that the increase in crude prices, on the back of political tensions in North Africa countries, contributed to a strong average realized sale price of our crude production. Nevertheless, this increase was off set by a lower net entitlement production. As you know, *ceteris paribus*, according to the PSA in Angola, when the crude oil price increases the production allocated to the cost oil component is lower, and that was the case in the 1Q11. In addition, net entitlement production was negatively impacted by cost oil adjustments relative to the years 2005 to 2007, with a negative impact of 1.4 kbpd. This was a one-off, so it will not be repeated going ahead.

Regarding Brazil, the production reached 1.4 kbpd and was negatively impacted by natural gas flaring legal constraints which were already solved with the gas injection well being operational. As such, all these effects led to a total net entitlement production decrease of 24% YoY to 9.6 kbpd.



In what regards the refining business, the refining margin environment came to negative levels, thus affecting our own margin, which reached \$1.3/bbl, a decrease of 51% YoY. In addition, the Sines refinery was shut down during around 40 days to execute interconnection works related with the upgrade project.

As we've stated in the short term outlook of the 4Q10 results, the economic environment in the Iberian Peninsula was impacting the oil distribution business. Indeed, both the Spanish and the Portuguese oil markets, but mainly the Portuguese market, were weak during the 1Q11, and impacted the operating performance of the marketing business, with sales to direct clients posting a considerable decrease.

On the positive side, natural gas supply volumes reached 1.6 bcm, mainly fuelled by the electrical segment consumption, as worse hydro and wind conditions favoured the electricity generation through natural gas. Let me just add that Madrileña Gas, the company acquired in May 2010, contributed with 144 Mln cubic meters for the natural gas volumes.

Moving to slide 6 we see the concrete impact of the operating performance of the company during the 1Q11.

As I mentioned before, the first quarter was mainly affected by lower refining margins levels and less crude processed and also by the decrease of volumes sold of oil products, thus leading the Refining & Marketing business segment to post an EBITDA decrease of 66% YoY. This business segment has been the major negative driver of the total EBITDA decrease, which reached €135 mln, a reduction of 24% YoY.

At EBIT level, the E&P segment was penalized by reserves downward revision in Angola at the end of 2010, with a direct impact in depreciation rate in the 1Q11. This effect was neutralized by lower provisions in G&P business.

Earnings from the associated companies maintained its stable earnings contribution as expected.

Despite Portugal's current economic and financial situation, I would like to highlight that Galp Energia maintains a solid and trustable relationship with the banking system, which allow us to, despite the average debt increase, to present financial expenses in line with 4Q10, amounting to €29 million. In this regards, let me also add, and you have that information in the appendix of this presentation, that our cost of debt in the first quarter was 3.7%.

In the tax line, I must emphasize that the tax figure in the 1Q11 was benefited by a tax credit of around €10 mln relative to oil tax in Angola, which drove the tax amount down and as such the effective tax rate down to 3% in the quarter. Nevertheless, without this impact the effective tax rate would have been around 27% in line with previous periods and with the company's guidance.

To conclude, net profit reached €41 mln in the quarter, a decline of 36% YoY.

Now let's move on to capex, in slide 7.



During this quarter we've continued the execution of our transformational project pipeline, namely the upgrade project and the Lula field development.

The investment in the quarter reached €302 mln, from which around 70% was channelled to the upgrade project. Manuel will elaborate on that later on, but I must tell you that the project execution reached a realization rate of more than 90% in Porto and a little bit less than 80% in Sines.

In the Exploration & Production segment the investment amounted to around €60 mln and was focused in the development of Lula's field in Brazil. At this stage, we have already the gas injection well operational, which will allow not to limit crude production going ahead. And also, we have already started the EWT in Lula Northeast at the beginning of this week.

In the Gas & Power division, the spending was mainly focused on the extension of the natural gas distribution grid.

Now, let's move to slide 8 and analyse our balance sheet at the end of the quarter.

The capex execution of our transformational projects continues to push our net debt position, which reached €3 billion at the end of March, an increase of €239 Mln from the end of 2010, which benefited from our continuous focus in working capital management that allowed us to mitigate our cash flow deterioration.

We still have a major amount allocated to work in progress related to our transformational projects and which reached €2.1 bln. This amount will start to generate cash in the short term, especially that which is related to the upgrade project.

Also, as referred before, the increase in crude price was positive for our earnings in the Exploration & Production business, although it negatively impacted our strategic stock, which increased by €358 Mln in the quarter as you can see in the table.

However, as highlighted before, Galp Energia due to its corporate profile, continues to enjoy a trustable perception from the banking community which allows to continue to have a comfortable level of additional facilities, dispersed over a group of local and international banks, and at the end of March, those amounted to €1.0 bln of which 60% is already contracted guaranteed.

In these uncertain times, I'll now give you a short term outlook, based on our current forecast of some key drivers that will influence our short term earnings.

Working interest production is expected to reach 21 kbpd, driven by production ramp up in Brazil from 1.4 to around 4 kbpd. The contribution will come from incremental production in the Lula Pilot first production well thanks to the gas injection well became operational, from the second production well that will be on stream at the end of

May and from the FPSO Cidade de São Vicente starting production through the EWT in Lula Northeast. So the ratio, net entitlement/working interest will improve considerably in the second quarter.

In the Refining & Marketing segment, we believe that the depressed economic environment will continue to affect oil products demand and also the refining margins. At this stage we are still cautious on the impact of these variables in earnings going ahead.

Concerning the natural gas volumes, we are expecting a decreasing trend in the 2Q volumes in consequence of the gas demand seasonality.

Just a final comment to our capex programme. As you know, our capex guidance for 2011 is around €1.2-1.5 bln, which consists on executing our upgrade project that will be concluded by the end of the year. On the other side, we will continue to invest in the development of Lula/Cernambi fields.

And now Manuel, will go on presenting the strategy execution update.

Thank you very much for your attention.

Manuel Ferreira De Oliveira, Chief Executive Officer

Thanks Claudio.

I'm going straight to slide number 11. As you remember from the Capital Markets Day, we've announced a drilling programme for this year that will allow us to get more information about reservoirs where we've had important discoveries, but also from prospects where we only have seismic data so far.

First, I would like to highlight that formation tests are ongoing in the well Iara Horst, the second successful well in the Iara field. Preliminary data make us believe that this well is better than the first well drilled in 2007 in terms of permeability and porosity. It confirmed the size of the reservoir, with 3 to 4 billion barrels of oil equivalent of recoverable resources. Now we must wait for the final results of the DST to advance with any more concrete conclusion. These results should come out during this quarter and we expect to be in a position to provide good news on this important reservoir to Galp Energia.

Still in Brazil, in the Lula and Cernambi fields, we are already drilling an appraisal well in the Cernambi Alto area. This well is one of the various wells that we need to drill to obtain relevant information for the development of that area, which will be critical to the production growth going forward. We will also drill an appraisal well in Lula NE area this year. Both appraisal wells will be important to ramp up production of those areas as they will be connected later to the corresponding FPSOs.



In Angola, I highlight that the appraisal well drilled in the first quarter is almost completed to gather extremely relevant information to help defining the development plan for Block 32 in line with what we said in our Capital Markets Day.

Just a final reminder on some other important wells that we are planning for this year. We will have two wells in block BM-S-8 for two different prospects, the prospect Biguá and the prospect Carcará, and we'll be drilling an appraisal well also in block BM-S-24 which is scheduled for the 4Q. The latter well will help us to gather extremely relevant information about the reservoir, namely to try to identify the location of the oil-water contact and also the CO₂ distribution across the reservoir. This will be crucial to determine the development plan for the Júpiter discovery. As you remember, the Júpiter field has a size similar to the Lula field.

We are optimistic with the drilling activity in Mozambique, where the first well will be drilled in the 3Q this year, in the border of the Area 4, where we operate, near to Anadarko's area gas discoveries. We believe that we might drill a second exploration well this year. If we've got the rigs available on time, and following the results of this well, there will be the possibility of drilling an additional two wells in 2012. We are confident about the expectations of the prospects that we have identified in this area.

Now, moving to slide 12, let me refer to the Lula/Cernambi fields. And I must say that the development program is on track. As already been said, the well IG1, a gas injection well was already completed and connected to Cidade de Angra dos Reis and is already reinjecting gas into the reservoir. This is a very important milestone as it will allow to increase the Lula pilot production avoiding the use of the temporary license to flare some gas. A second production well is scheduled for the end of May and we plan to connect the third production well by the end of the year. To help the increase of our production rates, a second injection well, this time a water injection well, is currently being drilled.

In addition, the FPSO Cidade de São Vicente, the smallest unit, has already started production in the Lula NE area with an extended well test, which will also positively contribute to the increase in production going ahead, but also and essentially, will provide us with valuable information regarding the flow rates and reservoir performance in the area, where the second FPSO will be located by early 2013.

In what regards the gas export, and as you already are aware, the Mexilhão gas pipeline, going from the Tupi field to the Mexilhão platform is concluded. The onshore gas plant should start operations in the 3Q of this year, which not only leads to the commercialization of the natural gas produced to the local market, but also benefits the increase the production of liquids because it reduces or practically eliminates any gas constraints.

Now, let me move to slide 13 referring to the upgrade project. Here, I would like to reaffirm our confidence on our upgrade project and on its economics even in today's extremely difficult market environment. This project is on time and on cost and with already €1.2 billion invested up to the end of March.



In the Matosinhos refinery, the works are ahead of schedule, and as such, the upgrade project we can say is already physically concluded with the installation of the vacuum visbreaker unit, as well as the new tank farm, the electrical sub-stations, the upgrading of the de-sulphurization facility and the sour water stripper. After commissioning these units, which have just now been started, they will achieve full production, if everything goes as planned, before the middle of June. As you probably remember, the major output of these assets would be vacuum gasoil needed for the hydrocracker in Sines or for exports where the hydrocracker is not operational.

The outage in the 1Q11 in the Sines refinery allowed the completion of the necessary interconnections with the upgrade project and it is expected that this major project will be completed by the 4Q this year without any more refinery outages until then. I have already stated but I will insist again that the construction of this world-class hydrocracker is an extremely complex project, which is going, as I referred before, on schedule and on cost. And this clearly demonstrates our project management capability, which is so important for other major E&P projects in which we are involved.

Now, let me move to slide 14 referring to the status of our funding options or funding solutions that we have been sharing with you. In this slide, I would like to give you some of the feedback about the status of our financing projects being pursued, as you remember, to strengthen our balance sheet and to support our E&P growth. Starting with the natural gas infrastructure sale, as referred in the past, we are planning to sell a stake of up to 49% of the company that holds the distribution assets of LisboaGás, LusitaniaGás and SetGás. These assets have a regulated asset base of around €900 million. At this stage, we've already received some non-binding proposals with binding offers due to occur by the end of May, which will enable us to take a final decision by the end of the second quarter. So this project or this activity is going as planned.

Regarding the €2 bln capital increase in our Brazilian subsidiary, which we've announced during the Capital Markets Day, I want to say that the process is ongoing. We are currently setting up a detailed data room with the collaboration of specialized and well known consulting firms. Also, we have already selected three investment banks that will work with us on this extremely important project. As you can see, the process is ongoing in order for the capital increase to be completed by the end of the third quarter of this year. At this stage, I can assure you that we have several companies demonstrated considerable interest in the format of the transaction and in the assets involved in this project.

Now, let me go to slide number 16 for a few final remarks. I just want to conclude before the Q&A the main messages that we want to leave with you. We are committed, and I emphasize it again, we are committed to a solid capital structure, and therefore, for that reason the funding solutions that are being executed are an essential part of the strategy of the company.



During this year, we will continue the execution of the upgrade project in our refineries, which will be concluded before the end of the year, after which, the capital profile will change mainly to support the upstream activities. In line with what I've said, I want to highlight that the focus on exploration development activities will be the basis for our sustained upstream growth for the next 10 years to 15 years.

Thank you very much for your attention, and we are all of us here, available to answer your questions.

Questions & Answers Session

Bruno Silva, BPI

Good afternoon, everyone. I have two questions. The first one in terms of the corporate developments you have just commented. The question is: do you see any risk whatsoever in terms of schedule for any of the projects considering the current context in Portugal, so I'm referring to the network sale and the capital increase in Brazil?

The second question being in the Refining & Marketing, namely in terms of the Marketing unit, if you could give some more color in terms of volumes going forward? You have mentioned that you were seeing at the beginning of this year a 10% drop. Now, in April and going forward, what do you believe is going to happen?

And particularly in terms of the integrated marketing margins, it looks like extrapolating from the recent margins you got in this quarter that marketing margins are also lower even adjusting for time lag effect of €19 million. It looks like that it's moderately lower than first quarter 2010 and significantly lower than fourth quarter. So the question is: do you see a reason for that? Is purely seasonal? Could we count on the same level of margins for the rest of the year excluding Refining? And it's basically that. Thank you very much.

Manuel Ferreira De Oliveira

Thank you, Bruno. And let me first touch the answer to the first question. We do not see any impact on the schedule of our corporate development projects due to the situation of Portugal. We are working as planned and we do not see that it affects the timing of the operations.

Referring to the second question, let me say the following. We all know, those that live in Portugal and Spain, that we are going through difficult times. In Portugal, the demand in the 1Q11 of oil products collapsed 7% and in Spain 2%. So obviously, when volumes go down, there are two things that happen, the unit margins go down and the total volumes go down. We see these as a transient process related with the status of the Portuguese economy. We do not see a bright year on this area. However what are we doing? We are looking at the cost structure, the optimization of costs and investments in this segment to do our best to sustain results. We cannot commit to it, but that's the target that we are trying to achieve. So, costs and efficiency related to adapt the business to a lower level



of demand. What we don't want is to lose the flexibility to pick-up the volumes once the economy recovers. We see the situation in Portugal worse than the situation in Spain.

Bruno Silva, BPI

Ok. Thanks.

Dan Ekstein, Jefferies

Thanks. Good afternoon, everyone. A couple of questions, both on the disposal proceeds that you are pursuing at the moment. Firstly, on the regulated gas business. There's been some media suggestions that infrastructure investors are being put off making investments, given the current situation in Portugal. Just a question on how urgent you see this transaction, given that you should be receiving cash from the Galp Brazil transaction later this year anyway? Would you consider selling it at, say, at a discount to RAB for instance, or delaying the sale until next year, when conditions might be more ideal.

And secondly, on Galp Brazil, I know the process is ongoing, but if, during this process, a buyer came to you with a very attractive price, would you be prepared to sell a higher percentage for a higher value than €2 billion? Seems that you have a sort of responsibility to your shareholders to maximize the value of their holding, and perhaps that it might require a little bit more flexibility in this disposal process in order for you to achieve that.

Manuel Ferreira De Oliveira

Thank you for your questions. First, the regulated gas issue, it is obvious that the present macroeconomic conditions in Portugal do not help the business, but we are proceeding as scheduled. We've got non-binding offers that deserve our evaluation. We'll be clarifying with the entities that propose them and try to see whether they meet our targets, but we will not dispose at any price. So we'll be defending the assets of the company, as well as we struggle for a strong balance sheet.

Referring to the Galp Brazil issue, what we have said to the market is that we will go to a minimum equity issue of €2 billion. We didn't said what was the real number. We said it's the minimum. Obviously, the decision will be taken when confronted with proposals. Our objective is simple. We do not want to lose the upside of our Brazilian investments and we want to bring in a partner that helps us to create value, finance the growth, and, once and for all, contribute to the strengthening of the balance sheet of the company. But we have all the time present in our minds the responsibility of maximizing value for the shareholders. That's the driving force behind our decisions. Thank you, Dan.

Dan Ekstein, Jefferies



Thanks.

Filipe Rosa, BES

Good afternoon, everyone. Two quick follow-up questions, if I may. The first one is related to the Marketing business. You mentioned that the oil market in Portugal had fallen 7%, and in Spain 2%. Why have your direct sales fallen double-digit? And from what I understood, the situation in Spain is in a much better situation than in Portugal. So, do you think that you'll be able to recover your volume performance along the year, if the market remains like it is currently?

And the second follow-up question is again on Brazil. You mentioned that you have a lot of interested parties already in your capital increase in Brazil. Could you give us a sense of the type of investors that you're having, if they are financial investors, if they are other oil companies that are not present in Brazil? Just for us to have an idea. You also mentioned that you would like to have someone that could provide you some synergies, apart from just the financial contribution. So could you give us some color on the type of the investors that you are having, or you could have in Brazil? Thank you very much.

Manuel Ferreira De Oliveira

Filipe Rosa, thank you for your questions, one at a time. The first one: the Marketing business. We have, in this struggle, maintained the market in Portugal, maintained market share per channel. But there was one channel that was highly affected by the recession in Portugal. It is the one where we have the highest market share, which is the highways channel. You probably are aware, living with us, that the drop in travelling in the highways was 25% in the 1Q11. So that has a major impact in our sales in that channel, and hence our market share reduced the overall market share more than the market, because we were affected on the channel that declined most. So what we do? Like everybody else in the business, when the volumes go down, theoretically the unit margins go up, the gross unit margins go up. But we cannot automatically do that. Depends on how the other players act and we'll be doing two things, maximizing value and defending market share.

The second question on the type of investors. Let me say to you we are open to, and welcome, both specialized financial investors and corporate entities, and we'll be analyzing their proposals and choose the one, or the ones, that bring more value to the company and to the shareholders. That's the criteria. We do not have any conceived ideas for that purpose, and we were taking a process that has to be competitive and transparent, and that's basically the two guidelines for what we are doing in this matter. Thank you, Filipe.

Filipe Rosa, BES

Thank you.



Thomas Adolff, Credit Suisse

Good afternoon, gentlemen. Thomas Adolff from Credit Suisse. Thanks for taking my questions. I've got three, please. Firstly, on capex, is the Cernambi pipeline project included in your recent capex guidance? What is the gross capex for this project, and if not included, how is it spread out over the years?

Secondly, with respect to Lula and Cernambi, what progress have you made so far with respect to creating two separate ring-fence areas, and can you share with us the thinking of the ANP here, or the discussions you have had so far with the ANP? Is an update here expected before the partial sale of Galp Brazil?

And finally, also on the Santos Basin pre-salt, there appears to be growing evidence of less CO₂ on the fields there, which should actually allow for more hydrocarbon processing per FPSO, but also the varying levels mean less standardization, and the added complexity should also mean slower development. So my question is, what discussions are you holding with respect to this with your consortium partners? Thank you.

Manuel Ferreira de Oliveira

Ok. So let me go to the Cernambi issue and what gives the separation of the fields, Cernambi and Lula. Let me define the problem. Technically, the consortium has no doubt in this, or technically evidenced that there is not a physical connection between the two fields. A documentation was submitted by the consortium to ANP. The ANP has asked questions, it's their duty to do so, and put the responsibility of demonstrating there is no connectivity to the consortium. The operator Petrobras has already presented a well-structured document demonstrating our case. But let us minimize the effect of this. Let us assume that basically through seismic and through geological interpretation, consensus is not achieved between us or the consortium and ANP. That will imply that we will need to drill a well in the border of the two fields. So the value-at-risk is the cost of a well. And one of the two options will happen. Either we are wrong and the well is successful and we increase our reserves, or we are right and the well is dry and the two fields are separated, so as simple as that. So the issue at stake is the one I referred to you.

Now, you asked also whether the capex of the second pipeline from the Tupi area to offshore is included in the budget. Claudio will respond to it in a second, but I will finish with the Júpiter concession. The Júpiter CO₂ issue is well known. The CO₂ could be a valuable gas in the reservoir for increasing recovery factor. What we need to know now is the distribution and concentration of CO₂ along the reservoir and this is why we'll need to drill this well and most likely a second one, and then we will have the development plan for Júpiter. Any statement before that would be not prudent. It is such a huge reservoir that we will have the technological means and the research incentives to find the solution that make those resources available and competitive. So Claudio will refer to the construction of that second pipeline.

Claudio de Marco



The pipeline is not included in our business plan cost. We've just included the first pipeline, and as you remember, the cost is around \$800 million. I'd just add that the second pipeline can start at the end of 2013, and the cost is, of course, higher than the cost of the first pipeline. A first estimation is a cost higher than \$1 billion.

Thomas Adolff, Credit Suisse

Thank you.

Jason Gammel, Macquarie

My first question actually was, do you have an estimate for the exit break production, meaning production that you would expect from Lula at the end of this year, given the progress that's being made on injection wells and producers?

My second question was just to get a P50 pre-drill estimate on the two exploration wells that are being drilled in BM-S-8 this year?

Manuel Ferreira de Oliveira

Yes, thank you. It's in the range of between 60 kbpd and 70 kbpd from three wells, so which means between 20 kbpd and 30 kbpd per well. As far as the second question in terms of the two wells in BM-S-8, in that area we do not drill a well unless 3D seismic indicates that the target reserves of the reservoir are at least 350 million barrels to 400 million barrels of recoverable resources. So those are the minimum sizes, the minimum expected sizes of the two prospects being drilled, for each one.

Jason Gammel, Macquarie

Yes, it does. Thank you very much, gentlemen.

Manuel Ferreira de Oliveira

Thank you.

Anish Kapadia, TPH

Good afternoon, a couple of questions. Firstly, I just wanted to see if, with your discussions with Petrobras, you're seeing any delays in terms of tendering for FPSO's and rigs, there's an article in the press about delays over there, I just wanted to see how you are thinking about that and the possibility of higher capex? And then on the production



side, I was just wondering how production has increased following the gas injection, how that's proceeding relative to your expectation and whether you are looking at hedging any of your production at current oil process?

Manuel Ferreira de Oliveira

So, two questions. The first one has to do with the number of FPSOs and the process going. The committed FPSOs are now nine. We are advancing the second one that should have been originally planned for the mid/late 2013. Now, what we are saying and I've stated in my first presentation, the beginning of 2013. So the schedule that we've shared the market, if any surprises we will have, will be the advancement of the units as far as we are concerned.

As far as the rigs, it is true. We wish we have more rigs available in the area, in BM-S-11, both for Lula/Cernambi and Iara. Petrobras is preparing a major bid for it. But obviously these are long-term investments, so we all support Petrobras in ensuring that we have daily rates for the rigs that are consistent with our expectations. So the project is going on. It's an issue that is being addressed and it is a priority to solve.

As far as the production on the well that is drilled, it's producing now without constraints of gas. It's producing between 23 kbpd and 25 kbpd, but we still have constraints of gas. For the gas injection well, we do not know yet what's the maximum injection capability of the well. It is being increased prudently to understand the effects on the reservoir. So with the gas that we are now reinjecting, so the limit now is around 25,000 barrels.

As we increase our confidence on the levels of injection capability of the acceptance of the gas in the reservoir, we might be able to increase production. That is for the future to see. This is why the project is called the pilot project. As far as the hedging, we have not considered these options. We are in the oil and gas business so we have to be exposed to the value of the commodity that we produce. But if Claudio and his team advises us with a clever deal on it, we'll consider that. Thank you.

Manuel Ferreira de Oliveira

To all of those that are still hearing with us thank you for the time that you dedicated to this presentation on this royal wedding day. We wish we had better results to share with you, notwithstanding the fact that we have worked as hard as we can to deliver the best to all the shareholders.

Thank you to all of you and good afternoon.

