Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to Galp Energia's Capital Markets Day 2015.

I will be hosting the session today. And I - let me tell you that I'm very pleased to be here in London. I think it's like the third or fourth time that we do the event in London. And - well, probably it's time to get back to Rio and doing that next time.

But for that I have to convince Filipe to allow it. And you know how difficult it is to convince Filipe of this things.

Well, before we start, I must advise you on some safety evacuation procedures. So if an emergency situation occurs, the evacuation signal is given by a distinctive voice message. And I quote, to evacuate in an emergency situation, please use the fire exits within the venue and follow the signs and exits located on the ground floor.

And now, in compliance with our company's strict safety policy, let's now watch a short safety video.

Well, it's very important to arrive home safely every day. Well, the purpose of today's presentation is to give you an update of our strategy and our financial outlook.

So we will open the session with Manuel that will present our strategy and update of our strategy as well as our recent achievements. We then follow to Thore is the responsible executive for our E&P business. He's the most recent board member in our company and he will explain how we want to grow our upstream activities.

After this, we'll have a short break and we come back for the last presentation of the day with Filipe, our CFO, who will lead us with the financial outlook for the next five years. At the end, we have the traditional Q&A session.

Once the presentations are concluded and your questions have been answered, we have prepared a lunch buffet where you can meet our executive team as well as some of our directors that are here present today and some of them are familiar faces to you already.

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You will find as well a disclaimer on your presentation which I advise you to read in order to save time. So I hope that you this morning -- enjoy this morning that we have planned for you and that you leave the events believing on Galp's future as much as we do. I hope you will enjoy the morning and well, before Manuel prepares to kick-off, I'll leave you with a video about the Company that I hope you enjoy.

Thank you. Manuel, please.

Manuel Ferreira De Oliveira, Chief Executive Officer (CEO)

Very good morning to all of you. It is once again a great pleasure and privilege to welcome you to this capital market's day.

I will start like the little girl promising, promise that we at 12 o'clock we'll have -- we'll serve the lunch and that we will do our best so that this morning is fruitful for all of us. That's my promise.

Joining me today in the stage is Filipe Silva, our CFO as you already know him. Also is Thore Kristiansen, our director responsible for E&P for the E&P business. Also with us is -- should be Luis Palha, our Deputy CEO but unfortunately, he could not stay at this moment here. Luis is also responsible for refining and marketing.

Carlos Gomes da Silva, our COO responsible for the businesses of gas and power and the trading division is here. Carlos Costa Pina, our Chief Corporate Officer responsible for HSE, risk management, information systems and other corporate functions is here with us, Carlos, as well as Jose Carlos Silva, our Chief Corporate Officer responsible for procurement, engineering, and project management in our company.

I would like now to start with the main messages I want to convey to you this morning. Our top priority continues to be our sanctioned projects which are excellent investments even in the present challenge in times and I will try to demonstrate that to you.

We are focused on maturing our resource space into reserves developing our yet to be sanctioned projects and identifying and developing the upside of our asset base. In the present crude oil price context, our integrated profile mitigates our exposure to the event prices you all know well particularly -- which is particularly valuable in the present transitional phase supporting the resilience of all cash flow generation as Filipe will demonstrate to you.

We are working to deliver material cash improvements from our operations in the context of our business plan as you will see and we are doing all this fully committed as you already know to a solid capital structure through strict financial discipline.

Let us now first see what we have done in the recent past. I will start with the important milestones that we achieved in 2014. We achieved an annual production growth of around 25% with two of the three operation units in Brazil running at full capacity. FPSO number 1 is producing at a plateau since 2012 and we expect that to continue for the next two or three years. What a performance.

This is only possible due to the high productivity of the central space and wells and of the availability of the production units installed in the central space. We've continued to execute the development of Lula/Iracema having deployed a third FPSO and continuing our efforts to mitigate any potential delay of the installation of further units.

Also, we have made the final investment decision on Block 32 in Angola for the Kaombo are having achieved the very material reduction in the Capex initially planned for the project. And finally, we continued derisking resources through appraisal activities and as such derisking the future development of new production within our portfolio namely for the fields Iara, Carcará, and Júpiter in Brazil.

In Mozambique, important steps were taken and we are now much closer to the FID than we were a year ago. The project enabling decree law -- as the project enabling decree law has been approved by the government of Mozambique and we have now submitted our ID for the Coral discovery, a Declaration of Commerciality along with the respective plan of development, PoD, both subjective to favourable final investment decisions.

The results of the appraisal and development activities that we realized during 2014 were reflected in the evolution of our audited reserves and resources. Indeed, our 2P increased -- our 2P reserves increased by 10% to 638 million barrels and this addition is the result of new information from the wells drilled in Lula/Iracema and from the FID that was taken during the year for Block 32 in Angola.

And this is the result of our effort to move contingent resources into reserves. Overall, we have now including contingent reserves -- contingent resources, we have now 2.3 billion barrels of oil equivalent on the basis of 2P plus 2C reserves and resources which are very material base for further appraisal and development into profitable production in the years to come.

On our downstream oil and gas businesses, I must highlight that we have already achieved material efficiency gains of around EUR50 million in 2014 through ongoing energy efficiency and cost reduction programs. We will continue working on that front to deliver further cash improvements in the forth coming years.

I will also emphasize the record NG, natural gas, and LNG volume sold of 7.5 bcm, it's actually our record in terms of sales of gas. But even more important are the LNG sales contracts signed which will guarantee the sustainability of our structured trading activities for some years to come.

In addition, we have restructured our corporate center consolidating corporate functions into plasters of activities and we have reinforced the key technical competences to support activities of all different business units with particular emphasis on the upstream-related competences.

In short, we will say that 2014 represented another important year towards the materialization of what we have shared with you as our strategy in the recent years. However, although we have made a significant progress in 2014, I knew Galp Energia share price has been impacted by the volatility entered into our industry.

As you can see in the chart, the last two years have been remarkably stable by historical standards for oil prices. You can see the correlation of all shared value with the crude oil prices but we are now back to a time of high volatility and share price is being impacted by what seems to be a perception that our company is a pure E&P entity not taking into account our vertically integrated business structure. I tell you clearly that this is not the market's fault. It is our job to change this.

In fact, even though we are facing challenging times in the industry, Galp Energia is well positioned to deliver growth and to grow -- and to go through volatility cycles, a consequence of our flexibility and unique assets and features to withstand the period of low oil prices and that let me explain why.

The long-term outlook remains positive as the world needs oil and gas and these natural sources of energy will continue to be important in the decades to come. Our integrated profile implies that lower prices should benefit our downstream business and provide some natural offsets particularly valuable during our transitional phase of intensive upstream development and that has been demonstrated in our last year's results as you are aware of.

Our high quality projects are profitable. Even considering a well oil price scenario, we breakeven values well below the industry to average. And last but not the least, we have distinctive and sustainable competitive advantages that are difficult to replicate in the industry namely our integrated know-how, our flagship carrier status, and the knowledge we acquired from the breakthrough projects in the industry.

I will now elaborate each of these topics. Let me now make a few comments on the current macro environment. Global suppliers increased mainly due to factors related to the return of [shetting] production that continued and continued production growth in the US.

Simultaneously, we saw a weaker demand globally and OPEC's decision last November not to cut production has left the market more exposed to this supply and demand unbalances. After bid price reached a five or six-year low in January, we are now witnessing the net flow self-correction mechanism becoming evident in the oil industry.

We are already -- we have already seen a reduction of the number of operating drilling rigs and the companies are slashing their 2015 Capex by around 25% on average which will turn -- which turn impact -- which in turn impacts supply in the medium and long term.

We are also seeing operators targeting a more efficient cost base which will result in the cost deflation for the oil sector -- for the oil service sector. And we also expect to see demand reacting, this is on the positive side, to this -- to the lower price of oil that we see now.

Obviously, there is some uncertainty around the ship and timing of the oil price recovery but supply and demand fundamentals are expected to do readjust around the marginal cost of supply.

This market readjustment supports our view of the long-term picture which we believe remains robust. Oil and natural gas will continue to be the most relevant energy sources accounting on the long-term basis and by long term we define something about above 35 years for more than 50% of the total primary energy consumed in the world.

We expect oil demand to increase at the combined rate of 1% per year while the production from existing fields is expected to decline at a rate of 6% per year. You can see from the graph that the challenge that the industry has in the forthcoming -- for the forthcoming 20 years is to increase by 50% the production capacity when you're taking account demand growth and declination of the existing fields.

At natural gas, we also present exciting opportunities as the global LNG demand should growth at around 5% per year which is probably one of the sources of energy that is growing faster. As such, we foresee that prices for these commodities will remain at sustainable levels supporting the necessary investments for the industry to meet supply -- the supply requirements. This makes us comfortable in developing and the promise in improving projects that we have in our portfolio.

Regarding the refining, current levels of refining are -- of refining margins are not sustainable in our view in Europe because Europe leads to close around 1.5 million barrels of refining capacity to maintain a neutralization rate of about 80% in the long run.

Europe faces decreasing domestic demand and growing competition from the Middle East and from the US namely on middle distillates and this environment only be best for the most efficient and producing units in Europe and we are committed to make our refining industry -- our refining business one of those that survives.

As I've already told you -- as I've already mentioned before, the short-term outlook will be challenging but I'll emphasize again that we benefit from our integrated business -- as at least part of the value that we are losing in the upstream in low price scenario is recumbent from our downstream business.

And this natural edge is not evident during the course of our transitional phase where upstream production still represents a very small part of our refining throughput. Therefore, our integrated profile will continue to support the upstream development of our high quality assets to increase cash flow generation and let me now put this into perspective.

Most of you are quite familiar with this kind of chart that provides a good comparison of breakeven prices between the different upstream plays. Our sanctioned projects are well below the industry average, four projects with the same characteristics.

I'm referring specifically to the jewel that is the Lula/Iracema project which has now a breakeven price of $35 per barrel. For the other ultra-deep water projects of our portfolio namely Iara, Júpiter and Carcará, we are comfortable and with the guidance provided by this benchmark between $45 and $75 a barrel, I will highlight that our pre-sanctioned projects that I just referred to, with the information that we have as of today from the characteristics of those reservoirs, are positioned below the average of this category.

That is why we feel very, very confident in saying that our portfolio is resilient to a low price scenario environment. The finalize my remarks about what makes our company well positioned to deliver future growth and manage through the present cycle, I must talk about what makes us unique.

We are the national flag carrier which is welcomed by our partners particularly in National Oil Companies. This facilitates our access to high quality assets namely in the Portuguese speaking countries making us our rationale specialist.

We have a reputable partner with a lot to offer to in the partnerships we are part of. Our presence in the world class projects boosts us to develop highly qualified teams which had accumulating expertise in some of the most complex and breakthrough projects of our industry. This helps us to build and foster enduring partnerships.

We have access to high quality network of -- to a high quality network of operators working -- companies like Petrobras, Chevron, Total, E&I, BG, Repsol, and BP as well as with Sinopec, CNPC, and KOGAS. Not to mention our relationship -- our obvious relationship with [Denox], Sonangol and ENH. What a portfolio of partners.

Additionally, the fact that we are an integrated and that we manage and operate an efficient and competitive downstream oil and gas business, this gives us the know-how and operating experience to fully understand the industry -- total industry value chain. These distinctive capabilities are not easy to replicate and they are clearly responsible for our success to date.

Considering what I said, I think that I have set the scene for the value growth strategy we are committed with and which I assure you has not changed from last year even in the present environment. Our path is clear and consistent and this summarized thus follows.

Project value, we protect value from -- by executing our sanctioned projects which are our clearly highest priority such as Lula/Iracema and by working to derisk our yet to be sanctioned projects including Iara, Carcará and Júpiter and the LNG projects in Mozambique.

We think the most of our projects are materializing the value upside always in chime in each of these projects and we'll do it through the development and the operating stages. We will ensure the sustainability of our upstream activity by reinforcing our role as an active partner and by creating all the conditions for Galp Energia to become in due a reputable operator.

We will maintain a disciplined exploration activity according to the Company cash cycle. Finally, we will continue optimizing the downstream oil and gas businesses to improve cash flow to support the upstream developments. This will materialize through the continuous integration of the refining and marketing activities by improving energy efficiency particularly in our refineries through cost optimizations and to efficient operations.

On the gas and power business, the goal is to sustain the LNG structure trading in the long term and maintain a material natural gas outlet in Iberia together with flexible sourcing of our natural gas contracts.

Let me now breakdown the main levers of our upstream sustainability. As you all know, most of Galp Energia value in the upstream division is concentrated in operating and sanctioned projects. This includes Lula/Iracema in Brazil, Block 14 and Block 32 in Angola which are unequivocally our upstream engines as it represent the major part of our production growth this decade and are the backbone of our present activities.

That's why we are focused, I will repeat it again and again, we are focused on the execution of these projects. It is in Brazil that our most important projects are taking place and everybody is well aware of the difficult challenges that Petrobras is facing. We've potentially impacted on the execution of the projects where we are involved.

Galp Energia established itself in Brazil in the late '90s to initiate our evaluation of the opportunities associated with the then new petroleum law. Since then, we have been working together side by side in several of the most challenging projects of our industry in Brazil.

In particular, I must refer that privilege that there has been for us to actively participate in the development of the pre-sanctioned projects which I am aware add and will continue to be the main priority of Petrobras, I will repeat, which add and I am aware will continue to be the main priority of Petrobras.

In this fantastic journey, I met and worked with many colleagues at different hierarchical levels in the organization of Petrobras. Our relationship has been always and I repeat again and again, has been always transparent, has been always friendly, has been always cooperative and has always productive.

We have been benefiting from working with professionals of the highest caliber in the industry. I have no doubt whatsoever in saying that the human capital of Petrobras in the real source of its strategic and operational success. The unfortunate actions of the few are affecting the reputation of what is unequivocally the world class company.

I know that the leadership of Petrobras is fully committed to clean up the errors of those that -- that those you practiced and they also noted Petrobras will emerge out of this crisis stronger and healthier and that its commitment to deliver the reserves we all desire will be even deeper than in the past. Petrobras has professionals well capable of doing that.

Consequently, I see that the present crisis will be positive for the mid and long-term successful, Petrobras and its partners. I acknowledge that in the short term, we are going through challenging times in Brazil but once this page is over, we will be able to more than recover the very lost in the present crisis.

Having said that, there are two messages that I want you to retain. First, in terms of timing and execution on the ground, the next three chartered FPSOs for Lula/Iracema are scheduled to be delivered on time, I repeat it again, the next three chartered FPSOs for Lula/Iracema are scheduled to be delivered on time with the low execution risk.

We are talking about half a million of growth installed capacity, 50,000 barrels a day net for Galp in the next two years, a fantastic growth. For the following units which are four replicants to be installed in Lula, for prudent reasons, we are considering one year delay on average and that is translated in the numbers we are presenting to you today.

I know that this has not come to you as a surprise as most of you are already aware that are anticipating some delays in the start-up of these replicants. What I want to assure you is that although we have this that what I've just said for conservative reasons, we, together with our partners, are taking all the necessary steps to mitigate these delays so that we will minimize the delays associated with those units and on that, I will let Thore elaborate more on this matter.

Nevertheless, I will highlight that our midterm production growth in Brazil remains intact. In fact, the blend infrastructure that I showed you in the previous slide will take us to a unique production growth within the sector, an average of 25% per year until 2020 considering only the already sanctioned projects and would be about 30% per year if we also consider the pre-sanctioned projects although not yet with an FID associated.

Please be reminded that this figure is not directly comparable with the guidance we provided last year for sanctioned projects as you can easily see by comparing the graphs from last year to this year as we are now considering the impact of utilization in the Lula/Iracema field.

Presently, there are ongoing new associations on the utilization process. This means that -- and we are assuming, making an internal assumption on the potential outcome of this utilization discussions. This means that we are entitled to a lower share of a larger resource that will be recovered over time with additional infrastructure or by increasing the total recovery of some -- of the already planned producing units.

On the pre-sanctioned projects, we have a capacity to be installed in projects such as Iara, Carcará, and Júpiter in Mozambique among others. I must highlight the progress of our LNG projects for the FID respectively for the onshore and offshore projects and are planned to take place over the next 12 months or so.

But all of you know that our portfolio is more valued to extract from it and we are working to deliver that upside as you can see from the right-hand side of the chart and this on the right-hand side of the chart that we have continuously worked to add value to the sense that we are responsible to manage.

I conclude saying that we have the responsibility to our shareholders to translate into production the fantastic resource space that we have in our hands as fast as we can. In order to do so, we need a very -- in order to do so, we need to be a very active partner which can only be achieved by being focused and I repeat, one of our competitive advantages is that we can afford to be excessively focused.

We have to be confident and we have to have the ability to add value to the consortia in which we participate. This is where our real strength exists. This has already been successfully implemented and we are actually taking an increasingly structured and active approach to non-operating project as they are the core of our portfolio as of today.

This kind of strategy has allowed us to build scale in the upstream activity on a fast and less complex way. However, this has pushed us to be complimented by capacity building and ultimately by taking some operatorship positions to drive future growth.

To that end, we are extremely well positioned to leverage the know-how from working with the most -- in the most complex projects and with the most reputable operators in order to create externally credible expertise to become in due time the operator we want to be. This will be of utmost importance to increase the control of our projects and attract, develop, and retain talent and simultaneously facilitate access to new opportunities.

Let me remind you that we already gave important steps on -- as an operating company both in onshore Brazil and in the shallow waters of Morocco. The reinforcement of our operatorship position along with the clear and defined exploration strategy will be crucial to the long-term sustainability of our upstream activities.

Exploration will continue to be a very key part of Galp's future growth strategy as we are all well aware that in most cases, the most relevant value creation lies in the exploration and appraisal stages. However, given that the current external environment is what it is that our growth profile is what I've told you and that our -- and we are out very focused on project execution, we are maintaining for now a relatively low level of exploration activity until the cash cycle of the Company accommodates a higher exploration budget.

As you might be aware, our reserve and resource space is sufficiently strong to sustain for at least little period of time our production targets which justifies a temporary reduction in the Capex located through exploration. Nevertheless, Galp will continue to seek new low cost and highly prospected exploration anchorage namely the bases and geographies where we have competitive advantage.

Now moving to our downstream and gas business, let me start with refining and marketing where we have a very competitive sales. Our refining business is well positioned among the European peers ranking the top of the second quartile in terms of profitability for the mid cycle net cash margins.

Still, we have room to improve our performance particularly on energy efficiency initiatives. We also need to improve the integration between our refining and marketing businesses by continuously adapting production to market demand and by optimizing logistics operations through product swaps with other refineries and we are doing it but we probably need to do more of it.

This would reduce the volatility of our integrated margins mainly through increased weight of CIF volumes versus FOB volumes. As I just said, we acknowledge that we can improve the return of these businesses and I can assure you that we are actively working on this.

As a matter of fact, our internal efficiency program has already contributed in this area of our company with some EUR50 million through the 2014 EBITDA and we expect to double this annual effect before 2019. These sustainable efficiency improvements will come mainly from positioning Gal Energia refineries in the upper quartile of the Solomon Energy Intensity Index which will improve energy efficiency and will contribute to half of the cash gains.

We need also to step up to the cost reduction program targeting processes, third party contracts and push forward a less complex business structure. Also important to -- it is important to increase returns of the business will be the leverage of the logistics and process flexibility of our refineries in order to optimize our crude and our raw materials intake.

Finally, the innovative and unique three-fuel offer that we have launched at the end of last year is offering to our customers an attractive bundling of transportation fuels, natural gas in the electricity will strengthen our market business performance. As far as I'm aware, we are the only company that is in Europe making this bundling of these three important fuel energy sources.

Moving to the gas and power business, it had a remarkable performance in 2014 as we have continued to take advantage from the unbalances of the LNG markets worldwide reaching record LNG sales internationally of 3.7 bcm mainly addressed to Asia and Latin America.

We are one of the most important players in Iberia where we have a stable demand of around 4 bcm per year which gives us valuable operational base for our profitable structure trading activity. We have also flexible natural gas and LNG supplied contracts of around 5.8 bcm per year from which 60% corresponds to LNG.

In addition, we are also able to source gas on the spot market when needed and there is an opportunity to make profit from it. This balanced NG and LNG portfolio supports a solid contribution for the cash flow generation from the downstream oil and gas businesses.

Let me conclude with reference to our regulated gas business which represents around EUR1.1 billion of operating assets. In addition, our equity stakes on international pipelines contributes to around EUR60 million per year in our P&L account.

Let me emphasize again, we intend to support the sustainability of the cash flow generated by our gas and power business. We are working to maintain a client portfolio in Iberia in order to guarantee stable demand to be used as a basis for our long-term supply contracts.

We are renegotiating existing sourcing contracts and evaluating new options to diversify our long-term sources of gas with new competitive and flexible terms and simultaneously taking advantage of the spot market to which we have access through infrastructure that I refer below. We have secured access to pipeline transporting capacity namely in France and Spain as well as in the northern part of Europe and we are successfully managing the storage capacity that is available in Portugal.

With all of that and in short, we are leveraging our flexibility and [get-through routes] of our portfolio to secure medium and to long-term-structured LNG sales contracts and at the same time trying to access opportunistic sales in the high premium markets when they exist.

Finally, let me present to you what type of integrated energy company Galp is expected to become in the future. As you might be aware or better, as you already know, we are top rank within the oil and gas companies that integrate the Dow Jones Sustainability Index and we are very proud of it.

And we entered for the first time last year into the FTSE4Good Index. Our ranking on the CDC Index, the carbon disclosure project index and our integration on the global 100 most sustainable countries published by the Canadian NGO Corporate Knights added clearly an additional indication of our commitment to sustainability practice and that is important for our future.

And our goal is to continuously improve our performance in this route. We will further optimize our processes and promote intensive training on health and safety to consolidate or policy of zero accidents.

We are also reducing our environmental footprint and address key issues such as emissions control as well as the impact on all operations in biodiversity particularly as it is obvious in the context of a more intensive upstream activities.

We cannot talk about the future without the importance that technology development will have on the future of our company. That is why we are reinforcing our commitment to research and technology development.

We have identified -- already and adapted four areas of research which we went to focus, which we believe will be crucial to successfully address the challenges of our ultra-deep offshore assets and minimize its development -- and optimize its development thus increasing the value of our portfolio.

We are also venturing into the area of cognitive computing to work for the benefit of our exploration activities. The program -- the resource program that we are establishing together with the major software company will set up the application of big data computation to advanced seismic interpretation.

We hope that if this appraisal project is successful, we gain competitive -- material competitive advantage in exploration competences. Moreover, we have already in place 14 research projects that if selected to give life to what we call our ISPG, the Institute of Petroleum and Gas which is an association between Galp Energia and six Portuguese universities through which we are managing our investment in research and technology development.

Also mentioning is -- also worth mentioning is that we have concluded the first Heriot-Watt University master's degree in petroleum engineering and geosciences lectured in Lisbon and fully supported your Galp Energia which provides high quality and distinctive training to our people, to our employees and that is a privileged recruitment center to the best talents that we can capture from our universities.

The second edition of this high quality master's degree program was initiated in Lisbon last week. I can formally say that we are rooting research and technology culture into our DNA which is unavoidable if you want to be successful in what I referred before.

But all this has to come hand in hand with strict corporate guidelines to ensure that our objectives are achieved. In fact, under the current environment, we have reduced materially as you will see later our Capex budget as Felipe will explain in detail.

And we are increasing the focus on our efficiency programs to ensure resilience to a low oil price scenario. We are fully committed to make sure that our portfolio is able to survive and be competitive in the low price scenario. We remained committed to keeping and gearing below two times net debt to EBITDA as we believe that a strong balance sheet is key to support our future.

We have concluded the redesign of our corporate center and we are currently simplifying our organization to align the legal and corporate structures with the way we run and report our business segments. It looks simple to say, difficult to execute.

And we're going to continue working towards grading our portfolio. It's important that we grade it which could translate in the modernization of less core assets if needed or if that threats both our strategy and our funding needs.

All in all, we want to be a sustainable company, technologically driven, financially robust, supported by efficient operations and capable of delivering competitive value to our shareholders. We formally believe that the outcome of our strategy will be reflected in the future returns due to the quality of the projects we are involved in.

Despite the challenging environment, we remained fully committed which include high quality projects in Brazil as I referred before. We want to benefit from the 2020 decade of gas. We really believe that next decade will be the decade of gas through the exploration, through the LNG project in Mozambique which is unequivocally a world class project which will provide the long-term returns.

We will keep increasing integration and the operation efficiency to improve returns and cash flow on our downstream in gas business. However, under the current environment, our reduced capital budge unfortunately entails some moderation on our short-term growth outlook but the truth is that it has come on a timely manner.

Having said that, I believe that the successful execution of our projects will lead to a very material growth in return on capital employed over the next decade which we expect to be above 15%, three times that of debt of today and above the current industry average.

Post 2020, our ambition is big and is to -- is simply to take the most of the projects we are involved in by translating that upside potential into production and that is would then basically through what we call technological exploration and thus from that into value.

To conclude, I would say that Brazil, Mozambique, Angola and our downstream oil and gas businesses will be the anchors of our growth strategy throughout the present decade. Let me say that our competent and motivated employees, our qualified business partners and let me say our leadership team will do their best to ensure that what we promise here will be delivered.

Thank you for your attention and now I will pass the work to Thore. Thank you.

Thore E. Kristiansen, Executive Director Exploration & Production

Good morning. It's a pleasure and a privilege to be here and to be allowed to address you all.

My key focus of my presentation today will be to share with you my view on the future development of E&P portfolio in Galp. One key word that I would like you to take with you as I'm appealing you to come here to Galp is that this is a world class portfolio by any standard.

The focus of my presentation today would be the following. One, what is our E&P strategy; two, what is the production development that we foresee and what is the growth that we can commit to; thirdly, what are we doing to derisk our projects to further develop the portfolio; fifthly, what are we doing with exploration and then some concluding remarks.

I think it is fair to say that Galp has a very focused strategy in place. Our number one priority is to deliver on this world class project portfolio we have in which I believe will be able to give on a compounded annual growth rate 25% to 30% annual growth from now and until 2020, strong by any standards.

Secondly, it is to derisk the non-sanctioned portfolio and systematically hunt for the upsize. There are tremendous upsize and opportunity in this portfolio with all the oil and gas in place in this resource.

Thirdly, to stay very focused and disciplined on capital allocation making sure that the exploration portfolio is structurally developed according to the Company life cycle. And last but not the least, to be a pro-active partner which can offer competent and relevant input into the key assets and to the operators while we systematically are developing our operating skills.

Galp enjoys, as I said, one of the strongest oil and gas project portfolios and pipelines that I've ever seen from a company of this size. We have interest in some of the most exciting projects in the oil and gas industry today.

And with the breakeven price for sanctioned projects of $32 per barrel, I think it's also fair to say that this is a very robust portfolio. Only for Lula/Iracema, we're planning to install at least 10 FPSOs, three in our operation as you know and at least seven is to come.

In Mozambique, we are participating in one of the largest offshore gas discoveries ever made and we believe 85 trillion cubic feet of gas is in place only in area four. Only those two projects should make any petroleum engineer and geologist wanting to hunt for a job and this is truly exciting and a privilege to be allowed to work with.

In addition, we have six others world class projects, I can mention Block 32 in Angola where FID was passed last year. Iara, Carcará, and Júpiter in the pre-salt Santos basin which are all in the appraisal and pre-development phase.

We also have exciting exploration opportunities in the portfolio today and one of the most interesting one being the Pitu discovery in the Potiguar basin and I'll come back to that and tell you more about all of these projects.

And we will continue to fill our project line with exploration opportunities with a particular focus on the Atlantic basin where we believe that we have a competitive advantage and have a good in-house knowledge. This project port gives Galp a very, very large resource and actually in totality, we have some 4.3 billion barrels of oil equivalence in reserves and resources if you look in our 3P and 3C resources.

On a 2P basis, i.e. with a 50% probability, we have some 2.3 billion barrels of oil equivalent in our resource space, big by any standards, and the key objective is therefore for us to derisk these resources. This means assuring the appraisal program and assuring to remove the technical and commercial contingencies to move resources into reserves.

And I think the maturation goes quite well. Last year, we had the reserve replacement rate of 551% and its pre-average is now running around 330%, very strong by any standards and it gives us an R/P or reserves over production yield of 23.7 years.

This strong portfolio and significant resource space is why we are very confident that we can deliver significant production growth in the years to come. Last year, we delivered 24% year-on-year production growth. This year, we expect the production to growth with 30% to 35%.

And in the period onto 2020, we will, as I've said, expect to have a compounded annual growth rate on average between 25% and 30% and the [vast] majority for that comes from projects that already are sanctioned. So we have taken out a significant part of the risks they are already underway but, of course, you're risks and I'll come back to some of those later.

Key to develop this is people and we need competent people in order to be able to mature the resources in a good way together with our partners. And therefore, I have a strong focus on developing the E&P organization making sure were getting the right competences and skills into the organization.

And I must say that I've been very positively surprised coming into the Galp organization to find so many so professional and dedicated employees. Today, we are 197 E&P professionals in the Galp.

Sixty different nationalities and I understand that that is even without counting one single Norwegian.

And we have very, very good internal support. So 150 staffs, office staffs within the area of procurement and engineering, finance, accounting, communication IR, legal, supporting and -- support dedicated to the FTE organization.

And we are an organization that are now are recruiting. We are continuing to build our organization and it's not a bad time in the cycle to be recruiting. I see a lot of good talent wanting to join the Galp team.

And key for us is to continuously and systematically develop or break things and skills. And I think it's fair to say they are well underway. Last year, we built the first offshore well in Morocco. The outcome was negative as we did not find commercial hydrocarbon reserves but that is part of the game. This was frontier expression and, of course, it is high risk.

But the operation was successfully done. Zero loss time incidents and the operations were done within budget.

And I think it's fair to say that Galp benefits on the fact that this is a company that over many, many years has been a very, very prudent operator and developer. Very successfully developing downstream projects, midstream projects and there's a very strong culture in the Company when it comes to doing this with excellence and rigorousness.

I think, actually, many E&P company can learn a lot from Galp and it comes to sort of being so cost conscious and focused as this company is.

And this has also been a natural evolution for the Company. The Company's actually build more than 50 onshore wells in Brazil so developing operating skills step by step, milestone per milestone, I think, is a natural way to develop this company.

Let me now share with you a few highlights with some of the key products that we have in the portfolio.

And of course, naturally, we'll start with Lula/Iracema which is a world-class project by any standards. And as I've said, the development will consist of at least, at least, 10 FPSOs.

The initial ramp up has gone very well. The first FPSO, Ciudad Angra dos Reis was delivered according to plan and ramped up in 18 months. The second FPSO, Ciudad de Paraty, ramped in 15 months and both these are performing very well within availability of around 95%. And 95%, ladies and gentlemen, is by any standard, very, very high.

It shows also the productivity and the strength of the Lula/Iracema resource and which is also now manifested in the third FPSO which is Ciudad de Mangaratiba which started one month ahead of plan, is currently two wells producing. Each well producing more than 30,000 barrels per day. Outstanding by any standards. And the third producer should be forthcoming within the near future.

The Lula field is large. We all know that. And it also stretches outside of the BMS-11 license area. That means that it is necessary to have unitization process with South of Tupi which is 100% owned by Petrobras and an open area currently held by PPSA. The latter area, however, being a very, very marginal part.

Unitization process are very, very common in the oil and gas industry. And will be so also in the Santos basin. The negotiations are now underway. The adjusted working interest will be defined and past cost and production will be adjusted between the parties.

Initially, we expect that our overall interest will be reduced, but also, we will definitely have also reduced Capex. And the estimated impact of this is included in our return business plan. Overtime, we believe that this will be balanced out as we see them. There's a larger resource base that then will be exploited.

But as the negotiations has not been finalized, I ask for your understanding that this is what I can share with you at this stage.

One of the real exciting things with Lula/Iracema is, of course, that this will require so many production units. This is both an opportunity but there's also subtract elements and when I look on the portfolio today, we had very, very high visibility and I will say certainness when it comes to the delivery of the first or the next three FPSOs which are all being built outside of Brazil.

But as you are aware of, there are some issues related to the local capacity to deliver in Brazil and when we have now analysed that situation, it is the reason why we have in our business plan incorporated on average a one-year delay for the so-called replicants.

This -- this is what is we have in our current plan. However, we are working very, very hard to try to make the greatest impact. And what are we doing in order to try to make the greatest impact?

Together with the operator looking for what are the [pragmatic] solutions that can be applied there? What can we do outside of Brazil? Can we build parts of the hulls? Can we build the whole hulls in other locations?

We just recently took [PAC-3] which is the gas injection systems on the oil replicants, had an international candor for it, got very, very good response, got very, very good bits and this will now be built outside of

Brazil and we will continue to systematically look for opportunity to mitigate the risks involved on this including that Galp is now discussing with Petrobras how we can onsite step up our presences in the different shipyards in order to try to further support Petrobras which is and which was said by our CEO is doing an overall, very, very good job.

But to sum up the situation with the FPSOs, as I've said, good feasibility on the next three, to following four. On average, we have incorporated a one year delay into our plans.

We're also working very hard in order to try to optimize cost and Capex usage in this field. And let me just give you two examples. You will know that in the oil and gas industry, particularly 50% of the development Capex is associated with drilling and completion. Actually, for the Lula/Iracema, it really is 55%.

On drilling and completion, we have seen significant improvement over the last few years and only last year there was a 21% improvement in the drilling and completion time. So we came down to on average and on 35 days. The best well done, is done in 92 days.

So, we still have a significant room for improvement and this improvements are being hunted for and what are the two key measures? One, of course, there's a clear learning curve, becoming wiser as more wells are being drilled. But second, you're also looking into the well design, what can we do to simplify the well design and steps has been taken also in this- within this area in order to have more efficient drilling and completion program.

And the second key measure is that we see that there is today, a significant room to improve rig rates and services associated with that. So, we are tendering four rigs and we -- and in the license, we expect to see significant improvements in the day rates.

Just let me give you one example. A $100,000 per day production in the rig rates improves the breakeven price with more than $1 per barrel. So, this is significant for us to have four and we'll make this product even more robust.

And also, of course, very interesting with Lula/Iracema is the offsites we see. With the current sanctioned development plan, we expect to recover around 28% of the reserves in place.

One percentage point improvement in recovery will yield about 200 million barrels more oil. One percentage point. It shows that there is a significant upside potential and on the Norwegian continental shelf, the average target recovery factor is 60%, the best oil fields actually do 70% and more.

And in turn in Galp, we have settled an ambition that we should at least achieve 40%. And how do we believe that this is achievable? It is by using partly existing but also newly developed -- new technology that needs to be developed. 4D seismic is now being used in Lula/Iracema and it is an excellent way, in my opinion, to see how the reservoir is behaving also in the time dimension.

And by having more wisdom in the time dimension, you can drill smarter and target your wells even more efficiently.

Infill drilling and I hope that overtime also using of more horizontal wells will be a way to have more reservoir exposure and more opportunity to exploit the bigger resources in this reservoir. This, hopefully, will lead to new addition of production units.

Water-alternating-gas injection can also be a measure which seem to be working extremely well nonetheless. We have now two pilots that is being tested. Seems to be working okay.

Subsea separation could be a way to avoid some of the bottlenecks that we will see will come overtime. And in general, technology development will continue to take place over these many, many decades where this fuel will be developed.

I actually also believe that eventually, you will see license extension being applied for in Lula/Iracema because the resources are so big that the field will be worked for, as I've said, many, many decades and the upsides are just humongous.

A few words about some of the other products where we are involved. Block 14 has already produced around 430 million barrels producing from Kuito, BBLT and the Tombua-Landana field.

Now, there's two key focuses in the block. One, to continue to hunt for cost reductions in order to make it even more efficient utilizing the current market environment. Secondly, we are, as you will know, putting a new field to a tie-back to BBLT and product during the second half of this year, the so called Lianzi field.

And thirdly, scrutinizing very vigorously under this sort of capital allocation and capital discipline framework that I have done for you earlier on which new things are we going to bring on? There's a lot of opportunities in this block but we have decided that for the time being, for instance, the [launch] opportunity will be delayed until we are able to get sufficient strength and robustness in the economics of that development.

If you will also know that in Angola, an FID was passed for Kaombo last year and this will, overall, bring Galp's production in Angola back to around 14,000 barrels per day compensating for the decline that we see in Block 14. This first phase will consist of two FPSOs each with a production capacity of around 125,000 barrels per day and first oil is expected in 2017 and the project is going well for the time being.

You will also know that in this product, significant cost reductions were pursued initially. The initial development Capex was reduced with around 20% or approximately $4 billion.

This year, we are hunting for an additional $400 million in Capex reduction in order to further strengthen the product. And exciting really enough, we also see that there is still expression opportunity in this block and if the expression is successful which I will come back to a little later today, it might justify the third FPSO in this block.

Then a few words about Mozambique. Mamba and Coral is world-class gas discoveries. And as I've said, 85 affiliate cubic feet in place just in this area. Very good progress has been made in Mozambique over the last year. The fact that the government passed a decree law was very important for the project and has enabled that we, together with the other partners, passed the DOC and the POD for Coral subject to FID by the end of last year.

Focus now is to find fit-for-purpose development solutions which can take advantage of these enormous resources and also the possibilities for synergies.

We are working onwards to make an FID for both Coral and Mamba. For Coral, we are seeking to monetize through an FLNG solution, while for Mamba, onshore LNG with a possibility for many parallel trends is the development solutions that is currently being pursued.

And there are three consortiums that are currently competing for FEED and the EPCIC tender. FID is planned for 2015. But for Galp, robust economics is going to be crucial for us in order to support FID and we will continue to haunt for finding ways to making this cost effective and economically robust development.

And possibly, the current price environment could also, therefore, be a good opportunity for this product. And I really now hope that the suppliers are digging deep to come up with competitive bits. Cost competitiveness is crucial to make this product to fly.

We then jump back to the other side of the Atlantic again. Greater Iara is also a significant field and discovery. We believe that there are some five billion BOEs in place in the Greater Iara area.

So, there's enormous amount of resources to be worked, and as you will know, a DOC was passed for this field at the end of last year for the three areas in the Greater Iara area. And now, the focus is on the appraisal campaign to derisk and to enable our development plan. A PoD is being worked hard on and will be delivered in due time.

But this is a challenging field. The reservoir is quite complex and heterogeneous in this character which means that you have to work particular with Iara Central very hard in order to find economic and viable development solutions. But the good news is that there are so big reserves in place.

Carcará is also the key focus is now to derisk and to define what are the upside potential. This is a high pressure reservoir with some 13,000 psi, reservoir pressure, with a good quality rock identified. At this high pressure and good rock should facilitate good productivity but it can -- will also make gas injection a challenge.

So, gas export solutions from the beginning of the development is therefore going to be crucial. And the current appraisal program is there now to further detest the productivity and the resource potential in the field. And two wells plus the DST is planned for 2015.

The declaration of commerciality submission has been extended to until the first half of 2018 so we also now have some time in order to work with your pricing program to find the best possible solutions.

BM-S-24, Júpiter/Bracuhy has a significant resource base, multi-billion barrels of oil and gas in place. And the first formation test of Júpiter/Bracuhy was good indicated reduction in the sea that was quite good, actually.

But also here, the focus is to know to do further appraisal to derisk the reservoir and to further mature the thinking when it comes to what are the relevant development concerns.

There's a -- and then Elida well is planned for this year in Júpiter [Ashtum] and we are pushing for in Galp for one more appraisal well at this year in order to have better information about what are the potential good, best solutions.

The key challenge in this field is the high CO2 content in parts of the reservoir. There is more than 70% CO2 present and to handle that from a technical point of view is a challenge and needs technology development.

A few words again about our exploration campaign for 2015. I mentioned in the beginning of my speech the Potiguar basin and the fact that we made the key to discovery. And as you will know, there are both onshore and near-shore discoveries in Potiguar which is also today are producing but this is the first deepwater discovery in this basin.

And following the Pitu discovery and the DST which confirmed presence of a good and quite active petroleum system last year, we are, for this year, planning an appraisal well, the Pitu 2. And if successful, that can prove up an economic Pitu development, so it will be very exciting to follow this well as it starts during, hopefully, during the second quarter of this year. There's also plan and exploration well in the Potiguar 16 during 2015.

As I've said, the 2015 exploration program reflects the Galp has a very, very good inventory of projects to be appraised and developed. And the exploration activity is therefore managed accordingly.

In addition to Pitu what are the most exciting wells that we see for this year? It's in Guanxuma in BM-S-8. It is Colorau-3 in Block 32. It is Elida in Júpiter-2 also and in Santola-1 in the Alentejo basin.

Let me say a few words about each one of those. Guanxuma which has the upside of BM-S-8 and actually it was a testing if there's a separate structure to Carcará in BM-S-8.

Colorau-3 in Block 32 is an appraisal after the Colorau is an appraisal after the Colorau-2 discovery. And if successful, that can possibly justify a third FPSO, as I mentioned, for Block 32.

Elida is an appraisal to test the gas cap of Júpiter and with the potential of possibly three TCF of wet gas.

And last but not least, Eni Santola 1 in the Alentejo basin. This is frontier exploration and the first, most likely the first, deepwater exploration well to be drilled in Portugal. Very exciting.

And as you will know, we farm down to unite in this block at the end of last year where we have a carry arrangement with them and we are hopeful that that well will start end of this year, beginning of next year. This is potentially a play opener but this is frontier exploration in a completely new area where there's never been built before. But actually, some analogues, potentially with what we have seen in Canada.

Let me therefore conclude my presentation. I think it is fair to say that Galp has a very strong and robust portfolio characterized with a sanctioned portfolio having an breakeven price of $32 per barrel and a portfolio which I believe can deliver between 25% and 30% compounded annual growth from now and until 2020. Strong by any standards.

We have a very sound focus on value operation as we know are maturing and developing portfolio focusing on cost efficiency and fit-for-purpose solutions and we will manage our exploration activity according to the life cycle of the Company.

Thank you for your time.

Pedro Dias, Head of Strategy and Investor Relations

Welcome back. We'll now have Filipe with the financial outlook for the next five years and then we'll follow up with the Q&A section. Thanks.

Filipe Silva, Chief Financial Officer (CFO)

Thank you, Pedro. And good morning to all of you that I haven't met this morning. It's great to be here and to see a full house.

As we stood up here last year, we say we would be staying the course focusing on our existing projects on Capex discipline, working capital and our funding. These issues were all well addressed last year but they remain as topical as ever.

The oil price environment has changed quite a bit and our new plan has incorporated as I am sure you have seen the inevitable adjustments that come with a Brent price that we're assuming at $55 this year going up gradually to a long-term price of $80. If you recall last year, we were at 95 Brent in 2015, that's a full $40 difference per barrel and we were assuming it would decline gradually to $90 and now our long term price is $80.

This impacts materially our E&P division where most of our growth and almost all our EBITDA is going to. So, both our upstream EBITDA and Capex levels are materially lower compared with the plan we presented here last year and this incorporates also the project delays that Thore has alluded to.

Besides the man-made reductions in Capex, our business model and asset portfolio have interesting offsetting features between themselves. They neutralize, to some extent, the business volatility that we have seen in the sector.

The impact of the sharp correction in oil prices is actually having a limited impact in our free cash flow and this is so, at least, for the next two years. Overall, group wide, our free cash flow post dividends is expected to become positive sometime during 2018 and this is a few months later than we were planning last year. Our free cash flow before dividends should be positive in 2017.

Let's start with our Capex plan. We are updating downwards Capex guidance for the next five years to EUR1.2 billion to EUR1.4 billion on average, at the EUR1.3 billion midpoint, this compares to last year's guidance of EUR1.6 billion. So, over five years, this equates to EUR1.5 billion reduction in Capex, about 20% reduction.

For this year of 2015, Capex guidance is between EUR1.3 billion and EUR1.5 billion and this is up about 20% from the EUR1.1 billion of realized Capex in 2014. This is mainly related to the increased base of development of Lula/Iracema as planned before, Block 32 in Angola, and the appraisal activities in BM-S-8, BM-S-24, and Pitu in Potiguar.

Our numbers, as you know, assume 100% even if Sinopec owns 30% of our JV in Brazil.

Over the plan periods, our lower Capex estimates derive essentially from the one-year delay on average in the delivery of the Brazilian replicants versus what we had assumed before and this is due to local supply chain issues.

A slower Iara build-up. Júpiter, Carcará, and Mozambique starting later than we had previously assumed. And the unitization factor with our possible dilution in a bigger Lula/Iracema field -- no, no, with a Capex associated with the expanded area coming in later.

We are also considering efficiency gains in light of the experience we've been having in the results in Brazil with faster drilling times, faster completion times as well and I'll remind you that, you know, drilling completion and subsea installation makes just over 50% of our development Capex.

You should expect us to be disciplined on the exploration front until we become free cash flow positive, you know, exploration is an importance to us but we have, you know, many, many years of annual production growth ahead of us from our existing portfolio alone.

All in all, upstream activities should account for roughly 90% of the EUR6 billion to EUR7 billion in group Capex earmarked for the 2015-2019 periods.

As for downstream and gas and power Capex, it should amount to less than EUR200 million per year on average in line with previous guidance. These are all modern well invested assets we have in mostly in Iberia and should only consumer maintenance and compliance Capex.

This next slide is on upstream Capex only. With Lula/Iracema alone accounting for the lion share of the committed Capex, the rest being made up by Block 32, other Angolan projects and the appraisal campaigns during 2015. These appraisals are mostly in Brazil and primarily in the areas where we are already present so it's really derisking exercise.

This leaves about 40% of our planned upstream Capex still as yet uncommitted, i.e. not yet sanctioned. So, for whatever reason, the technical or economic conditions are not in place, some of these could be reviewed or deferred. And now is the right time to look carefully at cost adjustments to these upcoming E&P developments.

On the still to be sanctioned list, we have Júpiter, Carcará, Júpiter/Bracuhy, Carcará and Iara and all appraisal work beyond 2015 and, of course, all of Mozambique.

On the right-hand side, same chart as presented last year. You'll see how total committed and uncommitted Capex in upstream has been allocated overtime and how Lula starts to require

Lula/Cernambi starts to require much less Capex after 2016 just as the unsanctioned projects in Brazil and Mozambique are expected to quick in.

Now on EBITDA and free cash flow, starting with upstream, our EBITDA projections are materially impacted by the new bench price assumptions which start at 55, 5 next year going up $5 per barrel in each of the other years to reach $80. You have the assumptions on at the back of our book.

Other than for brand prizes, the EBITDA slope is impacted by the other major assumptions we have alluded to which are, on average, one-year delay in first oil from the Brazilian replicants and the revised timings for Iara, Carcará, and Júpiter/Bracuhy. And we have incorporated an estimate of the impact of the unitization of Lula/Cernambi that could reduce our share of production there for the next -- for the initial years which, you know, we would expect to recoup when South of Tupi is developed.

We are not assuming Mozambique EBITDA at this stage even if we have a lot of Capex committed in our plan for that project.

So, these assumptions reduce the estimated upstream EBITDA compound growth rates to 35% per annum. This growth is coming from a rising Brent but mostly on the back of the capacity additions in Brazil in Block 32.

We're still assuming 18-month ramp ups for the FPSOs which may prove to be also a bit conservative.

A few words on our upstream costs. You know, we are developing some of the most competitive projects in the industry. Our technical costs are expected to go down to about $22 per barrel in 2019. This is on a working interest basis. This is -- and it is benefitting from the Lula/Iracema reaching plateau levels by the end of the period.

By technical cost, we mean Opex plus all DD&A. In our case, DD&A is related mostly to the amortization of all the drilling and completion costs. Opex is made up of the mostly of the FPSO leasing cost and operating cost, subsea equipment rentals, maintenance, G&A, HSE and logistics.

Now, if you exclude from Opex, the equipment rental components, gets to a fairly good proxy of the marginal cost of production which we have labelled here as lifting costs and this should be less than $6 per barrel in 2019. To this, you must add the oil taxes and royalties which are highly correlated with our realized sell prices.

On downstream and gas and power EBITDA, oil marketing has been resilient lately and should benefit from a recovering Iberian economy. We have recently seen a small pickup in oil product volumes but we remain cautious on this front.

And as we know all too well, refining and marketing EBITDA is highly dependent on the refining environment. The new hydrocracker has enhanced significantly our competitive position in refining within Europe but there is still a lot of overcapacity in the sector.

So, here, we have been busy reducing capital employed, inventories in particular, adapting the cost base and improving energy efficiency. For now, downstream EBITDA is benefitting from the low oil price environments and this is offsetting most of the opposite effect in the upstream EBITDA.

On the gas and power site, we see the businesses delivering EBITDA of EUR350 million to EUR400 million per year plus around EUR60 million from our stakes in the international pipelines which are below the line under the associates. We are assuming a declining contribution from our regulated infrastructure activities following the lower allowed revenues on RAV in line with falling yields of the Portuguese governance yields.

The international LNG activity is well in trench with its midterm contracts in place and which should last for another few years. In addition to this, we have the opportunistic trading activities where, by definition, we are cautious but we expect to continue to take advantage of the arbitrage opportunities.

Putting up and downstream together and with our assumptions, we are guiding to a 20% compound annual growth in group EBITDA on average until 2019. Most of Iara and surely most of Júpiter and Carcará and certainly all of Mozambique to come after this.

The 2015 EBITDA for the group is actually to be marginally down from last year with E&P likely to be a drag versus earlier expectations.

On free cash flow, so for the group, we expect to see negative free cash flows of EUR600 million to EUR700 million this year and the next and almost all of these is coming from Brazil which is expected to be or to turn cash flow in 2017. This is as per previous guidance. So, Brazil positive in '17.

Downstream and gas and power EBITDA are expected to contribute EUR700 million to EUR800 million of EBITDA minus Capex including revenues from the international pipelines. Put simplistically, this is what is for all of the groups. Interest cost, dividends, Capex outside Brazil, and income taxes. Brazil is fully funded from its own capital increase back in 2012. So, it is the cash burn in Brazil which has been responsible for the Galp consolidated net debt increase not because our gross debt is going up but because Brazil cash is being consumed as planned.

If we stress test our plan under a flat $60 per barrel scenario throughout the plan, then our free cash flow would turn positive one year later in 2019. The sharp correction in Brent prices is assumed for '15 and '16 of only a limited impact on our free cash flow so this is post oil taxes and income taxes given that free cash flow generated from the refining uptick is offsetting the decline in upstream post tax cash flow.

This, of course, is true if we don't get into an unexpected scenario where both brands and refining margins go shortly down.

So, the upstream refining integration has been our most important free cash flow stabilizer. Bear in mind also the negative correlations in euro between the Brent price and the dollar exchange rates and the fact that we have a very stable and large distribution business and our regulated activities.

Finally, we have adjustments to Capex which, of course, can play a big role in stabilizing our fee cash flows. We have a number of FIDs on the way and some of which could be slowed down and/or reengineered if the macro environment deteriorates.

On the funding side, we continue with our maturity extension objectives to ensure that as much of our redemptions for due during the free cash flow positive years. Last year, we renegotiated about EUR700 million of loans and backup facilities and early amortized about EUR0.5 billion of the most expensive loans.

So, we currently have only EUR600 million of redemptions for the next two years and this is likely to fall further as we continue to do liability managements.

The international bank are currently offering Galp term money to just over 1% spreads year LIBOR so we're very pleased to say that market fragmentation is no longer an issue for Portuguese corporates.

The overall market move towards Portugal has actually massively improved since I first stood here a couple of years ago. So the average cost of our debts is expected to fall further even if we do majority expansions.

Our gross debts of EUR3.6 billion which has been fairly unchanged over the last three years, this -- our net debt is EUR1.5 billion currently and this is including the loan to Sinopec as cash. Now, we do not have off balance sheet structures in place reserved based lending, prepayments, factoring, confirming or otherwise. What you see on our balance sheet is what you get.

Our current liquidity of EUR3.2 billion covers about 90% of our total debt outstanding of EUR3.6 billion. Within this EUR3.2 billion, so we have this EUR900 million equivalent loaned to Sinopec, again, this is part of the capital increase we did in Brazil few years ago and some of the proceeds were lent to both Sinopec and to Galp outside Brazil pro rata to our stakes in Brazil and this money has gradually been returned to Brazil to fund the negative free cash flows there for the next couple of years or so.

Now, as this chart indicates, the existing liquidity is equivalent to all of the expected negative free cash flows, all redemptions, all interest payments and dividends until the end of 2017. We are expecting a dividend related to 2014 fiscal year of about $0.35 of which half was advanced back in September with the other half expected to be paid in May.

Related to 2015 and '16 fiscal years, dividends are expected to increase 20% per annum as for the dividend policy we have announced back in 2012. Our net debt is expected to remain under EUR3.5 billion at its peak in 2018 before starting to fall. This is assuming that the dividend stays at the 2016 level.

But net debt to EBITDA starts falling from 2016 as the EBITDAs increase by EUR0.5 billion or so per year from 2016.

Now, to wrap up, the vast majority of the projects, we are currently running developing appraisal are all very competitive in the current environment and with little or no geology risk. We clearly choose value over volumes and with limited exploration drilling commitments, some Capex re-phasing and efficiency gains, we are more than ever focusing on our very best assets.

With our new Brent price assumptions, we are expecting 20% compound annual growth rate in EBITDA for many, many years to come. And together with our partners in Brazil and Mozambique, you know we are building two of the best megaproject worldwide and our best years lie just ahead of us.

You heard we have the projects and we have the team in place from Thore. We also have the balance sheet and the liquidity to make this happen. Importantly today, however, is that our portfolio is not just made up of some of the most competitive upstream assets. We run an integrated business with stabilizing features built to them. The negative correlations between some of our businesses and the stability of some of our other businesses makes our business model good for all environments.

Today, Galp is in a very comfortable financial position and from our current standpoints, we don't see any pressing needs to engage in meaningful portfolio management. But again, we will be prepared to if our self-imposed maximum of two times net debt to EBITDA somewhat becomes endangered or if we get offers we cannot refuse.

Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Well, we'll start with the Q&A section.

If you want to make a question, please raise your hand and wait for my signal. We kindly ask you to limit your questions to two per person to be mindful of others and at the end, we'll have the closing remarks before lunch time. Thank you.

Questions & Answers Session

Henri Patricot, UBS

Just a couple of questions on the upstream. You mentioned that you likely to get an impact in your short term from the unitization of Lula/Iracema. I'm just wondering if you could give us more detail on the actual impact both in terms of production and reduction of Capex?

And secondly, on the projects in Brazil where you see a slower ramp up, Iara, Carcará, Júpiter, I was wondering if that is related to what is happening at the moment in Petrobras and what is rated to just your view on the fields? Thank you.

Manuel Ferreira De Oliveira, CEO

Okay. Thank you for the question. My job is to distribute the questions but I will take some for me if they are obviously of my competence.

See, in terms of unitization, we are in the middle of a complex negotiation is going on that goes from model in the reservoir to simulate development and development plans and then -- and the different taxation regimes that apply to Lula, to the old Lula to the south of Lula and to the area that is on by the PPSA.

So, the negotiations are going on. What we have is assumptions. I do not want, as Thore said, make a statement even about what our assumptions because it would not be -- it would not be reasonable to say so. But conceptually, we should neither gain, not lose, in this process. What we have, we might have a lower stake of a bigger pie because that's a fundamental of what unitization is all about.

There could be some time differences of value and these are the issues that are being discussed together with reservoir models and develop compliance. So, that's as far as unitization.

In terms of Carcará and Júpiter, we have assumed that we made this and because as you are not aware, Petrobas is not yet communicating to the market. Their new vision of their mid to long-term plans for the development of the pre-salt. We consulted and talked with Petrobras and they are in the process of doing it.

So, what we have is our own views on it and we have assumed, on average, we look project by project, that on average, a one year delay in the pre-salt projects.

Henri Patricot, UBS

Replicants?

Manuel Ferreira De Oliveira, CEO

On the replicants. Yes. That's what I'm -- on all the units that are being modified for, at least the new ones, the one that we manufactured abroad, they are assumed that we -- assumed that we are comfortable with that that will be delivered on time and probably that's a shorter ramp-up period that we are -- that we have had in the past.

So, that's I think -- that answer to your questions? That applies to Júpiter and Carcará so we are assuming what is the result of -- the question is what is the result of the difficulties of Petrobras versus reservoir issues.

Effectively, Carcará, the appraisal problem of Carcará has not yet been completed. We've got two appraisal wells this year and I think it was -- it will be only fair to incorporate their main development plans when these two appraisal wells are appraised. And what restricts the development of Carcará is the exit route for gas and we are working on towards this.

In Júpiter, we are going according to plans. We are completing appraisal this year as Thore referred to you and once that is over, we've got a development plan applicable to it. We'll [operate] Júpiter with the first -- with the first trial probably around 2019.

Brendan Warn, BMO Capital Markets

Just two questions focused on Mozambique and the Coral and Mamba projects, please, just in terms as an organization to support FID by 2015 and into 2016 for both of these projects, what do you need to see either different to your reference case to support an FID?

And just in terms of impact to Capex guidance, can you just give a breakdown on the E&P presanctioned split between those two projects and if there are any timing impacts placed?

Manuel Ferreira De Oliveira, CEO

I will leave the Capex question to Filipe. And as far as what needs to be done for FID is as we all are aware, these projects have a component of project finance particularly associated with the liquefaction of facilities both on offshore and onshore and they are linked to the closing of contracts of sales contracts and what we have to, all of that is going on. I don't think I can't see which more they need and when time comes, the FID is taken.

We, as we said, we expect within the next 12 months to have this FID decisions taken subject to the investment costs that are restored, referred, that are there bidders for the FLNG project preparing bids to be -- to deliver them soon in the next quarter or so and other three to the offshore -- to the onshore facilities. So, we better wait for the bids on the table. We then have the timing and the Capex [obligated] to it.

If Thore wants to add something, please do.

Thore E. Kristiansen, Executive Director E&P

Just to confirm on what Manuel is saying, I think the key focus for us now is really to work on the development Capex to get the unit costs as low as possible. That means that in this market environment where we are today, we also need to think outside of the box. This is no longer a $100 barrel world. We need to think about how do we make these type of products robust in a new world and a new commodity price environment.

That means stretching some of the historic thinking. That means of thinking in your ways, that means of testing fit for purpose solutions. And in this respect that the Galp Team is working quite actively now in order to come up with both concrete ideas and suggestions for how that can be lowered.

And as I said in my introduction, this might actually also be a time in the cycle where it can be quite interesting to invite for bids. As you know, many projects are now being delayed. Activity in this sector has come down. It will be very interesting now to see what will now be the bids coming in.

And I think the Galp Team is very well aligned on what we need first and foremost to do is to ensure that Galp is only supporting FIDs that are economically very robust and wider. That means that we need to work with a whole range of opportunities including what Manuel said and also the framework surrounding a product like this.

Filipe Silva, CFO

On Capex for Mozambique, in the plan we have about EUR1.4 billion. This is not front-loaded, so 17 becomes high. It's relatively subdued until then. 17, 18, 19 become quite heavy. And we are assuming four to five years of first gas post FID.

Oswald Clint, Sanford Bernstein

Maybe can I go back to the one-year delay that you've been in this morning, just really the rationale behind that why is one year the right number. Could it be longer? Is this a function of the shipyard capacity? Could there be further fallout from the corruption investigations in Brazil just in terms of that number?

And then secondly, just the deliver recovery factors and the resource increases. I guess, we always hear quite a bit about this program year after year. When can we start to see some results from each of those recovery factor increased plans that you've been talking about? Thank you.

Manuel Ferreira De Oliveira, CEO

Let me. Thank you for the questions.

As far as the one year, it is an average. You see we've looked unit by unit. We looked at the state of development and conditions on the subcontractors that are going on. This has been a deep exercise that our company did for itself.

And it is the level of uncertainty is still high. And we are fully confident that we are going to measure this and that we are conservative in saying that on average it's one year delay because I thought, in the present context, we better be conservative rather than ambitious, trying to end the promise and over deliver. That's the concept behind it.

Obviously, this is what we did from our own homework. We are waiting for Petrobras' statement on it. We'll be cooperating with them on building up their own opinion, and I hope this is confirmed very soon in more detail.

On the reserves and the resources that we referred, I'll pass the word to Thore. But the graph that we showed as I have the duty to know all the details of the graphs, it says that clearly for 1% increase in recovery factor we won't get another 200 million barrels of recovered oil so the project life. That's basically what the graph says. That is based on 2P reserves.

And effectively, if you do the sentence, we are in this statement through -- because we know now the reservoir much better than a year ago and that is an ongoing process. We are using the interval of recovery of resources for Lula/Iracema in barrels of oil equivalent. We use every partner who is used to be accepted the range of 8 billion to 12 billion barrels of recovery oil equivalent.

If you do the sums on the numbers that we presented now, we have narrowed it to 9 billion to 11 billion, so it's actually narrowing. And that is again between 2P plus 2C versus 3P plus 3C. So yet it represents simply a deeper knowledge of the reservoir and worst performance.

The recovery factor, I will give that word to Thore, but it's a thing that we will not have the image we'll say click. We've got now moving from 28% to 35%. That is a theme that is going to happen through time as we produce. But Thore can elaborate more on it.

Thore E. Kristiansen, Executive Director E&P

First a few words regarding the delays. I think it is fair to say that today this is our best judgment as of today when we look into totality of the development of the replicants in Brazil. And it goes and look at the main issues related with the local capacity to deliver according to plan that is capacity in the dimension also when it comes to what sort of financial resources there is on the different suppliers to deliver.

We have tried to analyse all the suppliers. Some are very visible and some is known in the market. Galp have tried to do a job with each single one of the suppliers that we are faced with, and this has been our best judgment today.

It is however an evolving matter. I think what the good news is that historically we have seen that Brazil and Petrobras has been, at the end of day, quite pragmatic when it comes to planning solutions -- planning solutions in a way that, for instance, [asphalts] has been built-in in China and then taking to Brazil in order to try mitigating actions. The same will be done now.

And I mentioned in my speech that the first path that we know we are looking for is different supplier for -- went to international tender. International tender went actually very well, and we got back bids that are qualitatively-wise good and also cost-wise has been good.

And I think if we can continue to apply the same type of pragmatism, if I may say, then I think one year is a quite good estimate. But it is early stage and that's why I think it is also fair to say that this is our best [iteration] as of today when it comes to do delays.

When it comes to recovery factor, this is -- I'd show you the examples from the North Sea and the Norwegian Continental Shelf. On average, 60% is targeted for oil recovery and [on fees]. We accept an internal ambition of 40% in Brazil.

This is what the reservoir departments will continue now to work with to bring the resources, which is already identified into reserves. And you have seen that our 2P reserves this year made a good step in the right direction, and this is going to be my expectations to the organization year by year. I know that we continue to mature, continue to derisk and bring resources into reserves because it's only when we've been able to bring them into reserves that it will be producible.

How will you see it? That over time you will see that we're going to be able to extend the plateau period for the installations. That is how you're going to see it, but this is too early. Right now, we have such a dense program of activity that now it is all about executing. And on the program we have the path when the units are starting to get closer to the decline phase, then it is going to be the job for the organization to make sure that we can extend and prolong the plateau periods.

Manuel Ferreira De Oliveira, CEO

I will complement. When I was a student in the Northern England we would say that my professor, which is still alive from Ireland, he used to say that we could not recover more than 18% of the oil in place in the North Sea. I'm talking about the mid-70's. And today, most on the fields have gone about 50%, so that's what technology brings. And we call it reserves that come through technology and not from the exploration.

Michael Alsford, Citigroup

Hello, it's Michael from Citi. Two questions please. A couple of clarification actually on the targets for upstream production growth.

You talk about obviously the revised expectations to 2020. Can you just confirm how big is Júpiter's pilot production project and what that contribution is to Galp in 2020? And just commenting on the comment that Filipe made regarding Mozambique, do you actually assume production for Mozambique in your 2020 guidance or is that actually pushed out into 2021 or '22?

And then finally just on your target threshold for upstream projects, what returns do you need to see in terms of IRR breakeven distinction in new projects and I guess, that refers to Mozambique. Thanks.

Manuel Ferreira De Oliveira, CEO

Referring to Júpiter, Júpiter we have confirmed the level of reserves that we made this year for the first time a DST in Júpiter if you so remember, which proved that the heavy oil in the bottom of reservoir flows up to the surface, which was a major result shift even with the temperature differential that exist between the well head and the top of the surface.

So we are basically now working on starting up as soon as possible what we call the pilot project for Júpiter, which is a commercial unit that has to be designed like the pilot project for Lula. And we are working on the design of that unit and then see when it can be put in place. In our business plan, it assumed to be in 2019.

There's two things that we have done this year in our business plan. We tried on the present context to be conservative. I want you to know that in all the numbers that you see, from the price of crude oil to the timing of putting reserves into production. That will be the common denominator of all the statements we have made so far.

Do you want to add anything else?

Thore E. Kristiansen, Executive Director E&P

I think from my point of view, I would highlight it is the [appraiser to pay in] that is the most important right now. We need to derisk this before we are -- if I may use such a word or selling the skin, so let's derisk it first. Let's focus on making sure that we have a robust concept before we are committing to the impact during the business plan period and the business plan period is 2015 down to 2019 is very, very marginal on all of these fields and that is not where we will deliver our growth in this period.

That's why as I said in my speech I think the growth that we're promising you is very robust because it's basically all based on sanction fields.

Manuel Ferreira De Oliveira, CEO

I would complement and Filipe will help us is the following.

The present context where we see low prices of oil, and we don't know for how long they will be at the levels that we had. Our base plan takes the crude oil price up to $80 a barrel in 2019. That's what it is in our basic assumptions.

But what we wanted to ensure is that in that scenario we'll not incorporate a production that might not be there because it would not be. I would say we wanted to test the business plan for lower production and low prices of oil, and that's the one we shared with you to ensure that we can cross this period with the balance sheet as robust as we are committed to.

Filipe, can you complement what I said please?

Filipe Silva, CFO

I don't think the boards of any oil and gas company will think materially different from each other. So we all know what our cost of capital is and new project, new geography, new IRRs have to be double-digit. So we're not giving you any guidance. That's part of the ongoing discussions.

And on Mozambique, we need to receive the bids. That's going to be a major data points we will get. Galp wants to have a double-digit return on the project.

Now, Mozambique is a highly scalable project. We also want to take a view on if train number one is not as profitable, what will train number three and four and five will do. So it has to be seen across the lifecycle of the project.

Manuel Ferreira De Oliveira, CEO

And I will complement. The first trains will have the infrastructure associated from the shanties, boards, tanks, storage so they can now mix on the first train. We should not expect to be similar to the ones that follow the one that follow.

Lydia Rainforth, from Barclays Capital

Two questions. One, when you mentioned on you were looking at selling non-core assets as you've said, is that dependent on the oil price? So if you stay at $55 a barrel, you will want to accelerate some of those sales or is it something you will do regardless.

And then a bigger picture question I have for Manuel. What happens when you get towards such as 2017, 2018 and you become free cash flow positive at that stage? What is the priority for the use of that cash? Is it then re-ramping up the exploration events or is it actually further returns to shareholders?

Manuel Ferreira De Oliveira, CEO

I'll take the second and pass the first to Filipe.

So, when we get to free cash flow positive and if you see the derivative is very high, so once we get that point, it is an increasing free cash flow profit. Now if you see the different simulations, particularly if the core oil price goes back to the $90 to $100 a barrel, which we not assume, by the way, what we'll do, well, I think there are two scenarios.

Basically we will reenter proactively the exploration activities is base case because we really believe that is a good way to create value. In the meantime, we are developing human capital and the technology to be good explorers.

But an alternative and complementing to it, I think it's fair to the shareholders that we increase our dividend to the standards [heels] of the industry. We exceed a reasonable objective that we can -- so it's ensuring that our dividend held is aligned with our peers and then applying cash flow to further exploration.

What we are not considering is major acquisitions. We have never done that, and it is not in our plans to do so. It's trying to beat for acreage where acreage is available with high geological potential and then create value from there onwards.

Thore E. Kristiansen, Executive Director E&P

And if I may add before Filipe, so please do not take away from this that we are not filling the exploration part at this stage. We continue now to look for opportunities, but we do it in a way where the Capex spend is not coming in significant size within the period where we are not having as much free cash flow as we would like to have. So we are continuously hunting for opportunities, and we are in many interesting places as we speak looking for possibilities to backfill our pipeline so that when this opportunity comes then we don't have the products available as well, not that we don't have the structure offering.

Filipe Silva, CFO

Lydia, I think the wording I chose was we don't see any pressing need at this stage to do any significant portfolio management.

We have given you today updated numbers since -- not December 31st, but new numbers as of today. And you see how that is actually done even if we were planning to have significant negative free cash flows this year and next. So we don't see any need to do it, so we are ready to do it and in the scenario we presented, which was if price continues down and somehow refining margins collapse, then we will take that decision. At this stage, we're in a very good place.

Haythem Rashed, Morgan Stanley

Thank you. Good afternoon. It's Haythem Rashed from Morgan Stanley. Two questions please from my side. Firstly, just to come back to Brazil and some of the comments you made around targeting a low number of days drilling and completion, negotiating your re-contracts and your (inaudible) and all potential options that can obviously improve the cost and the profitability of that project, how much of that is baked into your free cash flow guidance and the guidance you've given us today given that it's just a substantial part of costing in Brazil.

And my second question is just a quick one on the gearing, at the $60 kind of low-case scenario, where do you see now debt-to-EBITDA sort of how much high do you see debt-to-EBITDA taking in 2016 relative to that 2020 you talked about? Thanks.

Manuel Ferreira De Oliveira, CEO

The first one, I leave the optimism to, this time not for me but for Thore. In our numbers, we are considering that old potential production in Capex due to optimization that's still very important.

Thore will complement my answer. As far as the second one, Filipe will take care of it.

Thore E. Kristiansen, Executive Director E&P

So, off the improvement, you saw there was a 21% improvement from last year to this year. And then we have a target that is now 125 days for the drilling and completion at the time on average. We have not baked that into our plans yet. We have put that as a target that we will see as a real possible upside.

And then when it comes to the renewed rig rates, we have not anticipated that yet in the budget. We are out, as we speak, tendering and, as I said, expect the significant improvement. But I would like to have the bird in the hand before I book it.

Manuel Ferreira De Oliveira, CEO

Usually the numbers in terms of drilling times and the daily rate for the [rigs] that are in our business plan this year are equal to last year, so we are not incorporating materially any improvements in our forecasts.

Again, this is productions against low production scenarios. We cannot yield to the shareholders that are hearing us. We want them to perceive that in the middle of this turmoil we cannot do anything else but being conservative. This is the message that we are not working for that, and Thore was unequivocally clear, demonstrated that the impact of reducing the drilling time, the completion and drilling time as well as the impact of oversupply of ultra-deep offshore rigs at this stage, reducing the daily rates.

You want to add something?

Filipe Silva, CFO

Yes, just to confirm on the plan very little, I mean, it's all upside from what we have presented from drilling time and services providers.

On the two times debt-to-EBITDA where it is at risk at $60 flat, again this depends on how much we believe on the stabilizing factors with refining. What we are assuming is that as Brent goes up to $80, the refining margins go down. We've seen pretty much what the correlation is.

And for the next two years, 2015 and 2016, this is where it matters to us. After 2016, we are so much below two times debt-to-EBITDA that it doesn't matter. So in 2015 and 2016, the E&P production is still quite limited on average and refining remains a very large component. So if we manage to continue to capture and if we look at the first three months of this year, in refining more than the energy savings in the refineries from the lower brands, then it should have no impact on our debt-to-EBITDA ratios.

Manuel Ferreira De Oliveira, CEO

You've seen our results in the last Q and you see how refining managed to compensate generously the decline in crude oil prices. I hope the first Q will not be much different than it.

Filipe Rosa, BESI

Good morning, everyone. I would like to make two questions please. The first one relates to all these turmoil in the Brazilian industry that is supplying the oil industry. Do you think that in some way this could jeopardize your local content thresholds that you need to meet and now? I know that they are very low in your case, but do you think that with all this turmoil that could be an issue for you and whether this could lead to further delays.

My second question relates -- this is my personal feeling. It sounds like you are much more cautious in terms of the future development of Carcará, Júpiter and even Iara because your target production for 2020 includes very little contribution from these three projects.

Could you, I don't know, give us -- I know that someone asked a similar question, but I still didn't understand what is your conviction in these projects because apparently we don't see any sort of production after 2020 coming from projects that in previous Capital Markets Day you sounded very positive on their development. Thank you.

Manuel Ferreira De Oliveira, CEO

My view is that both the suppliers and Petrobras will come out of this context stronger than before because some suppliers will disappear and the ones that will survive will be stronger in the off-year. And as far as Petrobras, I have no doubt whatsoever that we'll have a much better Petrobras when all these process is completed, which as far as I understand will not be very far away at that time.

So at this stage, making an assessment of what is the impact of the difficulties of Petrobras and into the projects obviously is a very difficult exercise. We try to be conservative in that context.

As far as the Carcará, Júpiter, Iara, what I want you to know unequivocally is that there is no reservoir information that we got throughout the year, otherwise, we would have communicated this simultaneously to the market if that happen, neither from the reserves arbiters on the characteristics and the reserves and the resources of these fields. So timing is affected by what's going on and by the appraisal program that we are considering. But I'll let Thore complement my answer.

Thore E. Kristiansen, Executive Director E&P

When it comes to local content you know that for Lula/Iracema, the local content requirement is 30%. That does seems to be jeopardized and in danger for what is known -- right now going on with the current -- the current view. Let's see how dramatic action needs to be taken. That might change that this year but it seems to be quite robust for the time being.

For the other projects, there's higher demand for local content. That might then be an issue. I hope that we will continue to see the same level of pragmatism in Brazil that we're seeing in other cases as well and then we will then find good solutions both for Brazil and for the companies involved.

When it comes to the fields, I think it's important to leave you with a message that when it comes to Iara, Iara East and West, they are now going ahead full steam in order to find development solutions and that is the development solution that is now being worked hard on coming off with the plans that are created [in Iara], and that has been communicated.

The initial view is that this will be developed with three FPSOs. That is being worked on now, and as I said in my speech, the development plan is being -- is the next thing that is now on the table and it's being worked with all the partners.

When it comes to Iara Central, I think we need to be very realistic about that yes, there is on one hand a lot of research in place, on the other hand, this is a very tight and reservoir which is tough to produce oil. And there, we need further appraisal in order to be able to understand, you know, what will be the best development solutions.

The two other fields in Carcará and Júpiter, as I said in my speech, these are world-class fields when it comes to when we think about the resources that are present. But they are technically challenging.

So I am convinced that they will be developed but there's this question of timing, what is the right time to do. And with the opportunity set we have, and as I said, at least 10 FPSOs that we need in order just to develop Lula and Iracema.

I think it's also right and correct to focus where we can be the -- I believe that we are doing the best value pricing right now and then we're spending some more time to get more robust development solutions for, for instance, Carcará and Júpiter, but I'm sure they will come.

Manuel Ferreira De Oliveira, CEO

If you think Iara, Iara, we have a great commerciality recently on Iara. The POD is not yet been submitted. It's being worked up. We are now looking at the Greater Iara not at Iara, the coalition of Iara-BM-S-11. You know that Iara will have the replicants and we have assumed in our business plan that this was the previous one that is replicants will be one year wait.

Thomas Adolff, Credit Suisse

Two questions, one on unitizations and one on the 3C contingent base. Unitization in Brazil is quite complex because you have, you know, different fiscal terms, different local content, different contract durations and you have to go for unitization on Luna South, Iara, Carcará and Júpiter.

And just specific to your production guidance, last year you used to say working interest production should be around 250 kbopd by 2020. Now, the guidance is less than 200 kbd. And I know you don't want to specifically talk about it field by field but how much of the decline is related to unitization or the delay in monetizing the resource by 2020?

Second question I guess is you've given us a nice table on 1P, 2P, 3P and the contingent resource base. And I just wanted to get a better sense for the decline in the 3C because it looks a little bigger than what I would have expected. What was the driver here? Thank you.

Manuel Ferreira De Oliveira, CEO

Unitization and I'll leave the questions on reserves to Thore, and let me tell you that the unitization issues are all over -- all over the pre-salt basin. We -- the pilot case is that Lula-Iracema field. So we will be working that pilot case.

So in terms of the complexity of negotiating the unitization agreements, those are being discussed because as you have clearly said, there are different taxation regimes, different -- different local content requirements and all of that.

And those -- that model is being put together. Everybody [has to rig] on it. And we -- I would say that the parties involved including the state-owned company are reasonable. So all of us are looking for a structure of the contracts and mobile that will be neutral in terms of all the different parties involved. That's the objective of what is being discussed.

As far as the volumes, I will pass it to Thore.

Thore E. Kristiansen, Executive Director E&P

Just a few comments on the unitization first, you know, it's complex but it is a question of just modeling. And actually, they already identified there is clear regimes for the different -- a few different things and you model it and you negotiate.

What is -- what is really the -- where the big debate is standing between the parties is when the countries already discussing what are really the sort of the principles of how you're doing this type of unitizations.

And where -- what we have concluded for Lula in this respect is that we will be using the oil in place as a factor. That is the basis for doing the negotiation and that is quite often a very challenging debate to have among the parties.

You would know from my own country that that was a big debate between the different parties because some will argue that it should be done on economic value so others will base on volumes in place.

We have concluded the volumes in place as the basis for doing the unitization. Now, it is the question of then finalizing the agreements and as Manuel says, the -- there seems to be reasonable willingness among the parties to find solutions and we're working towards that.

Thomas Adolff, Credit Suisse

What's the impact?

Thore E. Kristiansen, Executive Director E&P

No, we will not disclose that. You know, we are in negotiations right now and that's why as I said in my speech that I hope for your understanding that we cannot be specific as we have not closed the negotiation. When we have closed the negotiation, we will, of course, share with you the specific impact this have on the -- on the production and spend on the side of Galp.

When it comes to -- when it comes to contingent resources versus reserves, I hope that that is really what you are expecting of us. What we continue to do and one of the most important thing we do as an organization right now is to move resources into reserves and that -- that is really where you see that we are now reducing the contingent resources and are increasing on reserves.

And last year, there were two major impacts that sort of moved the numbers as close as this one on Lula-Iracema which where we move contingent resources into reserves and it was the fact that we FID'ed Block 32 which also moved on contingent resources into reserves.

And that is what I hope that you would like to see from us because that means that we are taking significant steps towards being able to monetize the resources.

Resources -- resources is characterized by the fact that there is contingencies either related to technical or commercial contingencies or both. And it is all about, you know, the moving of these contingencies so it can be classified -- or reclassified these resources into reserves. And by doing that, we move them closer to being able to produce them.

Manuel Ferreira De Oliveira, CEO

But see for instance that we don't have reserves from the Rovuma basin in Mozambique. It's still contingent resources because no FID has been taken.

Thomas Adolff, Credit Suisse

The contingent resource decline is much bigger than the reserve bookings, so I just wanted to get better sense for, is it because you lowered your assumption on Iara or what is it?

Thore E. Kristiansen, Executive Director E&P

There is -- there is a continuous uptake on the portfolio and the portfolio's ability to do -- to do that. And that is what pricing competence is all about, that is the de-risking, you're becoming wiser and get more insight into the field and the producibility of the field and the -- then we will disclosure this on a -- on a portfolio basis but we will not go down on the field by field basis to do -- to do this.

Matt Lofting, Nomura

First question, please, just coming back to the replicant FPSOs and your comments there, it was acknowledging that there's still a sort of formal update awaited from Petrobras. Can you just clarify the extent of consultation has been with those partners and how aligned both Petrobras and BG with the 12-month delay that you've highlighted on those vessels?

And then secondly, just on the tax rate, if you could just talk us through how do you see that evolving now into the base case scenarios. I think you've talked -- previously talked about the group, right, going to about 50% in 2017 and 2018. Thanks.

Manuel Ferreira De Oliveira, CEO

Let me tell you that when we [inform] both of our parties because both BG and Petrobras of the statement that we are making, we need our own deletions and we visit the different projects, we've talked with the contractors, subcontractors and we made that statement is not -- is not an absolute statement, is our interpretation of reality as we see it.

None of the parties disagreed significantly with it. We would not expect exactly the same view as we have because it's our interpretation of what's going on rather than sharing objective information. We think our view is conservative.

And the second question was -- or that issue I think Filipe will take that?

Filipe Silva, CFO

We're not changing the guidance. We started in the mid-30s and we have three FPSOs coming in short sequence over the next six to 18 months or so. And so the Brazil E&P production will go up significantly so it goes up to the mid-40s, and long term, we're still getting you to 50% at group level on average tax rate.

Thore E. Kristiansen, Executive Director E&P

And if I may add, when it comes to the replicants and the -- and the parties, you will notice on the slide that we showed with slide 44, there is small asterisk on that where we basically -- where we say that this -- the view of one year delay, that is not officially the operator's view. This is a Galp internal, so I think it's important to underline that as well that this is our own estimate on what is the situation right now.

Hamish Clegg, Bank of America Merrill Lynch

Two quite different questions. First of all, thanks for giving us the guidance on your technical costs especially including your lifting and the DD&A, sort of the evolution of that downwards from 27 to 22 bucks a barrel.

Could you maybe allude a little bit if we can expect that trajectory to be on a cash flow basis to Capex per barrel so the -- finding its way towards $22 per barrel and what's the sort of timing on that?

And then my second question is in refining marketing, you've guided us the $3 a barrel for 2015, that's more or less in line or slightly below than what we saw for the full-year realization in 2014. We saw some pretty varied refining economics last year obviously with the change in the oil price.

That implies that you potentially don't think the strength at the end of last year and the beginning of last year will continue throughout the year. Could you maybe comment on the sustainability of Q1's already very high refining margins?

Manuel Ferreira De Oliveira, CEO

Thank you. Well, I'll take the second one and then I'll pass to Filipe for the first one on the cost competence that he shared with all of you.

And so today, this year, the refinery margins are very -- are going -- you see and follow them every day, they are very good. So we keep the fingers crossed. But the fundamentals -- the fundamentals of the -- of the European refining industry are not solved. That's our view.

So when you look going forward particularly as we see the price of oil going up to $80 a barrel, this is our scenario. Base scenario, we see a decline in refinery margins in relative terms. So we are not over optimistic on it.

On the short term, while that -- while that it lasts, we celebrate, you know, that's what we do and you will see that in our results. It's the second question.

Filipe Silva, CFO

On technical costs, what we have attempted to do is one, look at the pure marginal cost of reduction as if you have no legacy decision. So -- and what does it cost to produce one barrel this afternoon, so below six.

Now, as we sanction more and more projects, we look at, you know, what does it take, you know, if it start from today, and 22 is a very good proxy of what a project in our overall portfolio, 22 is overall portfolio, it's still a bit of Angola in 2019 given if this is diluted over time, but 22 is a very good proxy. And within the 22, you know, FPSO running cost and amortization of capex of all the subsea equipment is built in.

Tax is very important so on top of this, if Brent goes back to, say, 100s, royalties are 10% so you have 10 of royalties and SPT in Lula/Iracema will drop to up to 40% tax rate and you apply 40% on something like an EBIT number. If Brent stays at, say, 60 then taxation comes very materially down.

Manuel Ferreira De Oliveira, CEO

You'll see we have -- I have privileged information because I've seen screen that year-to-date, the benchmark in refinery margins of Galp had about $5 a barrel. So that is something that we would never even dream a year ago.

And that is -- that is what -- these are benchmark refinery margins as we can see and this is what balance is, that neutralizes hopefully the sharp decline in oil prices. Okay?

Hamish Clegg, Bank of America Merrill Lynch

That $22 [we know to break that] to translate into Capex [of our] long term.

Manuel Ferreira De Oliveira, CEO

Capex and Opex.

Marc Kofler, Jefferies

Thanks for I guess what is quite a frank update on Brazil and certainly a lot of detail around -- especially some of the physical sides to the delivery of some of the future projects around special local content and supplier risk there.

I was just wondering if your updated views and guidance and I appreciate they are -- that your views are not Petrobras is, are you being consistent in terms of the conservative approach you're taking from the perspective of the administrative and, if you like, the actual ability within Petrobras to take big decisions around the pre-salt delivery as well as estimating that risk around the local contractors?

And I supposed sort of specifically, you know, how much confidence do you have in the timing around the submission of that kind of development for Greater Iara this year? You know, is there a risk behind the scenes as well as the local contractors?

Manuel Ferreira De Oliveira, CEO

In terms of the -- of the decision-making ability of Petrobras, in the ongoing projects, we see no signal on limitations on that -- of that -- of that decision-making ability.

The issues that they are facing now, bigger problems, you know, they have to solve them but it's not -- it's -- they are not limited on decision-making in the decision-making process.

The effect that some of these suppliers are going bankrupt is not in any part of the world an easy job to tackle. But what it has -- is my view and our view is that Petrobras is tackling them very professionally. We and partners are totally aligned with Petrobras in the measures that they are taking.

And as Thore referred to the case of one part of -- of the [vessel] that collapsed recently, the way it was solved I think was fast, efficient and probably when the outcome is completed, will be a positive surprise for every market. That will be an indication of further problems that will stay arise will resolve.

As far as the local content, we've talked a lot about it but the local content is an obligation throughout that project life of the concession. So not in a specific moment, we don't get for the specific project to have a specific local content level.

And by the way, in the concessions that we are in that come from -- were originated into 1999, 2000, 2001, are the local content requirements are relatively lower, is about 30%. So that gives us all the flexibility to move investments outside or inside according to the convenience and the possibility of doing it.

All right. I don't think if any of my colleagues want to -- thank you.

Pedro Dias, Head of Strategy and Investor Relations

We'll conclude now for the Q&A. Thank you very much. And Manuel will make the last remarks. Thank you.

Manuel Ferreira De Oliveira, CEO

You've seen -- you've seen that our safety -- I think we have the -- that one slide to share with you, I think it's not there. What -- I don't know whether I have to do something to get it.

Okay. So what I -- what I -- it's not -- I cannot see it. What I'm saying is extremely simple by now, you know. It is -- it is the first -- first of all, I want to thank you for being with us. I promise that we will finish at 12, it's 12.15, so it will not last longer.

But there are other few things that I want you to take home. One is remembering that we have redesigned the business trend for a very -- for -- conservative in our view crude oil price scenario. So we will be assuming $55 a barrel this year. We are now around $60, of course, $65 for next year, $70 for 20017, $75 2018 and $80 for 2019, so what it seems to be a conservative price scenario that affects on all our projections.

We are not on the -- on the other hand assuming that our refinery margins are going to be as generous as they are today. We are assuming that because of the context in Europe that is a transient assumption, transient reality.

We -- and all of that made -- we tested our business plan against this scenario to ensure that financially, we'll be -- we'll be robust through the project life that we are talking about. So that's the tone of everything we shared with you.

What I want you to know is independently of what we've said, we are executing the projects efficiently, the Capex natural will be -- the present prices will bring down Capex without bringing in the same down -- in the same proportion bringing down -- bringing down activities so it's not proportional.

We see a reduction in Capex of EUR1.5 billion throughout the project life throughout the business plan and that does represent necessarily that the activities will be done by the same proportion.

We -- so if you think the existing projects is our first priority and we'll be working as hard as we can to achieve -- to [enhance] production message. We can -- and our partners are totally aligned with us. There is no from Petrobras to BG and other partners that we are -- in Brazil, everybody is on it.

And the second point I want you to take home is that we are focusing on looking at resources and moving them into reserves and that basically is taking the final investment decision. So when we have completed the appraisal programs that are going on in Carcará, in P2, in Block 32 in Angola, the engineering that's going on in Mozambique, what we want is to unlock these reserves as fast as we can to bring them -- to bring them to production. So the definitive targets will come out when that phase of the appraisal is completed.

We will be focusing, we and our partners, on Opex cost. Everybody expects -- expect the industry to do that. Our service -- our supplier service -- the suppliers of our industry are all prepared to face that challenge -- that challenge and that is the contribution that the industry is doing for the rebalancing of the supply and demand.

The key note that I want to address is that the Company has looked forward going through these difficulty in moment where we are ramping up our production at the very high rate and we did not want to sacrifice our balance sheet and that has been really [persuasive] and make it extremely clear.

So we -- those messages, if we add to that our commitment to keep strengthening our human capital competence to ensure that we enter into the next decade with good human capital to face the growth that we face that we will have in that decade, I think -- I think these are the expectations that we have.

So thank you for being with us. Take these messages home. Execution of existing projects, de-risking resources, Capex, platform Capex with high contingency and efficiency of Opex and in the robust financial positions. These are the basic massages I want you to take home.

And thank you for being with us and for the good questions that you addressed to us. Thank you very much indeed.