Alessandra Gadelha:

Good morning. Welcome everyone to Enauta's conference call. I will be the moderator of this event, and I am Alessandra Gadelha.

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 bottom of your screen. If you prefer to ask your question in writing, please write your name, company and the question using the Q&A button. If you prefer to ask an audio question, just write your name and company in the Q&A button.

Before proceeding, 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 not 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 can cause results to differ materially from those expressed in such forward-looking statements.

Today with us, we have our CEO, Decio Fabricio da Costa. Carlos Mastrangelo, Chief Operating Officer; and Paula Costa, our CFO and IRO.

I would like to turn the floor now to Paula Costa, who will start the presentation. Please, Paula. You may begin.

Paula Costa:

Hello, good day to you all. Thank you for joining us today in our video conference call to discuss the results of the 1Q23.

I believe the big highlight of the quarter was the completion of the drilling and the start of production of well 5H of Atlanta Field, which occurred on schedule. It started producing in the end of March, still in the 1Q, as was the Company's expectation.

In this quarter, we also had an important celebration. We celebrated 1 year of the approval of the full development system of Atlanta. We had the project approved in 2022. Soon after, we signed the main contracts to start implementing the full development system, or FDS. This project was expected to be implemented over 2.5 years, from the beginning of 2022 until mid-2024. So we are almost halfway and it is very gratifying to look back and see how much we have evolved during this period and that we continue to evolve according to the main assumptions planned.

So I guess that in a minute, Mastrangelo will have an opportunity to give you more detail on our operational progress in the next slides. We also have some of the figures of the quarter. We are going to get in more details later, bringing the contribution not only at the operational side and production by the Company, but also the commodity price and its impact on the Company's results in 2023.

In 1Q, we invested US$107 million, practically all of that related to Atlanta, part of it going to the full development system and the drilling of well 5H, which is already in production as part of the early production system, or EPS.

At the end of April, we also had the Company's general shareholders meeting when we approved a dividend payout of R$0.15 per share, totaling R$39.5 million, and this amount will be paid on May 15th to Enauta’s shareholders.

I will now give the floor to Mastrangelo, and he will give you more detail on the operating side of the Company and the evolution of our development system.

Carlos Mastrangelo:

Thank you, Paula, and good morning to everyone. The main event of this 1Q was the production start of well 5, the new well. We approved this well in December 2021 and completed it within the expected range of time and cost.

And the good news was that the performance of the well met our most optimistic expectation. We did not push the well to maximum production because the original project of 2014 did not consider the possibility of a well producing at such a high flow rate. So we start increasing the flow rate when it reached around 15,000 barrels per day.

And then due to an internal decision more due to the low durability of the subsea pumps, so we decided to reduce the flow rate to operate with a lower flow rate with a well producing about 10,000, 9,000 barrels daily. To try to get in line with the performance of the pump of the subsea equipment. I will talk a little bit more about these pumps in a minute.

As a reminder, this well was the first kingpin of 3 wells. We are now in the drilling campaign for the other 2 wells, which are expected to be completed by September. And when the FPSO optical development system arrives, we will have all of the wells ready to be interconnected.

Now moving to the next slide, slide 5, please. On May 2nd , we completed 5 years of operation at Atlanta Field. Production has now accumulated to over 25 million barrels. And what does that mean? The Petrojarl, which is the FPSO that is operating in the early production system is a very old system still in operation. It was contracted for a 3-year production with a possibility of operating for 2 more years. And we will be using it for a few more years, but it is a temporary system. The goal was to get to know the reservoir to have information to allow us to design an adequate system to develop the field.

To that end, this was a great success in terms of knowing what is needed for us to develop the field. We got all the main information about the excess water, the aquifer, which harm the early production system, but it's a bonus for the FDA. The other important and clear piece of information is that we need a robust pumping system with much wider interval for workovers than was originally planned.

For that time, as we were in the early production system to operate for 2, 3 or 4 years, the system that had a durability of 2 years or less, 1.5 year, could be adequate. But for a full development system, we need to have a more robust system.

More importantly, these 25 million barrels produced gave us an opportunity to get to know the reservoir well and to greatly reduce the reservoir risk, which is one of the major risks in the development of an offshore oil and gas production system.

All this gave us the confidence to stay the approval process of the full development system project in February of last year. But of course, with all of this, we had a production that is highly profitable. The generation of operating cash for the Company was relevant, and even more so now with the possibility of extending the early production system until the full development is operational. This gives an even more of an upside to the project to continue generating cash until the start of the next system.

Moving on to the next slide, we have here a comparison of size and magnitude between the early production system, EPS and the full development of FDS. Rather relevant. I'm going to highlight 2 differences. The difference in water treatment capacity, which is very limited in the EPS. There was no need for more than that. And in the FDS, the full development, this increases to 140,000 barrels per day of capacity.

Another very interesting and relevant difference is the storage capacity. The early production system has a capacity to store 180,000 barrels of oil, while the whole development system can store 1,600. Now why is that relevant? In the early production system, we take between 40 and 50 days to be able to fill a shuttle tanker. What does this imply? Or the implication lines in the cost of the oil. The price that we get paid when we sell the oil is impacted by these 40, 50 days of the merge of the shuttle tanker.

In the FDS, we are able to reduce this a lot to almost nothing. Transferring all the stock volume all at once. This alone may mean perhaps a plus of almost US$2 per barrel on the sale of the oil. That's a big difference between the early production system and the full development.

Let's go to slide 7, and I would like to highlight here the project schedule. We are strictly on schedule and on budget, according to the original plan approved. Unchanged since the beginning, since we started the bidding phase acquisition of equipment. We were expecting first oil in mid-2024. We are to this date.

We have gone through several phases. And we are still sticking to the original project. And without any changes, I can even say that we have gone through the critical phases that we are sensitive in other projects. I have been part of several projects, and they all have critical phases, which bring the risks of over cost of delays, project definition of project detailing, but we have already put all of these phases behind us.

So we are now at a much more advanced stage, and we are still on schedule and on budget according to plan with no changes until first oil. This project is a little different than usual because the critical system is not the FPSO. What restricts the start-up of production is those systems that I mentioned. So that we have a more robust development system.

The FPSO is not on the critical path of the project. When we approved the project back in February of last year, we expected to have first oil flu in mid-2024, more precisely by the end of August 2024.

Today, we already have a project in a very advanced stage. I can say that this schedule is very well adjusted, very robust and even with the possibility of heavy first oil a little earlier, but it is still too early to anticipate this. We should wait a little bit more. But I can say that the schedule is very much on track, very robust.

Another differential in a transition from an early production system to a full development is that the EPS is discontinued for the FDS to take over. Not in our case, although the EPS will remain. The early production system continues producing, the full development comes online and then the transition happens, without any interruption, which helps our cash flow.

On the slide, we even have a picture of the last subsea Christmas tree that was delivered. Equipment is being delivered, and we will start in August, the anchoring campaign. The whole project is unfolding according to schedule.

In relation to the CAPEX of the full development system, we have invested almost R$470 million year-to-date until March. In the bar chart on the right, you can see that the original contracted project value was around R$500 million, including the purchase of the FPSO. No changes to that so far.

And another important decision, let's remember that an important decision we had in February was to exercise a call option we had to buy the third pump because each pump handles 2 wells, and we had 6 wells. We were going to put those robust pumps 4 wells and the other 2 wells with how these would have these current pumps. So we decided to exercise the call option to have all wells with the same type of pump.

This did not change anything because this was a contract provision of the product, i.e., the possibility of exercising the call option, only the deferred value after first oil changed. But until first oil, the value continued to be EUR 1.1 billion. With this, we are moving towards the full development system with an expected production and pumping system, or at least with a forecast of a much longer interval between maintenance stoppages if compared to the past 10 years. So it gives us much more peace of mind.

Now I give the floor back to Paula, who will present the financial highlights of the quarter. Paula, please.

Paula Costa:

Thank you, Mastrangelo. Let's move on now to slide 8, so we can see the main indicators of the Company this quarter.

In this 1Q, Enauta delivered 1.4 million barrels of oil equivalent. Most of it is related to Atlanta. We can even see an increase in Atlanta's production, a better operating performance in the 1Q23 year-over-year.

The next chart shows our revenue, which eventually becomes a combined effect of production, which increased vis-à-vis the previous quarter and the quotation of the commodity brand.

As you will see on the next slide, in the 4Q of last year, we began to see a drop in the flotation of Brent oil, which ultimately reflects the Company's revenue. Manati reflects the demand for gas, therefore, Manati's production and the contract price, which is adjusted every January. And this sees the annual adjustment was 4%.

Moving on to slide 9, we can see the evolution of the Company's lifting costs. In this case, we have been considering the full cost, which includes chartering costs. Since the 4Q22, we have been reporting a reduction in such lifting costs, particularly due to a decrease in the chartering of Petrojarl unit, which is the FPSO currently in operation in the Atlanta field. And we can see the same effect in the 1Q23. So when we compare the operating costs in 1Q '23, with the 1Q22, we can see this reduction of US$130,000 per day in catering, that's leading to a lower lifting cost.

Net of chartering costs, our current lifting cost amounts to approximately US$16 per barrel in Atlanta. The next slide shows the evolution of the sales price, which, as I said in the previous slide, does reflect the quotation of brand oil. This explains the drop as of the 4Q22.

Moving on to slide 10. We can see the Company's EBITDAX, which totals R$341 million and an income of R$118 million in the period. Our income in this 1Q compared to the same period of 2022, increased by R$217 million. It's important to bear in mind that the 1Q22 was substantially affected by exchange variance as part of our foreign exchange hedge policy, a significant share of our cash is denominated in USD. In the 1Q22, the Brazilian currency was appreciated, thus negatively affecting our earnings in this period of last year. But looking now at the 1Q23, we can see an income of R$118 million.

Speaking of cash, slide 11 shows the variation of our cash position. At the end of the quarter, the Company's cash totaled R$2 billion, approximately US$400 million, roughly speaking, 80% of the total cash is denominated in USD. In other words, in line with the Company's foreign exchange hedge policy. As for the main variations, it's important to mention the Company's investment, mostly related to Atlanta's project.

Like I said on the first slide, US$107 million were invested this quarter, mainly in the development of the full development system, which is our major project in progress today, and the rest was invested in the drilling of well 5H, which started production by the end of this March. In addition, our cash generation amounted to R$217 million, operating cash generation, a total EBITDAX of R$217 million in the quarter.

Moving on to slide 12, I will briefly comment on the strategic positioning of the Company. And now it is a company that generates operating cash. As we saw before, the Company's goal is to use this cash to invest mainly in our project. Atlanta's full development system, which I believe is the Company's greatest avenue of organic growth. We keep on pursuing possibilities of inorganic growth, though, asset acquisition, M&A in Brazil and abroad, I believe the Company can be well positioned in this sector.

And I also believe that the Company is constantly trying to optimize its capital structure, either by financing a local currency or in foreign currency, the Company is always pursuing to improve and optimize its capital structure.

I will end my presentation here and give the floor to Decio, who will dive deeper into the Company's strategy. And once again, thank you all for joining us today.

Decio Oddone:

Good morning, everyone. Those of you who are following us today Paula and Mastrangelo have already given us a glimpse of our quarter and our earnings and results. This quarter has positive results.

However, I think that even more important the quarter results we have to think about the Company's track record and what's going on so that we can come to the full development system up and running by 2024. The cash flow that we are extracting from the early production system is very important. To provide financing to the full development system. We are operating with safety conditions despite challenges already mentioned by Mastrangelo.

We are daily aware of our pumping system, which was designed for a different reality with a shorter durability and production was also designed for a different reality. However, everything is on schedule. We are not surprised. We know that over 2023 and early 2024 once the system is up and running, we will keep on having this kind of challenge. However, we are going to be brave and do everything we can to overcome this time. And the closer we get to the moment when we can exchange the systems. And therefore, our system will be far more reliable. It was planned to be more reliable.

In the meantime, we do everything in our power to maintain a more balanced and stable production. Aware that that's a struggle and a challenge faced by our reality. But most importantly, quarter after quarter, we are getting closer and closer to deliver the full development system. To deliver higher volumes and more reliably in Atlanta.

And that's what really matters. It's important to have positive results on a quarterly basis, but I believe the Company's track record in the sense of getting closer to the full development system. At every quarter, we can say that we are still on budget and on schedule, like Mastrangelo said. I think this is the most important highlight to present to our shareholders right now.

So with that, I give the floor to the Q&A session. If you have any questions for us. Thank you.

Gabriel Barra, Citi:

Good morning. Thank you very much for taking my questions. I have some interesting points to ask about. The first one perhaps might be a little difficult for you to comment on, it's on the hands of the controlling shareholder. But I would like to hear from you, we heard some news about the possible acquisition of Petrorio. There was some buzz in the market above that. Petrorio denied the news, but I would like to know, would it be interesting to have a player like Petrorio as a partner in operating terms, in terms of operational leverage, cost dilution expertise? How would you see this partnership, if we can call that, even thinking about the development system of Atlanta, thinking about Sergipe and Alagoas? What would be the upside or downside of having Petrorio on board with you in these endeavors.

If I may, I would like to ask 3 question. Yes. The second point is regarding the funding source. You mentioned you are considering some funding alternatives for the Company. We have seen the credit market a little bit more challenging, equity market, a little more challenging. So if you could speak a little about this moment, the difficulties and what's happening now.

And my third point is regarding gas storage. Recently, there were news about gas storage. Manati could possibly be an asset that we could think about in the long term. So I would like to hear from you, have you looked into that? What do you think could be viable for Manati in the future, 2027, 2028? It would be interesting to have your take on this given the ANP’s study to regulate this activity in Brazil. These are my questions, and I'm sorry to ask to my questions.

Decio Oddone:

Thank you for the set of questions. I will answer 2 of them, and one of them will be answered by Paula. Regarding the shareholder, this is limited to the actions of the shareholder. We do not have any participation in that. The shareholder has talked about this. The information we have about this is public.

I want to make a comment. Enauta is a traditional player. We have been in the market for many, many years. We have been listed since 2011. We were the first and only independent oil company in Brazil to develop a greenfield in deep waters, which is the Atlanta project. Our team is extraordinary. Mastrangelo is one of the most renowned experts in oil projects using FPSOs. As a professional, he got the biggest award for this kind of professional, the OTC award that Petrobras is proud to have got it as a company. Mastrangelo got as an individual for his contribution in the FPSO market. He was responsible for the first FPSO in Brazil and for the first in the United States. Mastrangelo, if you I am saying something wrong, please correct me.

Anyway, just to say that Enauta's team is very prepared, skilled and trained and prepared to cope with challenges, such as the challenges of Atlanta and others. We do not need anybody's help to develop offshore projects. And the reality, the actual figures have proven that. And you will see next year, when we deliver the full development, the realization of everything we have been reporting.

Second question, regarding storage. I skipped the part of the funding, and that part will be answered by Paula. We studied the gas storage process a while ago. Gas Bridge was discussing this at a moment when they were thinking about an asset from Petrobras. I do not know where that stands, but at that time, it did not seem viable. It continues to be a possibility, particularly if there is a more definitive regulation that is clear, perhaps the economic feasibility will exist. But for now, it is not in our plans.

And regarding the funding. I will turn the floor to Paula.

Paula Costa:

Thank you, Gabriel. Regarding fundability, I think this is the role of the Company, to always optimize the capital structure. We ended last year with the issuance of debentures, R$1.4 billion. And as you mentioned, this year, particularly the local market is a bit turbulent for new issuances. When we had our issuance last year, we already had in the debentures, in the instrument, the possibility of sharing guarantees with debt. We could get to R$2.5 billion, and this is part of the Company's growth.

In other words, to continue to pursue these funding sources as resources for growth. The Company always had a very comfortable cash position over the years. And I believe that, that gives us a lot of flexibility in our decision-making; a safe decision-making. And this is the continuous work that we do of looking into market alternatives.

Having said that, we ended the quarter with almost US$400 million in cash. We have an execution plan, which is unfolding super well in the full development system at Atlanta, according to the assumptions planned a year ago. So I think that this quest for optimizing the capital structure is part of our homework, of always looking to create value for the Company.

Gabriel Barra:

Thank you, Décio and Paula.

Bruno Montanari, Morgan Stanley:

Good morning. Thank you for taking my questions. I have also 3 questions. Perhaps you could give us more color on the problem of the world that was abandoned, and now you started drilling another one. Is this in any way responsibility of the Company, or the service provider that is doing the work?

At a more strategic level, and with the situation of the country today, what do you think is most feasible in terms of acquisition: to continue to focus on Brazil on possible corporate opportunities, or focus the Company's efforts on the international market, abroad?

And since Décio is here, this flow of Russian oil has caused some great distortions in trading. And I understand that the Company is well protected because of the contract with Shell. But how do you see this impacting the market as a whole? To what extent can these interferences improve? Thank you.

Decio Oddone:

Good morning, Bruno. Another set of question. Regarding the operating well, we were at the very beginning. This kind of well in deep waters, you start drilling the well, and you drill the well before you put the first lining on.

When we ended drilling the well, and we were going to put the lining in, the rig equipment broke, and we spent a while to wait for the repair. And when they go back to the well, the well had been closed. When you do not work for it in a while, that kind of thing happens. We could have continued, but the technical team thought it was easier, faster and more efficient to abandon and start from scratch. This is what happened. This is totally routine in drilling.

In my distant past, I used to be a drilling engineer, and this is business as useful for us in this industry. It happens. The cause was a break in the top drive of the rig, which led the well to be exposed and open for too long, and that is not good.

Second question, regarding acquisitions, we continue to work. I could spend morning talking about the fact that we did not deliver. But it does not mean that we do not want. We are focused on that. We are looking at acquisition opportunities in Brazil, abroad, but we have nothing to announce. But I can say we continue to actively evaluate things.

And as for the Russian oil, information shows that, despite all the cutdowns by OPEC, their doubts whether Russia is really reducing exports were not, this has impacted the price of oil. There were sanctions. The sanctions took effect regarding oil from Russia and oil products. We see a greater flow of diesel, Chile and Brazil buying diesel from Russia, so that's a different world, and that created a new situation in the global oil market. We had one oil market, and now it seems that we have one oil market, but there is another oil market that trades with hydrocarbons coming from Russia.

Which I believe will happen in the declared position by OPEC, they are quite strong, quite vocal in terms of implementing production cuts, and that's not always agreed by all of the members, but overall, we have seen OPEC reacting when the prices drop a lot. So I expect price levels around what we have now, with an upward trend until the end of the year.

Bruno Montanari:

Thank you very much.

Tasso Vasconcelos, UBS:

Thank you for taking my questions. Only 2 questions on our end. About Yinson's options for exercising or not the option – and by the way, thank you for the disclosure in the release. But any additional detail that you could give us vis-à-vis the disbursements for the Company? In case Yinson does not exercise, what is the timing for definition? And what are alternatives for Enauta? Any challenges or complexity about contracting and developing expertise in-house to run the FPSO? Or, on the other hand, a hard time to contract another operator if it is not Yinson per se?

My second question is, we have been seen some discussions that may hit the oil industry in general, like export rate, the change in the calculation of ANP expenses, transferences and exchange. So Décio, based on your experience at ANP, it would be interesting to know your opinion about the directions of the industry, and what do you envisage as potential impact in the industry in Brazil in the mid and long run. These are my 2 questions. Thank you.

Decio Oddone:

We do not envisage any difficulties in case Yinson decides not to contract a company to run Atlanta's FPSO. It's normal. We would have time to do it, although it's not in our plans.

Paula, anything else about the financial matters of the transaction? And maybe later on, I can come back to answer the question about reference and transfer price. Paula?

Paula Costa:

When it comes to Yinson's options, like you said, Tasso, we really wanted to give a better disclosure. So Yinson has this option, the call option of the companies, the share of the company that is the owner of the FPSO and become the actual owner.

If we look at the project as a whole, the CAPEX difference of the Company in disbursement is about US$100 million, which is about 20% of the cost of the FPSO, considering the original acquisition in February last year, plus adaptation costs. So the total FPSO is about US$500 million.

20% of this amount will be US$100 million. The remaining US$400 million, obviously, if we are the final owner of the FPSO, this will be at Enauta's CAPEX. The remaining US$400 million, if Yinson decides to become the owner of the FPSO, they would be converted into funding.

So it's still a disbursement for Enauta at first, and later on, over the project, over the last 15 years, it would come back via payment of such financing. That's why we say that the difference in disbursement of this first moment until first oil would be US$100 million.

And like Decio said, when it comes to the operation, in both scenarios, Yinson would run at least for the first 2 years of the FPSO, which brings a lot of assurance to the Company, and we also would have time enough even to remain with Yinson or look for another alternative, another qualified company to keep on running the vessel.

So I believe these 2 early years of the operation that are still assured in the contract, they bring us the necessary assurance, even if we become the final owner of the FPSO.

Decio Oddone:

Regarding the reference price, transfer price, even yesterday, the Senate House approved the provisional measure that deals with transfer price. And these are 2 different things that are kind of mixed together.

ANP established in 2017, a reference price for the payment of royalties. The decree signed by the president in office gave a term until 2025 for this calculation by ANP to be in effect.

In the end of last year, the Ministry requested ANP to bring forward the review of this reference price, because since 2020, when the new regulation for maritime fuels; in 2020, oil prices for the pre-salt in Atlanta improved and the formula that ANP was using did not contemplate that. So legally, the reference price by ANP is adopted by companies for the payment of royalties.

So what is being discussed is regarding review of the reference price for payment of royalties, which affects Enauta, because if there is a review upwards of the reference price for the payment of royalties, we would have an increase in royalties. In the case of Atlanta, 7.8%.

But this discussion has to do with another discussion, which is a discussion regarding transfer price. There are companies that do transactions with related parties, and they sell oil to companies of the same group at the ANP reference price, which is applied for royalties.

So this is the discussion regarding transfer prices that the Minister of Finance has been talking about. But this does not impact Enauta. Enauta does not have transactions with related parties, and we do not have transfer price. Our sale price for Shell is the final price that we declare for the payment of taxes in Brazil.

The only discussion that would affect Enauta, if concluded, would be the review of the reference price for the payment of royalties, which for now will extend until 2025. And ANP is discussing a possible anticipation of that review.

I believe that this is the impact that we could have for Enauta if they revisit the reference price for royalty payments. And if this is renewed, we will pay royalties based on the new reference price, whatever it is, once established.

Tasso Vasconcelos:

It’s clear. Thank you.

Eduardo Rosa, 4UM Investimentos:

Congratulations on the results, and thank you for takin my question. My first question, I would just like to understand more the pump issue. You exercised the call option for the acquisition of the third one, but I have a doubt: this last well that was drilled, the 5H, does it count on a more robust pumping system? The pumps that are operating in the FPSO, will they go through this change of system as well?

Decio Oddone:

Well 5H uses the same pumping system. The same pumps that we have in the other wells. The 5H original pump is inside the well. It's not surface pumping as in the other ones, but it is the same type of pump.

What we are planning, as Mastrangelo mentioned, is that we are going to have 3 pumps handling 6 wells. But these more robust bumps, they are multiphase. They are more robust, they deal with different types of fluid, water, gas, oil, which is not the case of the current pumps.

So we have some safety that, in the full development, the pumping system is going to be very robust, more robust and more durable than what we have today. But we will continue to have the current pumps. They could become like a backup, but we expect not be using the current pumping system in the full development system.

Eduardo Rosa:

Adding on to previous questions about M&A, just to give us more color, considering Petrobras's scenario today, no longer being a mature field supplier, what do you see in this scenario? Do you believe that for Enauta, this point is positive? Do you think it hits up the M&A market? At the end of the day, there would be a partner in the full development system. Or would you believe that Enauta 100% would be a scenario for the future.

Decio Oddone:

I believe Petrobras had already divested the massive majority of the assets it had in the portfolio to divest, unless they would move forward in some larger fields like Campos basin, for instance. There would not be many more Petrobras' assets to be divested in addition to what they already had. So this is no news, if they stop divesting. Could we have something new? I believe most of the fields would already been divested.

We also understood that Petrobras' processes would come after a consolidation process in the domestic market of independent companies. There was a dilution, so to speak, a big dilution of assets. Many companies, some went public, others are not listed companies yet. And this is a market based on scale.

Oil companies, if they want to be efficient, they need scale. What do we mean by scale? 50,000, 70,000, 100,000 barrels of production per day. Otherwise, there is a lot of loss of efficiency. So it's only natural to see consolidation in the Brazilian, or even in the regional market, because the future lies on companies that are more resilient and more robust, and with a better capacity to pursue opportunities to divest. Major companies will keep on doing, owing to portfolio management and for migration into energy transition.

So I believe Enauta wants to be positioned and we are getting ourselves ready for acquisitions. We do need to diversify our portfolio, and the delivery of the full development system by 2024 will allow us to have a cash position way above what we have to date. So we see ourselves as a potential consolidator in the future.

Eduardo Rosa:

Great. Thank you.

Leonardo Marcondes, Bank of America:

Good morning. Thank you for taking my question. I apologize if I repeat my question, I had a problem to be connected to the web. I have 2 questions. The first question is about the new contract with Shell. Could you give us more color on this contract, the extension of the agreement, discount for Brent, and also the anticipated call option that you mentioned in the earnings release?

My second question is about the Sergipe-Alagoas. Could you give us an update about decisions in the basin? Thank you.

Decio Oddone:

Good morning. Let me begin with a question about Sergipe-Alagoas and then I will turn it over to Paula. I have been speaking too much, and Paula can tell you about Shell's contract.

Exxon is the operator. The other partner is Murphy. And the results of the wells last year's in Sergipe-Alagoas, we do not have any forecast for any new activity in the basin. However, we imagine that soon we will have a complete analysis by our partners.

Paula, over to you about the Shell contract.

Paula Costa:

Thank you for the question, Leonardo. About Shell's contract, this contract was in force effective as of January, and it applies to the whole oil produced in FPSO by mid-2024. As for the price, this is confidential in the agreement, so this delta for Brent cannot be disclosed. However, the price is very close to Brent price when we consider the FPSO.

So the whole thing about logistics, for oil export, this is net for us, so close to brand price in the FPSO. And the possibility to anticipate for the future, I think it adds more flexibility to the Company's working capital.

So within the contract, we also have another mechanism through which we can anticipate this level of cargo. Even if they have not been performed, we can have an anticipation of these receivables. And at the end of the day, that's something important, particularly for working capital management at the Company .

Leonardo Marcondes:

Perfect. If I may, just a follow-up question about the Sergipe-Alagoas. When do you expect to see the results, or the conclusion of the study of the drilled well? Just to have a better understanding. When should we expect to see another news flow about new possibilities in the basin?

Paula Costa:

I believe that over the 2H23, our group of partners will come to a decision about the next steps in the basin.

Leonardo Marcondes:

Perfect. Thank you.

Ronaldo Santos (via webcast):

Good morning. Congratulations on the results. Will you maintain the strategy used now of 9,000 per day for 5H, or should we expect around 15,000 for the full development system?

Decio Oddone:

We said that this pumping system that we have in the early production system was designed in the past for a 3-year horizon, and we extended it for longer. And we have to learn and live with this challenging operation of the pumps.

And to try to extend the life cycle of the pumps, now we are planning to run the whole return of the maintenance stoppage with a lower rate, a slightly lower flow rate to spare the current pumps. In the full development system, there will be no restriction. It's the more robust system, and we will be running our wells in full capacity of production.

So thank you all for joining us today. This is another quarter in which we move towards 2024 with a full development system. The more we go forward, the closer we get to this new Enauta.

So, see you again, and we can talk more in our next conference call to address the 2Q23. Thank you very much. See you soon.

Alessandra Gadelha:

This concludes out conference call. Thank you all for joining us today. Have a great day.