Alessandra Gadelha:

Good day, everyone. Welcome to Enauta's video conference to discuss 2Q23 earnings. I am Alessandra Gadelha, the Investor Relations team, and I will be the moderator of this event.

Before we begin the presentation, I would like to make some important announcements. This event is being broadcast live with simultaneous translation into English. The presentation is available for download at the Company's IR website as well as here on the webcast platform. After the presentation, we will begin the Q&A session.

To ask a question, please use the Q&A button of the platform on the lower bar of your screen. If you prefer to ask your question in writing, please write your name, company and the question in the Q&A button. If you prefer to ask an audio question, just write your name and the company in the Q&A button.

Before beginning, let me mention that forward-looking statements that might be made during this conference call relative to Enauta's business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of Enauta's management and on information currently available to the Company. Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions as they relate to future events, and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors can significantly affect the future performance of Enauta and may cause results to differ materially from those expressed in such forward-looking statements.

Today with us, we have our CEO, Decio Oddone, our Chief Operating Officer, Carlos Mastrangelo, and our CFO and IRO, Pedro Medeiros. I would like now to turn the floor to Pedro Medeiros, who will start the presentation. Please Pedro, you may begin.

Pedro Medeiros:

Good morning, everyone. First, I want to thank you for joining this call to discuss our results of the 2Q and our future plans. We will have a brief presentation with the quarter highlights and then we will talk about our future plans and the development of our projects, and next, we will open a Q&A session.

Beginning on slide 3 and talking about the highlights in this quarter. We had several landmarks in the development of our projects. We have tested a new accumulation in Atlanta, Northeast in Atlanta field, and we have been able to confirm our original expectations that were originally conservative. So, this new accumulation has a potential of resources in place, exceeding 230 million barrels of oil. After this is confirmed by technical and economic studies, it may represent an important addition in Atlanta field.

Second, a very important landmark. To reduce risk and confirm our delivery, one of the main components in Atlanta field, our contract with Yinson, our charter agreement with Yinson exercised an option, and we will now begin our charter agreement for 15 years with an option of extension for another 5 years. This is an important landmark, showing that we are close to the completion of this equipment on time and on budget.

We have had changes in our management, relevant changes in our Board of Directors. We have 2 new investment funds with important participation, Jive Investments and Vinci partners and changes in our management. We had a general shareholders' meeting. We have elected 5 independent members on the Board, which adds more diverse talents and tools that will help the Company better allocate capital and expand in the near future.

Talking about highlights in the 2Q. This quarter was marked by important landmarks related to production and oil prices. The has anticipated a scheduled shutdown for the 2Q because of a number of reasons. Our revenue was R$420 million, EBITDAX of R$319 million, and let me highlight the EBITDAX margin of 75.9%, quite high. We have kept enough cash to meet the investments in Atlanta field. And we are in line with the original plan in the development of Atlanta field with a total investment in this quarter of R$144 million in Atlanta. The project is progressing according to schedule.

Next, I will give the floor to Mastrangelo and we will continue on this presentation in the next slide.

Carlos Mastrangelo:

Thank you, Pedro. Good morning, everyone. I am going to provide general information on our operations and let me highlight Atlanta field. Of course, this is our main project being developed and from the beginning, when we started this project, we had a plan for first oil, which has remained unchanged. We are now one year for first oil as originally planned. We spoke about the 3Q of 2024. The original date was August 2024.

And we have maintained, we have kept the same date for first oil. And the current situation is shown on this chart. When we have a date, when we have a date for first oil, such as August 2024, and a budget for first oil, my goal is to start production on that date. This is my ambitious goal. I must work in such a way that I will meet the date. So, on that date, I will begin production, we will have the first oil. And the same thing about the budget.

We have lived through different moments, sensitive moments that caused turbulence in projects such as this one. And we have seen this effect in other projects where you run out of your budget or your deadlines. But our project has been progressing according to schedule. We believe we will continue to deliver according to the original plan for first oil.

For those of you who are not engaged in the project, an important landmark was the purchase of FPSO Atlanta by Yinson. When we think about risk reduction, we are not actually transferring risk. You do not have such a condition of transferring risk to another company. But what happened was that we went back to the original concept. And when I talk about risk reduction, it means that we have aligned our interests.

When you have a charter agreement only, the interests of your partner would be to deliver and perform because that is the common goal, that is the aligned interest. So that is why we talk about risk reduction. And beyond that, if that company is responsible for all the conversion and knowing their goal is to deliver on time, on budget and with the right performance to recover the investment, and then this company takes an initiative of exercising their option, well, this clearly shows that things are progressing as planned.

So let me talk about some other important landmarks on this timeline. Well, 5 has already resumed production. This is one of the wells that will be transferred to the FDS. Then the other 2 wells were now concluding drilling in September. Until September, we will have concluded wells number 6 and 7. So then all wells will be ready to be interconnected and for the transfer of Atlanta full developed system.

We have also anticipated the installation of the anchoring system. We have already purchased all the equipment. The equipment packages are being delivered. We are now in the final phase of equipment delivery. We will receive equipment to be prepared to go subsea. And in September, we will have the logistics for the anchoring system. And when the new unit arrives next year, we will have all the anchoring ready, and then we will be ready for wells interconnection.

So this is the current status of the Atlanta system. One of the critical equipment is the subsea pump, the multiphase subsea pump, and it will be delivered by the end of the 1Q24, to be installed in the 2Q24. It would start operations immediately after that.

On the next slide, you see pictures of some of the equipment, production lines and umbilicals that are possibly coming to Brazil by year-end. On the right-hand side, you have subsea equipment. We call it the Christmas tree. We have received all the Christmas trees that were manufactured here in Brazil. They have been installed at the bottom of the sea. And we continue receiving and installing the equipment.

Next slide, please. I would like to speak about the early production system. We began operations in 2018. Our goal with the early production system was to know more about the reservoir. The operating time was 3 years. We have attained our goals. We have been able to reduce the risks of that reservoir by collecting more information. We now have the information needed. We have information about the aquifer. We know we will not need water injection. We know the quality of the oil that will flow without any problems. There is no solid deposition on the line. There's no sulfur. The fact that we will not have to inject water will avoid sulfate issues in the future. So, we have already mapped all of this information during the 3 years of early production system operation. And this was our goal. We wanted to have the most information possible until we had Atlanta full developed system, the FDS.

The project began in 2021 for Atlanta FDS. After that, the plan has been delivered. And because we had an early production system, the pumping system had a life between maintenance of approximately 2 years. We have detected this was not the best pumping system. That is why in the FDS, the pumping system was designed specifically for Atlanta. It's a multiphase pumping system using different types of fluid.

And so the fact is that we began to face electrical issues. The electrical components of the early production system pumps began to have issues. This equipment operates at the bottom of the sea. And there was a very short interval for the scheduled maintenance. The Company responsible for this system decided to use a different type of electrical connectors, but the performance was no good.

So they moved to the previous electrical connectors. But anyway, this is an early production system, while we wait for the Full Development System when we will have more stability in terms of performance.

We have just finished the general maintenance. We had the scheduled shutdown of Petrojarl I FPSO. It is in use for longer than it was originally planned, and we are waiting for the FDS next year, which will have different pumping system. It's a multiphase pumping system, using different types of fluid. The average time between failures would be approximately 11 years or more, and there are 80 units such as that one installed worldwide. So, it's a very different system.

On the next slide, in the beginning, I spoke about the acquisition of FPSO Atlanta by Yinson, which was the original charter model. And because of the trust we have on the performance, this was an option we gave them, and now they decided to exercise this option, bringing a lot of value to the project.

The contract is for US$2 billion for 20 years. First, we have 15 years with an extension, with a possible extension of 5 years. And in terms of financing granted to Yinson, financing for 15 years independent of our contract, the charter contract we have with them.

On the next slide, you can see the original budget approved, and it has remained unchanged. This is the budget we have. We still must do another US$500 million to first oil. The CAPEX is US$620 million. So that is why I feel confident to say that we will begin operations in August, and this is our top CAPEX.

Next slide, please. This is just an overall picture looking at the whole Atlanta cluster and what it involves. So, the early, early production system, we are calling it the pilot system here, the system we now have, the volume of retrievable oil, talking about certified oil and the certification dates from December 2022 and what we have around these wells that we are currently evaluating.

Now, Oliva Field, approximately 22 kilometers of aquifer, and it has resources in place of approximately 350 million barrels. We have been conducting an evaluation, a technological evaluation now for about a year to develop the Oliva field. We have finished a seismic evaluation, and we are now conducting exploratory studies. And I can tell you that next Monday, we will already have a manager for Oliva, a manager responsible for that field so that we can move on with this project, move on with the studies for the development of Oliva.

Now, Atlanta Northeast. I think Pedro has already mentioned, we have a pilot well in Atlanta Northeast, and we have been able to confirm resources in place of approximately 230 million barrels. And it is great because there is a connection to the main field, and it provides flexibility for us to use the same system with minimum investment to be able to use these additional resources that have been confirmed by the pilot well.

In addition, we have Atlanta W, some, call it, Atlanta down because it's south of Atlanta, and we are conducting a valuation of possible resources there. So, this is an overall look of Atlanta.

Let me now give the floor to Pedro. Thank you.

Pedro Medeiros:

Thank you, Mastrangelo. Going back to the highlights of the quarter. I guess, this quarter had several significant events, and I would like to break them down in order to give you more color about the robustness of the Company and also the trajectory to deliver Atlanta's project as we speak.

On the left-hand side, on the chart, we can show the evolution of the Company's production in Atlanta and Manati fields since early last year. You can see this quarter was affected revenue-wise by a reduction in our production owing to a management decision to anticipate scheduled downtime in Atlanta from August to May.

So it was very successful, and the management decision was based on the search to prevent the economic impact for temporary import tax in the oil industry. And this impact, at the Company level, it was close to US$3 million, an effective result, considering we had all the items ready for the downtime and it would happen according to original schedule right after the completion of the import well.

Number two, production was also impacted by a temporary stoppage of the pumping system. Like Mastrangelo said, we are in the final stage to recover and to resume production. And revenue at the same time was affected year-over-year by an oil price that is way lower. Seasonally, we had an impact over the 2Q in oil prices compared to last year in the 1Q, which was partially offset. By the way, this is not so visible yet, but we had a positive effect related to our offtake oil agreement, which was extended. And Atlanta oil was awarded vis-a-vis brand. There is a premium price in the international market.

On the right-hand side, we can see that despite matters related to production this quarter, as I explained before, when it comes to the reservoir, we can see a very positive progress. This shows something very important to invest in Atlanta's full development system for mid next year. This quarter, we had the entry of well 5. This well, we wanted to test and confirm potential yield, and it was potentially higher in terms of early productivity, 15,000 barrels, a level that, for economic reasons, is very significant, showing the robustness and soundness of Atlanta's field. And eventually, it showed average productivity while our equipment was up and running, extremely positive yield, which is a good sign of what we expect to deliver once we have the FPSO Atlanta and permanent equipment for 15 to 20 years as the field develops.

Next slide. The second item that I would like to highlight this quarter, well, the idea behind the potential operating leverage of the Company, not only recovering production, but also the delivery of FPSO Atlanta. On the right, you can see on the chart that this quarter, despite scheduled maintenance, we managed to maintain very significant discipline when it comes to manageable operating costs. This is a snapshot of our progress of our cash OPEX, including charter in U.S. dollars. As you can see, we had significant progress combined with our charter contract and all logistics used by the Company contracted for Atlanta field. The level of cost is very flat and stable over current quarters at lower levels compared to last year.

Number two, here, we show how Atlanta's net revenue was the main driver to lower revenue year-over-year, mostly affected by the drop in oil prices, which tend to recover in the following quarters.

Next slide. Coming to an end, a brief conclusion, showing how interesting it is to think about Atlanta's project. If you notice, despite this quarter affected by production downtime and lower production, like I said before, we had an EBITDA margin of 76% approximately, which is very positive. When combined to the message of operating leverage shown in the previous slide, we expect to see very solid margins once we resume production and deliver FPSO Atlanta.

Next slide, please. Last but not least, just some notes on the financial soundness and the Company's liquidity as we navigate on the delivery of the Atlanta project. By the end of last year, the Company issued two series of local debentures. One is institutional and the other was incentivized. The deals were very successful, and the costs associated to these issues is around USD plus 8% with a very competitive cost.

The Company shows a very solid balance sheet, net cash in essence, and we are showing you a little bit of what our capital allocation trajectory, and it is all about, with more efficiency expected for the next 12 to 24 months. Starting next quarter, we will show you a change owing to Yinson exercise of option with Atlanta FPSO and part of financial engineering involves funding around US$329 million.

Here is an asset that, over time, we expect to find more efficient capital allocation as phases and risk stages of the project are fulfilled. We have financial commitment that are long term and beyond early production of first oil for mid-2024. And the Company maintains a hedge policy for price and exchange risks. This is very active, particularly when it comes to navigation and cost of delivery of our main project.

Today, please note we have more than 1.3 million barrels that are hedged for the next half of the year and also for early 2024, priced US$65 per barrel showing an important assurance policy in our liquidity and our financial robustness to perform the project and exchange exposure is back to the dollar, owing to the nature of the Company and the activity of our investment and our results.

Next slide. Having said that, I give the floor to Decio Oddone, our CEO for the final remarks before we open the Q&A session.

Decio Oddone:

I apologize. I was muted. Our office in Rio is in Cinelândia region. And since yesterday, people are celebrating. They are singing happy birthday all day around, and we have this background noise. So this is not Enauta's celebration. Our anniversary was in June, but this is a background neighborhood noise in Cinelândia where we also have the House of Representatives in the city.

So, thank you for joining us today during this conference call. Just to summarize what was said before, I am not saying there is no news, but this quarter had structural changes in the Company. Firstly, the arrival of our new CFO, Pedro Medeiros, that you had the chance to listen, and a new capital structure, and with an increase in free float as well. Our Board members, 5 new independent, totaling 7 independent members, and this all reflects in improved capacity to better allocate capital and work on M&A transactions.

This quarter, like we said before, we had operating challenges in Atlanta's pumping system, in our production system. Like Mastrangelo said, we already identified problems in the electrical components that were already replaced. So, we will be back in a couple of weeks prior than what we expected.

Also, very important to note, like we said before, that we have progress in Atlanta's project. We have been through significant steps and we keep on lowering the risk, de-risking the project. We have moved to the engineering stack with major impacts changes, both in terms of planning and budget. We went back to the original design, like Mastrangelo said for Charter, and soon acquired the FPSO, which is a sign of trust in the project. And it's our partner in the interest of making things happen as scheduled.

And we are just about to conclude a third significant phase, which is drilling and completion of the new wells that we will comprise Atlanta's FDS. Please bear in mind that 3 wells were already part of the early production system, and we are drilling another 3 wells for the FDS. At first, we have 6 wells. One of them already had the first oil, the other 2 are about to be completed with the wet Christmas trees already installed like Mastrangelo said. So, we are just about to complete drilling and completion of the wells. And with that, we fulfill the riskier steps of the process.

For 2024, we will go to equipment installation and early production. So, as we get closer to first oil in Atlanta, this allows Enauta to assess new steps for growth. We are the only independent player in our market with a greenfield growth project with expectation to have significant and strong increase in production and short-term cash generation. And then we can think about how you develop other things.

We said before, we are working to add more value in projects that are in Atlanta or around like Oliva field like Mastrangelo said. And we are speeding up in order to assess and appraise how feasible it is to have Oliva into production. We expect to have works concluded by next year.

And finally, M&As. Enauta's portfolio add to the portfolio of other companies in Brazil and abroad. The fact that we have this higher production in the short term is something to our favor. And we are focusing on opportunities to analyze deals and business in the future. And we hope and expect to be successful with such initiatives.

So that's what I have to say just to add to our earnings presentation. And now we will be here to take your questions in the Q&A session.

Gabriel Barra, Citi:

Thank you for taking my questions. Two points. I do not want to take too much of your time. Firstly, you explained very well about Atlanta's Full Development System. These discussions have been for a while and have been addressed. I would like to focus on the financial aspects though. If we consider cash disbursement and outflow for next year until first oil, it seems to me there is a mismatch in cash or maybe the need for some additional cash goes through a different strategy. I wonder if you could give us more color on how you see this specific point. What is the most natural solution for you? I think that's important to discuss.

Second point. With Pedro's arrival and the change in the Board, what about the Company's strategy? What is the change in the Company's daily routine in practice when it comes to the strategy? There was a significant and relevant change in the Board, and now Pedro joining as a CFO. So, what changes in practice in the mid- to long term in the Company at Enauta? So, these are my 2 points. Thank you.

Decio Oddone:

Thank you, Gabriel. Let me begin by answering the last part of the question, and then Pedro is going to answer about the first part. Our strategy has been here for a while, but we were not so successful in the diversification of our portfolio and M&A. Naturally, now with Pedro and the new Board members, like I said before, these new members, many of them are experts in this kind of circumstance, and they will strengthen our capacity to work on the strategy.

So this is our great news, and we will not have so many challenges to put this strategy into practice. So I believe Enauta now, on this stage, is closer to getting to the diversification strategy that we have been considering for a while. So, with that, I turn it over to Pedro to talk about the financial aspects of the Company and also the completion of Atlanta project.

Pedro Medeiros:

Barra, thank you for your question. If you check the last slide in our presentation, you can see our availability is about US$350 million cash and cash equivalents, added to restricted cash of US$65 million to meet an abandonment fund of Manati Field, expected to disburse for several years down the road. But it's part of an agreement with Petrobras.

Mastrangelo mention that we have up to US$500 million of forecast in our budget for investment in development until first oil in Atlanta. If you check today the system, the production system, we expect to resume production over the coming weeks. So, the expected cash generation stemming from the system, prices in terms of Brent, they are around US$10 million to US$30 million per month in terms of incremental EBITDA generation coming from the pilot system. So this mismatch is fully met by cash generation of the pilot system over the 12-month trajectory.

Having said that, this is part of the Company's plans to have an incremental power and liquidity via fixed income, and now we are negotiating the cost of these securities, which will bring an additional liquidity fund to navigate this period and hedge the Company and protect it from any kind of tail risk associated to the performance of the pilot system over these 12 months. So, we are very comfortable with our budget and the budget guidance.

And the same goes for delivery terms of FPSO Atlanta. So, these terms, these timeframes, they are shown as maximum delivery values and terms. So, we believe the Company is very well prepared, and any mismatch would be offset by an incremental effort with fixed income.

At the same time, we want to have more efficient capital allocation in our balance sheet. This restricted cash is being negotiated for being replaced by financial collateral in order to bring more liquidity not only in Atlanta, but also for growth goals, investments in the Company among other securities and instruments that we may use. I hope I have answered your question.

Gabriel Barra:

Crystal clear. So maybe just one last point about Yinson. Would it be possible to monetize this debt early on or to use this as cash to some extent? Or is this strictly connected with the FPSO and the contract of 20 years?

Pedro Medeiros:

Great question. The way how the process was originally designed involve the Company or considered having this financing on a legal basis, which allow the Company to refinance, refund this asset or even sell it or securitize it in the market. 15-year financing, so the term is relatively long. And naturally, the Company's expectation is that we pursue a better use of this capital over time.

We could do this along the process. However, this is not our expectation to access this kind of structuring. As long as FPSO Atlanta is at the final delivery stage or in early production considering the nature of this asset, because it's long term and the Company is still in the implementation phase, we do not believe that our deal involving this asset would generate the best results considering what we have available with the Company. So, the answer is yes, but it will happen in a second phase.

Gabriel Barra:

Crystal clear. Thank you, and I wish you success.

Luiz Carvalho, UBS:

Good morning. Congratulations on this new phase of business, and good luck. Mastrangelo, it's a pleasure to see you. I have 2 questions on my side. And Decio, maybe going back to Barra's question, Jive and Vinci, now as partners and members of the Board, obviously, Queiroz Galvão has lost space in terms of shareholding. You have already spoken about this. You have mentioned portfolio diversification, which is a focus. And I believe that in the next 12 months, you will be dedicated to the development of Atlanta.

So the question is about the cash commitment that Pedro mentioned. How would that align to being perhaps more aggressive if there are M&A opportunities? And what would be your time horizon, the expected time horizon for this strategy?

Now my second question perhaps goes to Mastrangelo, I am not sure. It was interesting to look at that slide when you show the difference between the early production system equipment and the Full Development System equipment. Now Mastrangelo, can you please talk about what has changed in the last few years for you to have a more reliable system today? And again, what does that mean in terms of new accumulations? You have spoken about Oliva project, which was not on the front line until recently. So, can you give us some more color in terms of this increased confidence you have in the development of Atlanta?

Decio Oddone:

Thank you. Thank you, Luiz. Thank you for joining us, and thanks for the questions. Yes, I have mentioned this new Enauta's phase has reduced some of our capital restrictions. And it brings to, as shareholders, and it brings to the Board, a group of people that contribute with a more diverse experience in terms of capital allocation. And they are now here to support the management for growth.

If you add the proximity, how closely we are to first oil in Atlanta, and that will make our production grow as well as our cash generation. And if we believe that any M&A transaction must go through a series of approvals, so the period of time is hardly less than 12 months or maybe 9 months, the time that you need to sign a transaction.

So, we are now coming closer to the right time for that, for engaging in such a transaction. We already have enough financial capacity to try and find such opportunities. We are always looking into the domestic market as well as international. And now we feel we are much better positioned for such a transaction than we were in the recent past.

About your second question, can you remind me?

Luiz Carvalho:

The time horizon you expect, because you have a commitment of disbursement for the development of Atlanta. And then, a possible engagement in an M&A transaction or an acquisition in the next few months. Would that be in a later phase when Atlanta is already generating more cash and so you would be in a more favorable position?

Decio Oddone:

As I have mentioned, we have one year for first oil and for the full development system to be up and running in Atlanta. So, if we have an M&A transaction that would develop through a period of 12 months, and then we will be able to use Atlanta production as a lever for an M&A possible commitment in the future.

This was more difficult in the past. So now we are coming closer to the right timing for that. We have a stronger board, a very strong management. And we are coming to a moment when the Company's cash generation will allow for us to be more ambitious.

Luiz Carvalho:

Yes, it is clear. Thank you. And what about the question about Atlanta? Maybe Mastrangelo would tackle that, about the pumps.

Decio Oddone:

Before I give the floor to Mastrangelo, I would like to say that the technology we have adopted, they are completely different. Back in 2018, when the early production system started operations, this is similar to a pilot system to test the field, especially this reservoir that Mastrangelo mentioned.

So, at that time, Enauta decided to use a system of subsea pumping that had a limited durability. Why? Because it was an early production system, it was a pilot system. Today, the system that we are going to use in Atlanta, each pump costs approximately US$1 million. The previous pumps, they worked with just a single type of fluid. They are not as robust as the new pumps we have contracted for the Full Development System.

The FDS pumps, they are multiphase, they use different types of fluid, water, oil. They have an excellent track record. More than 80 pumps installed and operational worldwide, more than 10 years of operation time between maintenance. And the cost is about US$70 million or US$80 million. So, we are replacing equipment where a pump costs US$1 million to US$2 million for pumps that cost US$70 million or US$80 million.

So obviously, the FDS will have much more robust equipment than what we are using now in the early production system. And this was our plan. We expected these early production pumps to work for 3 years and then they would be replaced by the new system. However, between the time when we made the decision for the early production system and now the time when we have obtained approval for the Full Development System, many things happened.

We had lawsuits, a partner with a relevant stake 40%. it was 40% Barra Energia and 30% Enauta. They had a default. And so that default led us to an arbitration with Barra Energia. And so, during a few months, this field, not only it had a partner in default, but also we had these discussions in a lawsuit. So, Barra Energia decided to sell this asset during the pandemic and while we were having this arbitration procedure. So, they really wanted to have a successful disinvestment by selling this asset that was in a legal discussion.

Enauta decided to take over this Barra stake. And well after that, we were finally able to approve the Full Development System. However, it took some time, and it led to an expectation that we would remove the early production system from the field now in 2023. So, we would have some time without any production. However, we decided to extend the life of the early production system so that we would not interrupt production. And we have mentioned a few numbers that showed how important it was to have cash generation in Atlanta during 2023 and until the time when the Full Development System is installed and operational in 2024.

However, these months had these operating risks. And we know about them. We are aware of these risks. So, the failures we have faced, they are a consequence of extending the useful life of the early production system equipment. We have extended their lives. This was something we did as we were aware of that. It is not desirable, but it's not a surprise to us. Unfortunately, we had to go through this period of time. And that is why we made this decision to adopt a new pumping system for the fully developed system.

Initially, we were planning to use these pumps for 4 wells, and the other 2 wells would continue to use the previous system with regular maintenance. But by the end of last year, we decided to use the new pumping system in all 6 wells that we will have in the first phase of Atlanta. So, we have changed the kind of equipment.

The tanker is much bigger. It's much more advanced, and it is the right design for that. And the pumps, as I mentioned, they are state-of-the-art pumps, and that is why we will have much more reliability in the system as a whole. Mastrangelo can actually add to that.

Carlos Mastrangelo:

Luiz, thank you for your question. I think Decio has covered most of what I was going to say. But let me just mention why we will have a more reliable system. I do not really want to go into technical details, but you can imagine that if you buy rotary equipment, such as a car, for example, you have to stop using the car for maintenance. Otherwise, you may have a breakdown. So, you need to calculate your intervals between maintenance.

The early production system was designed to operate for a short time. The FPSO was not actually adapted for the conditions. We did not have enough information about the amount of water that would be needed for oil production. So that is why we used the early production system. Now we have reduced the risk of the reservoir, and we have been able to design a Full Development System, which will be tailor-made to produce in that field, in that specific field.

We know that Atlanta reservoir needs a system, a robust pressure system for subsea, and we knew that from the beginning. Actually, in 2021, when we contracted the system, we knew we were actually planning for having a very robust system with an interval between maintenance that could be longer so that we could operate in a comfortable position without being concerned about scheduled or unscheduled maintenance shutdowns.

I said a few minutes ago, I used the example of a car. You know that you have to stop using it for maintenance. The new pumping system is multiphase, and it is as if you could provide maintenance during operation. You do not have to shut down operations for maintenance. The system, the FPSO, has an embedded system as if you could be changing the oil all the time that is you are always running on clean oil. So, this is what you see in the industry today.

Petrobras has been using that for more than 10 years. You have 80 of these pumps operating worldwide. So, this is a true track record. Of course, that is why the price is much higher, but we have approved CAPEX for that in the project. I am not sure if we have answered your question, Luiz, if we have clearly explained the difference in the technology.

Luiz Carvalho:

Thank you very much. It was very clear. Thank you, Decio and Mastrangelo.

Helena Kelm, XP (via webcast):

In May, the Company had an advance with Shell. How will this be amortized? And what were the conditions involved in the deal?

Second question, what are the updates on maintenance of subsea equipment after production downtime in early June? Is the resumption still expected for September? What is the cost these funds generated for the Company?

Decio Oddone:

Let me begin with the end, and then we will talk about the advanced payment, and Pedro is going to answer that actually. We talked about this before, but I will repeat it. We pinpointed problems in the pump's electrical connectors, which were replaced. We expect to resume production with the first wells in the coming weeks, a little bit prior than expected. And the impact of the downtime was weaker than expected.

And this is because we had the scheduled maintenance, so we were fortunate enough in this decision. We anticipated the scheduled maintenance that was expected to happen in May. And part of this period in which we stopped, we also had the FPSO that also stopped for repair purposes. So, this was in our favor because we stopped the vessel and, as a coincidence, we also stopped with the well.

So now I will give the floor to Pedro to talk about Shell's advanced payment.

Pedro Medeiros:

Helena, thank you for the question. I think you touched upon an important point. It also helps to cover part of the topics that we mentioned in the conference call. Shell is a very important partner in Atlanta's project, particularly in the early production system. It is responsible for the offtake agreement, the sale agreement of Atlanta's oil that we exported. This contract was updated early in the year. And prices received by the Company began to better reflect the quality of the oil, which is low sulfur oil, which is very important in the foreign market, particularly in Asia and bringing a brand premium. And we expect to have progressive progress over time, considering market circumstances.

We had a deal with Shell for this advanced payment. This is expected and embedded in the contract. It was in parallel with contracting to hatch to floating prices that I mentioned in one of the slides in my presentation. In this level, the cost of the whole package was very competitive. We expect to amortize this amount as expected in the second half of the year and one potential alternative for financial capacity at the Company in the final journey of delivery in FPSO Atlanta.

So thank you for your question. It shows that one of the alternatives possible for the Company to work overtime in this framework of having an increase in our efforts and strengthen the Company's liquidity should we have any tailing risks associated to the pilot system. I hope I have answered your question, and I will be here for any follow-up question.

Alessandra Gadelha:

The Q&A session is now closed. Let me now give the floor to Mr. Decio Oddone for his final considerations.

Decio Oddone:

One more time, thank you for joining us. Thank you for sharing with us this discussion about our earnings, and I hope to see you again in the next quarter. Thank you.

Alessandra Gadelha:

And now this video conference is now closed. We thank you all for joining us. Have a great day.