

Tiago Villas-Boas, Head of Investor Relations

Good morning ladies and gentlemen and welcome to Galp Energia's first quarter of 2014 results conference call.

Joining me today is our CEO, Manuel Ferreira De Oliveira, and our CFO, Filipe Silva. Manuel will begin with our strategy execution update, and Filipe will then provide an overview of our first quarter results. In the end, we will be as usual available for a brief Q&A session.

Please keep in mind that we will be making several forward-looking statements, including about our estimates, plans and expectations. Actual results and outcomes may differ materially due to factors which are presented on the disclaimer shown at the beginning of our presentation.

As you probably know, I will be taking new responsibilities, from May first. I will face a very exciting new challenge as CFO of the upstream business at Galp. Firstly, I would like to thank you all for your support, trust and interest during these last almost eight years, since the IPO. I will clearly miss our daily contact. It was really a pleasure working with you all.

A word to our management team and in particular to my good friend Manuel, for their trust and full support on my work. I must also mention my colleagues in the different units at Galp, who were always very supportive and very helpful. And now a special thanks to my team, they were and they are, simply exceptional!

We worked very hard but we also had a lot of fun and that only happens when you work with great people. I can say that I had that luck.

To finish, I would like to wish them and the new comers Pedro and Otelo a very successful new journey ahead.

Now to Manuel.

Manuel Ferreira De Oliveira, Chief Executive Officer

Thank you Tiago, and good morning to you all.

Following our Capital Markets Day back in March, today we will share with you only a short update on the execution of our main projects.

Let me start with an update on our Lula/Iracema project, summarized in slides 6 and 7.

Production by our second permanent FPSO in the Lula field, Cidade de Paraty, is ramping up according to plan, and should reach full capacity in the fourth quarter this year. This is eighteen months since its start up, and in line with the initial expectations.

In the first quarter, we have concluded the installation of the first Buoyancy Supported Risers system. We have already connected two producer wells to the buoy, during that period, and these wells will be now connected to the FPSO, one connected in May and another in June. By the end of the second quarter we will have three permanent production wells producing at FPSO Cidade de Paraty.

Regarding the second BSR, it is already on site and it is currently being installed. The buoy is already submerged at 250 metres and its installation is expected to be concluded during the second quarter.

Let me also inform you that the connection of the FPSO to the gas export pipeline was completed in the first quarter, and that gas export will start from Cidade de Paraty in May.

Looking forward to the end of the year, we expect a faster ramp-up of production over the next couple of quarters. In the third quarter alone, we will have another three wells being connected to the FPSO, including the one producer that was disconnected in March.

By the end of the year, we will have two FPSO fully operating in the Lula field, and a third one, Cidade de Mangaratiba, starting operations. The installation of the topsides in Cidade Mangaratiba is ongoing at the Brasfels shipyard in Brazil, with the execution rate currently above 90%, well on time for the scheduled start-up.

The drilling of development wells prior to the arrival of the FPSO is one of the consortium main strategies to accelerate the ramp up of each FPSO. The base case for the third unit assumes a ramp up period of eighteen months. However considering that we have already drilled more than half of the wells planned for the area, both producers and injectors, that scenario might end up being conservative. In addition, all these wells will be connected through flexible risers, and consequently, we don't anticipate any operational challenge during its connection.

Still on the Lula project, I want to let you know that in the first quarter we have obtained licenses from IBAMA, the environmental agency of Brasil, for the installation of the Lula-Cabiúnas gas pipeline. As such, we can now start the installation of this second gas pipeline during the second quarter and consequently we expect this important pipeline to be operational in 2015.

Moving to Iara, on slide number eight, we are proceeding with appraisal activities, which are key to reduce the uncertainty of its development plan. In the first quarter of 2014, we started to drill the first RDA (reservoir data acquisition) well, to increase knowledge about the reservoir. We are now planning to start the first Extended Well Test in Iara, by June. This will take place in the Iara West-2 well. Appraisal and pre-

development activities this year will be key for us to assess the potential for additional FPSO units to be allocated in the field. I remind you that we are assuming two FPSOs and first oil in 2017. We expect to submit to ANP by the end of the year the lara development plan and to request its declaration of commerciality.

Just to conclude on the Santos basin, in BM-S-24 or Júpiter we are planning two appraisal wells and two production tests for the second half of this year. In Carcará, Block BM-S-8, we plan to drill the extension well before the end of the year, with results expected in early 2015. Due to the reservoir pressure we already contracted the required MPD equipment for the designated rig.

Now, let me move to Angola. As you know, most of the producing fields in block 14 are in a mature stage, but our portfolio still holds production upside from future developments.

We have recently announced the FID for the Kaombo project in Block 32, to develop six of the twelve discoveries made in the block. This is a project to produce, during the project life of 20 years, about 650 million barrels. Two FPSOs will be installed for the project, with a combined 230 barrels per day of capacity, with first oil expected in 2017 and peak oil in 2019.

Now let me refer to the exploration drilling campaign ahead of us. Starting in Mozambique we are about to finish the drilling of the second Agulha well. The goal is to appraise the wet gas discovery in the south part of Area 4. In addition, during the second quarter we will spud the exploration well named Dugongo, to better understand the resource potential of that part of the block. Pending on the results, we could drill another exploration well by the end of the year. In the meantime in Mozambique, we are very busy with our partners at Area 4 to work on all fronts in order to be able to make the final investment decision on the LNG project on time to have first LNG by 2019. We are positive about this target.

Moving to Morocco, we have identified several prospects in the Jurassic interval, which have potential for light oil. We should start drilling our first well in June. This will be the first well offshore operated by Galp. Our technical team has been preparing for this, and we have already contracted a jack-up rig to spud the well according to schedule.

To conclude on exploration, and back to Brazil, I would like to refer Pitú, which was the first discovery in the ultradeep Potiguar basin and a real new play opener. We and our partners concluded the DST in the first quarter, which revealed good reservoir quality both in terms of porosity and permeability, which is crucial for the potential commerciality of the field. We are currently working in the evaluation plan for the area, where we've already identified several prospects; this evaluation plan will be submitted for approval to ANP during May.

Overall, as we highlighted in our Capital Markets Day, we are focused on monetising our discovered resources, bringing them to production on time and on budget. Additionally we continue to work on unlocking upside, mainly from appraisal, but also from exploration activities.

Now, let me turn to our downstream and gas activities.

First, I must address the refining environment. We are going through a very harsh environment in the European refining industry as a consequence of excess capacity in the region. A still sluggish demand and increased supply from competitive Asian and US refineries continue to aggravate the current situation. And although we have now a complex and competitive refining system, we are not immune to this structural imbalance. I want to tell you that we are committed to improve the efficiency of our business and continuously evaluate options to increase the return of our refining activity, based on several mid/long-term scenarios for the industry. In the meanwhile we are working hard to improve the integration between refining and marketing activities to maximize the value along the chain.

Regarding the marketing activities we continue to be cautiously optimistic. We are now convinced that after a cumulative decline in demand of about 30%, the demand inflection point in Iberia has already been reached, as is evidenced by slide nº 12. So we are cautious but slightly optimistic in marketing and concerned about the evolution on the refining margins.

As for the Gas & Power business, we continue to leverage the favourable dynamics of Asian and Latin American LNG markets. I remind you that we are sustaining our presence in the LNG international market, within a challenging environment in Iberia. This is possible because of our flexible sourcing mix, including our long-term supply contracts, and access to new supply sources. We are taking actions to ensure that the results we are presenting today are sustainable at least for the forthcoming few years.

And now, to elaborate on the first quarter results, I will pass the floor to Filipe. Thank you.

Filipe Silva, Chief Financial Officer

Thank you Manuel. Good morning.

If you are with me on slide 15 - the P&L - you will see that Group Ebitda was up 5% YoY, to 265 million euros, despite lower brent prices, much lower refining margins, and the US dollar depreciation. Our consolidated operating performance improved on the back of increased E&P production and strong gas sales.

E&P Ebitda reached 104 million euros, up 14% from the previous year, mainly driven by the increase in net entitlement production. The higher realised sale price per barrel compared to the first quarter of last year is due to the 7 million dollar under-invoicing which we had flagged at the end of Q1 last year, and also a better oil/gas mix.

Production this last quarter was a bit higher than what we had guided you to, with Brazil up 45% YoY and accounting for 70% of total production. This was driven by the start-up of FPSO 2 (Cidade de Paraty), which had two producing wells during most of the quarter, and by the operation of the two Extended Well Tests during the full quarter.

In the first quarter, production costs per barrel increased on the back of costs related to the ramping up of FPSO Cidade de Paraty and the operation of the two EWTs.

Refining & Marketing Ebitda was down 37%, to 36 million euros, mostly due to the weak refining environment.

Besides low refining margins sector-wise, part of our Matosinhos refinery was shut for a few days given the harsh weather conditions which affected the harbour logistics this winter, and the Sines refinery was shut since the beginning of March for planned maintenance. This increases costs, and impacts the level of crude processed, leading to much lower dilution of operating costs, hence higher cash costs per barrel, which hit 3.6 dollars last quarter. These were obviously not covered by the refining margin of just 1.1 dollars per barrel in the period.

The contribution of the marketing business in Portugal and Spain was stable YoY and benefited from optimisation measures which we have implemented, leading to lower operating costs. Volumes in this last quarter were impacted by lower bunker and chemical volumes given production restrictions in our refineries, and last year Easter fell entirely during Q1. In addition, we have enhanced credit discipline for some of our wholesale clients, with some effect on volumes sold.

Gas & Power Ebitda was up 17% YoY to 122 million euros in the quarter, with a good performance from our infrastructure businesses and higher trading volumes of LNG.

Group wise, the Ebit in the first quarter was down 12% YoY to 130 million euros, this is mostly impacted by higher depreciation charges in refining, as the hydrocracking complex started to be depreciated only in the second quarter of last year. We also started to amortize some of the investments related to the Cidade de Paraty FPSO.

Below the Ebit line, financial costs were impacted by interest costs related to the upgrade project which are being expended only since the second quarter of last year. This has an impact of around fifteen million euros. Taxes are up YoY, as earnings from E&P gain relevance within Group's results. This was due not only to higher pre-tax earnings in Brazil, which have a higher marginal tax rate and the SPT component, but also due to the fact that we had bad pre-tax results in Refining & Marketing.

Concluding with the P&L, the net profit was 47 million euros in the quarter.

Moving to our balance sheet on slide 16, our working capital in the period was worse by about 111 million euros, as a consequence of the general outage at our Sines refinery. This led our inventory and supplier lines to have a number of one-off variations which should revert to normal during next month.

The fixed and long term assets line was up 131 million euros in the quarter, driven by capex in the period, although partially offset by impairment charges, namely related to the relinquishment of the Biguá area in BM-S-8, and which accounted for about twelve million euros.

Net debt was 2.3 billion euros as of March 31, or 1.5 billion considering the outstanding loan to Sinopec, leading to a gearing of about 1.3 times Ebitda.

Capex on page 17 amounted to 197 million euros, around 90 per cent of which was allocated to E&P and mainly to the development activities in Lula, including development wells and the manufacturing of FPSOs. The exploration and appraisal capex accounted for around 35% of E&P capex and was mainly channelled to the Pitú well in Potiguar and to the drilling of Agulha 2 in Mozambique.

On slide 18, you will see that at the end of the first quarter the average life of our debt was 3.4 years, with half of the gross debt expected to be reimbursed only from 2018 onwards. We have a comfortable level of liquidity of about 3.3 billion euros, of which 1.2 billion euros in cash, 840 million euro loan to Sinopec and 1.3 billion in unused credit lines.

And now for the the usual guidance for the upcoming quarter.

We expect to produce about 26 thousand boes per day during the second quarter, impacted by the end of the two extended well tests, which were onstream during the entire first quarter.

The refining business will still be impacted by the Sines refinery maintenance period. Oil volumes on the other hand, are expected to be up, as we should continue to see some slow recovery in oil demand in Iberia.

Regarding natural gas volumes, these should be down quarter-on-quarter, as we had a seasonally strong demand in the residential segment during the first months of the year. LNG should continue to support volumes, although at this stage we don't anticipate it to be as strong a quarter as the first.

And with this, I conclude our presentation for the day. We are now available for Q&A. Thank you.

Questions & Answers Session

Mehdi Ennebati, Societe Generale

Hi. Good morning all, or good afternoon. First, I just would like to thank Tiago for his very precious help on these last years and wish him good luck in his new position, and I will ask you two questions. The first one regarding the downstream. Could you tell us if your utilisation rate in Q2 should be in line with Q1, meaning around 60% or below this level or even above, and given gasoline cracks improved quite a lot since the beginning of April, just wanted to know if your FCC unit was producing in April or not at all. And the second question regards the capex. In Q1 you've spent only 14% of your full year 2014 capex guidance, which seems to be quite a low level. So, I wanted to know if we should see an acceleration of capital spending for Q2? Or if you are a bit late regarding your capex schedule, as into 2013, and then you might slightly decrease your capex guidance into 2014? Thank you.

Manuel Ferreira De Oliveira, CEO

Thank you Mehdi for your two questions. Let me take the first one, the downstream utilisation rate. As Filipe referred to our Sines refinery was not working, as we have a maintenance outage starting in the mid of March and it will be starting up operations in the beginning of next month. So, within two or three days. So, during that period obviously we have about 15 days without production in Sines, which affects the average utilisation rate in the quarter. Additionally, during January and February, particularly, the Matosinhos refinery was constrained by weather, basically related with the ability to discharge the crude carriers. So, we expect to come back to normality within a couple of days, with the FCC at full capacity and the hydrocracker at full capacity. Those are the two upgrading units that are at the normal condition always at 100% plus of its nameplate capacity.

The remaining units are programmed according to the weekly refining margins as we see them as following the results of the linear programming module that we use to program the refineries. As far as the capex distribution throughout the year, Filipe can clarify your question. Thank you.

Filipe Silva, CFO

Good morning, Mehdi. Yes, it was a slow start of the year capex wise. This is due to delays. You've seen the headlines that FID on Block 32 was only taken a few weeks ago. So, a bit later than expected when we gave the guidance at the investor day.

We also had some delays, as you know, in the Cabiúnas environmental licensing process, so you should expect a ramp up for the next three quarters. We are not changing guidance of overall capex for the year.

Mehdi Ennebati, Societe Generale

All right. Thank you very much.

Bruno Silva, BPI

Good morning everyone. Thank you for taking my questions. The first question goes to the downstream unit, if you don't mind I was looking at evolution of the Ebitda implicitly excluding refining, so just focusing on marketing. Can you please state what has been the contribution of African marketing to Ebitda and Ebit, and can you provide more colour on what is the evolution of operating results from the unit in Iberia alone, so excluding Africa contributions in terms of margins on the year-on-year and quarter-on-quarter basis?

And second, going to these comments from the Minister of Energy in Portugal over the weekend, you have already issued a press release. I understand Galp refutes any scenario leading to the claw back of those gains mentioned in the press of around €500 million, but let's just assume for a second that the government somehow gets those €500 million claw back from Galp, over the next three to four years. Would that trigger a contingent plan to make sure there will be no financing restriction whatsoever to fund the capex program in E&P? Thank you very much.

Manuel Ferreira De Oliveira, CEO

Bruno good morning again, and let me answer to your two questions. The first one has to do with the downstream unit, as you named it. What I want to tell you is that our marketing activities have been suffering as much as the refining business. Remember that in the last couple of years the demand in Iberia collapsed approximately 30%. What we are now seeing is picking up the demand and hope to recover on it. We do not report the separation between marketing and refining because of the internal transfer prices. We can have whatever results in each side and we prefer to maintain them linked. As far as the African business, it represents approximately today less than 10% of the marketing results. A number that you might value is the Ebitda that we generate within Iberia. It represented 28% of the total Ebitda of the Company. The remaining is either upstream or international operations.

Going to the Minister of Energy statement this weekend, a short statement: we have informed the market that there are neither economic nor legal basis that can be claimed in order to review whatever contract we might have with the government. We are absolutely relaxed at this stage. We are waiting for a formal communication of the ministry. As soon as we have it, we will inform the market. So, there's still confusion in the press. We do not understand what is going on from what is published by the media. And that's fundamentally it. Thank you Bruno.

Oswald Clint, Bernstein

Yes. Good afternoon. And, thank you very much. First one just on Brazil, I was looking at your comments about the first replicant FPSO having the hull constructed in terms of the Brazilian shipyard, you say that's also on track there. So maybe could you just talk about the next steps to get that first replicant fully completed and what those steps are and more generally just overall kind of progress across the Brazilian shipyards or any kind of softening of the bottlenecks that you might be seeing?

And then secondly just a quick one on the – I'd asked you before, just in terms of your re-export of products into West Africa, could you talk about pressures on that part of your downstream business with the increase in the North American exports? Thank you.

Manuel Ferreira De Oliveira, CEO

Oswald, thank you once again for your questions. Let me take the first, on Brazil. So the Cidade Mangaratiba as we call it, the unit to be displaced in the fourth Q this year to the Iracema area within the Lula field. It is above 90% completion and what is missing now is simply testing the topsides, checking everything and then taking it place. So, we believe that this project will be well within the guidelines that we told the market, and that it will be there by the end of this year, well in time.

As far as the replicants, the ones to be commissioned from 2016: the first one, that will be placed in Lula South is the P-66. According to all the data, it is now close to 60% of completion, in line with the guidelines that we shared with you in the Capital Markets Day. So we have no material deviations to share with you by now. And that refers to the remaining four replicants that are presently under construction.

By the way, the experience at the Brazilian yards have acquired in assembling the topsides on the vessels is improving the time to completion of that critical phase of the completion of the replicants. As far as the downstream business and the re-export of products, the load factor of our refineries is determined by an economic function. Because the products of the refineries are commodities, we can always sell them at market price. Our preferred areas of export tend to be North Africa for diesel and France, and for gasoline is Mexico and USA. Although USA is now starting to export gasoline, our gasoline is heavy gasoline, which is very good for blending with alcohol and with the biofuels requirement in USA. We feel no difficulty in placing our gasoline in the USA so far. And we also are selling some small volumes to Canada at this stage. So it's not a question of how much we have. We have it, if the refining margins and the economic model of the refinery support exports. So we could say that we are opportunistic exporters of oil products. Thank you.

I think, I answered to both questions.

Filipe Rosa, BES

Hi, good morning everyone. First of all a thank, a kind work to Tiago for his help over these years. Thank you very much. Wish you all the best. Secondly, two questions. The first one on the development plans for lara. You are about to conclude the appraisal of this block, the guidance for recoverable resources is still between 3 and 4 billion barrels, you only have sanctioned two FPSOs, as of today. With information you have gathered, is it fair to say that you're probably going to have at least two additional FPSOs to be able to tap this 4 billion or the information you gathered about certain areas of the this reservoir will probably do not allow you to recover part of the resources, because it will not be profitable? That's my first question.

My second question relates to Potiguar. You already have some information, when could we expect some resource guidance for this acreage, since you've already drilled a well and you've already gathered information from a DST? Thank you very much.

Manuel Ferreira De Oliveira, CEO

Filipe, good morning. Taking the first question in lara. We maintain our guidance of recoverable resources from lara of 3 billion to 4 billion with the low recovery factor. Remember that lara is a big field, nearly as big as Lula, although with a lower recovery factor, hence these numbers, 3 billion to 4 billion barrels of recoverable resources. We are now preparing the development plan, and what we already shared with our investors is that we will have at least two FPSOs, which are actually replicants, as you are aware. So those FPSOs are already in the process of being built. And the first oil will be in 2017. So even before having the commercial declaration and the development plan agreed among the partners, we are already confident about that.

As far as what more on top of the two FPSOs, we have an opinion at Galp. We are very positive about the field, although we know there are still challenges to overcome, particularly in the central area of the field, but this is what we are now discussing with our partners, and it will be basically one of the major results of the year, it will be communicated to ANP and to the market by the end of the year, but we are positive, I emphasise that. And we do not see any reason to reduce the expected recoverable resources announced to the market in due time.

We will be doing a EWT this year that will give us critical information to the designing of the development plan. Back to Potiguar, Potiguar is a new frontier. We are extremely happy with the results with the DST, we already modeled the resources in place and estimated the recoverable reserves. However, we did not yet share those numbers with our consortium, which are BP and Petrobras and we are just waiting for that discussion that will take place sooner rather than later, to share those numbers with the market. Thank you, Filipe.

Haythem Rashed, Morgan Stanley

Thank you. And good afternoon, gentlemen. Two questions, please. Firstly, on the downstream again, if I could.

Could you give us a sense of really normalized profitability in the downstream, I guess, based on sort of the current tough market conditions? For example 1Q being impacted by partial outages and seasonally weaker marketing environment, if you adjust for those and looking at sort of what the current refining and marketing conditions look like, would we be talking about as sort of breakeven business at the EBIT level? Or are we talking something different to that? But, if you can give us some color around that, that'll be very helpful.

And secondly, on Mozambique, an area that hasn't been discussed in any detail, just perhaps, if you could provide an update on the discussions with the government, whether there is any update to the plan for getting to FID? And sort of what the latest news on the timing of that as well, that would be very helpful again. Thank you.

Manuel Ferreira De Oliveira, CEO

Haythem, good morning again to you. Let me take the downstream question. You see none of us that looking in this industry is comfortable with the refining operations. Our refining costs, the cash cost are about \$2.3 to \$2.5 per barrel processed. So, when we have refining margins of this level, we are not happy with the refining system. With the location premium that our refinery has, which is close to \$1 a barrel, plus the differential of heavy crudes and light crudes that we should have under normal conditions, and that is at least another \$1.5 a barrel, we should cover the operating cost. So location premium plus crude differentials will cover that, so that refining margin would be the Ebitda per barrel processed. So we have a view about differentials between the crude slate of the refinery and Brent we have a view on it, not as positive as we want, but acceptable I would say. We know the location premium. What we can't forecast is the base case refining margin.

If the base case refining margin is negative, we have a negative Ebitda, which I do not believe, as a professional that is sustainable. Our refinery in terms of benchmark Ebitda per barrels generated at mid-cycle margins is on the border of the second to first quartile of the European refineries. So if we suffer, others will suffer much more and something has to happen. So that is one point. But what are we doing? We are re-evaluating costs at any front. We are minimizing any item of capex that always comes here and there. We are coming out of a large outage, a planned outage in Sines, which ensures much better yields for the forthcoming months and that's what we are doing at this stage. In parallel, we are also emphasizing the focus on energy consumption which is as you know the highest cost component, that is hidden behind the refining margin of any refinery. And we will be monitoring the situation and take decisions. If

necessary, we have to reduce the load factor. We have to take actions on this. But that will come depending on the performance of the refinery margins.

Moving to Mozambique. What are we doing in Mozambique? We are at this moment, in a way, working towards and following up very closely, what is called petroleum law in Mozambique, which is being discussed in the Congress or the Parliament, which is important as a support for the consortium to take that final investment decisions. On the field, in Cabo Delgado in the North, what's going on is we are now bidding for the FEED for the LNG facilities, unitization agreements are being discussed and we see no major hurdle for successful completion of this negotiations.

And our consortium has already agreed and obtained the support of the Mozambican government to push forward on a non-unitised area specifically in the Coral discovery to put forward a FLNG. So we're now bidding also for the FEED for that facility, to study the economics and then take decisions. So we think the project is going according to plan, and we are confident that we'll have the first cargoe in Mozambique from the consortium by 2019.

Michael Alford, Citi

Thanks a lot. Two questions from me as well on the E&P, please. Just firstly on Brazil.

Manuel, you mentioned in your comments the ramp up potential of Iracema South and the fact that you've obviously pre-drilled nine of the wells so far. Could you maybe just confirm that in your plan, as per the Capital Markets Day that you see 18 months within that plan? And what would be an optimistic case for the ramp up given as you say you predrilled those wells? Would it be 12 months? Or would it be even quicker than that given the high oil rates from the wells, that was my first question.

And then just secondly on Mozambique, you've given us gas in place for Agulha following the discovery. But could you maybe just comment on the potentials of structure size of Dugongo, which you will be drilling in second quarter? Thanks.

Manuel Ferreira De Oliveira, CEO

Good morning, Michael. Thank you for your questions. In Brazil, Cidade Mangaratiba should be, as you know, in place by the end of the year. What we shared in the Capital Markets Day was that in our plans we assume the 18 months ramp up period, as in the previous units, but we indicated our optimism about that target. Today we can say, the optimum scenario would be closer to 12 months then to 18 months. We are working for the 12 months, but I would not at all want to commit to that target because we might have certain surprises here or there, but that's our working program. Now, on our forecasts, we maintain the 18 months' period because that is the target agreed among the partners of the consortium.

Going to Mozambique, Agulha is a new discovery. We had our major discovery, Mamba, which is unitised, then we have Coral, which we are already starting putting forward the development plan for it, so a FLNG facility, while the unitised is onshore liquefaction, and then, we have now Agulha. Agulha as you remember is about 7 Tcf of recoverable gas with certain indications that we have wet gas there. And the new prospect that we are drilling will not change materially what we have there. So we have to wait. I would like to be conservative at this stage.

Michael Alford, Citi

Ok. That's very clear. Thanks Manuel.

Alejandro Demichelis, Exane BNP Paribas

Yes. Good afternoon, gentlemen. Just one kick question going back to Mozambique. In terms of the gas sales agreement and your discussions with a potential client, could you please comment on how those are going and whether those are going in parallel with the discussions you're having with the government or do you have to wait until the new law gets passed, until you get those gas agreement?

Manuel Ferreira De Oliveira, CEO

What we have been doing in Area 4 consortium, and Area 1 is doing the same thing, is marketing the gas, not selling the gas, because before having a definitive date for FID and a reliable estimate date for starting up production, it's impossible to have sales of gas.

What I can tell you from the meetings that the consortium has had, this is a consortium activity, is that we have very high level of interest from the traditional points of import of gas and I would stay by that. We have high level of interest, which is an important milestone in our development of the project but it's not critical, I think that gas have a safe outlet for it. Thank you.

Alejandro Demichelis, Exane

Can you make any comments on the pricing structure that you may be looking to get for this?

Manuel Ferreira De Oliveira, CEO

What we are doing now is hearing what the potential customers expect, and by learning from that then consortium has to take a specific sales strategy to consolidate the marketing prospects that are already known by us. Thank you, I apologize, but I can't say more than this.

Alejandro Demichelis, Exane

Ok, that's great. Thank you.

Jason Kenney, Santander

Hi there, it's Jason from Santander. A quick question on Morocco, if I may. I know you said second quarter, but is that going to be April, May or June for the Trident prospect? And then going back to the Capital Markets Day, I think you mentioned a potential 450 million barrels associated with Trident, I just wanted to clarify if that was just the Trident prospect or if that included the secondary targets that could come into play if Trident's successful?

Manuel Ferreira De Oliveira, CEO

Jason, good afternoon to you and thank you for your questions.

Morocco will be spud in June this year, so actually at the end of the second Q.

The Trident prospect, we have sized it with a standard recovery factor at 450 million barrels and with a probability of success close to 20%. Actually our number is 21% in terms of probability of success. We have identified secondary targets, but we are now focused on Trident which is the most attractive prospect.

Jason Kenney, Santander

Ok, many thanks and all the best.

Thomas Adolff, Credit Suisse

Hi. Good afternoon. Two questions please. One on Mozambique, unitisation aside, can you tell me whether you have also agreed or getting closer to agreeing on the operator of the joint development for the soon to be unitised field? And just also wanted to get a sense if whether you think FID on the onshore will be before the offshore, as I'm hearing from someone else who's a partner with you that it could be the opposite.

My second question, going back to Brasil on the Lula and Cernambi, we know that the current fiscal terms states that the ring fence taxation includes both fields, but there was a bit of a press release recently that suggested that Petrobras has taken the ANP to arbitration. The question is whether it's true and if so, why now and why not before? Thank you.

Manuel Ferreira De Oliveira, CEO

Thomas, thank you for your two questions. Let's take one at a time.

About Mozambique, yes the unitisation agreement has not been sealed, but the discussions are going well. You know that this agreement is complex because it requires unanimity of all the parties and there are 11 companies in the project, but we do not anticipate difficulties on this and the closing of other items will be

simultaneous. As far as the operator, that has been an issue that has been highly debated among the parties and with the government of Mozambique, I can tell you that there is already informal agreement of how to proceed on that dimension of the project but it is not for me to inform the market. Basically, we feel that the difficulty, which is not minor, has been solved from the involvement of different parties, including ourselves, on this discussion, but the consortium has not yet shared the conclusion with the market while we're doing everything that we can for it to do it as soon as possible.

As far as the final investment decision on the onshore and offshore projects, each one can have its opinion. I think that the FID for the offshore project could well be taken before the FID for the onshore project, simply because of the complexity of decisions on unitised assets. Let me tell you that the government of Mozambique had established that unitised fields, which are the Mamba-Prosperidade field will be developed through onshore liquification facilities, which is a request from Galp. So all the remaining assets can be developed offshore or onshore, depending on economics of each of them.

Now back to Lula/Cernambi, the issue of taxation. We are taking our base case as if it were a single field, however we never accepted that they are two reservoir and the discussion has been going on and on with legal opinions and expert opinions. All of them have been informally shared with ANP, and you said Petrobras, but I will say the consortium led by Petrobras in an informal agreement with ANP, agreed that the best way was to move forward through arbitration, so it is not an arbitration induced by antagonism it was an arbitration induced by the rationality that a search for a third-party opinion to decide this point.

Thomas Adolff, Credit Suisse

Any view on how long it will take?

Manuel Ferreira De Oliveira, CEO

No, I don't have any view.

As you expect, it is measured in years, rather than months.

Thomas Adolff, Credit Suisse

Thank you very much.

Matt Lofting, Nomura

Good afternoon, two questions please. Firstly, just on G&P, in your opening statement Manuel, I think you talked about some, or referred to some of the actions that the company is taking to support profitability through the next couple of years or so. I wondered, if you could talk us through what some of those key processes are in a bit more detail please.

Secondly, just on the tax rate, obviously higher in Q1 partly is a function of the lower downstream contribution. But I just wondered, if you could give us indication of where you see the clean tax rate for the next few quarters and now guidance as a sort of the full year 2014 average? Thanks.

Manuel Ferreira De Oliveira, CEO

Matt, thank you for your questions. And I leave the tax question to Filipe.

Gas and power, what are we doing? We are trying to secure the ability to bring gas from Europe, from non-Iberian Europe into Iberia. The more gas we can take into Iberia, the more commodity gas, say LNG we have for international trading in partnership with our supplier. Let me emphasize that, our international trading activities are for us and for our supplier, the Nigerian National Oil Company, a win-win deal, so they sell their gas also more expensively than they would if we would take it to Iberia according to the base contracts. So what we are doing is that the more gas we get, the more international supply we can make. As we get the ability to bring gas into Iberia, we sell forward our commodity gas and we are doing this operations with two years ahead, that's our minimum target. So the deepness of the market could be eventually longer, but we are secure with these statement. As we learn and gain experience on that, we can go deeper and deeper into the future. We've quite an optimistic view on the ability to sustain the levels of international activities that we already have. As you've noticed in the first Q of our gas sales, more than 50% of our take of gas was for international trading, which is remarkable taking into account our history.

As far as the tax issue, I will pass it to Filipe.

Filipe Silva, CFO

Matt, the 44% that you see is the implicit tax. Assume tax divided by pre-tax income, and within tax you have the SPT tax in Brazil plus income taxes in Brazil and Iberia. So given the very low results in downstream Iberia in general, it's quite a high implicit tax rate. Going forward and assuming more stable refining margins, we should revert it back to high 30's implicit tax rates, again with the caveat that this assumes improving refining and distribution performance in Iberia. Thank you.

Matt Lofting, Nomura

Ok. Thanks very much.

Anish Kapadia, TPH

Good afternoon. A couple of questions on the upstream again. Going back to Pitú and the Potiguar basin, I was wondering if you could give some further details on the DST. I was just wondering, whether it is likely to be a non-commercial flow rate when you talk about the reservoir and it seems to be good reservoir

versus kind of excellent reservoir quality as well quality, maybe as we've seen elsewhere in Brazil, which I suppose qualitatively doesn't seem to be sufficient given the very high well cost in the area.

The second question, going back to lara again, I was just wondering specifically if you could talk about the last horizontal well test that seemed disappointing. What that well specifically meant to your understanding of that part of the field? And if you could give an estimate of capex per barrel for the first couple of FPSOs on lara. Thank you.

Manuel Ferreira De Oliveira, CEO

Anish, good morning. Let me start with Pitú.

We have actually issued in our press release after the DST that the reservoir indicated permeability characteristics that are very encouraging. So our view at this stage is that, that is a prospect with a very high probability of becoming a major commercial discovery. I'm measuring every word I say. It's a high probability of becoming a material major commercial discovery. The reality is that we need to submit an appraisal program to ANP, it is being prepared at this stage. It's quite ambitious what we are now proposing to ANP to move us forward, and then we have to wait. It is, in our view, the volume that we estimate, which we do not release because we need to have the agreement of the consortium. It is sufficient to support an FPSO, and is fundamentally oil and nice oil as well.

Now, moving to lara, the horizontal well that was actually fracked in three areas, operationally it was a full success. So, the first issue related with that well had to do if whether we could or not drill on a systematic basis horizontal wells. So from dynamic reservoir modelling, we can conclude that could increase by 50% the production of an horizontal well. Our base case for development of lara, is on vertical wells to be about to produce something close to 10,000 barrels a day. That's the base case for development, and it is exactly because we are seeing where that is a conservative or otherwise target that we need to continue the appraisal program, in particular the EWT that we will start next quarter. So, yes, optimistic again in terms of lara, and I hope to be this is one of the major milestones this year, is declaration of commerciality to lara, where all these unknowns will be by then clarified. Thank you, Anish.

Anish Kapadia, TPH

So, just in terms of the initial plan, I suppose the conservative scenario of 10,000 barrels a day initial production rate. What kind of capex per barrel would you see on lara? I suppose this has a lower capex than Lula?

Manuel Ferreira De Oliveira, CEO

It is still early. We can give conceptual numbers, but what happens is that when you have a reservoir of this nature, it will have a lower declination than a lighter crude oil. And our expectation is that with 10,000

barrels a day, we'll have a very competitive field to develop. It is not like Lula, but it is a very competitive in the portfolio that we have. And the two areas where we've already agreeded informally, because there is not yet been approved by ANP that we will have two FPSOs, they are very attractive. The characteristics of the reservoir in the two locations to which we have two replicants allocated, they are nearly Lula type. Thank you, Anish.

Anish Kapadia, TPH

Thank you.

Lydia Rainforth, Barclays

Thanks. And good afternoon, gentlemen. Two very quick questions if I could. The first one is actually on the insurance payments that you referenced within the report. That has gone up very significantly and the €7 million that is now roughly 15% of your EBITDA in the quarter. I'm just wondering what does that actually cover you for? And how should we expect that to evolve as we move forward? Will that continue to increase or is this now sort of the normal level that it will operate at? And then the second one was actually just coming back to the downstream on the maintenance of the hydrocracker. How often do you have to take the hydrocracker down for maintenance? Thank you.

Manuel Ferreira De Oliveira, CEO

Lydia, good morning. Thank you for your two questions. The insurance one I will pass it to Filipe and I'll take the hydrocracker issue.

The refineries typically have, in our refineries historically, a maintenance outage every four years, because we have two refineries. In a way we have one outage every two years. So any major unit is supposed to run continuously with only minor planned outages for a four-year period, and this applies to the hydrocracker and to the FCC. And it is not different from what it is the industry practice. So as far as the insurance issue, Filipe will take care of that question. Thank you.

Filipe Silva, CFO

Hi, Lydia. Last but not least, on insurance. So this is more of an internal allocation within Galp. When we had the 100% of Brazil, it didn't really matter, now that we have Sinopec as a partner in Brazil, we are charging the E&P division under the umbrella insurance agreements that we have corporate-wise. So there is a market value allocated to the E&P division. So it is a wash on a consolidated basis, yes, but there is a higher allocation of insurance cost to the E&P division. In Brazil, this covers property and environmental damage, and this is, again, arm's length insurance wise based on market prices. Thank you.

Lydia Rainforth, Barclays

That's great. Thank you very much.

After Q&A, Manuel Ferreira De Oliveira, Chief Executive Officer

Ladies and gentlemen, I hope that all the questions that you have put to us have been clarified.

Before we end today's call, I want to once again reaffirm our commitment to the development of Lula/Iracema, and we continuously repeat it. During this year we will have a strong ramp up of production in Brazil, mainly driven by the ramp up of the production of Cidade Paraty and the start up of the Cidade Mangaratiba. On top of that, the appraisal works will continue to be intensive in order to de-risk pre-sanctioned projects, particularly Iara, Carcará and Júpiter.

The second quarter also represents a milestone for Galp with the drilling of our first offshore operated well in Morocco. As you are aware we have a small onshore operation in Brazil. While in Mozambique we continue to explore the South part of the block.

On the downstream and gas business I must say that, in one hand, the refining outlook continues to be uncertain and structurally unbalanced, but on the other hand we see with optimism our international trading LNG supply activities as well as the recovery of the oil products business that we have in Iberia.

With this, I want to ask you, to allow me to take this opportunity to publicly thank Tiago for the good work he and his team achieved along the past eight years. Our IR team is a visible face of the company that we are building. I thank you all for the support and trust that you offer Tiago and his team for what is unequivocally a long and successfully period of his career. As you know he is taking responsibilities in the E&P division as its CFO. I am sure, I have no doubt whatsoever, that he will do a good job.

Pedro Dias will take his position and he moves from the head of our financial department to head of strategy and IR activities. Otelo Ruivo, which comes from our M&A division, will lead our excellent IR team, reporting to Pedro.

And it is all for today. I thank you once again and again for the time you offered us during this conference call.

Have a good day all of you.