Tiago Villas-Boas, Head of Investor Relations

Hello, good morning ladies and gentlemen and welcome to Galp Energia's fourth quarter of 2013 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 fourth quarter results. In the end, we will be as usual available for a brief Q&A session.

May I remind you that in three weeks we will hold our Capital Markets Day in London, and I hope to see you all there.

For now, 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 the presentation.

I will now pass the floor to Manuel. Thank you.

Manuel Ferreira De Oliveira, Chief Executive Officer (CEO)

Thank you Tiago, and good morning to you all.

I will start today's call by providing an update on our Lula project, summarized in slides 6 and 7.

In 2013 we had FPSO Cidade de Angra dos Reis producing at full capacity over the entire year. It is now time for us to look into its performance. During the year, the first FPSO operated according to plan, at around 90 per cent of its average nominal capacity. More importantly, we are seeing technical costs below 15 dollars per barrel, so very much in line with our previous guidance, and confirming our statement that the Brazilian pre-salt can be developed with crude oil prices above 40 dollar per barrel.

This confirms the competitiveness of our project. We have no doubts that Lula is one of the most valuable projects in our industry.

I highlight again that we have already contracted all critical infrastructure and equipment for the forthcoming years, and that we are fully committed to do everything we can to develop this project on time and on budget.

Regarding the second unit, in Lula Northeast, works are also progressing well. The second producer well was connected to Cidade de Paraty through a flexible riser, as the contingency plan, and started oil production on the 12 of January.

We are now producing very close to 60 thousand barrels of oil per day from Lula NE from only two producer wells. This shows the outstanding flow rates in this reservoir, which are higher than what we expected; as you might remember the base case for commercial development of the Lula was assumed as having a production on average of 20 kboed per well.

As for the buoyancy supported risers system, its installation went very well in our block. The first buoy has already been installed, submerged at a depth of 250 metres, with all the eight tethers already in place.

For your information, by the end of the first quarter, we will have to temporarily disconnect the second producer well, in order to install the second BSR. This well will be reconnected at a later stage, through the BSR.

During the second quarter, we will proceed with the connection of two additional production wells. The remaining two wells will be connected in the second part of the year.

As far as the gas pipeline, the connection to the FPSO was concluded by the end of January and we anticipate that gas export facility will be initiated by April, once the full installation and commissioning process is completed.

All this considered, we see no constrains in achieving full capacity by the end of the year, as promised, with a total of six producer wells connected to the FPSO.

By the end of the year, we will also have the third FPSO, Cidade de Mangaratiba, operating in the area of the Iracema South. Works are on-going at the Brasfels shipyard in Brazil, with the execution rate of the topsides installation currently at around 80%. We anticipate first oil during the fourth quarter of this year.

As for the remaining units to be deployed until 2017, we are comfortable with the pace at which works are going, and we will be providing details to all of you during our upcoming Capital Markets Day.

Moving to Iara, on slide number eight, what I can tell you now, is that we are performing the production tests in the quasi-horizontal well, that we named the High Angle well, and that we will be able to share the preliminary results with you at the beginning of March. Only after having the final results on this test, we will be able to decide on the location for this year's extended well test, which will be done with Cidade de São Vicente or with the Dynamic Producer.

Appraisal activities planned for the Iara will be key to define its development plan, which we expect to submit to the Brazilian authorities in December. There could be potential for more than two production units already contracted, particularly considering the positive results obtained last year in Iara the West area, although I emphasize that we are still assessing the full potential of Iara.

In Júpiter and Carcará, referred to in slide number nine the activity in 2014 will be essential for the definition of the corresponding development plans. As you know, after the Bracuhy material discovery we are even more confident on the successful development of Júpiter. We have two appraisal wells and two production tests planned for this year for Júpiter, which shows the clear commitment of Petrobras and Galp to the Júpiter project in which we have a 20% stake. Our current base case is to have one FPSO operational in 2019 to develop the oil rim.

Regarding the important extension well at Carcará, we had to interrupt the first stage of drilling, because of the poor performance of the rig contracted. We are now evaluating whether we will resume the first stage of drilling, before the use of a suitable rig for high-pressure reservoirs, or if we will drill the well in one phase starting in the second half of the year. This decision is in the process of being taken and dependent on rig availability and on its associated costs.

Moving on to Mozambique, we and our partners at Area 4 continue to work at all fronts in order to be able to take the final investment decision on the LNG project, as soon as possible. This includes the engineering and design works, the unitisation negotiations with Area 1, first discussions with potential buyers for the gas, working with the government to consolidate a legislation framework that supports the project development and obviously also its financing. As you can see, this is a complex project but we are confident on its success. The quality of the relationship among all the parties involved is critical for the ultimate value of this important project.

As for the exploration, and I am now on slide number ten, we announced recently the Pitú discovery in the fourth quarter. I am happy to say, that this was the first time that a material oil accumulation was found offshore Potiguar, consequently, we are now confronted with a whole new play in offshore Brazil.

We are still analysing data obtained during the drilling stage, and we will proceed with a DST before elaborating more on our findings on this play.

The main message I want to convey to you today, is that we are truly committed to the development of our main upstream projects. Both we and our partners continue to do our utmost to ensure that projects run as expected, on time and on budget.

Particularly in Brazil, I must say that Petrobras is doing an excellent job as a partner and as an operator, and what we have in the case of Lula is a remarkable example of project execution, which can be easily observed by any third party independent.

On our Capital Markets Day, we will be able to provide you details in our most important projects, both in the pre-salt and in Mozambique.

Now, let me turn to our downstream and gas activities referred to in slides number 11 and 12. I believe that the year 2013 might have been the inflection point for our Refining & Marketing business. Allow me to explain why.

As you all know, the refining industry in Europe is affected by a surplus of supply. What I can tell you, is that we now have a much more complex and competitive and flexible refining system, which is already contributing to positive cash flow generation, and we will continue optimising our operational costs and energy consumption.

Nonetheless, I want you to keep in mind that profitability of the refining business cannot be analysed on a standalone basis, as it is fully integrated with our marketing activity, which continues to generate on the back of the refining system's steady earnings.

And let me tell you that we are cautiously optimistic on our oil marketing business performance in 2014.

After the 25 per cent fall in demand since the peak in 2005, we have seen growth for the first time in the Iberian market in the fourth quarter yoy. If we also take into account the expectations for GDP growth we will remain confident and we sincerely expect that our performance on the market and our refining operations will improve throughout the year. As for the Gas & Power business, I must refer that the shift we have made towards the international market continues to be very rewarding, and that we have once again beaten previous year's sales. We achieved a record of 3 bcm of LNG sold internationally, with a grand total of 7 bcm.

We already have some LNG cargoes contracted for this year, under the contracts established, and we plan to reinforce our presence in the international markets through low risk opportunistic trading.

Our downstream and gas activities will continue to contribute with resilient cash flow generation to our growth plans in the upstream, being complementary to our upstream growth projects .

And now, to elaborate on the fourth quarter results, I will pass the floor to Filipe.

Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Thank you Manuel, and good morning.

Looking at our fourth quarter results on slide 14, you will see that we have benefited from the increase of Brazilian production, while being negatively impacted by the tough refining environment which Manuel alluded to.

Quarterly Ebitda reached 271 million euros, up 16% year-on-year. I recall that, unless indicated otherwise, all my comments relate to the fourth quarter, not to the full year.

E&P Ebitda reached 109 million euros, up 42% from the previous year, as both net entitlement production and realised sale price increased in the period. Production from Brazil accounted for 64 per cent of total production in the quarter, with oil production making up 98 per cent of the total, versus 91 per cent last year. This higher oil mix was mostly due to gas re-injection in Brazil.

Production costs per barrel decreased in the period, as production in Brazil gained relevance in the overall mix. By production costs, I mean technical expenses, i.e. opex plus DD&A which, together with royalties, determine the Ebitda line. To recall, we account for the Special Participation Tax in Brazil within our overall the tax line, so together with corporate income tax, whilst royalties are already included within Ebitda.

Refining & Marketing Ebitda was down 16%, to 67 million euros. It is important to note, however, that last year's Q4 results had benefited from a 23 million euro one-off from the actuarial effect of the restructured employee health benefit plan.

You will see on the back-up materials on slide 23 that our Q4 refining margin of 1.7 dollars per barrel, and that's up from the $0.9 per barrel we had in Q4 last year, even if benchmark margins were way down. This is uplift is mostly due to the commissioning of the hydrocracker.

The marketing business has now stabilised on the back of higher oil volumes in the fourth quarter. Overall Portugal volumes are up 4% and Spain was flat YoY. We also had cost optimisation measures implemented throughout the year which helped Ebitda.

Gas & Power Ebitda was up 7 per cent to 93 million euros in the quarter, with higher volumes of LNG traded in the international markets.

Group Ebit in the fourth quarter was flat year-on-year, at 149 million euros. Higher depreciation charges in E&P and refining offset the improved operating performance shown in Ebitda. In E&P, non-cash costs were positively impacted by the upwards revision of reserves in Angola, but we had a similar impact back in 2012. On the Refining & Marketing business, the increase in DD&A was due to the commissioning of the hydrocracker.

Concluding with the P&L, net profit was 92 million euros in the quarter, that's up 10%.

Moving to our balance sheet on slide 15, I would just highlight the working capital improvement, supported mostly by the reduction in inventories.

The fixed and long-term assets line was up by only about 50 million euros in the quarter, as Capex in the period was partially offset by depreciation and impairment charges, the latter mainly due to the Bem-te-Vi area in BM-S-8, in Brazil.

Net debt was stable at about 2.2 billion euros, or 1.3 billion euros considering the funds we have lent to Sinopec. This equates to about 1.1 times Ebitda, comfortably below the 2x ceiling we have committed ourselves to.

Capex on page 16 amounted to 236 million euros in the period, around 70 per cent of which was allocated to exploration and production activities and, unsurprisingly, mainly to development activities in Lula, most notably for the drilling of development wells, FPSO manufacture and subsea equipment.

Full year Capex amounted to 963 million euros, below our 1.1 billion euro revised guidance, mainly due to the euro appreciation against the dollar.

On slide 17 we have our funding and liquidity profiles. You will recall our inaugural bond issue of 500 million euros back in November, which was placed on an unrated basis. This bond is currently trading on the secondary market with a yield of 3.3% for a 5 year fixed rate maturity. The purpose of this bond was to diversify our funding sources, extend maturities, and give our financing partners a funding price benchmark for Galp. As we told the market, we used all the proceeds to retire more expensive debt.

Liquidity at year end was around 3.6 billion euros, split as 1.5 billion euros in cash, around 900 million euro-equivalent loan to Sinopec and 1.2 billion in unused credit lines. In total we had almost as much liquidity as the entire gross debt outstanding of 3.7 billion euros.

Finally and for guidance, in this first quarter of 2014, we expect to produce about 26 thousand barrels of oil equivalent per day. Our refining throughput will be affected by the planned maintenance of our main refinery in Sines which should begin in mid March and last until the end of April.

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

Questions & Answers Session

Bruno Silva, BPI

Good morning everyone. I have three questions if I may. The first one regarding opex in E&P. You mentioned in the press release or in the presentation that the technical costs in Lula-1 were below $15 per barrel. I just wonder, based on that, what is your current estimate of technical costs for the first owned FPSO that will come on stream over the next years?

The second question also related with E&P and your portfolio. The recent deal done by Total in Angola, in any way changed the way you look at Angola in the perspective of selling more mature assets in your portfolio and reinvest in new areas? And whether valuation-wise, if this deal changes your perception of value of your portfolio in the country?

Finally, just a detailed question on results. In the press release, there are non-recurrent financial losses if I'm not mistaken, in E&P of €21.5 million. Can you please give some colour on these? Thank you very much.

Manuel Ferreira De Oliveira, CEO

Bruno, good morning to you and thank you for your three questions. The first one, we maintain the guidance of $15 per barrel of technical costs in the forthcoming projects in Lula.

As far as the second question, we have no comments on the transaction done by Total and I stay with that, it does not affect the strategy that we are pursuing in Angola.

As far as the third point, Filipe will take it.

Filipe Silva, CFO

Bruno, the non-recurrent. With the proceeds of the bond, what we did was to amortize early a loan of an equivalent amount, which had been contracted a couple of years back. The fees that we paid upfront then were being amortised throughout the life of that loan, that was amortised as an eight-year loan.

We still had six years to go. So what we've done was accelerate effectively the recognition in the P&L of a payment that was been amortised. This is non-cash. It was all paid upfront two years ago. As we killed that loan, we just recognised the upfront.

Now, why is it E&P? it doesn't really matter. It was contracted by one of our E&P vehicles but really you should look at it as if it was a corporate loan.

Bruno Silva, BPI

Ok. Thank you. If I may, just a quick follow-up on the first question regarding the guidance on technical costs for the first owned FPSO. I don't know if my assumptions are correct but, assuming that the $15 for Lula-1 includes leasing costs. Then, by maintaining the guidance of $15 per barrel for the owned FPSO, all else constant, it would indicate an increase in costs? Is that correct?

Manuel Ferreira De Oliveira, CEO

Bruno, it's very simple. It will include the leasing costs. But when you have leasing costs, you do not have depreciation of the asset, so the numbers are similar.

Alejandro Demichelis, Exane

Yes. Good morning, gentlemen. Thank you very much for taking my question. A couple of questions here, the first one is on exploration outside of Brazil, could you please tell us where you are in terms of drilling in Morocco and in Angola in 2014?

And then, the second question is maybe you can give us some kind of indication of where do you see production by the end of the year with all of these minor disruptions that you're talking about, the connection of the new wells and so on?

Manuel Ferreira De Oliveira, CEO

Alejandro, thank you for your two questions. Exploration elsewhere from outside Brazil, we'll be drilling our first operated shallow well, water well in Morocco in April this year. We will spud by April. So, the operation is being set up and now we trust the laws of probability and hope we are successful.

And then, as far as Angola, we do not have any major exploration programme. We are looking at the bidding for new acreage that will happen soon, either this year or next year. And we have recently, as you are aware, it's already public, prepared for the declaration of commerciality and the approving of the FID for Block 32 in Angola operated by Total.

As far as the production at the year end, I would prefer not to comment it at this stage. It will have fundamentally Cidade de Angra dos Reis at full capacity and Cidade de Paraty at full capacity. Then we'll have the full production from Angola and probably at least one EWT that could be going by that time.

But by March in London, we'll probably be able to share more reliable guidance for exit production for the end of the year. Thank you Alejandro.

Oswald Clint, Sanford Bernstein

Hi. Good afternoon. Just on the Sines refinery, you had some unplanned maintenance in the fourth quarter and you talked about more in March this year going forward, I do recall you saying there wouldn't be so much maintenance at least for a couple of years on the hydrocracker, so could you talk about what is happening there or and what schedule is for further maintenance over this year and actually into next year?

And, the second question, just curious, you mentioned some comments in your release on the excellent reservoir response from the WAG process, could you perhaps just talk about that and any implications from that early set of results? Thank you.

Manuel Ferreira De Oliveira, CEO

Oswald, thank you for your two questions. Starting with Sines, the outage is programmed, the outage that we are now starting up in mid-March is planned and in line with the recommendations of the manufacture of the hydrocracker and also, by the way, the FCC is also under maintenance. And the fact is that we delayed last year the maintenance programme for the remaining of the refinery, to ensure that we do all them together during the same outage and I think this is the question to you.

Any outage in the fourth Q, this happens everywhere is the one or two-day outage of one unit here or there. The reliability of the hydrocracker has been extremely good under all criteria. Actually, in particular the start-up and operations from last year is one of the best of hydrocrackers in Europe.

As far as the reservoir response from WAG, it is still early stages for us to extrapolate for the overall Lula reservoir. But we are very happy with the signals that we are getting out which are fundamentally confirming the analytical and analogical model that we have set up. So we still need more time to take material conclusions for it. We expect good results. Thank you Oswald.

Anish Kapadia, TPH

Good afternoon. I've got a couple of questions. Firstly on your potential disposal programme, I think you've talked over the last year about analysing potentially the gas infrastructure business, some of your pipelines in the associate line and also Angola Block 32. Can you just update what you are thinking in terms of disposals of these assets?

And the second question was on the refining and marketing business. Clearly still in tough conditions in the refining business, and things are getting a bit better in marketing. Can you give some indication, on the refining side, whether you're free cash flow positive at the moment? If current margins persist on the refining side, and on the marketing side, where would you see earnings this year?

Thank you.

Manuel Ferreira De Oliveira, CEO

Anish, thank you for your two questions. I let the first one to Filipe, he will give you some guidance on that, and I'll take the second one.
You see, our vision about refining and marketing business is extremely simple. The demand collapsed so deep that the only way forward is going up again. What we don't know is the slope, how fast it could grow. In simple terms, $1 per barrel in the refinery margin, if it is transferred to the market it is 1 cent per litre of the white fuels.
So that means that typically, refining and marketing try to balance themselves when the refinery margins are low, typically, the marketing margins go up. What happened for the first time in my experience is that we saw, simultaneously, a collapse in refinery margins, in a region where the demand for products was also collapsing, which is unique. And then it was also impossible, due to competition forces, to, in a way, neutralise part of the reduction in refinery margins, by incrementing marketing margins.
So that is a situation that we hope would be gradually changing throughout the next couple of years.
As far as the first question, Filipe will take it.

Filipe Silva, CFO

If I may, just to complement Manuel's comments. On refining, we have free cash flow positive. A lot of it is because we have much better working capital management. We have very large numbers in inventories and clients to manage. So, you should expect this to continue.

On the disposal programme, I don't recall Galp announcing that we would be looking at disposing of any of our major assets, and gas infrastructure is one of such assets. We did mention that we would have an active portfolio management of some of our less core assets, which was the term I used. We have some key assets which we will keep for the rainy days if need be. We have committed to the markets no more than 2 times debt-to-Ebitda. Yes, we have a great gas infrastructure business. Yes, we have 70% of Brazil. Yes, we have Mozambique. Any assets could be considered, but we're not focusing on any of the large assets at this stage.

Last year, we monetised 5% of CLH. We are working on smallish assets monetisation which happened throughout 2013. But given where our leverage ratios are today, you should not expect any major assets at least in 2014. Thank you.

Mehdi Ennebati, Société Générale

Hi. Good afternoon, all. Two questions, the first one regarding the interest expenses at the net income level, you showed net interest expenses of €121 million. However, we see at the cash flow level that net interest payments have been €176 million, I talk for the whole year, so 2013. So, just wanted to know how you explain that difference and shall we consider the same kind of gap for the year to come?

And the second question is regarding Capex. You guided at the beginning of the year on the Capex increase in 2013 versus 2012, and this hasn't been the case. Should we understand that there have been some delays on project developments or do you have another explication?

Thank you.

Manuel Ferreira De Oliveira, CEO

Good morning. I'll take the second question and Filipe the first one.

As far as Capex we have guided unequivocally in the last two quarters, a total Capex of €1.1 billion. Effectively it was €963 million, and the delta is basically exchange rate effects.

As you know, our Capex is dollar-driven, and the strengthening of the Euro reduced the equivalent dollar amount to $960 million, so about 140 million euros of benefit into Capex. So, we maintained Capex at the level of the guidance given in the last two quarters.

We have no material delay in any of the major relevant projects. Now Filipe will take the second question.

Filipe Silva, CFO

The difference between P&L and cash flow on interest costs. The P&L still has about €45 million of interest costs capitalised. It looks prettier on the P&L than on the cash flow because about €45 million did not flow through the P&L.

We also took to the cash flow statement the early amortisation of the loan I have mentioned before. Again, it was not a cash movement because those fees have been paid back two years ago but the way we design our cash flow statements at Galp is by balance sheet differences, and it was caught within this cash flow statement you have on the back-up materials.

€20 million or so of prepayments expenditures plus €45 million of interest capitalised explains most of the differences. Thank you.

Filipe Rosa, Espirito Santo Investment Bank

Hi. Good morning, everyone. So, two questions if I may, on Pitú, I would like to ask whether you can already have a good idea whether the results that you may obtain are above your pre-drill estimates for this prospect. Since you are drilling for so long, just trying to understand whether you can already answer to that.

And my second question relates to Mozambique. Your partner Anadarko has recently updated on all the efforts to market the gas were ongoing. Could you give us an update as well on your front about all the marketing has been developing?

And regarding the time for the final legislation on this subject, could you give us some guidance because this has been delayed several times so far. Thank you very much.

Manuel Ferreira De Oliveira, CEO

Filipe, very good morning and thank you for your three questions.

Starting with the Pitú discovery, we discovered effectively two reservoirs. One with oil and another with gas. We will be testing only the oil reservoir and we are not in a position to make any additional comments, because we are right now preparing the test and it would be misleading to give you any indication at this time. So, we have to wait. We are very happy with the discovery.

The marketing of gas in the consortium is done by the consortium as a whole. So, it's a joint work. So, whatever the operator says, it is done by the consortium. This is a characteristic of the contract that we have. So, we are in the initial stages of marketing at this stage because we have other priorities before that. Our main priority is to ensure that we have a reliable start-up of the project so that marketing can be properly committed.

As far as the legislation in Mozambique, I want to make it clear that none of the parties, neither that we are aware of, in fact Area 4 is not asking for any change in legislation. It is simply to ensure that all the different pieces of legislation related with the project are consolidated in the single law, for transparency and clarity reasons, and to ensure stability. Transparency, clarity, and stability which are key variables, important particularly for the financing of the project. And it has been well understood by the government of Mozambique. Unfortunately, the parliament of Mozambique only meets 90 days a year and it is just waiting for the right moment for that legislation to be passed and we see that it is not because of the legislation that the project will not proceed. So we've got all the cooperation of the government authorities of Mozambique.

Thank you.

Michael Alsford, Citi

Thank you and good afternoon. Michael Alsford from Citi, just a couple of questions if I could.

Just a follow up on Pitú, I know you obviously mentioned you're testing your reservoir, but could you maybe talk a little bit about the forward programme? Are there follow on opportunities within the block that you could and might drill this year on the back of the discovery.

And then just secondly on the numbers, just on tax, I need some guidance. Can you provide on the tax rate for 2014 given quite a lot of fluctuation in the tax rate during 2013? Thank you.

Manuel Ferreira De Oliveira, CEO

Michael, thank you for your two questions. I apologise but as far as Pitú, it would not be fair that I advanced any information that would be in a way conceptual because we are now organising the DST, which is critical for us to give you reliable information.

So I would expect first the results of this DST and, as a result of that, a programme will be delineated for the forthcoming year.

I hope not so far from now we'll be able to share that with you.

As far as the tax rate, Filipe will take it.

Filipe Silva, CFO

Hi, Michael. Let me give you a bit of long-term guidance on tax because this seems to be a recurring question. Royalties of 10% in Brazil are within Ebitda. What you see on the tax line is a combination of corporate tax in Spain, Portugal, Angola and Brazil plus special participation tax in Brazil.

Going forward, corporate taxes are between 25% and 35% between the various countries. And that's tax on profit before tax. Special participation tax will drive most of the change in taxes of Galp for the next decades. Special participation tax is a variable tax that goes from zero to 40% in Brazil based on how big the block and the production is.

Lula/Cernambi, which for Brazilian tax purposes is seen as still as one single block, this will in a few years' time, when all the FPSOs will be operating, you should expect to have 40% SPT tax in Brazil with the caveat that SPT is itself tax-deductible. When we calculate the corporate tax in Brazil of 34%, the SPT will come in as a cost deduction.

Your question on 2014, we would expect to be mid-30%. And long-term, this will go to closer to 50% as all the FPSOs are on-board. Thank you.

Jason Kenney, Santander

Hi there, a couple of questions, if I may. The first, maybe just following up on 2014 guidance. I appreciate you're only three weeks away from your Capital Markets Day, but if you could give us an indication of the 2014 Capex number, that would be of interest. Particularly given your comments earlier on how FX rates have saved you quite a significant amount of Capex in 2013 on a euro basis.

And then secondly, just on the Sinopec loan, can you maybe describe how that will not be a part of the net debt consideration, or when it will be out of consideration? Is it out of play in 2015 or 2016?

Manuel Ferreira De Oliveira, CEO

Jason, good morning to you. Thank you for the two questions. Filipe will take care of them.

Filipe Silva, CFO

Jason, thank you for the second question, which I'm glad to say again. We all know Galp did about a $5 billion capital increase in Brazil subscribed by Sinopec. The money came in and some of the money was lent back to the shareholders, so Petrogal Brazil that raised the money, lent back some of the funds to their shareholders. This is Galp money, which is booked in the balance sheet. Petrogal Brazil lends to Galp Energia and washes out in the consolidation.

The loan to Sinopec shows as a loan to a third party. That could as well have been deposited in a, say, a Chinese bank and would have been considered as cash or equivalent then. Economically, we keep on showing our net debt also deducting the loan to Sinopec as cash or equivalents. That's what it is economically.

We are drawing on that line, you will see the €900 million, or so, loan to Sinopec gradually reduced to much lower number, depending on the Capex of Brazil. On the Capex guidance, again, I think you'll have to wait for another three weeks or so. It won't be material difference from what you heard from us last year. We're not expecting FX differences to play a role in 2014. We had big swings in the Brazilian real, about 20% depreciation of the real to the euro last year. Our real-denominated Capex is quite limited and we had about 3% or 4% depreciation of the dollar versus the euro on average last year. It's looking as if this year might be opposite. So, the dollar is gaining some ground. Capex is likely to be back to where we guided you to last year for 2014.

Lydia Rainforth, Barclays Capital

Thanks and good afternoon gentlemen. A couple of questions, if I could. Firstly, can I just ask a question about the accounting for the maintenance, within of how much maintenance is going to a cost and whether it will be capitalised versus expensed for over 1Q14 and 2Q14 period.

And then secondly, could you just have any indication in terms of DD&A per barrel in the upstream going forward, would be hugely helpful. Thank you.

Manuel Ferreira de Oliveira, CEO

Good morning, good morning, how we account maintenance in our refinery infrastructure, this is the question, isn't it?

Lydia Rainforth, Barclays Capital

Please.

Manuel Ferreira de Oliveira, CEO

It is the following way, you see, when you do an overall maintenance programme in a refinery there are items that are pure Capex. So if you replace a pump, for instance, you have to depreciate the pump through the life of the pump. But the recurrent capex that happens every four years, it is depreciated in four years. That means that within the Capex, when you do the maintenance programme, part is expenditure which is a minor part of it. The remaining is an investment for the unit to run for a four-year period and that is Capex depreciated in four years. As any long-term equipment, it will be depreciated throughout their life. Let me tell you one thing, in the past we used to create provisions every year to account for what would be spent after the period. It is the IAS requirement that we cannot do it. So now we have no provisions and we execute the expenditure and we depreciate it going forward in a four-year period. Is that clear to you Lydia?

Lydia Rainforth, Barclays Capital

Yes it is. Thank you. And then the other one was just on the DD&A in the upstream if you have it just in terms of where that might go moving forward.

Manuel Ferreira de Oliveira, CEO

The DD&A for the upstream is based on unit of production per entitlement production. So the variation that you see in Angola is because we and the operator only update the developed reserves by the year-end.

So at the beginning of the year, we estimate using the previous year reserves what are the reserves so that we can depreciate on a unit-basis because of reserves reviews resulting from the positive or negative, resulting from the operations of the year. Then we adjust typically this number on the fourth Q, that is on the per-unit basis of the reserves going forward that we depreciate the assets. And that is, in Brazil, this confusion does not exist because we do not have the difference between working and net entitlement production. In Angola we have production sharing agreements and in Brazil we have concessions.

Matt Lofting, Nomura

Thanks for the presentation, gentlemen. Just two quick questions please. Firstly, coming back on Mozambique, I just wondered if you could talk a little bit about exploration plans there for 2014, in particular the timings sort of going back to the Agulha discovery to the south of Area 4 and I think you talked about two to three wells on the appraisal programme previously? Secondly, just coming back to the DD&A, if you could give us an indication of where you think depreciation goes for 2014 in aggregate when you factor in the sort of the comments that you just made on the upstream side and then also, the full-year run rate on the downstream post completion of upgrade programme? Thanks.

Manuel Ferreira de Oliveira, CEO

I will take the first part of the question and Filipe will close with the second part. As far as the drilling programme for exploration and appraisal in Mozambique, we just have in Agulha area one appraisal well to drill this year and we've got two exploration wells in prospects that we have identified. So that is as far as Agulha. The Mamba complex has been fully appraised. As far as the second part of the question, Filipe will take care of it.

Filipe Silva, CFO

On DD&A, Matt and also to bridge this to Lydia's question. On downstream, if you take an average quarter, say 3Q last year, DD&A was pretty much run rate. The hydrocracker was operating and everything was being amortised as planned. The new units of the refineries are being amortised based on tax criteria, that's about 15-year period useful life for tax purposes. To remind you, in the first quarter of 2013, we were not amortising the hydrocracker, so 2013 overall numbers are not a good reflection. On the upstream, we should expect to see significant differences, as the new FPSO units come on stream. Today, we have, in our opex, the lease payments to the owners of the FPSOs. As each new FPSO comes on stream, the ones that we have acquired, the opex line will fall. The cost of the FPSO will actually be off balance sheet because they have been acquired by TUPI BV where we only have 10%. There will be a financial element which we'will have to detail on how the new owned FPSOs under construction will be booked, but they will not be under opex.

Manuel Ferreira de Oliveira, CEO

So I understand that there are no further questions and ladies and gentlemen, I would like thank you for the attention that you offered us today. I hope that all your questions have been clarified, and that it has been clear to you that the development of Lula is our top priority, in terms of timing and budget. During 2014, we will see, as we referred before, the second FPSO ramp-up to full capacity, by the end of the year, and the commissioning of the first one in the Iracema area, of the Lula/Iracema field.

In the meanwhile, we continue with intensive appraisal activities in our other fields in pre-salt, in order to de-risk the development plans, particularly in Iara, Júpiter and the Carcará fields.

On our investment plan, in the upstream it will be supported both by our solid financial position and by the strong contribution of the downstream and gas businesses, which should continue to generate positive cash flow.

And finally, I want to take this opportunity to once again remind you that we will be holding our important Capital Markets Day on the fourth of March, in London. We sincerely expect that you will join us there. During this event, we will be elaborating on our strategy, with focus specifically on our most important development projects, particularly in Brazil and in Mozambique as well as in our exploration programme. We will also provide an update on our financial outlook, including the stable downstream and gas businesses which should continue to support the execution programme of our upstream strategy.

So thank you for your time, thank you for your attention and I look forward to seeing you all there, in London.

Good morning.