
Pedro Dias, Head of Strategy and Investor Relations

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

Joining me this morning is our CEO, Manuel Ferreira De Oliveira, our CFO, Filipe Silva, and Otelo Ruivo, our Investor Relations Officer.

Manuel will start with our strategy execution update, and Filipe will cover our fourth quarter results. As usual, we will be available for Q&A at the end.

Please bear in mind that we may be making several forward-looking statements, including about our 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.

I also would like to remind you that we will be holding the Capital Markets Day in London, in one month time, on March 10, so I hope to see you all there.

I will now hand over to Manuel. Thank you.

Manuel Ferreira De Oliveira, Chief Executive Officer (CEO)

Thank you Pedro. Good morning to each and all of you. Thank you very much for taking some of your time to be with us this morning.

Our industry, as all of you know, is going through challenging times and uncertainty has returned to the market after a relative long period of stability.

It is also worth referring how different the refining margins were in Europe during 2014, with margins in the first half of the year close to their minimum, suffering from refining overcapacity and from the high prices of crude. On the other hand, in the second half of the year, margins returned to what I would call normality, benefitting from the sharp decline in oil prices.

As you already know, in a year marked by such volatility in the oil and gas markets, Galp Energia was able to deliver a good set of results.

I take this opportunity to reaffirm how strategically important is the integration of our upstream and downstream businesses, particularly in a period when we need cash from operations to support our investment programme required to put into production our valuable discovered reserves and contingent resources.

Let me now briefly provide you with an update on our upstream business, and on the execution of our main projects, referred to in slides 7 to 11.

Our production has been supported by the execution of Lula-Iracema project in Brazil, which is in a clear growth path, and also by the relatively steady contribution from Block 14 in Angola

In Brazil, we have two units in Lula running at full capacity, Cidade Angra dos Reis and Cidade de Paraty, and a third unit is ramping-up in Iracema. This unit, Cidade de Mangaratiba, started production last October and is now producing over 65 thousand barrels of oil per day (kbopd), with two producer wells and one injector well connected. We are seeing excellent flow rates that support our positive view on the Iracema development going forward. We are confident that this unit will reach full capacity ahead of the scheduled date.

Now let me refer the status of the more immediate upcoming units.

FPSO #4, Cidade Itaguaí, is already in the Brasfels shipyard in Brazil for topside integration works, after having its hull converted in China, in the Cosco shipyard. The unit is expected to start production in Iracema North in the fourth quarter of the year and works are proceeding according to plan. Eight wells were already drilled and one currently being drilled to be connected to the FPSO at its arrival.

As for Cidade Maricá (FPSO #5), and Cidade Saquarema (FPSO #6), allocated, respectively, to the Lula Alto and Lula Central areas, conversion works are ongoing in the Chengxi shipyards in China and we expect these units to start production throughout 2016, as planned.

As for the replicant units, works are ongoing both in Brazilian and Chinese shipyards. In this regard, I must highlight the progress on the hull of P-66, the first of the replicants to be delivered, which arrived in December at the Brasfels shipyard in Brazil.

I want to reassure you that we are closely monitoring how works for these units are progressing, in particular, in what refers to the local supplier's performance and, when necessary, do whatever we can to promote mitigating actions.

As an example of this, we had a performance issue in one of our local suppliers, IESA, who was responsible for the supply of the gas compression and injection modules to be integrated into the six replicant units. The BM-S-11 consortium decided to terminate the contract, in order not to further compromise project timings and to fast-forward a mitigating solution. An international tender was launched for the construction of these modules, and proposals are expected very soon to recover the lost time.

These are the kind of actions that we will take in order to minimize the impact of such circumstances in our projects. These are complex situations, which we are closely monitoring and, as a consequence, we will prudently assume a more conservative estimate to the delivery timing for some of the replicants in the future.

With regards to Iara, we have submitted the Declaration of Commerciality to ANP in December, which included eight fields based on three accumulations. All three accumulations extend into the surroundings of Iara, the Transfer of Rights area assigned to Petrobras, and will therefore have to be unitised. We are preparing discussions with our partners and ANP regarding the unitisation process, while also preparing the Development Plan for the unitised Greater Iara area to ANP.

The Production Individualisation Agreements that will result from the unitisation process, once finalised, shall then be submitted together with the Development Plan for the unitised Iara area.

In the meantime, we will proceed with additional reservoir data acquisition works in Iara, which are required due to the heterogeneity and size of this area which, most likely, will be developed in stages.

Now let me move on to block BM-S-8, slide nº 10.

During the fourth quarter, the consortium concluded the first drilling stage of the Carcará Extension well and drilling works have already started in the Carcará Extension-2, which is like the first well, an appraisal well, with a rig using MPD (Managed Pressure Drilling) equipment, suitable for this kind of reservoir. This rig will later be used to complete the second stage of the first Carcará Extension well.

We expect to perform a formation test in the Carcará Extension-2 in the second half of this year.

Still in the Santos basin, a quick note on the DST concluded in Bracuhy during the last quarter which confirmed the oil flow potential of this area of the reservoir. We expect to provide a complete update on the appraisal works in BM-S-24 on our Capital Markets Day in the forthcoming March.

Let us now move to Mozambique, namely to the Area 4 Rovuma project, referred to in slide 11.

After the approval of the Enabling Law, the Government of Mozambique has approved the specific Decree-Law that will support the development of the Rovuma project, in complement to the already approved revision of the Petroleum Law. From the legal point of view, we consider ourselves comfortable with the legislation that has been put in place by the Government of Mozambique. Meanwhile, the consortium has already submitted to the authorities of Mozambique the Declaration of Commerciality and the Plan of Development for the Coral FLNG project, which are subject to the partners' Final Investment Decision at a later stage.

Engineering works are ongoing both for the Coral and the Mamba projects, and we expect to have proposals for the FLNG's EPCIC contract by mid-year, and for the EPC for the first development stage of Mamba, particularly for the onshore facilities, by the second half of the year. So far, the project in Mozambique is going according to plan.

Now, let me go over to our downstream and gas activities.

Market conditions in the fourth quarter continued to support the refining margins, essentially due to the lower oil prices, with our benchmark margin averaging \$2.9/bbl.

As you can see in the chart on the left hand side of slide 13, we took advantage of these market conditions. The utilisation rate during the period was around 85%. The operational flexibility of our refineries and our logistic infrastructure, particularly the ability to import and export VGO, allowed us to achieve a high premium over the benchmark, which, combined with the opening of the differential between light and heavy crude oils, contributed to a refining margin standing at about \$5/bbl in the quarter, which represents a very good premium for the refining and supply activities.

The higher refining margins, and the positive contribution of our marketing business, which benefitted from a material cost reduction measures that were taken during the year, have supported the improved results of our downstream division.

In 2015, we will continue to implement further cost reductions in our downstream business, namely in what refers to energy consumption, logistic optimisation and adapting the support structures of these businesses, in order to improve the cash flow that they generate and their resilience.

As mentioned in the previous quarter, we are still prudent regarding the evolution of the refining margins because the refining overcapacity in Europe persists and the current margins continue to be mostly supported by the oil prices.

On our Gas & Power side, it is worth noting the stronger than expected international LNG structured trading activities in the quarter, even under difficult market conditions and lower unit margins, we have been able to increase the volumes associated with this activity. This activity allowed us to compensate the decrease of volumes sold to direct customers in Iberia, and to reach, as you have noticed, an historical high in the sales of natural gas.

Before I finish, let me give you a quick word about the recently proposed tax law announced by the Portuguese Government last week. This tax envisages to specifically target Galp Energia's non-regulated long term natural gas supply contracts, with a charge that the Government announced to be around €150 million (m), to be paid in three years.

The draft legislation does not include the value of critical parameters required to calculate the tax impact, which will only be set by the Ministry of Energy after the eventual enactment of the law. So far, we cannot provide any additional information in this respect. What we do know is that there are no economic or legal grounds for this measure to be passed or legislated. Be assured, as our shareholders, if you invested in our shares, that we will not be waiting seated for any unreasonable measure or tailor-made law, and that we will do all we can to protect the legitimate interests of the Company.

I cannot conclude without a reference to the well-known instability and corruption charges that are affecting Petrobras and some of its suppliers. We have been working with Petrobras for more than 15 years. During this long period we worked and shared experience, technology and knowledge with world-

class professionals. Petrobras, as the operator of most of our concessions in Brazil, always delivered its responsibilities, most of the time ahead of schedule and with extremely competitive terms. The exploration, appraisal, development and ongoing production operations have been uniquely successful, with a relevant reference to Block BM-S-11. We are thankful to all those at Petrobras that enthusiastically, with hard work and high competence have been making the success of the pre-salt projects. We sincerely hope that the new leadership of Petrobras succeeds in clarifying the corruption issues and its main consequences, and that it takes the required measures and moves forward in building the successful future that Petrobras deserves. We are thankful to all those at Petrobras that have contributed and will continue to contribute to what Petrobras must be.

With that, I now pass the floor to Filipe, who will present to you the quarterly results.

Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Thank you, Manuel. And good morning to you all.

Starting with the P&L on slide 14, Group Ebitda was €399 m in the quarter; this was supported by an improvement in European refining margins and a stronger dollar. The contribution from higher LNG sales in the international markets mitigated the fall in natural gas sales to our direct clients, as did the higher E&P production.

E&P Ebitda was down 7% to €102 m, as the production increase did not manage to offset the large fall in average realised prices.

Working interest production reached 36 thousand barrels of oil equivalent per day (kboepd) in the quarter, mainly driven by the contribution of FPSO #2 (Paraty), which operated at full capacity and by the start of FPSO #3 (Mangaratiba). Net entitlement reached 33 kboepd, with Brazil up 80% YoY and already accounting for about three-quarters of the Group net entitlement production.

During the quarter, production costs were up €5 m YoY, impacted by higher production costs in Brazil and the start of operations of FPSO #3 and by the EWT performed in Iara. On a per barrel basis, costs decreased by around 27% due to the dilution effect.

Refining & Marketing Ebitda was €191 m, benefitting from the increase in European refining margins, a stronger dollar and a positive contribution from our marketing activities. Operational cost cutting played a relevant role here, namely in energy efficiency, marketing and personnel.

Finally, Gas & Power Ebitda was up 5% YoY to €101 m in the quarter, with higher volumes of LNG traded, despite lower margins in the international markets. Our regulated infrastructure Ebitda was down in the quarter mainly due to the downwards revision of the estimated return on RAB estimated for the 2014-2015 period, which is based, as you know, on the yields of the Portuguese Treasury Bonds.

Overall, for the full year we had a well-balanced contribution for Ebitda from our three divisions, at over €400 m each.

Group Ebit in the fourth quarter reached €258 m, reflecting the improved operating performance of the refining business.

Below the Ebit line, we would only highlight the increased amount of taxes, and this is mostly related to a better operating performance in the oil business in Portugal, higher upstream taxes from higher production in Brasil and an increased provision for deferred taxes due in the future in Angola.

Please note that our IFRS numbers, which do not isolate inventory effects and one-off adjustments, show a full year loss of €173 m. Pages 28 and 29 of our results report published this morning provide a detailed reconciliation of such adjustments. But in a nutshell, during 2014 we had €455 m of negative inventory effects at the Ebit level, about €110 m in asset impairments, and about €100 m split between provisions for the levy the Portuguese government is imposing on the energy sector, a deferred tax asset which we had to reverse in Spain, and restructuring charges.

On slide 15 we have capex, which amounted to €366 m in the quarter, up 55% from last year, of which around 87% was allocated to E&P. The investments were mainly allocated to development activities in BM-S-11, in particular to the drilling of development wells and the construction of the FPSOs and subsea systems, in Lula-Iracema, as well as the construction of the Cabiúnas gas export subsea pipeline.

Exploration and appraisal capex was €63 m in the quarter, mostly allocated to appraisal activities in Brazil, namely in the pre-salt and in Amazonas. For the full year, most of our exploration and appraisal capex was channelled to the pre-salt, Mozambique and Morocco.

Now, for downstream and gas capex for the full year, it reached €137 m, a significant part of which going to the planned maintenance of the Sines refinery.

Our Capital Markets Day is only a few weeks away so we are not providing guidance to the market for the upcoming years - except that we will be revising downwards our previous capex guidance of €1.5 bn- €1.7 bn. More colour on this on March 10.

Our cash flow from operations, on slide 16, was €331 m in the quarter, benefitting from a large reduction in working capital, as expected. This came about from the decline in commodity prices but also from lower inventory levels. This is very visible on our balance sheet, on slide 17, with working capital down €316 m in the quarter. You will also notice on the balance sheet that whilst Sinopec reimbursed about €100 m of its loan to Galp, the outstanding balance has actually increased but this is from the higher dollar exchange rate to the Euro.

Net debt increased €82 m in the quarter as this was a high capex period. Considering the outstanding loan to Sinopec as cash-equivalents, net debt was €1.6 bn, or about 1.2x net debt to Ebitda. We reaffirm our commitment to keep this ratio below 2x.

On slide 18, you see that at the end of the fourth quarter the average life of our debt was 3.7 years, with two-thirds of our gross debt only due from 2018 onwards. This is a reimbursement schedule which is better aligned with the expected positive free cash flow turning point.

Our liquidity remains high, at €3.2 bn, which together with our integrated business profile and financial discipline, positions us well to face a period of low oil prices and significant capex in the upstream business.

With this, I conclude our presentation for the day. And we are happy take your questions. Thank you.

Questions & Answers Session

Oswald Clint, Sanford C. Bernstein

Good afternoon and thank you very much. First question, which is kind of an obvious one, given the \$50/bbl to \$60/bbl oil price environment, could you maybe talk about the net debt number and where you think it might end up towards the end of the year if we stay at these prices? Obviously, most of the investors, I don't think were expecting Galp to be really reducing their investment capex at this point in the cycle. So, some colour on that would be good.

Secondly, just quickly, linked to FPSO #3, I kind of noted from your release, you're still talking about an 18 months ramp up period and plateau into the middle of 2016. I remember that last year there was some discussion around some of these FPSOs potentially ramping up faster than that, in 11 or 12 months. So, could you really just talk about that 12-month ramp up rate - is that something that might still be possible with some of these newer FPSOs? Thank you.

Filipe Silva, CFO

Thank you Oswald. This is Filipe, I will take the first question. The integrated business model is actually working. So our net debt evolution is a combination of E&P production and realized sales prices, but also of the impact that a lower oil price environment has in our refining business. From a net debt, hence free cash flow perspective, the E&P business is heavily, heavily taxed. So, from a free cash flow/net debt perspective, as long as refining margins are sustained, we don't see any impact on our free cash flow generation. Thank you.

Manuel Ferreira De Oliveira, CEO

Oswald, you can see the value of integration with the present level of production and refining capacity. Remember that we are simply producing between around 30 and 40 kboepd while we are acquiring and refining between 250 to 300 kboepd. It is this unbalance of volumes that allows the compensation between the margins on the downstream versus the upstream.

Going to your question on the FPSO #3 - yes, you are right, we expect FPSO #3 to reach full capacity ahead of what we have committed to deliver. But we are maintaining the delivery time as agreed. We expect to have them, the latest, mid next year, hopefully even before.

Haythem Rashed, Morgan Stanley

Thank you. Good afternoon, gentlemen. Thank you for the presentation. Two questions from my side, please.

Firstly, just perhaps a few comments on the LNG and the unregulated gas business, just in terms of your outlook for 2015. You highlighted in 4Q - we saw strong volumes but margins coming under some pressure - how do you think about that evolving into 2015, particularly with regards to the sort of €400 m in EBITDA level you have talked about for the Gas & Power business. I mean, how confident you feel in achieving that going forward?

Second question is just bit more on - and I appreciate that you have talked about leaving some of the updates on capex for the 10th of March Capital Markets Day - but just perhaps if you could talk a little bit about your discussions with partners, in the context of flexibility to phase spending, particularly in Brazil, Mozambique and Angola, how have these discussions gone, and how much flexibility do you feel you have around that, it would be very helpful. Thank you.

Manuel Ferreira De Oliveira, CEO

Thank you Haythem for your two questions. Starting with the gas business: we have referred to in other occasions, that our trading is anchored in what we call the structured trading. So we have got operations that we will execute throughout this year, that have been negotiated in previous years, through a structured set of agreements. We believe that, with these operations that we have, if everything goes as we expect, plus some opportunistic actions that we will take throughout the year, that we will be maintaining the level of results that we expect in Gas & Power, and that is, I tell you, the hard work of our supply and trading team. And, from talking with them, I'm confident that they will deliver that.

As far as capex, as it is obvious, we see what is going around us, and we are a part of that, because our operators - Petrobras, BG, Chevron, BP, Total and Eni (these are the companies that operate our assets) - have said what they want to do. So, through them, we are saying what will happen as well. To be very

specific on it, item by item - we will reserve that for the Capital Markets Day. The discussions that we are having in the different consortiums are based upon the present contacts. Fundamentally we are expecting lower cost for the same level of activity, through higher competition in the supply chain, and some capex being delayed, in particular in the more challenging projects. In Brazil, BM-S-11 in particular, which is the transformational project for our Company, we don't see, in 2016, any material delay.

Thank you.

Brendan Warn, BMO Capital Markets

Good morning, gentlemen. It's Brendan Warn from BMO Capital Markets. Just two questions, if I may, and I apologize if they are forward-looking and they may be reserved for the Capital Markets Day.

Firstly, on BM-S-24: just your thinking around Bracuhy and Júpter in the current oil price environment. And then just, second question, if I may, just in terms of - you've made an indication of impacts to capex in light of the current oil price - but could you make a comment in terms of direction of potential, either reserves, contingent resources or impairments – future impairments – in light of the current oil price?

Manuel Ferreira De Oliveira, CEO

About BM-S-24, we will be addressing the technical aspects of that reservoir in our Capital Markets Day. You know it is a major reservoir, with challenges, and what we have is a good DST and we now know the fluids much better, so what we have to do by 2016, late 2016, is to declare the commerciality of it. So, at this stage, we see no reasons why it should not be developed. On the other hand, all the indications we have is for its development and the present crude oil price is not an inhibitor of that development.

Going to your impairments question: in no project where we are, that is producing (when we have a project we have reserves associated), all reserves can be economically monetised with the present price of oil and remunerate the capital employed. So that is the statement that I can make about the units that we have in Brazil and Block 14 in Angola.

As far as our capex, as Filipe has referred to, we will talk about it in March but I don't need to be restricted in telling you that the outcome of our business plan indicates a lower level of capex in the next couple of years.

Thank you.

Mehdi Ennebati, Société Générale

Good afternoon gentlemen. I will ask you two questions: the first one regarding the downstream business. So, you've published a small utilisation rate in 4Q compared to the recent past. Should we consider that you will be able to regulate this performance if your benchmark refining margin, remains approximately at the same level in 2015 than it was in 4Q, or, on the contrary, should we consider this as a one-off and then you should could go back to more normalized levels that we've have observed in a recent past, meaning, around 70% - 72%.

The second question, in regards with Mozambique capex: in the current, let's say LNG price, oil price environment, don't you think that it will be wise to wait a little bit more for the FID in order to try to negotiate better tariffs with the contractors or do you think that job has already been done and you keep your plan of the FID to be taken later this year? Thank you.

Manuel Ferreira De Oliveira, CEO

Mehdi, thank you for your questions. Starting with the downstream and the premium to benchmark. This premium has three components typically: one is the refinery performance and has a lot to do with the energy efficiency and the availability of units. I think we have been doing a very good job on it. The second component is the location of the refinery and the third component is the spread between heavy and light crude. Last quarter we benefited from the three: we benefited from a wider spread, we benefited from good availability of the units, and the location is what it is. And there is something also that we benefited too, which is the exchange rate between dollars and euros. Our operating costs, except energy, are dealt in a euros base and the business is dollar dominated.

Mehdi Ennebati, Société Générale

Just to be sure, the utilisation rate of 80% that you had in 4Q, it should be something that you will able to reiterate in 2015 given the three points that you provided us?

Manuel Ferreira De Oliveira, CEO

The availability of our refining process is much higher than 85%. We can be close to 95% to 100% - that is our target. The point is we run it as the function of an economic model. We have a linear programming model and the units are programmed not to have a high utilisation rate, but to generate the optimum margin. So, the utilisation rate is a dependent variable, not an objective itself.

Going to the capex in Mozambique. We are waiting for the proposal that will come to us. As far as the FLNG, we have contracted three consortiums to do the FEED and present a proposal for EPC. So, with the numbers that will come, we will decide what follows. For the onshore project, for the Mamba project, the FEED has been already done, now we have four consortiums that were selected to present a lump sum turnkey proposal for the project. We believe that from the capex point of view, this is a good moment to receive those proposals. In the meantime, our marketing teams are working to see what and how can we monetise the value. So, the equation will be made and the decision will be taken when we have got facts and the numbers on our head. We are not obsessed by time, we are obsessed by value.

Bruno Almeida Silva, BPI

Good morning, everyone. I still have two questions. The first one going back to the guidance usually provided - the short-term outlook for first quarter. In this case, for EBITDA and production, can you please provide some highlights? And would it be possible to specify, as far as possible, what are the expected year-on-year euro amount of savings achieved in the downstream unit so that we can extrapolate for full year 2015? And, secondly, going back again to capex guidance, I dare to ask what would be the level, looking at the previous plan, what would be the level of flexible or discretionary capex under Galp's control? And I guess that looking at the downstream capex in full year 2014, it looked like it was way below the guidance maintenance level that you had given before. So I don't know if it was postponed, or if you are already enacting a contingent plan. Any information on these grounds would be very helpful. Thank you very much.

Manuel Ferreira De Oliveira, CEO

Thank you Bruno for your always good questions. You're referring to guidance on 1Q15. As far as the production, remember that last quarter, we had an EWT, an extended well test, which produced about 30

kbopd - so 3 kbopd for us - was ongoing and will not be there now. On the other hand, our exit production last year was about 40 kboepd, which is a good indication of what would happen this quarter. We will have a second well connected, in Mangaratiba, throughout 1Q, and then we will see what comes out of it. We are positive from the volume point of view.

In terms of capex, we are part of consortiums. So, we have to go through each debate, we influence as much as we can in the consortiums, but at the end of the road, we are a single one. What we are hearing from the operators is, obviously, included in our thinking and we have contributed to it.

As far as costs go, you are aware that, because of the market conditions in Portugal and Spain, we have drastically reduced costs in our marketing business that contributed materially to the results that we are presenting. We have rationalized the Organization's structure. Unfortunately, we have made redundancies of professionals and I think we are prepared to the way forward. The maintenance in our refinery last year was a major refining turnaround, in Sines and something of that magnitude will not happen this year. So, we will make a rigorous control of capex and continue with a very rigorous ambition on cost control in all our operations, being them downstream or corporate. Thank you.

Filipe Rosa, BESI

Hi. Good morning, everyone. So two questions as well. The first one on these contracts that you had with the IESA and you needed to outsource it and you are launching a new bid. Just for us to use this as an example, could we expect that this new contract has better or worse conditions in terms of investment than the previous one? And, do you think that this would be the major driver for potential delays in your first replicant unit? So that's my first question.

My second question relates, sorry to come back to the outlook for the marketing division, but taking into consideration the cost savings you announced and could you go through the main moving parts for the marketing division for 2015 in terms of volumes, of direct sales, what could you expect from unit margins taking into consideration the cost savings? So just for us to have a sense whether you expect a better Ebitda for 2015 than in 2014 for this unit? Thank you very much.

Manuel Ferreira De Oliveira, CEO

Filipe, thank you for your question. Thank you once again. So referring to IESA contract, I referred what we did and that is an indication of what we might do if other similar situations arise. The major decision, and it was not an easy decision to take by the consortium, and particularly by Petrobras, was going to an international bidding process. There are different bidders preparing. I would not want to anticipate whether we would get better or worse proposals, they will come in due time. The context, if you see what's going on in the industry, indicates that we might have a better proposal, but that is simply an assumption, not a statement.

As far as the replicants, yes we see in the present context that what is going on in Brazil, the difficulties that certain suppliers are facing in Brazil, as well as in the industry as a whole, that we might face some delays in the replicants that are being built. As far as P-66, the first one, it is on schedule. We cannot say at this moment - it would be unfair to say - that it will be materially delayed. We are working for it to be delivered as we expect: next year, in 2016. But, the world is moving below our feet, so let's see what could happen.

As far as the cost savings in the downstream business, we will continue to do that. It is material. For the same exogenous variables, that means, for the same exchange rate, for the same refining margins, we expect a better Ebitda as a consequence of the materialisation of the cost reduction that we took throughout the year in the marketing division.

Filipe Rosa, BESI

Should we expect better volumes taking into consideration that the price of oil products has dropped significantly and there could be some small elasticity to lower prices. Are you seeing any signs that in your direct sales?

Manuel Ferreira De Oliveira, CEO

What you said is reasonable, but we have to wait for the end of the quarter. So I do not want to be optimistic. Our attitude in the company, at this moment, is conservative. We want to be prepared for a worst case scenario, ensuring that we do what is needed to be done, but having conservative views about the future.

Hamish Clegg, Bank of America Merrill Lynch

Hi there. Thanks for taking my question. Just getting back to the balance sheet a little bit. One of the things you mentioned, what was obviously the covenants, but not the covenants rather the targets you've talked about so much before of two times debt to EBITDA. Do you mind just alluding in a little bit on what oil price assumption you use to make those? And, we all know the long-term cash flow outlook is very good, but to that point, can we get some confidence from you or what makes you so confidence in your shorter term debt profile, and maintaining that liquidity with the cash flow – sorry with the capex coming up?

And you also alluded to telling us more about BM-S-24 on the Capital Market Day, is there anything – am I right in thinking this - big to come out of that or we would have seen that pre-announced already?

Manuel Ferreira De Oliveira, CEO

Hamish, thank you for your questions. I will ask Filipe which is more pessimistic than I am about the future, to answer to your questions. So, Filipe take the question please.

Filipe Silva, CFO

I will be just as optimistic as in the first question from Oswald and how our free cash flow is built up at Galp. Under our internal modelling, even at much lower prices than we are observing today, if you assume that, the refining unit captures some, not all, some of the decline in energy costs from a lower Brent than the free cash flow generation in 2015 and 2016 - which are the two critical years for our two times debt to EBITDA ceiling - given that our production in E&P is still relatively small (and Manuel alluded to an exit production at the end of 2014 of about 40 kboepd per day in E&P, the refineries are processing 275 kbopd), so the free cash flow uptick, free net of tax uptick in Refining & Marketing is higher than the loss of free cash flow in the E&P division.

Now capex is a factor, but we have pre-announced today that it will be below the guidance we have provided last year. So under internal scenarios and, again in a nutshell, internal modelling below current Brent prices, we will comply with two times net debt to EBITDA. Also, I want to reaffirm: two times we are including the Sinopec loan – the loan to Sinopec as if it were a cash equivalent. So make sure that's built into your model as well. Thank you.

Hamish Clegg, Bank of America Merrill Lynch

Thanks. And on BM-S-24, you mentioned something as well. If there was something big, we would have expected a kind of release in the market. So will it just be more of an evolutionary update?

Manuel Ferreira De Oliveira, CEO

Yes. Hamish, yes. It is an evolution update, yes. We've invested a lot in studies, conceptual development of the reservoir and also on appraisal work that has been done. We have got information of the DST, we are planning another one this year, we have got another well to drill this year, and I think we have the package of information to take prudent decisions into the future, but no big bang on Jupiter.

Matt Lofting, Nomura

Thanks. Just one question, lastly, gentlemen. Carcará on BM-S-8, I wonder if you could just conceptually update on the timeline associated to that development? I think you said earlier, it has been drilling through most of this year. You've previously talked, I think, about first oil and an FPSO in late 2018, I'm just wondering what the milestones are from here that you need to hit in order to deliver on that target longer-term or indeed whether that is still feasible? Thank you.

Manuel Ferreira De Oliveira, CEO

Matt, thank you for your question. Carcará, as you know, is a high-pressure reservoir and when we start production from that reservoir, we cannot inject gas into the reservoir in the first phase of development of the reservoir, like we are doing now with Cidade de Mangaratiba. So in development, the critical factor to start up Carcará will be the export of gas from the field, and we are working hard on it to have reliable estimates of feasible deadlines on it.

As far as the reservoir itself, these two wells that are being drilled - Carcará Extension and Carcará Extension-2 - are critical for it. You remember that the characteristics, in terms of permeability of the reservoir, in the area surrounding the Carcará discovery are the best in the pre-salt. The question that everyone is asking is: are those characteristics, those attributes, common to the full reservoir or not? Or is it just a hotspot with those characteristics? So far, we are assuming that everything but that hotspot has the average reliability and permeability that we've seen elsewhere in the pre-salt. These wells will be

critical to define whether we will have another good project in the Santos Basin or a fantastic project in the Santos Basin. So those are the options that we'll be confronted with, depending on the results of this one. And that's it. I think I've answered your question. Thank you, and see you on the 10th.

Mark Bloomfield, Deutsche Bank

Good afternoon. Thank you for taking my question. It is a question on the sustainability of your supply and trading earnings in Gas & Power. I think you previously indicated you contracted about 1.4 bcm of LNG supply diversions on a fixed margin through until 2015. I just really like to understand what proportion of that 1.4 bcm you've been able to extend agreements on, and if so to when? Whether on those agreements you've been able to lock-in the margin? And if so, whether the margin that you've locked in is basically in line with the original contracts? Thanks.

Manuel Ferreira De Oliveira, CEO

Mark, thank you for questions. The 1.4 bcm, and it is actually slightly above that, has been contracted with fairly high reliability on the margins associated with those sales. These resulted from a structured auction program that we announced a couple of years ago. So, we feel that we can ensure those levels in the period between 2015 and 2018, and it is quite an anchor for the gas results. However, we want to do slightly better than it, so, the 1.5 bcm is just what we expect to do.

Michael Alford, Citigroup

Thank you for taking my questions. Just a couple from me as well. Just on Iara, could you just confirm the initial development plan of the three FPSO units? Do you think that fully recovers the reserves booked currently by Galp for that asset or do you need further FPSO units to recover your reserve base?

And then, secondly, just a quick clarification point on what you said before. Just firstly on marketing. Did you actually say that you're actually targeting new cost savings within that business going forward? And if so, could you give us some quantification of the amount? And then just on the impairments that you mentioned, it was some relating to Brazil when I just wanted to get an understanding of what they're actually related to? Thank you.

Manuel Ferreira De Oliveira, CEO

So going to lara. A straight answer to a straight question. Yes, three units for the Greater lara development will not be enough to develop the reserves that are in place, and we will address that issue in our Capital Markets Day. We are working with our partners to make sure that we share with investors the same views about the future of the Greater lara, which is the real reservoir that has to be developed.

As far as the marketing issue, effectively the cost savings, the material benefits from the redundancies that we have been made, the negotiations that we've done with our suppliers and with our partners that operate our infrastructure and retail sides, all of this will come up this year. So we expect a visible cost reduction in the marketing activities.

In the Capital Markets Day, we will be talking about all the developments that are taking place in our Company, in all the areas where we are operating, and how we are reacting to the present context that we live. Always, as Filipe consistently states, ensuring that we go through 2015 and 2016 with the self-imposed restrictions on debt to EBITDA. That, I think, is the second objective that we want to respect. But the present circumstances are not forcing us today to take major decisions on our portfolio and that's what we will try to explain to all of you on the 10th of March. Thank you.

Michael Alsford, Citigroup

Thanks. And just as a follow-up, something to look forward to the Capital Markets Day, but just on the impairment question as to what that actually related to in terms of the Brazil assets? Thank you.

Manuel Ferreira De Oliveira, CEO

We have a lot of activities in exploration. What we do is we capitalise our exploration activities up to a moment when we have to give the license back to the Government. That's what we have been doing. In that moment, we present it as a cost in our P&L. So that's fundamentally like we did last year with Morocco. We had high expectations on Morocco, and Morocco was a dry well. We maintained the licenses, because there are issues that other people are working around that could give us information to reinterpret the data that we have, but the reality is that last year we took the expenses in Morocco to our P&L as a non-recurrent cost. Like we did with Biguá, we did some for Amazonas and for BM-S-21. So we

are, in a way, making those impairments, as the circumstances arise. Filipe is telling me that we also wrote off Block 33 in Angola, when we concluded that Block 33 was not commercial. Thank you.

Lydia Rainforth, Barclays

Thanks and good afternoon gentlemen. Two hopefully relatively straight forward questions, if I could. On the balance sheet and the loan to Sinopec, why did that go up year-on-year? And at this stage, given the capex number, I would say that that number would be coming down, is that simply an FX impact there? And then, secondly, still on the balance sheet, regarding Petrogal, when you think back to the capital raise that you had three years ago, is the balance sheet of the Petrogal subsidiary like you would have expected it to be at this stage of development or is it stronger? And I ask this because, from what I can see, the production number has probably been slightly better than you would have thought and the capex number slightly lower. So I'm just thinking going into what is probably a lower price environment than you might have thought, that the balance sheet of Petrogal is probably stronger than you would have expected at this stage. Thank you.

Manuel Ferreira De Oliveira, CEO

Hi Lydia. I will pass the word to Filipe, but I don't resist to tell you that the fact that Sinopec is paying us in dollars and increased its debt in euros, is quite exciting for us, it's effectively a FX issue, but Filipe will take care of the question.

Filipe Silva, CFO

Yes Lydia, we report in Euros and this loan is a dollar denominated loan. So, regarding the proceeds from the capital increase in Petrogal Brasil a couple of years ago, the capital increase was all subscribed in cash. Sinopec got 30% of Petrogal Brasil, but most of the capital increase was actually done through a Dutch-based vehicle, of which 30% is held by Sinopec. And that is the cash that we use to fund the cash calls in Brazil. So if you see over time, our gross debt is fairly stable Group-wise. It is our cash balance that is going down by approximately the amount of the negative free cash flow.

So we are consuming cash in Brazil; Iberia Gas & Power and Refining & Marketing businesses are free cash flow positive after we completed the upgrades of the refineries, and this is what you should expect going

forward. So Ebitda minus capex in the mature businesses are positive, and they are negative where it matters, where the cash is, which is effectively Brazil. Thank you.

Henri Patricot, UBS

Hello everyone. Just one quick follow-up question on the Sinopec loan. I was wondering what do you expect to be the pace of repayments in 2015 in dollars? Thank you.

Filipe Silva, CFO

The loan matures in March 2016, so we have about a year to go until this money is due. As per the contract, what we have agreed is a certain repayment or reimbursement profile, but we monitor this monthly with Sinopec, on a need to have the money basis. So there is no point in asking for this cash back if we don't really need it. But it is really a function of negative free cash flow in the Brazil operations. Thank you.

Thomas Adolff, Credit Suisse

Hi, guys. A couple of questions please. One on Mozambique, I wondered if you can confirm whether you have any HoA signed for either the FLNG or the onshore part, as Anadarko seems to be a little more open about these things.

Second question on Brazil, just going back to the IESA contract, correct me if I'm wrong here: it was signed two years ago, they went bankrupt, you cancelled the contract, you said proposals are expected soon, what sort of timeline do you assume for the delivery of the compressors? And also if you can comment on whether you are concerned if Keppel or at least an agent that works for Keppel, which obviously controls the Brasfels' shipyard, where much of your finishing touches are done, may also be implicated in operation "Car Wash". I mean what sort of mitigation measures can you apply there? Thank you.

Manuel Ferreira De Oliveira, CEO

Thank you, Thomas for your questions. Let me talk about Mozambique. You are referring to the Heads of Agreement that might exist. That is something that we would announce together with the operator. So, we've got a joint marketing team that involves the partners - involves Galp, ENH and KOGAS - all of them

are discussing with interested parties, and when we have something to announce, it has to go through that team.

Thomas Adolff, Credit Suisse

So, at this stage, you have no HoA signed?

Manuel Ferreira De Oliveira, CEO

I cannot say neither yes nor no. What we are doing is working with potential customers, because there will not be an FID without having a backup from customers, and the proposals from the EPC companies. So, we will make these material rational decisions as you would expect, Thomas.

As far as Brazil, the IESA issue, what these company was doing, was acquiring major pieces of equipment, compressors and then put together in a package that would then be placed into the FPSO, it is what we call a module. So the long lead items, particularly compressors, and some turbines, are in Brazil. So what we are now doing is taking those long lead items and contracting an international assembler, to take them, put them together, and then transfer them to Brasfels to place them in an FPSO. So this is the module number three, which is the gas compressor system, both for natural gas and CO2. So, we cannot say what the timing is because we will see that when the bids come into the table. But I repeat the long lead items that need to be assembled are already in place.

Thomas Adolff, Credit Suisse

Yes. And the question on Keppel?

Manuel Ferreira De Oliveira, CEO

In what refers to existing past contracts, if any entity is caught into this complex process, it does not affect past contracts, it only affects bidding going forward. So, in that way, it protects the existing ongoing operations if they are sound.

Thomas Adolff, Credit Suisse

Unless you are forced to cancel them?

Manuel Ferreira De Oliveira, CEO

No, unless we cancel them because they are not delivering. The decision taken by Petrobras is that any company that has been involved in corruption issues will not be contracted going forward. But, the existing contracts, for the interest of everyone including employees, will keep being executed provided they are able to do so.

Anish Kapadia, Tudor, Pickering, Holt & Co.

Hi. Good afternoon. A couple of questions please. Firstly, going back to Brazil, I just wanted to see your take on the impact of the entire Board of Petrobras being replaced given that they are a key partner. Just wondering how that could potentially affect decision making with a completely new CEO, as far as the risk of a big change in the timeline, so let's say they reassess their strategy. So I was just wondering kind of how much you thought about that?

And then secondly, on the Potiguar Basin, you talked about the discovery that you've made that potentially justified as a standalone FPSO. So it seems like a big material discovery, but really haven't had much since then. So I just wanted to know if there's an update on what your appraisal times are and further exploration in the area? Thank you.

Manuel Ferreira De Oliveira, CEO

Anish, thank you for your two questions. You see what is going on now looking at it, in Petrobras, the effects are mostly regarding governance practices. It's not affecting the operational activity in the company. I want you to note that the directors appointed, with exception from the CFO and the CEO, are Petrobras employees like they used to be in the past. So, we do not expect any change in neither attitude nor in major objectives. On the other hand, in Brazil, they repeatedly told us that the pre-salt projects – and particularly BM-S-11– are the highest priority in the capex of Petrobras. So we feel from that point of view, relieved. The decision making process, let me tell you, it is impossible not to affect the moral and timing of some operations, but so far we do not see the consequences of it. So, the sooner the issues are clarified in Petrobras, the better for everybody, let's hope that happens.

As far as the discovery that we made in Pitú, in Potiguar. Yes, we have got an appraisal well this year, a second contingent appraisal well for Pitú, and the work is going on. We believe it is a very good reservoir,

is a sandstone reservoir with very good characteristics and with volumes that justify – considering the data that we have – that justifies development, but we still have to complete the appraisal campaign that is ongoing and we will touch that in our Capital Markets Day with detail. Thank you, Anish, for your two questions.

Manuel Ferreira De Oliveira, CEO

I understand that there are no other questions waiting to be addressed. We want to thank you all for your patience and for having given us your time.

But before I end today's call, I want to reaffirm our commitment to managing our integrated businesses as efficiently as we can, in order to better support the development of our upstream projects. All the corporation that I lead is focused on this objective: that the Gas & Power and the Refining & Marketing businesses are supporting, with the cash they generate, the E&P business to take it to a level that represents the transformation of the Company. We will proceed, however, with a strong financial discipline in order to maintain the solid capital structure that Filipe consistently refers to.

I would also like to take this opportunity, my fellow colleagues, to invite you to our 2015 Capital Markets Day, that will take place in London on the 10th of March. As you know, we make this a big day, where we will provide you a detail update and we will interact with each and all of you, discussing our main projects as well as an update on our financial outlook for the coming years. I can say that I do not speak only for myself, I speak on behalf of the entire Galp Energia management team, that will be there, and I say that all of us hope to see you there.

Thank you for your time and attention.

Goodbye.