Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to the fourth quarter and full year 2018 results conference call, together with a short-term outlook.

Today, Carlos will start with a quick overview of Galp's strategy execution during 2018, and an update on what to expect in the medium term. Filipe will then briefly cover the Q4 and full year results, and also update us on the key financial metrics going forward.

At the end of the presentation, we will be available to take any questions you may have. Thore is here with us as well.

I would like to remind you that we may be making several forward-looking statements. Actual results may differ due to factors included in the cautionary statement available at the beginning of our presentation, which we advise you to read.

Carlos, the floor is yours. Thank you.

Carlos Gomes da Silva, CEO

Thank you Pedro, and good morning to you all.

I will start with a quick recap of 2018.

During 2018, the energy sector faced very significant volatility, with oil prices moving up and down more than $20/bbl throughout the year. This only reinforces, once again, the strategic importance of Galp's integrated business model.

On the upstream front, we continued to develop the giant Lula and Iracema fields, ending the year with eight producing units, with the deployment of P-69 in Lula Extreme South at the end of October. Earlier this month, we had first oil from unit number 9, in Lula North. Now, the consortium is working on the enhancements that will allow us to maximise the value extraction from these outstanding assets, with the ambition to reach a 40% recovery factor.

In Angola, production from the Kaombo North project, in block 32, started in July and the second unit for Kaombo South, is on location.

In Mozambique, the development plan for the first phase of the Rovuma LNG project was submitted, now with much larger trains than the initial plan.

On the downstream side, we have taken advantage of the planned maintenance works in our refining system to implement some of the projects included in our one-extra-dollar-per-barrel initiative that you are all aware. We have also taken the opportunity to make some adjustments to meet the future demand specifications that will arise from the upcoming IMO regulations that will enter in force next year.

We continued to deliver a solid performance from our oil and gas marketing activities in Iberia and also Africa. And we have done so whilst continuing to develop our business with a more client-centric approach, making progress in adapting our value proposition to meet customers' demand.

Everything we do reflects our commitment to sustainable practices, and once again, I am glad to reinforce that, this year Galp was recognised by several of the most important independent entities as an industry leader in Environmental, Social and Governance matters.

Jumping now to the next slide, in slide number 4, a quick note on the progress we made in building our upstream resource base. The successful development of our core assets, together with increased exposure to a strong set of new ones, have led to a 15% increase in 2P reserves and 2C resources, to 2.4 bn boe.

In respect to 2P reserves were slightly up, due to the upward revision of Lula & Iracema fields' performance and the updated estimates on Iara from the newly drilled wells. These more than offset the 2018 production.

2C resources were also up 23% mostly considering the larger trains in Mozambique and the additional 3% stake that we bought in BM-S-8, where we have now 20% shareholding.

On top of these upward revisions related to our development portfolio, we have also acquired interests in high potential exploration assets in Brazil, in Uirapuru and also in Campos basin in block C-M-791, where and which we will now work to appraise.

And so now onto slide 5, and to close my overview of 2018.

Production growth was at the lower end of our guidance due to the late start-ups of the new replicant units in Lula. We had already flagged this last summer.

Financials were supportive even adjusting for macro assumptions, with Ebitda reaching €2.2 bn.

In what respect to Free Cash Flow was up more than 10% YoY, despite the working capital build, and covering 1.3x the dividend paid during the year.

Let's now talk about the future, with a brief update of what you can expect from us until the end of the decade.

In slide number 7, you can see our upstream activities. Our priority will continue to be the development of our world class portfolio. We have big and competitive projects in-house, which will keep us busy for many years.

In Lula and Iracema, we are ramping up the last two of the 9 units already producing.

In Iara, we expect first oil from the new FPSO that will be located in Berbigão-Sururu during 2H19, while the new FPSO for Atapu is expected to start next year.

In Carcará, we are moving towards a phased development. The first phase is now assuming a larger FPSO with 220 kbpd capacity, with full re-injection capability since the first day to increase the options around the development plan. This project should see first oil in the next decade, between 2023 and 2024, and a breakeven that should stand below $35/bbl. Regarding appraisal works, which will support the next development phases, we expect to spud a second well in the Northern area soon. Carcará looks quite promising, based on its recoverable resource estimate of c. 2 bn boe.

Still in the Brazilian pre-salt, the first exploration well in Uirapuru is expected by 2020.

In Mozambique, we are working towards an FID this summer for the first development phase of Rovuma LNG, with offtaking, financing and EPC well underway.

We have also been making good progress with the Coral FLNG project, with activities intensifying significantly this year both with the unit's construction and as well in what respects to the drilling activities.

In Angola, as I've mentioned before, the second unit in Kaombo is already on location. We may see first oil slightly before what we considered in our plan, which was around mid-year.

Regarding exploration activities, we have started in January the 3D seismic campaign in our operated Namibian deep-water offshore license, in PEL 83. The survey will comprise an area of around 3,000 km2, and should to be completed during March.

Moving on to slide number 8, with our production guidance.

Our 2020 production is now reflecting the late start-ups of the latest two units in Lula and the revised timeline for Iara. Lula North, the unit P-67, just started, having been originally expected to start last summer. And Berbigão-Sururu in Iara is now expected to start in second half of this year, and Atapu next year. This is the guidance we have been sharing with you since the summer, so no surprises here. And, as always, all our operational and financial projections include the expected outcome of the unitisation processes in Brazil. So both plans are fully comparable.

With this ground, production is expected to grow 8% to 12% this year, and at a 12% to 16% compound annual growth rate to 2020.

Post-2020, we are assuming a higher production versus the previous guidance. We expect to benefit from increased contributions from Lula and Iara, where we see positive signs that should lead to longer plateaus and an increased planned capacity, and larger exposure to Carcará. And, of course, the larger development solution for the Rovuma LNG project in Mozambique.

Beyond 2025, this upward revision is even higher as we see additional upside from the recent additions in Brazil.

To sum it up, 2019-2020 production growth should be less steep compared with the previous plan, but production is higher in the medium to longer-term.

Now moving on to the downstream, on slide number 9, and starting with the refining activity.

2019 so far has been challenging for refining, with margins impacted by high levels of gasoline inventories. In addition, we are having some constraints in our system given a recent operational upset in our Matosinhos refinery, which may also lead to slightly sub-optimal operations during 1Q19.

The planned 40-50 day outage, which is planned in the atmospheric distillation unit in Sines during 2H19, is not expected to compromise the operational availability of the conversion units that should run at the optimal capacity. We will use the opportunity to perform works to increase the efficiency and conversion ability of our refining system, towards achieving the full capture of the extra dollar-per-barrel in refining margin by 2020. Additionally, we aim to capture the benefits of data-driven operations, through various projects which are currently underway, and which will leverage on digitalisation and supply chain management to increase the efficiency and profitability of our operations.

And as we move closer to the start of the IMO sulphur cap, Galp is ready to supply compliant fuel. We are actually expecting a more supportive environment from 2020 onwards, mainly driven by middle distillate cracks increase. This effect should more than offset the increased sourcing costs from sweeter crudes diet. Note that on the upstream, we will have the reverse effect of selling our medium gravity low sulfur crudes at a higher price.

All in all, IMO should be a clear net positive for Galp, and I would say both in the upstream and in the downstream.

Regarding our Marketing activities, we will continue to adapt our value proposition and invest in digital and innovative solutions to improve the customer journey.

In G&P, we are ensuring the long-term sustainability of our supply and trading activity, securing new natural gas sourcing contracts, for which we are considering alternative options, including our equity gas from Mozambique.

We are also strengthening our commercial position in Iberia, leveraging from digital tools and innovative business models to provide gas, electricity and services as an integrated commercial offer.

Additionally, and aligned with our strategy to develop low carbon businesses, we are building optionality and integration, along-side our electricity value chain. We will continue to develop a portfolio of renewable energy projects. Our growing presence in the electric mobility business will also allow significant synergies with the existing network of retail stations. We plan to expand the EV network and associated services, positioning Galp as a leading brand in this segment.

So ladies and gentlemen, to conclude, these are the projects which will continue to strengthen our growth and value story for many years to come.

Our organic developments are expected to generate over €1 bn of Free Cash Flow per year from 2020 onwards, at $65/bbl in 2020 and $70/bbl thereafter.

With strict financial discipline, we enter this upcoming cash cycle committed to shareholder value. Based on the recent performance, we will be proposing a 15% increase of our dividend related to the 2018 financial year, to around €0.63/sh.

I will now pass on to Filipe to go to the economics and financial metrics.

Filipe Silva, CFO

Thank you Carlos, and good morning.

Let me start with a quick overview of 4Q18, and the 2018 full year results.

For 4Q18, I am looking at the bottom of slide 13, CFFO was €402 m, down 18% YoY, driven by a lower contribution from refining. This was mostly the result of the lower gasoline cracks and the impacts of refinery maintenance on volumes processed. Maintenance also impacted refining opex.

In Upstream, we reached a production of 113 kbpd and continued to reduce our production costs after high maintenance concentration during 3Q18. E&P was impacted by about €50 m in under-lifting adjustments related to production from the previous quarter.

On the positive side, we had €156 m of working capital release during the quarter.

Net capex totaled €282 m, of which about half allocated to the R&M business, given refinery maintenance and the optimization investments during the period. Free Cash Flow reached €120 m in the quarter.

You will have seen at the 4Q18 P&L we published this morning, a negative €71 m in MYM changes at the financial results. This is mostly related to financial derivatives we entered into to hedge the price risk of natural gas we place with, for example, B2B clients in Iberia. The positive impact from these economic hedges should be realized over the coming quarters as the underlying gas volumes get delivered.

Now for the full year, and still on slide 13. Ebitda plus Associates was over €2.4 bn. That's up 21% YoY, with the increased contribution from E&P more than offsetting refining weakness.

CFFO stood at about €1.6 bn, in line YoY, negatively impacted by a €230 m working capital build. After capex, interest and dividends to Sinopec, group FCF reached €619 m. A solid number if you consider refinery maintenance, the working capital build and that 70% of capex is expansion-driven.

E&P is already generating half of the group´s CFFO minus capex, which speaks for how important this business is fast becoming.

Let's now look at our plan to 2020, and I am on slide 14.

For context, our Brent price assumptions remain unchanged from the previous plan, at $60/bbl in 2019 and $65 in 2020. Same for the dollar, which stays at 1.2 to the Euro throughout.

We are revising upwards the Galp refining margin assumptions for 2019, to about $5/6/bbl, on the back of expected strong demand for middle distillates. And for 2020 we add another $1/bbl driven by the full contribution from the refining efficiency initiatives and the expected IMO disruptions during that year.

I would highlight that our figures are now based on the IFRS 16. Slides 19 and 21 provide some detail on the expected impacts to Galp, which mainly relate to leased FPSOs and subsea equipment. For clarity, IFRS 16 has no impact on FCFs.

On this basis, we are guiding towards organic CFFO annual growth of 10 to 15%, compound to 2020, mostly driven by upstream growth and a supportive refining environment.

Even with oil prices lower than during 2018, upstream CFFO should grow at above 10% compounded up to 2020, benefiting from higher production but also from higher unit cash margins in the upcoming Iara FPSOs, which are less heavily taxed.

Downstream CFFO should range between €0.8 and €0.9 bn during the period, unchanged from previous guidance. This basically reflects a slightly better refining environment which we expect later this year. As for G&P, we expect to be at the lower end of the €100 to €150 m Ebitda guidance, due to the end of the structured contracts, and we need to add plus €90 m from our associates.

For 2019, group Ebitda is expected at €2.1/2.2 bn, and trending towards €3 bn plus from 2020 onwards.

Regarding capex, on slide 15, we are keeping our guidance of around €1 bn per annum in 2019 and 2020.

E&P should still account for around 70% of Group capex, now with Mozambique gaining traction, given Coral and the larger on-shore trains of the Rovuma LNG project.

Our capex estimates assume that the unitization processes in Brazil will be completed by 2020. As of the end of 2018, considering the processes under approval, Galp was in a net receiver position of about €100 m under the equalization calculations. We will update you on this net position over time as processes progress.

Non-upstream capex is expected to average €250 to 300 m per annum until 2020. This reflects a higher concentration of payments related to the one-extra-dollar-per-barrel initiatives in the refineries, which are now nearing completion. After 2020, we expect this number to fall to a normalized €200 to €250 m, including low carbon, renewable power production and new business solutions.

Finally, Free Cash Flow on slide 16, this is expected to be over €1 bn by 2020 and grow rapidly as we get into the mid 20´s. This is already net of dividends to Sinopec, and assuming long term Brent of $70/bl and Galp refining margins of about $6/bbl.

ND/Ebitda is expected at below 1x from next year, already considering the IFRS 16 impact. New projects not currently in the plan would be expected to be funded by incremental cash flows and from a more active portfolio rotation strategy.

We will stop here and we are now happy to take your questions. Thank you.

Questions & Answers Session

Oswald Clint – Bernstein

Good morning Carlos and Filipe. Just two questions please.

Firstly, on Lula and Iara, in terms of the reserve revision upwards that you spoke about, could you just perhaps talk about that a little bit more? Is that really the wells performing better than you expected that led to the upward revision, or are you talking about some of the enhanced oil recovery techniques you had, the WAG technique or gas injection? Ultimately, what does it mean for your assumptions or your expectations for the length of the plateau on each of these FPSOs. I remember you've moved that up over time to three, and five, and some of them potentially seven years at plateau. I just want to get a sense of where that number may have moved to, please.

Then secondly, with the dividend going up this morning quite materially, does that signal you're happy with the size and scale of the Brazil portfolio, or are you still interested in adding to that given things like Transfer of Rights and some of the new licence rounds in Brazil in the next year or two? That's the second question, thank you.

Carlos Gomes da Silva, CEO

Hi Oswald, good morning.

I will share the first question with Thore, but starting with the dividends' question. As we have mentioned before, we will continue to have a balanced approach on cash flow generation in terms of allocation between finding new options to redeploy our capex and find new value creative assets, which we have been doing. You should bear in mind that we have increased our exposure to BM-S-8, we have been present in the last bid rounds, and we have taken C-M-791 block in the Campos basin, and also Uirapuru, so we continue to look at that. At the same time, as we are focused on a value-driven approach we have also to look at how we can share that value with our shareholders. We will continue with that, looking at both sides of the same question, and having a balanced position in order to guarantee that we are all together in terms of total shareholder return, in the same page.

In what relates to the reserves and resources, I will let Thore go into more detail, but it's important that, as time goes by, our experience in what respects to the plateau period of time, and the initiative that we have established and the experience that we get, the new units that have been put in practice, I would say from the fifth to the ninth units, we have increased our revision in terms of plateau period by one year, one additional year. Just please recall that the first unit, as I always mention, that is a pilot, so it's a field lab unit, is now entering the eighth year of production. Therefore, we have to look at this in a holistic way, but it's also important to guarantee that we have the proper and adequate management of the entire reservoir going forward. Our ambition of having at least 40% of recovery factor means that we have to properly manage today in order to secure future value.

I will pass now to Thore.

Thore E. Kristiansen, COO E&P

Thank you, Carlos. Let me try to give you a little bit more insight into our reserves portfolio and our resource portfolio. When it comes to the 1P reserves, you have seen that we have increased that to 389 million barrels, which is a 2% increase since last year. Then you should factor in that we actually produced 38 million barrels during the course of the year, but even so we were able to add 44 million through revisions. The revisions have mainly increased expectations for Lula/Iracema, which continue to perform very well, and we have also actually increased the expected oil in place for Iara, which led them to the upgrade. And that impacts both the 1P and 2P reserves, which is now 755 million barrels. Let me also spend two words regarding the resources, which are also very important. During the course of 2018, we have increased the 1C resources by 43%. It has now reached 425 million barrels, and the key factor for that has been an update of the Mamba reservoir and segments of the reservoir there we now believe is going to perform better than what we originally expected. This also actually led to the 2C resources increase of 23%, in totality now reaching 1.658 billion. So, overall a good maturation of the portfolio of reserves, and if we are able to FID Mozambique and Mamba in 2019, that would of course be a significant addition on reserves for 2019.

Flora Trindade – CaixaBank BPI

Hello, thank you for taking my question.

This one is on capex and a follow-up on what you've just said. Do you have any budget for this inorganic capex? Also, I think you mentioned the potential for assets rotation, what could be the kind of assets that you would be willing to rotate in this case? What are the characteristics?

Then the second question is if you can explain the change in the view on the IMO impact in downstream? I think you mentioned higher cracks in middle distillates, is this also relating this with investments that you are doing? Can you just update us on your more optimistic view on refining, both in terms of margins and the IMO impact? Thank you.

Carlos Gomes da Silva, CEO

Hi Flora, good morning.

In terms of capex, the answer is no. We don't consider inorganic activities in our capex, even though as you have observed during 2018, we have taken the chance to continue to invest in opportunistic assets with high quality and high potential, as it was the case in the Campos C-M-791 and in Uirapuru, and also in BM-S-8. Anyway, we will be attentive, yes, but the word that is prevailing in our decision is value. Anything that we might think could create value we will be attentive. Therefore, that's the reason why we are saying that rotation is a must because we will continue with our financial discipline, that we will stand below the 2x net debt to Ebitda, and therefore we might be required to make some rotation if we think that there are other assets, businesses or optionalities that could create more value for the Company. So, let's not speculate on which of them. In due time, we will analyse that.

In what relates to IMO, effectively, we are ready to go. That is the first message. We have mentioned to you that. We are reviewing our expectations, lowering a little bit, due to the fact that we think that the differentials between sweets and sours could not stand so high, but still high. Let's say at least between \$2 and \$3 up, that means on our upstream activities, which are medium-sweet crudes will benefit from that. In the refining, what we are observing is that the cracks in the middle distillates will tend to increase relevantly. That's the reason why we are taking a more positive view on that, which should also affect positively our operations due to the fact that we will have our conversion units prepared to benefit and to capture that. So, as time goes by, we will see if this will be the case, but all the signs that we are getting from the market is that we should be in that direction. I should also remember all of us that there is no other alternative because the global conversion capacity is not capable to address these without blending fuel with diesel, we have this compliant fuel, and there is not sufficient capacity in what relates to scrubbing alternatives in the market. So, the disruption that the IMO could impose will stand in the market for a couple of years. At least between two and three years, up to having some stabilisation. Thank you.

Biraj Borkhataria – RBC

Hi, thanks for taking my questions. Just a couple of these.

The first one is on refining margin and your hedging strategy for 2019. Can you just update us on where you are there? I'm assuming you're not hedging much, given the expectation is for higher margins later in the year.

The second question is just following up on Oswald's. The 2025 Brazil production, if I compare the numbers you've given today versus this time last year, it looks Brazil's gone up significantly. Could you just clarify what decline rates you assume for the FPSOs? I think for the later ones you assume a shorter plateau period. Is there any evidence that suggest that there should be a longer plateau period? Thank you.

Carlos Gomes da Silva, CEO

Hi Biraj, good morning.

From the hedging refining strategy, we have hedged approximately 20% of our capacity for the year, which means around 20 million barrels at around $4 per barrel, it's what we have for this year.

In terms of Brazilian production, you know that we are now ramping up two units. In our plans, we continue to use the 15 months as a ramping-up period of time. Nevertheless, the last units have ramped up in between 10 and 12 months. That's the experience that we have and the plans that we have considered. I think with that you can have an idea of where we will stand in terms of Brazilian production. I will also ask Thore to complement.

Thore E. Kristiansen, COO E&P

Thank you, Carlos. In addition to this, what you will see as an impact as of 2025 is that in our production guidance now we're expecting significantly bigger trains in Mozambique. We used 5 mtpa trains in Mozambique in our previous guiding to the market, and now we're using 7.6 mtpa. That's one effect. In in addition, on Carcará, in our previous plan we expected a unit of 180 kbpd. Now, we're expecting 220 kbpd and we are now also having an ownership share of 20%. All of this contributes to the fact that we now are more optimistic regarding our 2025 production than we were last year. Thank you.

Rob Pulleyn – Morgan Stanley

Hi gentlemen, just one question from me around refining. Could you provide a little bit of colour as how you think about gasoline margins within the range of products you provide and within the refining guidance that you've given? I think many share your view on middle distillates, but it feels like gasoline's going to be under a lot of pressure. Could you give us the underlying sort of view in that refining margin guidance as it relates to gasoline? Thank you.

Carlos Gomes da Silva, CEO

Hi Rob, good morning.

In the end of last year and beginning of this year, we always expect that during the winter time gasoline price tends to depreciate. What we are observing this year, comparing with the previous years, is that they are being negatively impacted. I mean, it's not only European grades, but also RBOB grades. That means it's not only the cracks of the EURBOB but also the arbitrage between Europe and the United States. We hope that during the driving season that could recover, but frankly speaking we are less keen and optimistic on that than we are on middle distillates and mainly on diesel. That's our view and that's the way we have considered that while building up our going forward refining margin estimations. Thank you.

Josh Stone – Barclays

Hi, good morning. Two questions, please.

Firstly, on the optionality and the portfolio you talked about, can you give us an indication of the sort of options you're looking at. Are they mostly upstream or are you looking at downstream as well?

Then secondly, on the unitisation in Brazil, when are you expecting an agreement to happen and can you give us an estimate of what production impact you're budgeting for in 2019? Thank you.

Carlos Gomes da Silva, CEO

Hi Josh, and good morning.

Going to your first point, optionality. During this energy transition moment that we are living today, we have to look attentively for alternatives and be very careful on the way we diversify our portfolio. That said, we are looking broadly for value accretive opportunities, both in the upstream and also in the downstream. Of course, we have already revealed to you a couple of years ago that we will progressively start to redeploy some capex, the range is between 5% and 15% of our capex, to lower carbon businesses. This means that we are progressing and filling our pipeline of renewable projects towards a less carbon-intensive economy. In what respects the upstream, we look attentively to the new coming bid rounds and we will see, we will take the decisions in due time. Also, looking at how we can maximise and transform our business in the downstream, in a moment where we are in a mature level of this activity which requires a transformation. We are looking attentively and mainly investing on changing the client's journey, the experience and efficiency of the business.

In what respect the unitisation, unitisation should happen soon, because the agreement between the partners and all the entities involved has been already achieved. The process is no longer in our hands, it's up to ANP decision, and therefore what we have done was conceiving our plan as unitisation happened in the 1st of January. What I can share with you is the fact that all combined, with the units that will be put on operation and the unitisation impact on an annual basis, and imagine that we will not take unitisation up to the end of the year, we will have an impact of about 2.5 kboepd, on an annual basis. Today, as Filipe has mentioned, we are net receivers from an economic point of view. If, as of 1st of January, unitisation was in force, we'd have to receive €100 m. We have to update you as the time goes by, but we've also taken into consideration that the range that we provided to you in terms of production growth already includes this. So, it's important for the full year it already includes this. Thank you.

Michael Alsford – Citi Bank

Hi there. Thanks for taking my questions. I've just got a couple, please.

Just firstly on E&P, particularly around the exploration story. Forgive me, I might have missed what you said, but you were talking about Uirapuru potentially being drilled by 2020. It sounds like it's later than you previously guided so maybe could you talk specifically on that well, but also the broader exploration plans for 2019.

Then, just secondly, coming back to refining, clearly refining opex was hit pretty hard through the turnaround activity that you had in 2018, so I just wondered if you could give us a guide on what refining opex is expected to be for 2019. Then still on refining, could you just give us a bit more colour as to exactly what gasoline crack you are assuming in refining? As I say, it has started very weak as the previous comment you mentioned. It does feel like it needs a pretty big uplift to get towards that $5 to $6/boe refining margin even with a positive view on middle distillates.

Carlos Gomes da Silva, CEO

Hi Michael, good morning. Yes, I've mentioned that an exploration well in Uirapuru should happen next year. Of course we have to see inside the consortium and this is what we can say: no longer than two years if we, us internally and the consortium, will be able to anticipate as we are more than keen. But it's too early to tell you that 2019 will be the case. If possible, we are all working hard to anticipate as much as possible, and that is Galp's position, just for the sake of priority.

In what relates to the opex, yes it has been higher due to the fact that we had several planned maintenance activities during the year. If you take into consideration that a standard or regularised opex should stand between $1.8-$2/boe, that is what you should consider. In terms of the cracks, we are speaking about and we are considering a gasoline crack of about $100/ton.

I think that answers your question. Thank you.

Michael Alsford – Citi Bank

Thanks, Carlos. If I could just follow up on the broader exploration strategy, are there many major wells that you're planning this year to talk to? Thanks.

Carlos Gomes da Silva, CEO

I will let Thore elaborate on that, thank you.

Thore Kristiansen, COO E&P

Michael, the most important thing for us on the exploration side during 2019 is: first to shoot our seismic and complete our seismic campaign in Namibia, where we're operating. Secondly, to work together, as Carlos said, with the consortium to try to anticipate Uirapuru to 2019, but that needs the decision on a rig rather sooner than later. Thirdly, it is to agree with the partners in São Tomé and Principe the drill-worth prospects, as we see some interesting opportunities in São Tomé and Principe and the goal is to be ready to drill the first well in 2020. Thank you.

Jon Rigby – UBS

Thank you. Hi guys. Two questions.

The first is, can you, given the delays and everything, just maybe go through an update on the status of the FPSOs. We know where they are, so can we just have an idea about how far along the construction process or installation process they are? Then maybe, if you possibly can, characterise where the not yet identified FPSOs are in the development process for those fields?

The second is, just on dividend policy, obviously you now have a history of bumping the dividend up fairly meaningfully over the last few years, and I'm just trying to get a handle on how you think about that in terms of relating it to underlying performance. Obviously there's a degree of volatility and pricing is a way of thinking about it to just map it towards your underlying production growth, if we just assume that production growth is generating some kind of consistent operating or FCF contribution to the business. I guess therefore implying that the prospects are that dividend growth can continue at a fairly rapid pace over the next few years? Thanks.

Carlos Gomes da Silva, CEO

Good morning, starting with the dividend, as I will share the first question with Thore.

The dividend policy, our cash flow generation will be dramatically different from what we had in the past. We have been investing for many years, overinvesting. I believe that in the future we will get better results, that's the case. Now we are in a more balanced position, so we are capable of generating more FCF and continue to reinvest in the future. Filipe has mentioned to you that 70% has to do with our future, upstream projects related with future business. Therefore, the volatility that you mentioned there, in your question, about the capacity to generate cash is different from what we had in the past. Therefore, we are much more comfortable considering the value to our shareholders, looking at both value and total return, so dividend is one of the points that we are balancing and in our position keeping a strong balance sheet meanwhile.

In what relates to the delays in the FPSOs, we have to point out that this delay that we had, clearly, was with P-67 Lula North, that was pointed out to you last year that should have started 6 to 8 months before. The key reason that has been also flagged was the delayed sail away from China. We have that clearly pointed and will continue to work, but I will let Thore go into detail.

Thore Kristiansen, COO E&P

Thank you, Carlos. To give you a bit of an update, as Carlos has mentioned, on February 1st, P-67 Lula North came into production, so that would be now an important ramp-up. Then on P-68, which is the unit that is going to go to Berbigão/Sururu, there is now very important finishing work that is happening at the Jurong shipyard in Brazil, and we are, as Carlos says, expecting first oil in the second half of this year. That is, of course, dependant on successful execution on the finishing work in Brazil.

Thereafter, it is Atapu Sul, which now has been delivered to the COOEC shipyard, and is being completed there, and we are expecting first oil in 2020 for Atapu. Then when it comes to Lula West that is now being discussed in the consortium, what is the best solution. In our plans, we have factored in contribution of first oil in 2022.

What is the good news is that we see that there is potential for faster ramp-up and that should contribute to good performance. In addition we're expecting now the second FPSO in Angola, Kaombo Sul, which we expect also to start in the first half of this year. So overall, and in the big picture, there's a good ramp-up of production.

Michele Della Vigna – Goldman Sachs

Hi, it's Michele from Goldman. Thank you for taking my questions. Two if I may.

The first one is on your Brazilian subsidiary now that it's cash flow generative. I was wondering what we should assume in terms of dividend to your Sinopec minority in the coming years. Then secondly I was wondering if you could give us some guidance around the tax rate for 2019. Thank you.

Filipe Silva, CFO

Petrogal Brazil is FCF positive and will be very significantly so as capex goes materially down and production ramps-up. The intention is that we distribute 100% of the FCF on an annual basis, 30% of that goes to the Sinopec. Now we're not giving specific guidance, because this would depend on opportunities for growth and value creation that would directly compete with the distributions out of Brazil. Plan A on the business plan is 100% of the FCF, both tax, come to Lisbon and Beijing.

On the tax rate, we are keeping our guidance from last year. On a P&L basis, about 50% of pre-tax income, on a cash flow of about 40%. As we move close to the 2020s, the two rates will converge at around 50%. Thank you.

Alwyn Thomas – Exane

Good morning, gentleman. Can I ask on the IFRS 16 uplift that you discussed, the €170 m in the report this morning. Can I ask whether you were able to break that down amongst the divisions, and I guess the forward outlook, whether that changes any of your estimates for opex or basically how that's reflected in the business going forward for modelling purposes?

My second question, I couldn't quite hear the answers before, just going back to Berbigão and Atapu FPSOs, whether you're able to say what equity stake you're assuming for those two FPSOs when they come on field post unitisation? Thank you.

Carlos Gomes da Silva, CEO

Hi Alwyn, good morning. I will take your second question and Filipe will take the first.

We didn't mention, so we are providing global production guidance which already takes into consideration unitisation impact, but we don't still have the formal approval from the ANP, even though between parties, which means between the different parties of the consortium, the parties that will also be included in unitisation, also in ANP, have a full alignment in terms of the principles. So, we are still waiting for that. Our guidance is taking that into consideration, and the unit should be in place in the second half of the year. In respect to your first question, I will pass to Filipe.

Filipe Silva, CFO

Alwyn, on IFRS 16, I'll start by making a very broad statement, that nothing changes but accounting.

We're still paying Modec or SBM the same every month as we've always done. Accounting-wise. Now, we'll consider this lease payment in part as a reduction, so we'll no longer have the cost, the operating cost, and this goes into an interest and into an amortisation of principle lines. So, it does introduce a bit of noise but does not change taxation, nor FCF. The bulk of the assets we have which are subject to IFRS 16, so which assets do we have that have operating leases today? It is mostly FPSOs and subsea, all the new FPSOs coming our way from last year onwards are actually replicants, they are owned. So the impact actually reduces very materially over time. So on day one, if we had booked IFRS 16 into 2018, which we have not, it's only starting in 2019, but had we done it in 2018, our Ebitda would have gone up by €170 m and our net debt would have gone up €1.2 bn. Those numbers reduce significantly as we progress. Again, it's mostly E&P. In Iberia, we have a few retail stations that we rent out, so there is a number there but it's not very significant. We do plan to continue to publish our numbers the so that you have a view on what our real opex costs are per barrel.

Alwyn Thomas – Exane

Okay, sorry, can I just clarify that you're still planning to do the adjusted Ebitda exactly as you did in 2018?

Filipe Silva, CFO

No. From 2018 onwards, the Ebitda that you will see will be better by about €170 m, and this number reduces over time.

Yuriy Kukhtanych – Deutsche Bank

Good afternoon, gentlemen.

Very quickly, I have a follow-up question on your capital allocation. Could you please tell us whether you are going to spend any money, or you're planning to spend any money on additional refining capacity outside Europe? Would it be one of the options that you would consider?

The second follow-up question is on your refining margin upgrade for 2019. You mentioned that you are now expecting higher distillate demand. Could you please just discuss what exactly changed in that expectation for the higher distillate demand. Have you seen higher interest from your clients, perhaps, in Iberia? Thank you.

Carlos Gomes da Silva, CEO

Hi Yuriy, good morning. To your first question, we don't have plans for additional refining capacity anywhere else, including outside of Europe. What we do have, we are currently analysing, is how we can deepen our conversion capacity and improve the valuation of our throughput, but no decision taken whatsoever. You will be updated timely and periodically about these projects.

In what relates to the middle distillate, so today we are observing a shortage in terms of availability. We are also looking at the demand that continues to grow, but moreover and more important is the IMO impact that we are looking at this as a requirement in terms of blending, increasing in terms of marine diesel that will put more pressure on diesel. So, that's the reason why we have considered in our plan and in our refining margin forecast that this will have an upside going forward. There is also within the middle distillate, another press up that is related with the jet. So the jet fuel, the aviation fuel, continues to progress with the demand increasing heavily compared with the other products. All in all, that puts a lot of pressure in middle distillate products.

Yuriy Kukhtanych – Deutsche Bank

What changed since your last guidance for the refining margin?

Carlos Gomes da Silva, CEO

It put upwards the cracks that we are seeing for the diesel. We are in a shorter period of time evaluation comparing with what we had before. We are now being more optimistic than we were in this respect.

Pedro Dias, Head of Strategy and Investor Relations

Ladies and gentleman, thank you very much. We hope you have found this update useful. May I remind you that our team is always available for additional clarifications. Have a great day.