Pedro Dias, Head of Strategy and Investor Relations

Good morning, ladies and gentlemen. Welcome to the conference call for Galp's third quarter of 2019 results and strategy update. Carlos will go through the presentation and we will be available to take your questions at the end. Filipe and Thore are also here with us today.

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

Carlos, the floor is yours.

Carlos Gomes da Silva, CEO

Thank you, Pedro, and good morning to you all. Thank you for attending the call of our 3Q results and strategy update.

Today, I will start with a reference to Galp's recognition for the eighth year running as an industry leader for the Dow Jones Sustainability Index. Galp ranks number one in Europe, ranking thirdly globally. And this is a result that encourages us to continue to pursue the best practices in our activities. And, of course, I'm grateful to see our team and our strategy recognised once again.

Now to the results and starting with the free cash flow, which was solid during the first nine months and already covered the full year dividends distributed to Galp's shareholders. We think that we should comfortably meet the guidance we provided you with earlier this year.

I will go through the performance of our divisions and I will start with downstream on slide #5.

During Q3, we performed the planned maintenance in our Sines' crude distillation unit as we have anticipated to you. We used the opportunity to implement additional energy efficiency initiatives, which are part of our additional "+$1/boe" program. We are now already able to capture 70 cents per barrel in our refining margins.

We also had an upset during September, driven by a lower than expected utilisation rate in our conversion units. The units are now running in normal conditions. But September throughput and refining margins were affected, and you saw that in our results. Considering the lower than expected performance year-to-date (YTD), we may say slightly below the anticipated $4/boe margin for the full year. October margins have been until now between $4/boe and $5/boe and we see upside potential from the pre-IMO period which is upon us. On this matter, Galp is fully prepared to supply compliant fuel, according to the IMO specs.

Oil marketing and Gas & Power provided once again, I emphasise, solid results, maintaining its important and resilient cash contribution. During the quarter, we have established a PPA, which is a power purchase agreement, corresponding to around 10% of our current electricity sales, based on renewable solar photovoltaic generation projects. This is part of our strategy related to our power business integration, aiming at providing our clients access to efficient and environmentally sustainable energy solutions.

Moving to upstream on slide #6.

Working interest production was up quarter-on-quarter (QoQ), benefiting from the ramp-ups in Brazil and Angola. In Brazil, we have one more unit at plateau, only ten months after its start up in Lula Extreme South. In Lula North, the unit #9 is already ramping up nicely.

In Iara, the FPSO #10 for Berbigão and Sururu is expected to start production in about a month or so.

We are currently producing around 130 thousand barrels per day (kboepd), an under normal circumstances we could get to or even beat the high end of our full year guidance that we have provided to you in a range between 8% and 12% growth year-on-year (YoY).

On forthcoming projects, we have additional units for Atapu, the FPSO #11, and another one for Sépia, the 12th FPSO, which are expected to see first oil in 2020 and 2021, respectively.

Still on pre-salt exploration activities, the high potential Uirapuru wildcat is expected to be spud before year end.

On Mozambique front, construction of the Coral South FLNG is progressing according to plan. Importantly, key EPC contracts have been awarded for the first phase of the large Rovuma onshore project to allow us to advance the preparatory works ahead of the project's Final Investment Decision (FID) in the first half of next year. First gas for Coral is expected for 2022 and 2025 for Rovuma onshore.

Now on slide #8, we can see the results.

Group Ebitda was €619 m in the quarter, down YoY, driven by the lower contribution from refining, which more than offset the stronger upstream performance.

Net income was considerably down YoY driven by refining and non-cash entries below the line. Here, we had currency translation adjustments related to IFRS 16 lease obligations in Brazil, and mark-to-market of derivatives to cover natural gas prices' risk.

On cash flow, on slide #9, you can see that YTD free cash flow amounted to about €700 m, covering the full year dividend payments to Galp shareholders. This was supported by the robust operational contribution, with net capex amounting to €564 m. Capex for the full year should stand below our previous guidance provided to you of around €900 m.

This cash generation continues to support our strong financial position with the net debt to Ebitda standing at 0.8x.

I will now go over the strategy update starting on slide #11.

The capital allocation guidelines are consistent with our trajectory. We will primarily focus on a very selective investment program, not only in the upstream, but all across the energy value chain. We will pursue the integration with lower carbon energy solutions, allowing us to adapt to customer needs, and reducing our carbon footprint. We will maintain our focus on value creation, we will continue to be a value driven Company, and sustainable long-term growth. Doing this, at the same time rebalancing growth investments with a progressive shareholders distribution.

On the capex side, we will be focused on extracting additional value from our large and promising asset base, while exploring new value opportunities around it. This means, developing our outstanding upstream portfolio, and continue to optimise efficiency, costs and recovery rates. Any portfolio addition would be to maintain or to enhance our differentiated upstream value proposition.

Our Mozambique LNG project will, of course, play a key role in increasing the weight of the gas in our portfolio.

We are also increasing our commitment to low carbon power generation. We are gradually developing a renewable power generation business, which will provide a natural hedge to our commercial business. All in all, equity investments in renewable and also in new businesses should account for 10% to 15% of our net investments in the coming years, provided project returns are according what we expect.

On the downstream, the plan is to further improve the performance of our midstream and commercial activities.

In refining, we will continue to increase the competitiveness, efficiency and suitability of our system, in line with demand patterns and regulatory changes. These are primarily incremental projects. Larger potential projects may be considered if, and when, and only when, we get confident on the sustainable value creation to Galp. Required returns from these projects should rank competitively with other portfolio of projects.

Still on the downstream, we are progressing on building a natural gas and LNG portfolio, which could be leveraged by our Mozambican equity gas production.

On the commercial side, we intend to grow and leverage on our Iberian client base, with an integrated offer where the client is at the centre of our strategy and organisation. We are currently reshaping our multi-product organisation to that purpose.

Overall, over 40% of our planned net capex is meant to capture the opportunities coming from the future energy demand patterns, while reducing our carbon footprint. Our priority is to create sustainable value across all businesses and increase the portfolio's resilience for the next decades.

Project returns will of course vary, considering their characteristics, namely size, risk profile and financing structure, but the competitiveness of our future investments will remain aligned with the Group's Return on Average Capital Employed (ROACE) target of 15%.

We also keep our commitment to remain below 2x net to Ebitda, and would rotate existing assets, if required, to create space to fund inorganic opportunities.

Now on the shareholders' distribution. We are now targeting a dividend per share increase of 10% per year for the next three years. This underpins the confidence we have on our plan's resilience.

Cash flow from operations (CFFO) on slide #12, is expected to grow at an average of 8% per year up to 2022, even though it should be more front loaded. This is very much in line with what we had guided before, even if we are now assuming lower refining margins going forward.

During that period, and we are focusing on the next three years, net capex is expected to range between €1 bn and €1.2 bn per year on average. This includes room to accommodate the now larger Mamba trains and/or buy-versus-lease decisions for upcoming FPSOs, and new projects on top of our organic base case.

Around 70% of our investments are to grow our company, the benefits of which to come beyond the presented timeframe.

To conclude, I would like you to retain the key messages that you can find on slide #13.

Galp has a unique and distinctive asset base, highly competitive and resilient to different macro conditions. This is our unique profile. Our commitment is to continue to reinforce our portfolio to generate sustainable growth for the long-term, being part of the ongoing energy transition and gradually reduce the carbon intensity of our activities.

We will be selective in additional investments and those will be contingent to attractive returns and to meeting our commitment to keep a strong balance sheet. And we will continue our differentiated investment plan to grow the Company, balanced with a competitive shareholder return, assuming now a 10% annual increase in dividend-per-share.

We are now happy to take your questions. Thank you.

Questions & Answers Session

Biraj Borkhataria – RBC

Hi, thanks for taking my questions. I have one for Thore and one for Carlos.

On Brazil, on the ramp-up at Iara, is there any reason that in the latest FPSO, the pace of the ramp-up would be different to the 10 months you achieved in the latest one at Lula?

And then the second question is for Carlos. In the context of your capital allocation and shifting towards gas, what are your latest thoughts on Transfer-of-Rights (ToR) and doing more in Brazil? Obviously, it would probably be a higher return, but it doesn't tick that transition box. Any thoughts on that would be appreciated.

Carlos Gomes da Silva, CEO

Hi, good morning, Biraj. Thank you. I will take the second question as you asked.

Effectively we are looking at Brazil and carefully analysing the bid rounds forthcoming. We have a kind of an insider view in some of the areas, namely the ones where we are already. But this is a very competitive round, with demanding terms and conditions as some of the industry players already mentioned. So, we are looking through this very carefully, we will keep our financial discipline, even though, from the strategic point of view, it makes all the sense. But the terms and conditions are really demanding. That's what I can comment to you. I will pass now to Thore.

Thore E. Kristiansen, COO E&P

Thank you, Biraj. What I can say is that in our plans, what we have used in Galp, we're using 15 months for the ramp-up. You are very correct in pointing out that the latest FPSO actually reached plateau in 10 months, so there might be a slight opportunity for some improvement on the next FPSO going to Iara, Berbigão and Sururu more specifically, but that is not what we are factoring into our plans. We stick to our 15 months as the base case for it, and then we work hard to do it better.

Thomas Adolff – Credit Suisse

Good morning. Good afternoon. First question is on production and the realisation in upstream. I noticed your realisation in the third quarter improved a little bit, from a discount of $7.80/boe to $7.30/boe, and I wondered whether you are starting to see realisations improve on your medium sweet crude from the Lula field.

And then secondly, just on the statement on production currently at 130 kboepd to date. Where can production go to once FPSO #9 in Brazil and Kaombo unit #2 both are at the plateau production?

And then maybe finally, just coming back to the point you made earlier on terms and conditions, as far as the ToR is concerned. In your presentation, you've highlighted that your aim is to keep a Group's ROACE of about 15%. Now when we consider Mamba LNG, that isn't going to generate a 15% return. That was stated by one of your neighbours in Mozambique, and I wondered whether the ToR opportunity actually meets that 15% threshold. Thank you.

Carlos Gomes da Silva, CEO

Thomas, good morning. I will take two of the questions and leave the one related to production for Thore.

In terms of realisation price, we have in the past been continuously highlighting that we'd see Lula medium/heavy sweet grades increasing their valuations in the market as the IMO was approaching. Effectively what we are observing is that Lula is clearly trading today above Brent and we see still room space to continue to increase that trend.

In what respects to the ROACE, new additions to our portfolio have to be consistent with this target. You have mentioned specifically Mamba LNG. I will not enter in detail, but I can only tell you that I don't review myself on the comments that you have mentioned whatsoever. We are looking at the Mamba LNG as one of the most competitive projects around the world from itself, and we are comparing with United States' greenfield or brownfields projects and, in addition, with the location. I think that Mamba will clearly contribute for this ROACE overtime and, more importantly, you should also bear in mind that there are some common facilities that are being developed today that will be used and shared by future trains. So, all in all, we are confident that Mamba will play an important role on this.

Passing to Thore, but not before saying to you that for the realisation price, it is also important not just the quality of Lula, but also the liquidity that is increasing in the market and both together they are really contributing for that. I will know pass to Thore to speak about production.

Thore E. Kristiansen, COO E&P

Thank you, Thomas, for your question. We will come back to you with a more precise update in the beginning of next year when we have our fourth quarter outlook, with respect to production and what sort of production target we can go for the next period. We are now in the midst of the process of consolidating the numbers, putting them together, so I will be a little bit careful today to be too firm on it. But what I can say is that, on days where things are going really well, we now have a production capacity that gets very close to 140 kboepd. But this is operation and things are not always going well every day. That's what it is. There will be continuous effects that you need to factor in and, as you know, in our plans we expect a production efficiency in the order of around 90%. We will come back to you with better numbers and more precise numbers in February/March.

Thomas Adolff – Credit Suisse

Did you say 140 kboepd, just to clarify, on good days?

Thore E. Kristiansen, COO E&P

Yes. Very close, yes.

Flora Trindade – CaixaBank BPI

Just on the €1.2 bn limit of capex you mentioned, I assume this is an internal limit, so you won't go beyond this because you mentioned asset rotation as a possibility. Can you just give us an idea of what kind of assets could be in this list for rotation?

And also, if you can just clarify, I assume you are not telling us whether you will go for the ToR+ bid or not, so I will skip that one. And just wondering if you could just give us an idea of what kind of renewable energy businesses are you looking at? I assume it's greenfield, but can you just give us some colour here? You just mentioned the potential capex, but can you give us details on technologies and location? Thank you.

Carlos Gomes da Silva, CEO

Flora, thank you. Trying to answer your questions in a single answer. Effectively our capex allocation is on average within that range first and, secondly, we are not seeing any chance to overpass that level, to be above the right side of the range.

That said, how we will split it and what are the main considerations that we should be taking on going forward. I have already mentioned the ToR so I will not comment more, it's an undergoing process. The only thing that I would like to emphasise is the terms and conditions are demanding and we will always look at value over any volume or other variable decision.

In terms of the new transition or the renewables, we are looking preferably to solar PV, but not dis-considering other technologies. We are not excluding, for instance, wind or any other technologies, but clearly our primary focus will be solar PV, where we are already developing a set of internal projects in Galp that will play an important role on hedging and complementing our power business that currently is without power production. And we are speaking about greenfield projects, mainly this is the case.

Looking for the most important assets that we have to develop internally, and that will also play an important role for the energy transition, clearly, is our Mozambican gas projects. That will take an important part of this capex.

And, of course, another project is related with Carcará. Carcará is the new kid in town, if you would like to say that, and that will have our involvement and actively work in the next coming years. Still, different stages. So, the first stage, which is in development concept is progressing quite well, with some decisions recently taken towards that project. Second phase still in an early stage and we have to work more in detail, but Carcará is another relevant project.

Finally, a word to say that we are clearly committed to cost reduction and to increasing on recovery factors by using different techniques, we have already shared with you many times, and to clearly extract more value from the existing set of assets. That is for us something important. At the same time, we are putting new units under production in Iara field and Sépia in the coming years. That's what I have to say to you. Thank you.

Flora Trindade – CaixaBank BPI

Thank you very much. Just on the asset rotation, I don't know if you can just share your thoughts on what could be included here?

Carlos Gomes da Silva, CEO

Flora, as you as you may understand we are not commenting on possible divestments. We will speak about real things and nothing that is hypothetical. The only thing that I think it is important for all of us, is understanding that our commitment for organic and, if any, inorganic projects to come is to stand within this range, and we will consider a time, based on real opportunities and the returns' alternatives to take decisions. Thank you.

Jason Gammel – Jefferies

Thank you very much. I just had a couple on the downstream if I could, please. You made the comment during the presentation that Galp was going to be fully prepared to supply compliant bunker fuel for the new IMO regulations. I was wondering if you could reference that to the fuel oil production during the third quarter, that was 18% of your yield, and how much of that would currently be compliant with IMO standards.

And then the second, and I think closely related question, is that your crude slate during Q3 was 91% medium and heavy. How much flexibility does your distillation capacity have to lighten up that slate if the economics of fuel oil relative to diesel were really close on that heavy fuel oil?

Carlos Gomes da Silva, CEO

Jason, good morning. Thank you for questions. Effectively, we are really prepared for compliant fuel oil, that we will start to supply the market during November. You have also to bear in mind that, during Q3, we were in a special operating mode, as our crude distillation unit had a stoppage and, therefore, it is hard to take conclusions for the yields that come from that.

Flexibility and yields, the two points that you have mentioned. Starting by the flexibility. We have been using more medium-heavy sweet crudes, rather than sour, due to the fact that sweet crudes were very competitive comparing with the sour. The reason behind that is the fact that the sour crudes were not discounted as previously anticipated. They were, one can say, more expensive than it should, more competitive with sweet. So, we still have some flexibility, we have between 20% and 30%, to increase the sweetness in our crude basket diet. But, on average, you can consider that we stand between 60% and 70% sweet and 30% and 40% sour, going forward.

In what relates to yields, we have flexibility to produce compliant or high-sulphur fuel oil contents. Here, the decision will be based on a pure economic approach and, therefore, what we are preparing ourselves is to have flexibility to use the different feedstocks, to allocate them to one or to the other, or to both, according to the economics. I hope this clarifies your question. Thank you.

Jason Gammel – Jefferies

Yes, it's very helpful. Just a quick follow-up, please. Are you actually seeing demand for low sulphur fuel oil already in the market yet, given that we're getting pretty close to the end of the year?

Carlos Gomes da Silva, CEO

The answer is yes. There's plenty of demand in the markets and we do see for the coming years that demand will decrease but it will stay over there. Again, our decision will be based on pure economics. We will tend to be use more conversion and desulphurisation or less, depending on the economics.

Giacomo Romeo – Macquarie

Hello, thanks for taking my questions. Just two very quick ones left for me. The first one is back to your 10% to 15% investments in renewables indication. Just wondering if the focus of these will be Portugal, or the broader Iberian Peninsula, or if you will be considering investments outside of Europe and whether, when you talk about the 10% to 15%, you're looking at levered or unlevered?

The second question is just back to the concept of asset rotation. Even though we haven't seen any asset rotation from you in the recent years, would these happen only if you were to go above the €1.2 bn, to make sure that you remain within that financial constraint, and how would you consider the rebalancing of the portfolio. Is it driven by exposure to type of hydrocarbon, rebalancing of original rebalances? Just wanted to understand a little bit more in terms of what is behind this statement.

Carlos Gomes da Silva, CEO

Hi, good morning Giacomo, thank you for your questions. From the renewables point of view, simple and straightforward, we will start where we have our client base, so we will start in Iberia. This is levered capex and I think, if there is a strategic advantage, it is precisely to increase our upstream of the electricity, precisely where we have already a relevant base of clients.

You have also addressed the asset rotation. We have done few but small asset rotations in the recent years. The biggest one was early in this decade, when we have divested 30% on our Brazilian subsidiary, and the reason why doing that was to ensure that we will have the full resources to develop the amazing assets that we had at that time. We didn't do many asset rotations because we do think that we are the best owners for the time being on the assets that belongs to our portfolio. Going forward, effectively, we cannot limit ourselves that we will only do asset rotation if we go beyond €1.2 bn. It depends. It depends, but what is our commitment is we will keep within the range of a net investment between €1.0 and €1.2 bn maximum and, if that implies asset rotation, we will do it. And if we will do it, it's because we do see more value for the Company going forward than with the existing portfolio. I hope this answers your question. Thank you.

Michael Alsford – Citigroup

Hi there, thanks for taking my question. I've just got a couple, please. Just firstly on the cash flow growth target of 8%, 2018 versus 2022. I just wondered whether you can give us some underlying assumptions as to how you see cash taxes evolving? I'm assuming that's partly the reason for why you set up more front-end loaded cash flow growth in the guidance. And I guess if you could relay to that what's the spending levels you're expecting, particularly around Brazil, to get us to that cash tax number. That would be my first question.

And then just secondly, on the downstream. I appreciate you mentioned that the larger potential investments, you're doing more work on, but I was wondering whether you can give a little bit more colour as to what type of projects you're thinking about. What could be the strategic nature of those, in order to get more sense to potential capex involved. Thank you.

Carlos Gomes da Silva, CEO

Michael, good morning. Good to listen to you. I will ask Filipe to go through the cash flow and the spending levels. I will take the capex question.

Effectively, I mentioned that in the downstream we might see inorganic capex. What I can tell you is, until now, we have been analysing several options for optimising our refining system and to make it competitive and adequate to product specifications. We have rolled out some of those projects. We don't have a specific when. What we are looking at is how we can deepen and extract value from our midstream, increasing our conversion and increasing the quality of the products, and the valuation of the products that we have in our midstream system.

We are still analysing feasibility and expected returns, and I don't think we will have anything closed by next year or so. We have just considered it, because it's a three-year plan and, within this time frame, it may appear, but we don't have a specific one now to consider. I will now pass to Filipe.

Filipe Silva, CFO

Hi, Michael. In all likelihoods, and this is to answer why it is a front-loaded cash growth, because in all likelihood, 2020 will be a very good year for us, given how much equipment we have been deploying over the last few quarters. So, production has a significant increase next year. We also had pretty tough refining environments during 2019, so you would expect 2020 to be much stronger, also on the downstream front. Taxation does not really play a role in this. We are still looking at overall cash taxation of mid-40s% on a cash basis going forward. Thank you.

Joshua Stone – Barclays

Thanks. I've got two questions lastly. One just on the capex for this year. It seems to be trending a bit below where we thought, so wondering if you could update us on where you think 2019 capex will end up?

And then a follow up on the refinery investment. I appreciate you're not looking to make a decision within the next year, but what do you think are likely budgets that could be attributed to that or the sorts of things you're looking at? How big would we be looking? Thank you.

Carlos Gomes da Silva, CEO

Hi Josh, good morning. What we have for this year, and you see part of this capex guidance for 2019 being below what we have pointed to, one of the elements is precisely our Mozambican projects, as FID will only be taken in the next year. And therefore, part of that is a delay, a rolling up of capex spending.

On Mamba, there is capex that has to be considered, not only the full upstream activities, but also the midstream and all the common facilities. We do see Mamba rating in terms of global capex in the mid-$20 bn, let's say, being, as I mentioned to you, a competitive project. The other projects, or the other capex, is more allocated to refining. We still have some maintenance refining, and also some downstream activities, which we should bear in mind that typically when we put midstream with commercial activities together, we should spend on average €250 m or so a year. So, effectively, Mamba/Carcará from one side, our downstream together with the midstream in the other, and accelerating our renewable projects, gives you a global perspective of what we will spend in terms of capex for the years to come. Thank you.

Joshua Stone – Barclays

If I could just quickly follow-up on 2019 capex, as I don't know if that was for next year, but is there a budget for this year? Thank you.

Carlos Gomes da Silva, CEO

2019, as I mentioned to you, stands below €0.9 bn, that's the number that we are working with.

Irene Himona – Société Générale

Thank you very much, good afternoon.

My first question, on the three-year plan, if you were to run the numbers using not $65/bbl to $70/bbl Brent, but let's say $10/bbl lower, so $55/bbl to $60/bbl, which is what we're looking at right now, on the same capex, on the same dividend commitment, how should we think about the CFFO growth? What happens to the 8% growth and then net debt to Ebitda ratio? That's my first question.

My other question is specific to 3Q19 upstream. Firstly, unit production cost in 3Q19, excluding IFRS, was $3.3/boe. Can you just remind us of your guidance on the new basis of those unit costs in the medium and longer time please? And then also in 3Q19, I note E&P net income from associates crashed from €17 m the quarter before to just €3 m. Was that just the price effect or was there anything else in there? Thank you very much.

Carlos Gomes da Silva, CEO

Hi, Irene. Good morning. I call your attention to slide #12 in what CFFO relates. You see that we have done a sensitivity analysis and that for a $60/bbl there is a decrease in the CFFO. One can consider that instead of 8%, we can have a 6%, in rough terms, CFFO increase. I think that responds to your question. This CFFO is net of taxes and therefore there's more flexibility on that.

In terms of production costs, we have two effects here just to simplify, and Thore can complement me if needed. We have two units ramping up in Brazil and therefore the dilution costs have clearly increased, which means that the operation costs are decreasing and that's effectively one of the key elements.

Another one has to do with reserves review of 2018. So, we saw our reserves increasing and therefore, from the technical cost point of view – this is not only opex, I'm speaking now about the DD&A and technical costs –, that also allowed to dilute the same capex for more volumes and on the DD&A, we also see a decrease. All in all, opex plus DD&A, which ends in technical costs, are clearly impacted by those two elements.

You have also the opposite in Angola, which has a lower contribution because we have two units in comparable bases that we're ramping up. One is already at plateau but the other, Kaombo South, is still ramping up, which means in comparable terms, we have more costs in the system. Therefore, in Angola, until the stabilisation at plateau level, we still see some increasing but once we have full production, the dilution will come and it will apply the same that I have mentioned today. I don't know if Thore would like to complement.

Thore E. Kristiansen, COO E&P

Just the second part of the question was on the outlook and when it comes to outlook for production costs, expect that to be around about where we had in third quarter. We will continue to benefit from the ramp-up effect but on the other hand, there is currently in the plan somewhat more workover work that is planned for the quarter. So, these are around $3.0/boe to $3.5/boe. That should be a good guidance for 4Q19. Thank you.

Matt Lofting – J.P. Morgan

Afternoon, gents. Thanks for the presentation.

Sticking to the points around capital allocation. When I look back at the last couple of years the dividend increases have also being around 10 to 15% as a range, but it's probably questionable how relevant a benchmark that is as Galp enters something of a fresh cash cycle 2020 and beyond. So, can you discuss and help us to understand how the 10% CAGR has been calibrated to 2021?

Secondly, given the planning deck around long-term $70/bbl Brent and also higher refining margins, can we expect that Galp can prioritise that 10% dividend growth, also under lower macro scenarios? Thanks.

Carlos Gomes da Silva, CEO

Hi, Matt. Good morning. From the balancing between dividends and capital allocation, first we should bear in mind that Galp continues to be a growth for value Company and therefore we still are in one of our phases of continuing to add projects to our portfolio that will bring value for this Company over the next decade.

That said, how did we get the dividend target that we have announced today and which has to be subject to shareholders approval. We have looked at the balance growth in terms of what is our cash flow generation and what is our dividend increase and you see that it is quite in line. We are speaking about the CFFO growing of around 8% per annum and the 10% on dividend growth.

It was one of the key rationales and considerations. But of course, keeping a strong balance sheet, keeping our financial discipline and ensuring that we allocated that capex to value creative projects. All in all, trying to simplify a more complex analysis, I would say it's a balance between CFFO and dividend growth.

I will pass now to Filipe to take the second part of your question.

Filipe Silva, CFO

Hello, Matt. I would just add that dividend visibility is quite high, even under very adverse macro scenarios and if I go back to slide #12, you see how insensitive our CFFO would be with different Brent. Again, we have an integrated portfolio, so the refining and the downstream tends to do better in a lower Brent environment.

You also have taxation that plays a big role in the upstream. So, if Brent prices come down, there's a very significant cash outflow, that will not be around. And same for working capital, which is also very positively sensitive to declining Brent prices. So, yes, we see cash flow from operations resilient over the next few years and that should not jeopardize our dividend policy.

Also bear in mind that we have a very significant minority in Brazil, where most of our production comes from, and our minorities would take a similar hit on the dividend distributions and shared the pain with us in an adverse scenario. Thank you.

Alwyn Thomas – Exane BNP Paribas

Hi. Morning, guys. Just a couple of questions left from me.

Firstly, I just wanted to get a quick update on where the unitisation process is with Berbigão and Sururu, and whether we should expect that to happen before production starts up at the end of the year?

Secondly just coming back to capex and budget, specifically on the exploration budget. Firstly, I want to get your take on how much you expect to spend on exploration each year and whether, given the projects you have in the portfolio and your plans for the energy transition, should we expect exploration expend to gradually step down on that basis, particularly in frontier areas? Thanks.

Carlos Gomes da Silva, CEO

Hi Alwyn. Just to say good morning really, because I think Thore is keen to answer your questions.

Thore E. Kristiansen, COO E&P

When it comes to the unitisation processes on Berbigão and Sururu. We do not expect that it will be finalised this year. We're looking for this to be accomplished during the course of next year.

On exploration, we're not giving any guidance when it comes to where exploration budget stand. As Carlos also highlighted very much in his introduction remark, we are very excited that we're going to spud Uirapuru now in this quarter. That was for us a very sweet win in that quite recent Brazilian bid round. We're very excited to spud that as then we continue to mature our positions in São Tomé and Principe and in Namibia. We might spud our first well in S. Tomé towards the very end of next year/beginning of 2021. Thank you.

Sasikanth Chilukuru – Morgan Stanley

Hi. Good afternoon everybody.

Most of my questions have been answered. But I had a couple related to slide #12. Once again, looking at that it does feel like the cash breakeven for the dividend right now for the next three years is around $60/bbl or $5.5/boe to $6.0/boe on the refining side.

Just wanted to confirm again whether, should the macro be significantly lower either on the oil price or on the refining margin, you would probably be looking to raise debt to cover the dividend and increase your net debt levels, or will it be coming to the expense of capex?

Also, just following up with the same slide again, does this strategy effectively rule out a chunky disposal of any cash generating entity on the upstream or the downstream. Thanks.

Carlos Gomes da Silva, CEO

So, good morning, Sasi. I think in the slide #12, you see that you're right and we have a relevant part of our capex that is allocated for growth and that reveals the framing and typology of our capex allocation.

In what relates to the divestments, I have already mentioned to Flora previously that we cannot comment on which kind of assets specifically we will consider. What we have to look at is based on real and tangible situations, we have to look at those that are better fitting our portfolio and decide at that time.

You might anticipate one or the other because I have already mentioned some in the past. We have done in recent years some divestments, namely in regulated assets. But I prefer not to enter in comments on the divestments which we don't have and that has to be so at the light of the value creation for the Company. Thank you.

Christopher Kuplent - Bank of America

Thank you very much. I think these are all just confirmatory questions. But if you wouldn't mind, can you remind us why exactly you've chosen this new refining margin assumption into the

2020s? What's changed in terms of your outlook because I think your oil price outlook hasn't changed from the $70/bbl you mentioned before.

Then another go at asking about your capex. Can you perhaps tell us how much has been committed already? We obviously are aware of a number of very important growth projects, but as you already said, there is refining, there is chemicals. I'm guessing that a lot of that €1 bn plus a year has not been committed yet. Any light you can shed on that please. Thank you.

Carlos Gomes da Silva, CEO

Good morning, Christopher.

Refining margins. What has changed in our looking forward. As the IMO is approaching we are fine-tuning and we are looking at sweet/sour spreads. We are also looking at different cracks, mainly the middle distillates and also the very low sulphur fuel oil that is now pricing above Brent, which is almost surprising. Therefore, we have reviewed our assumptions downwards in what respects to refining margins precisely to these effects. Previously we were guiding between $6/boe and $7/boe. Now, what we think is that it could stand slightly below, between $5.5/boe and $6/boe – that's what it is in the footnotes in slide #12, this is the basic assumption. Again, for Galp we have both contributions on these: it is slightly positive in refining going forward, but it is strongly positive in the upstream, taking into consideration more liquidity on Lula grade and, at the same time, how the sweet crudes are being priced in the market. That's it, those are the points you have raised. Thank you.

Jon Rigby – UBS

Hi, good morning. One question: there's an acknowledgment in the strategy that you're now discussing that the balance sheet is starting to look pretty strong. You're obviously well below 1x Ebitda on your net debt. So, my question is when applying the criteria for investment you find that you don't see anything large enough or significant to make an investment in, what will you do with that excess balance sheet capacity and when does gearing on the downside starts to become an issue for you in terms of your capital structure? Thanks.

Carlos Gomes da Silva, CEO

Hi Jon, good morning. We don't see our balance sheets as an issue, quite the opposite thanks to a disciplined financial decision and the execution mode that we entered in the last couple of years. We clearly have today a starting point that is really strong.

Jon Rigby – UBS

Sorry to interrupt, but that was my point, that the balance sheet is getting a lot stronger and you're acknowledging that you have inorganic opportunities that you may consider to invest in, but what if you don't?

Carlos Gomes da Silva, CEO

Let's see, we will not burn money. To clarify and get directly to the point. If we do not find projects according to the risk profile and the returns that we expect, and that is the reason why the commitment of a ROACE of 15% is important for us, of course, we have to distribute to the shareholders. Hopefully we will be able to continuously make this company grow and have that in a well-balanced way. So, bringing value to the shareholders and at same time that will be complemented with distributions to the shareholders. That's the only comment that I have to say.

Filipe would like also to complement. Go ahead Filipe.

Filipe Silva, CFO

Jon, the guidance we're giving you is an envelope. It's a framework on where we will operate and, within that, you'll have multiple possible scenarios. If you do the math, if we pay for transfer of rights, if we do more downstream investments, if we do more renewables, Carcará and Mamba, all at the same time, it will be more than €1.2 bn together. So, it will be a combination of some of these investments. There would be rotation if need be within the envelope. So, we are not giving you granularity on specific investments, but for distribution to shareholders, this is the long-term capex framework you should be thinking about.

Jason Kenney – Santander

Good morning. Thanks for the time and the presentation. I was just wondering what portion of your refining output is hedged in 2020 and at what level, and if you have had any challenges with that strategy considering the review of margins in your assumptions?

Then secondly can you just remind us of the mark-to-market adjustment features that we could potentially anticipate over the coming months and the natural gas. Has that played out now? Thanks.

Carlos Gomes da Silva, CEO

Hi, Jason. Good morning. We have, for 2020, hedged around 10% of our refining throughput and with a comparable – now, it's not a straightforward calculation but it is comparable – margin that stands between $5.0/boe and $5.5/boe. We have only, as I mentioned to you, hedged around 10%.

Filipe, would you like to speak about the mark-to-markets?

Filipe Silva, CFO

Yes, so on hedging we've had this similar issue before. We have an imperfect accounting treatment of the risk protection that we are affectively building. So, we have clients that ask us for natural gas under a certain formula, we source it differently and, accounting wise, we cannot match. We have some P&L volatilities that pans out and goes to zero at the end of the contracts. So, it's wider this quarter. It will close as we approach maturity. Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Thank you, ladies and gentlemen. We hope you have found this update useful and I remind you that our team is always available for additional clarifications if needed.

Have a great day. Thank you.