

## Operator

Good morning, ladies and gentlemen. Welcome to Galp Energia's first quarter 2013 results conference call. I will now pass the floor to Mr. Tiago Villas-Boas.

## Tiago Villas-Boas, Head of Corporate Strategy and Investor Relations

Good morning ladies and gentlemen and welcome to Galp Energia's first quarter of 2013 results and strategy execution update conference call.

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

I remind you that we will be making several forward-looking statements during the call, so I'd like to draw your attention to the disclaimer at the end of the published presentation.

I'll now pass the floor to Manuel. Thank you.

## Manuel Ferreira De Oliveira, Chief Executive Officer

Thank you Tiago, and good morning and my thanks to all of you that were able and cared to participate in this conference call, the first after our recent Capital Markets Day in London.

In the CMD we shared with you the substance of the major drivers of our mid and long term strategy. I will take just two minutes to summarise again the main drivers of our strategy:

We will allocate going forward capital primarily to the upstream business. We will continuously strengthen our project management competences to contribute to the minimisation of the execution risks associated with the large scale development projects in which we are involved, namely in Brazil and Mozambique.

In terms of reservoir management, drilling and production technologies and practices we are fully committed to develop, recruit and retain experienced and high quality professionals, focusing on third generation recovery technologies so much valued for the Brazilian pre-salt carbonaceous reservoirs.

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In terms of exploration, we will be developing prospects to generate drilling targets with a potential to increase our resource base by 100 to 200 million barrels per year, focusing in Latin America and Africa and on the strengthening of our experienced G & G team.

All of the above to achieve and at least sustain a production target of 300 kboed by 2020. Additionally, and after the successful completion of the startup of our upgrading refinery project, we will manage for cash our legacy business, i.e. our R&M and our G&P divisions, focusing on operating and commercial efficiency and on minimizing capital allocation.

We will also consolidate and further develop our successful oil, oil products and LNG trading activities.

And we will do all of the above with a solid, sustainable and resilient balance sheet.

In what follows we will be presenting financial and operation results and describing the progress of our main activities in the course of the first quarter. I sincerely hope that you will read behind the information, supporting evidence of our firm commitment to deliver the strategy we shared with the investor community on our recent CMD.

Now, let me go to the main activities developed in the first quarter of 2013.

I will start by our exploration activities. We are currently drilling the first exploration wells in Namibia and in Potiguar, both of which offer material potential in underexplored areas.

In Namibia, we started to drill the Wingat prospect at the end of March, which targets a carbonates reservoir.

After Wingat is concluded, we will continue the drilling campaign at the Moosehead and Murombe prospects, which as we have already stated are geologically independent from the results of the first well.

In Potiguar, we started to drill the Araraúna prospect in mid-February. I remind you that this is a frontier area, and as such, of high risk. However, if successful, it can prove the existence of a new high potential play in the North of Brazil. This well will be followed by another two wells in the same basin targeting another prospects.

Still in the second quarter, we will start to drill Agulha-1 in the Rovuma basin, in Mozambique, formerly known as K Bulge prospect. We consider this well to be high risk, as we are looking for oil in a basin where

we have found so far the giant accumulations of gas. However, if we are successful, we will further increase the hydrocarbon potential of this well-known world-class basin, and we have already identified some follow-up oil prospects to drill, depending on the success of Agulha-1 well.

I want to highlight that we have now concluded the appraisal campaign in the Mamba complex, and with 80 Tcf of gas in place we have no doubts in the development and competitiveness of this LNG project.

In the pre-salt Santos basin, this quarter we will drill Bracuhy. This is a satellite structure which can bring upside to the block BM-S-24, adding up to the significant discovery already made in Júpiter.

Moving on to the Lula project, we continued to take every action to ensure its development on time and on cost. We mentioned that we have a procurement strategy in place, and this is why we have succeeded so far in contracting most of the infrastructure and equipment required. We are focused on diversifying and mitigating the execution risk, working with both Brazilian and international suppliers. Just to give you an example on that, in March, the consortium contracted two additional FPSO on the international market. We have now successfully contracted an outstanding number of twelve FPSO to be delivered by the end of 2017, ten of which will be allocated to Lula and the other two to Iara.

I highlight that the first six FPSO will be leased, and will have lower local content than the units being built in Brazil, which takes some pressure off the local suppliers, and further reassures the delivery on this project on time.

In the shorter term, we will have the second FPSO at Lula, Cidade de Paraty, up and running, and I'm glad to say that this unit is already on its final destination in Lula Northeast location. We are currently taking care of the mooring process, which involves the interconnection of the FPSO to 24 mooring lines. Additionally, we have already conducted all the required standard safety tests in Brazilian waters with full success.

I remind you that we anticipate for Cidade de Paraty an exit rate of 75 thousand barrels of oil equivalent per day by the end of the year, and that the full ramp up period is expected to take around 18 months. This is similar to what we have seen in the first FPSO, Cidade Angra dos Reis, although Cidade de Paraty has a capacity 20% above the previous one. This is already a good sign, but still we expect to improve it further, with a shorter ramp-up period expected for the following units.

In fact, we want to emphasise again and again that we are fully focused on continuously improving the already very good economics of the Lula project.

We will benefit from the economies of scale and learning curve, which impacts also drilling and completion times. Additionally, and as you know, we are working to increase the recovery of resources. We have already announced an upwards revision of the estimated oil recovery factor, from 23% to 28%, and this is

based only on data that we had gathered until the end of 2012, through the appraisal well and the pilot project.

We expect that this can increase further. Not only do we continue to drill several reservoir data acquisition wells across the field, in order to amplify our knowledge on the reservoirs, but also we will start testing enhanced oil recovery techniques. We will start to test the water-alternating-gas, including CO<sub>2</sub> as an alternative to natural gas, injection already in May, a technique that we call a third generation EOR technology which has already offered excellent results in lab. On that note, we will have some maintenance in the equipments for CO<sub>2</sub> injection and processing in the second quarter, affecting the availability of Cidade Angra dos Reis, but Filipe will mention this later on.

At the strategy execution level, it is also important to mention the conclusion of our refining upgrade project, which was an important milestone for us. The ramp up period ran smoothly and in maximum safety conditions, which was our first priority on this commissioning process, which allowed us to reach an utilisation rate of around 90% after three months of operations.

We are presently running the new units above 100% load factor, consequently the new units after this transient period with frequent shutdowns including the hydrocracker, are now operating steadily and we expect the full contribution to margin already in this second quarter.

Still regarding the downstream and gas businesses, I must say that we will continue to focus on cost control and the efficiency of our operations in Iberia. We know the exogenous world around us that we must deal with. Additionally, you can expect our LNG trading activity to remain strong, and to continue to contribute resiliently to earnings in the medium term.

So, we are now in a place where we can focus only mostly on our upstream progresses, while the downstream and gas businesses increase their contribution to the cash flow.

I would like to conclude by telling you why we are confident with our near term future, particularly at this second quarter:

- On the downstream and gas businesses, we have for the first time the full contribution of the refining upgrade, and we will continue to count on strong LNG trading results;
- On the upstream, we will be doubling the installed production capacity in Lula, with the second FPSO arriving and starting operations soon, by the end of May, and contributing to relevant production throughout 2013;
- We are assessing one of the largest potential upsides in resources in Brazil, with new EOR techniques with water and gas injection, including CO<sub>2</sub>, potentially contributing to an increase in the oil recovery factor;

- And finally, on the exploration side, we will have shortly the results on three key wells in the coming months, namely in Namibia, in Potiguar and in Mozambique.

And now, Filipe will continue by summarising our results. Thank you all very much for your attention and I will come back to answer your questions.

## **Filipe Silva, Chief Financial Officer**

Thank you Manuel, and good morning to you all.

Moving on to our balance sheet on slide fifteen, at the end of the quarter net debt stood at 1.9 billion euros, up 189 million euros since year-end. This is due to some extent to a slippage in client receivables as this year Easter fell at the very end of the quarter, impacting collections between the 28 and 31 of March.

Considering our loan to Sinopec of about 960 million euros as cash and equivalents, our net debt was actually 926 million euros, or 0.9x the last twelve months Ebitda.

Capex amounted to 189 million euros in the quarter. From these, the E&P business accounted for over 80 per cent, and it was mainly driven by the development activities in the Lula field, namely the drilling of development wells in anticipation of the upcoming FPSOs.

On the funding side, we have secured 1.3 billion euros so far this year, with maturities of four to five years, thus continuing to extend the average life of our debt. We will be slowing down the pace of debt issuance going forward given our high cash balances, but will gradually be addressing our 2014 redemption profile through longer dated instruments.

Looking at the P&L, on slide 14, Ebitda reached 253 million euros, or 24% above the previous year's figure, with a higher contribution from all business segments, but mainly from the Refining & Marketing and the Gas & Power businesses.

E&P Ebitda grew 4%, with lower production in Angola compensated by higher production in Brazil where FPSO Cidade de Angra dos Reis operated close to full capacity throughout the quarter. Net entitlement production reached 20 thousand barrels of oil equivalent per day, 60% of which from Brazil which had about a 20% gas mix.

Refining and Marketing Ebitda increased by 27 million euros on the back of the improved refining environment, or rather, a less negative one. It is important to note that during Q1 we were stabilising the hydrocracker, the refining system did not operate in an optimal way, with energy consumptions and losses at around 10 per cent over the period, so probably no contribution at all to the Ebitda line. On the marketing side, we continued to be impacted by the lower demand in Iberia, which is impacting the

economics of this business. In fact, the refining margin improvement was mostly eroded by the weaker performance in Marketing.

Gas & Power trading activity continued to be healthy as prices of natural gas in the international markets were higher, and as we increased the number of cargoes sold to Asia and Latin America. Ebitda of G&P reached 102 million euros, 19 million above the previous year. Of note, the co-generation plant in Porto is now up and running since early March.

Group Ebit reached 148 million euros, as non-cash costs stayed at 105 million euros, in line with a year before.

At this Ebit level, we highlight that the hydrocracker only stabilised at a high utilisation rate during the last couple of weeks in March. As such, we will only start depreciating the new units from the second quarter onwards, with a quarterly impact of around 21 million euros. That's about 1.2 billion euros investment amortised over fifteen years. Same rule applies for interest costs related to the upgrade project which will only start to flow through the P&L in the second quarter at a rate of about fifteen million euros per quarter, that's about 1.2 billion euros investment with a five per cent interest rate.

Below the Ebit line, financial results improved versus the previous year as the average net debt in the quarter was lower.

All in all, net profit reached 75 million euros in the quarter.

Now, to conclude with the presentation, I'll go briefly through the main drivers that we expect will impact our performance during this second quarter of the year.

- Working interest production should be of around 22 thousand barrels of oil equivalent per day, as the second FPSO production will only contribute in the last month of the quarter and as FPSO Cidade de Angra dos Reis will be subject to maintenance works on the equipments related with the processing and injection of CO<sub>2</sub>.
- Looking at the refining business, this will benefit from the steady contribution of the hydrocracker. We anticipate the full contribution from the upgrade this quarter, but of course the additional margin will depend on the market conditions.
- Regarding the oil marketing business, we expect demand will continue to be impacted by the macro situation in Portugal and in Spain, as these economies continue to re-adjust.
- On the natural gas business, volumes will continue to benefit from a healthy LNG trading activity, as we have already secured some cargoes to be delivered during the second quarter.

And so, I conclude the presentation for the day. We are now available for Q&A.

Thank you.

## Questions & Answers Session

### Thomas Adolff, Credit Suisse

Good afternoon. Thanks for taking my questions. I have one question for Brazil and the other one on refining.

On the WAG with CO2 floods, since the consortium members tend to have a different view, I was wondering if you could say how long you expect those tests to last before you have enough data to give us an update. I also understand that Petrobras recently mentioned a 3 to 4 p. p. potential improvement in the recovery factor, which is at the lower end of the 3% to 17% point range that BG indicated previously. I kind of wanted to know where your expectations are.

And secondly on refining, you've mentioned consumption losses stood at 10% during the quarter. I was wondering whether you expect this to go back to 8% going forward, and also whether there are planned maintenance for the rest of the year. Thank you.

### Manuel Ferreira De Oliveira, CEO

Good morning, first of all, and thank you for your two questions. Let me start with the first one with the WAG project. This is a major technological achievement if we are successful. There is the alternative injection of water and gas, namely CO2, in ultra-deep offshore, it's the first done in the world. Let us take note of that. The project is programmed to last in the sense as a pilot project, between 6 and 12 months. But the definitive timing will be the one that is needed to assess the effect of this new technology.

I note that José Formigli stated that he would expect something between 3% and 4%. He's a good friend of mine. He's very conservative. And I think it's safe to be conservative at this stage. In the laboratory, in analytical and analogical model, we have much higher numbers, but we should take one step at a time in terms of technological advancement.

The second question going to refining, Filipe referred that we have the 10% losses. But I want you to note that consumption in the Sines refinery is simply due to the fact that we have stop-and-go low load factors in the first days. So this is why the contribution, the overall contribution, when you put incremental production versus incremental costs associated with the setup of the hydrocracker is effectively zero in the first Q.

So now it's running effectively it was yesterday, the last time I saw at 104% load factor. Our operating team is now relaxed. We consider this as a very successful commissioning of that complex project. It will

go back to a maximum of 8% consumption in the refinery systems in terms of energy consumption. And thank you, Thomas, for giving us opportunity to answer to these questions.

## **Oswald Clint, Sanford Bernstein**

Yes. Thank you very much. I noticed your comments with the release this morning about your increased confidence on the Lula development both on time and cost, so it sounds like you are getting more optimistic and I just wanted to know, is that just due to the FPSO delivery and ordering of those and the well results, or there is anything else there in terms of Petrobras' movement or the government movement in Brazil in terms of making you more comfortable and more confident here?

And the second question, again, back on the downstream, just specifically the Iberian market and how weak that is, is there anything you're seeing here as you go through the rest of 2013, do you expect it to keep dropping at this 9%, 10% level each quarter in terms of consumption? And obviously, I'm thinking about risk to overall utilisation levels in the refinery. And also, is the export market still open to you? Are you still able to place gasoline over inside the U.S. market? Thank you.

## **Manuel Ferreira De Oliveira, CEO**

Thank you for the question, Oswald. The increase of confidence in Brazil, that results from the actions taken on the ground. The consortium in Block BM-S-11 have already 12 FPSOs contracted, the first 6 of which, two already delivered, another 4 to be delivered up to 2016.

So with that, we accommodate any potential delay on the remaining units. We have another 6 that are to be built in Brazil. And this, together with all the infrastructure already contracted, from wellheads to all the critical equipment contracted, including the rigs necessary for drilling the wells, so we feel relaxed. But that does not mean that we will not continue focusing on it and basically promoting remediating measures if we anticipate any delay on the project. But this is not our strategy. This is the strategy of the consortium. We are totally satisfied with it, and we obviously play our role on it.

As far as the refining, we see that the refining supplies fundamentally the Iberian market. Net in Portugal and Spain, our sales of diesel can allocate the production of the new hydrocracker. So the export facilities will be maintained. And because these are commodities, they will find always a market, because we sell always at the international prices.

When the market is reduced in Iberia and instead of placing in our natural market, we have to export, we lose the value, the differential between CIF Northwest Europe quotation and FOB, because when we sell, we sell FOB. When we sell internally, we sell ex-refinery at CIF cost prices. And that's, I think, the answer to your question. Thank you.



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**Haythem Rashed, Morgan Stanley**

Hi. Thank you. Good morning, good afternoon and thank you for taking my questions. Two questions, please, if I may. Firstly, just on the upstream and as we fast approach first oil from Lula Northeast, as you've mentioned, confidence has increased around production there, I wondered if you could just provide us with some further guidance on production and specifically really what we should be expecting for production in both 3Q and 4Q of this year relative to the levels that you've obviously guided for in 2Q.

And related to that as well, looking further ahead in Brazil, the next step on the pipeline, being Iracema South, I wonder if you could provide us with a quick update on the progress there, whether you're still confident in a 4Q 2014 start-up or any more sort of specific timing there would be helpful.

The second question I had was just around Mozambique and whether you could provide an update there on how things are progressing around gas sales agreements, project financing, all the sort of steps that need to be in place ahead of FID, on whether there's any sort of key outstanding issues that still need to be sort of finalised. That would be great. Thank you.

**Manuel Ferreira De Oliveira, CEO**

Thank you Haythem for your questions. Going straight to the Lula NE project, what I would say is that, what I've said in my initial presentation, that we'll close the year with a production of 75 kbopd, ramping up. We expect our stake of the project will go from the initial second quarter of 0.7 kbopd to 6.3 kbopd in the last quarter, that's average production. But I would say that we should look at these numbers with prudence. I think that this is a start-up, it's a complex project. Our formal statement is a production of 75 kbopd by the end of the year. This is the number that we all agreed in the consortium, that is achievable and that is our target. As from our side we are increasing net entitlement production in the Group by 20% on average this year.

Next year, we'll have the start-up of the Cidade de Mangaratiba in the fourth Q, as already informed in the past.

Mozambique, obviously, the consortium has already put together a commercial strategy. The initial steps are being taken, I'm not in a position to advance more information other than this. So it is a priority, as you clearly are aware, and the work is ongoing.

The issue now is waiting for the petroleum law in Mozambique that is expected to be published early third Q, so that we can clarify all the uncertainties about the legal framework of the LNG facilities. Everything is being negotiated in a cooperative form. And what I say is that we, the consortium, and the government of Mozambique has aligned interests because it is as important for us as it is for the government of Mozambique not to delay the start-up of the project. Thank you.

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**Mehdi Ennebati, Société Générale**

Hi. Good afternoon all. I have two questions. The first one regarding your average realised sales price in the upstream. The discount to Brent was unusual at \$20 per barrel? You talked about the element of the underlifting. Could you be, please, more specific about this mechanism?

And the second question is regarding the Lula West-2 drilling results. So the drilling has been completed. And I remember you've said during the Q4 conference call that it was not considered yet in the resources of Lula field, and then if there is discovery, it will lead to an increase in resources. So do you confirm this, and when can we expect the announcement of drilling results from Lula West-2? Thank you.

**Manuel Ferreira De Oliveira, CEO**

Okay. Thank you for your questions. Now the first question, I noticed that you are looking at page number 20 of the presentation, where you see that realised sales price in the first Q of our production was \$90 a barrel. Let me tell you why is that. One, there was under-invoicing in the first Q that will be corrected in the second Q, which was effectively due to some accounting principles, practices that we'll be correcting. And that is related with the complex lifting processes that we have related to the operation of the consortium.

So it is that number, \$90.3, unfortunately, we have to report it, is an accounting number, the effective sales price was \$103.75. That number, had we not had that correction to make, would have been \$103.7.

So as far as the Lula West, the consortium already allocated an FPSO to that part of the Lula field. And it will be operational, hopefully, as programmed in 2017. Thank you.

**Mehdi Ennebati, Société Générale**

Okay. But does that mean, because you said that if the drilling turns positive, there will be an increase in resources. So given that Petrobras allocated an FPSO in 2017 for Lula West-2, can we say that it might increase the Lula resources in the, let's say, in the months to come or next year?

**Manuel Ferreira De Oliveira, CEO**

There is sufficient volumes in the location to justify an FPSO. That was the conclusion of the results of the test of Lula West.

**Filipe Rosa, Espírito Santo Equity Research**

Hi. Good morning, everyone. So firstly, on Mozambique, we already have the deal from Eni. You said in the past that depending on the terms, you could be a buyer or seller or holder, I would like to know whether you could update us on that since we already have a benchmark for the asset.

My second question, it's a follow-up question on Lula West-2, I believe that one of the conclusions that you wanted to draw from this well was whether there was a continuity between the Lula and Cernambi reservoirs since apparently, there's been a discovery. Is this confirmed that this is just one reservoir, or it has nothing to do and you have not defined that yet? Thank you very much.

**Manuel Ferreira De Oliveira, CEO**

So thank you, Filipe, and good morning to you. The transaction that occurred in Area 4 was done fundamentally on the same terms as the Cove transaction in Area 1. So for us, it was not a surprise. So it's no surprise for us whatsoever. We are happy with our position, and we'll keep financing our development there as planned.

As far as the Lula-Cernambi connectivity, as you know is an issue that is being debated with ANP. The position of the consortium is that there is connectivity. The position of the ANP is there is no connectivity. So what we are putting is this well giving contribution to this debate. Let's wait for outcome of it. But this is a major step for that one, for that debate. Thank you.

**Jason Kenney, Santander**

Hi, there. Question on the downstream. I noticed you mentioned that, obviously, you can't give us the refining margin for the second quarter because it's going to depend on changing conditions. But if we saw the same conditions as in the first quarter, what would the margin enhancement be in the second quarter by having all of your assets up and running?

And then secondly, just to maybe follow up on an earlier point when you mentioned the under-invoicing upstream and the lower realisation price for oil, you said there was going to be a correction in the second quarter. Does that mean we'll see a correction in earnings associated with that as well, or is it just an accounting thing on the actual realisation number?

**Manuel Ferreira De Oliveira, CEO**

Can Filipe take the second question and I'll come back to you, okay?

**Filipe Silva, CFO**

Realisation price, I mean per barrel, this is a denominator you see on that slide 20. So all the barrels are there. Some of the invoicing of the very last few days of March actually fell into April. So you will not see the earnings. It's for purposes of the ratio only that the denominator is inflated relative to the nominator.

Also draw your attention, we had a bit more gas, so about 20%. This is all Brazil related. And we do sell our oil in Brazil at a discount to Brent of somewhere between \$4 and \$5. Answering to your question, no, we expect no enhanced earnings in Q2 because of this.

**Manuel Ferreira De Oliveira, CEO**

Okay. The first comment I want to make is to correct the answer that I gave to Filipe, about the connectivity, I mixed the positions. So the position of the consortium is, assuming that the reservoirs are separated, the position of ANP is the reservoirs are in the same one, are integrated. So I mixed the reference. I apologise for that.

The second part of your question has to do with the hydrocracker. We expect, with present margins, that we have an increase of-versus the cracking complex-of \$2 to \$2.5 a barrel. We will be producing and operating the hydrocracker at 100% on average, according to the present plan.

**Jason Kenney, Santander**

So just to confirm, if we had the same margins as we had in the first quarter, we should see a \$2 to \$2.50 a barrel increase Q-on-Q?

**Manuel Ferreira De Oliveira, CEO**

That's correct. That's correct for the total processing crude. Thank you.

**Brendan Warn, Jefferies**

Yeah. Thanks, guys. Actually, it's probably on the same thread as the last question, on Thomas and Oswald asked earlier. Just in terms of refining and if we're looking at sort of second quarter onwards as steady state or normalised, just whether you can either reaffirm or just reguide on, call it, the product slate, and even if it's just gasoline, diesel and also crude slate, and indication of cash costs, if core refining margins are out of your control.

**Manuel Ferreira De Oliveira, CEO**

Thank you for your question, Brendan. The yield naturally depends on the crude oil being processed, but we expect about 50% of the output being diesel in our product slate. The hydrocracker is operating slightly above 99% of conversion from vacuum gasoil into middle distillates and naphthas. The cash costs of the refining will not change very much versus the existing operation because, per barrel, we increased the load factor of the two refineries, which contribute to reducing the unit costs. We will expect a \$2.4 to \$2.5 per barrel of cash costs. Thank you.

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**Nitin Sharma, JP Morgan**

Good afternoon, gentlemen. Just one question. It relates to possible sale of Eni of its remaining stake in Galp. So my question is, is there an ongoing discussion between Galp's management team with Eni, so that such sale, if and when it happens, is done in a structured manner so that it has minimal impact on Galp's share price? Thank you.

**Manuel Ferreira De Oliveira, CEO**

Both discussions are going on. We have offered our availability to Eni to do that. Eni is considering that, I expect, so there is nothing else I can say about that, Nitin. Thank you.

**Lydia Rainforth, Barclays**

Thank you. If I could just ask around the cash flow numbers, and there was quite a big build in working capital for the quarter. How much of that would you expect to reverse in the coming quarters and just how quickly that can come through?

And then secondly, if I can just go back to the per barrel numbers. I understand the sales realisation being lower on the per barrel basis, does that also apply to the cost per barrel that you present, or is that just completely separate from the calculations? Thank you.

**Filipe Silva, CFO**

Thank you, Lydia. If we look at our treasury position on the very first days of April, I can confirm that most of this has been reversed. In this Catholic country, we take Easter very seriously, so we have Thursday and Friday was 28, 29, so actually four days of no invoicing. And we invoice about €50 million per day. So this is the reason, and it has been reversed.

On the realised price, no again, this number, low realisation number is a mechanic number you see only on slide 20. Everything else is independent.

**Michael Alsford, Citi**

Good afternoon. I've just got a quick question just on the Brazilian BM-S-24 drilling plans, could you maybe just give a bit more colour as to what you're targeting at Bracuhy in terms of volumes and whether you're expecting the same hydrocarbon mix to what you saw at Júpiter? That would be helpful. Thank you.

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**Manuel Ferreira De Oliveira, CEO**

Thank you for the question. The Bracuhy prospect is a big sized satellite of the Júpiter field. So it's something that enhances the value of the block, but will not drastically transform the development plan further. The important issue on it is whether the CO<sub>2</sub> is there or not with the same concentration level, because if it is not, it will be the fantastic project to start up CO<sub>2</sub> injection in large scale in ultra-deep offshore because it's so close to the Júpiter field. That's the strategic value of this satellite prospect. Thank you.

**Matt Lofting, Nomura**

Thanks. Two questions, please. Firstly, on the exploration side in terms of the two wells currently drilling at the moment in the Potiguar basin and Wingat in Namibia, clearly, sort of potentially high-reward but also high-risk wells. Could you remind us of where you see the probability of success on those two, please?

And then secondly just on the income statement around net financials. I know you start sort of expensing the previously capitalised interest on the Sines upgrade from Q2 onwards, €15 million per quarter. Given the sort of the fluctuation in the net financials line in recent quarters, could you give us a sense of where you see sort of the clean underlying starting point in – on that net financials line, sort of FX effects, etc., before you then layer that €15 million on top? Thanks.

**Manuel Ferreira De Oliveira, CEO**

Matt, good morning. I will pass the second part of the question to Filipe. I'll take the first one. The two wells being drilled in Namibia and Potiguar have been qualified by the consortiums as tight holes, which means that strict closed information. So I cannot share with you because of this information commitment with the operators.

What I want you to note is the three wells that are to be drilled sequentially in Namibia are geologically independent. The three wells to be drilled in Potiguar, they have some dependency, although the success or unsuccess on one well does not fully determine the drilling or, otherwise, in the two wells. Additionally, in Potiguar, these are also contractual obligations, which is not the same in Namibia. In Namibia, the prospects are independent. They will be independently drilled of each other. In Potiguar is what I said, they are obligatory, and they are partially independent. Thank you. Now, Filipe.

**Filipe Silva, CFO**

Now on interest costs, so, yes, you should expect about the existing €40 million plus €15 million, so say, €55 million interest ex-FX moves, etc., on the P&L. So €55 million per quarter.

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**Anish Kapadia, TPH**

Hi. Good afternoon. Couple of questions. First one on the LNG business. I'm wondering if you could give some indication of what the contribution was from the LNG trading business to the Gas & Power division this quarter, and what the sustainability is of those earnings over the coming quarters and maybe years?

And the second question, on the upstream, if we're looking at Angola Block 32, it sounds like that there's some question marks over the economics of Angola Block 32 going ahead. I was wondering if you could outline sort of the issues over there and your views on the project. Thank you.

**Manuel Ferreira De Oliveira, CEO**

Thank you, Anish, for your questions. It took us some time to digest your questions. I apologise for that. The LNG business is extremely simple to explain. With agreements with our supplier, the Nigerian LNG company, we share the benefits of arbitration between the Atlantic Basin and the Pacific Basin and in a manner that is transparent. We have a CIF contract. So in order to divest the cargos, we need to have the agreement of the supplier.

What we have done is with the agreement of our supplier, and after competitive tenders that we realised last year, we have secured the stability of our operations for three years by actually doing agreements with other players in the market. So we feel that the contribution of the LNG trading activity will be with us for at least the forthcoming three years.

Now to Block 32. The final decision to lease the forthcoming FPSO has not been taken yet. And we are in the process following the normal programme. We expect Block 32 to be producing by 2015, 2016 is the present development cronogramme for this area. Thank you, Anish.

**Bruno Silva, BPI**

Good morning, everyone. Just have two questions left. You have previously mentioned the possibility of starting a share buyback plan, but can we assume that, with the expected placement by Eni in the near term, Galp will not start to waive the programme until the placement is done? How should we think about this issue timing-wise? And secondly, very quickly on Namibia, what kind of quantitative information could be released by June? Thank you very much.

**Manuel Ferreira De Oliveira, CEO**

Thank you for the last question of this session. We never said that we have a share buyback plan in place.

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What we said is that we requested the general assembly to authorise the Board, if necessary, to act, and that has not been yet discussed in the board. So we've got the authorisation of the general assembly to act if considered necessary and good for everybody. No discussion has been taken so far.

As far as Namibia, we cannot by, tight hole is a codename stating that we are restricted in sharing information on it. By the end of the quarter, we'll have full disclosure of the results, so if it is a dry well, we will say that it's a dry well. If it a successful well, we will indicate the size of the reservoir, identified, associated with this discovery. And that's it Bruno.

## Closing remarks

### Manuel Ferreira De Oliveira, CEO

And I guess, according to what I have been told, these are the last questions that have been asked to us. And on behalf of my colleagues in the table, Tiago and Filipe, and I would like to thank you for the time you dedicated to us. And hear you a quarter from now. Thank you very much, indeed, and good morning.