

**Pedro Dias, Head of Strategy and Investor Relations**

Good morning ladies and gentlemen, and welcome to Galp's Q4 2015 results conference call.

We are here today with our CEO Carlos, who will start with our strategy execution update and our CFO Filipe who will go over our fourth quarter results. At the end, we will be available for Q&A, together with Thore, our head of E&P.

I would like to highlight that we may be making several forward-looking statements. Actual results may differ materially due to factors included on the disclaimer at the beginning of our presentation.

I will now hand over to Carlos. Thank you.

**Carlos Gomes da Silva, Chief Executive Officer (CEO)**

Thank you Pedro.

Good morning to you all and thank you for joining us.

I am pleased to be presenting a strong set of results. In such a challenging year for the industry, Galp was capable of delivering a solid performance. In this last quarter, our production increased and our integrated portfolio allowed us to deliver an Ebitda of €309 million (m), despite the sharp fall in oil prices.

This was possible due to the contribution from our downstream and gas activities, the flawless execution of our main upstream projects and as well as efficiency improvements.

Our 2015 performance, on a replacement cost basis, exceeded the guidance provided during the March 2015 Capital Markets Day. We did pursue the path that we had defined, focusing on execution and optimisation, and I emphasise that – execution and optimisation – and at the end of the day we were able to deliver more and spending less.

We achieved a 50% production growth during the year, with reservoirs performance delivering ahead of expectations in Brazil.

We were able to maintain a high availability of our refining system, allowing us to take advantage from the strong market conditions.

In the Gas & Power, our ability to seize market opportunities, as well as managing our gas sourcing, led us to achieve solid results in this business as well.

All in all, we were able to capitalise on our integrated business model, achieving an Ebitda of over €1.5 billion (bn) during the year, while keeping capex below the lower end of our guidance range.

The volatility that marked 2015, affected both oil prices and refining margins. We will be updating our macro assumptions during our upcoming Capital Markets Day, but I can advance that we remain quite conservative both on oil prices and on refining margins.

Low oil prices, together with an economic recovery, contributed to an Iberian oil demand recovery of around 2%, supporting our marketing activities.

The natural gas market benefitted from higher demand from the electrical segment, leading to a 6% annual growth.

Moving on to our Exploration & Production activities, I draw your attention to slide 6. Lula/Iracema remains a benchmark in terms of execution pace. Our third unit, Cidade de Mangaratiba, reached plateau in November with the connection of the 5<sup>th</sup> producer well, just 13 months after start up. So better than what we had assumed and guided you to.

This is also true for production unit #4, Cidade de Itaguaí. The unit achieved a production of around 90 thousand barrels of oil equivalent per day (kboepd) during the fourth quarter with only three producer wells. We now expect to connect the 4<sup>th</sup> producer during the first quarter of 2016. This means that we could possibly reach full capacity ahead of the 18 months we had initially planned, this is the learning path we are getting.

We are also starting this year on track. The production unit #5, Cidade de Maricá, has its first producer well connected in the Lula Alto area, and actually commenced its production procedures during the last weekend. The unit has a total installed capacity of 150 kboepd and we estimate to achieve a high productivity from this first producer well, in line with what we have seen in other areas of the Lula field. It is expected that this unit will reach full capacity during 2017.

As for the upcoming unit, the production unit #6, Cidade de Saquarema, allocated to Lula Central area, it is undergoing final integration works at the Brasa shipyard in Brazil. We are expecting this unit to start production, as we have anticipated, by mid-2016.

I would like to acknowledge the tremendous work that our teams have done during the past year on this project, with a special word of appreciation to our good partner Petrobras as Operator of this highly complex and remarkable project. From the highly effective reservoir management that allowed the units #1 and #2 to keep producing at plateau levels, to the full ramp-up of the production unit #3, the fast connection of the three wells of FPSO #4, all this leading to a very strong production growth.

Now on slide 9 and looking at our other projects in Brazil.

Starting with Carcará in BM-S-8, after the confirmation of the Carcará extension, the consortium concluded the drill stem test (DST) in Carcará North, confirming the high quality and excellent levels of productivity. In fact, we estimate that productivity in the area should be similar to some of the best in the pre-salt.

On BM-S-24, we have submitted in November the Declaration of Commerciality (DoC) for Sépia East. As announced before, Sépia East is the extension of the Sépia discovery into the BM-S-24 area, and we believe the reservoir to be of good quality. Meanwhile, the unitisation process regarding Sépia and Sépia East areas has already begun.

Still in Brazil, but further North, in the Potiguar offshore basin, we concluded the Pitu North well, with results proving the extension of the Pitu discovery.

So, a successful de-risking appraisal campaign throughout the year 2015.

Turning to slide 10 and focusing on our African projects.

In Angola, the fourth quarter saw the start of production in Lianzi, in block 14K, through a tie-back to BBLT that was performed earlier in the year. Although a small contributor to the Group's production, this field allows us to partially mitigate the natural decline in production of block 14.

In block 32, the development drilling campaign has started. The FPSOs allocated to this project are currently in Singapore for conversion works in order to start production in 2017 and 2018. We are working

hard to make these projects as lean as possible, focusing on cost reduction measures and fiscal term enhancements.

Going to Mozambique, the Area 4 consortium continues to negotiate the first stages of development on the large discoveries of the Rovuma basin.

During the quarter, Area 4 and Area 1 concluded the unitisation agreement of the Mamba/Prosperidade fields, which is most encouraging for the project going forward.

As for Coral, the Area 4 consortium keeps working hard to develop a floating solution that is economically competitive. Under the current environment there are challenges but also opportunities to be considered, and that is why we need to continue to work in this direction, even if it takes more time.

Moving to the downstream and gas businesses, on slide 11.

Strong refining margins supported this business during 2015, although Q4 was weaker QoQ and YoY. Overall, we were able to capitalise on the good market conditions because of our refining system's flexibility, conversion capacity, and the high availability of our refineries throughout the year.

In Gas & Power, despite fewer trading opportunities, we accomplished a steady performance, not only through the LNG contracts previously established – our structured contracts –, but also through our ability to find new market opportunities such as trading in European hubs, and always keeping an eye on how to optimise gas sourcing opportunities.

Filipe will now go over the financial overview.

Thank you.

**Filipe Silva, Chief Financial Officer (CFO)**

Thank you Carlos and good morning to you all.

As usual, I will start with the P&L on slide 13. This last quarter Group Ebitda was €309 m, down 22% YoY, and this reduction was driven by all three businesses. 2015 was a good year overall for Galp but these are challenging times for our industry, even considering the natural stabilizers within our portfolio.

E&P Ebitda was down to €53 m, as the higher volumes were unable to offset the effect of the much lower prices.

Refining & Marketing still managed to deliver good results, with €166 m in Ebitda. The 13% Ebitda decrease was driven by the lower realized refining margins and less favourable time lag in 2015.

Gas & Power delivered an Ebitda of €88 m, with Natural Gas and Infrastructure activities performing steadily, plus some good sourcing optimisation opportunities. The Power activity, however, was impacted by a sub-optimal utilisation of our Porto refinery co-generation unit.

Group Ebit was down 30% to €180 m.

Below the Ebit line, the improvement in Financial Results was mostly driven by positive mark-to-market results in financial hedges, which had been negative in Q4 2014. We also have a higher amount of capitalized interest in 2015 versus 2014.

Net income was €149 m on a RCA basis. Under IFRS, the bottom line was only €6 m, impacted by a negative inventory effect of €88 m in the quarter and non-recurring items of €55 m, mostly related to E&P impairments in Angola and Brazil.

As for capex, on the next slide, it reached €431 m during the quarter. E&P accounted for the bulk of this, and mostly allocated to construction of FPSOs, drilling of development wells, and subsea systems in Lula/Iracema. The remaining was mostly allocated to development activities in block 32 in Angola.

On slide 15, you have our summary balance sheet, where you can see how we benefit from lower working capital levels. Lower commodity prices reduce the capital that we have tied up in inventories and client receivables. On the other hand, declining commodity prices significantly penalize our organic cash flow generation. As you know, we sell products today processed with more expensive raw material acquired quite a few weeks before.

Net debt at year end was €2.4 bn which, considering the outstanding loan to Sinopec as cash equivalent, takes us to 1.2x net debt to Ebitda. This is well below our 2x self-imposed commitment, which we reaffirm.

Our liquidity remains high, at €3 bn, of which cash of over €1.1 bn, undrawn credit lines of another €1.1 bn, and the cash loan to Sinopec of just over €700 m.

We are now happy to take your questions.

Thank you.

## Questions & Answers Session

**Haythem Rashed, Morgan Stanley**

Thank you. Good morning gentlemen, thanks for the presentation.

Two questions from my side, please. Firstly, I appreciate you have your Capital Markets Day on the 15<sup>th</sup> of March and so I'm sure you probably don't want to give too much in terms of guidance for the moment, but could you give us a sense at least of the flexibility you have around your capex spend and particularly, what I'm thinking of is, in the start of the year you're obviously starting up two FPSOs in Brazil, is it fair to assume therefore that beyond the first half of this year, the flexibility around your spending actually goes up quite substantially? Could you quantify how much below the €1.2-€1.4 bn you could go to without flexibility?

My second question is just regarding your realisations for the quarter. It looks like the realised price you achieved of oil and gas together was quite low relative to what you've done historically. The discount seems to be relatively high in the upstream, just wondering if there's anything driving that? Thank you.

**Carlos Gomes da Silva, CEO**

Hi, good morning, Haythem and thank you for your two questions.

You're right, we will give you guidance in the Capital Markets Day that is coming. Just to give you a colour around our capex flexibility, the projects that we are taking in our hands are still to move forward. We are getting efficiency and optimisation on the learning curve that we are getting from the existing project, and you can see that the drilling times, the profitability and efficiency of each well is increasing and it is giving us room space for optimising our capex but we will give you a colour on that in the Capital Markets Day.

In what concerns the realisation price in the Q4, it has to do with an underlifting adjustment. What happened is that when we scheduled the cargoes across the year, we have considered the cargoes for the Q3 but since the prices were down in the Q4 we had to do the proper readjustment in the lifting that we

have done, so it's a compensation between quarters but YoY there's no question to put on that. Thank you.

**Oswald Clint, Sanford C. Bernstein**

Good morning. Thank you. Could I ask a question about refining, first of all, obviously a good performance last year from that business. As we think about this year with some of your comments on high distillate inventories and high gasoline inventories over the U.S. where you sell some of your gasoline, maybe could you just talk about those two dynamics when it comes to the kind of outlook for your refining business as we go into 2016, please?

Secondly, going back to obviously January Petrobras' capex reduction, just a quite short update, but if there's anything there that might impact Galp's kind of development progress through the next year or so, it would be interesting just to give us an update on that please. Thank you.

**Carlos Gomes da Silva, CEO**

I would say that in what relates to the refining margins, we still have the United States gasoline market as a demanding market, even though the stocks are remaining high and paying premiums comparing with European markets. We still see strong gasoline demand for the coming times. Nevertheless, as I've mentioned during my first intervention, we are being conservative on what relates to the refining margins and therefore we will see, because the markets will have to absorb the extra capacity and the extra stocks that we have in the middle distillates. We should also and we can give you a colour on what we have done in terms of hedging our refining margins. As we have done in 2015, and considering that 2016 will be still a tough year for us, we have also decided to hedge part of our throughput, and what we have done is in line with what has been done in 2015. So, approximately 30% of our throughput for the year is already hedged with about \$3.5/bbl of refining margin, benchmark I must clarify.

Going to your second question, capex reduction announced by Petrobras. We will go more in deep in the Capital Markets Day, project-by-project and unit-by-unit. We will have time to share with you our view, but overall what we can say is that the more important projects that Petrobras is involved are still the priority projects where Galp is involved. And therefore, we are not anticipating major changes and by the opposite, still keeping the focus. You know that we have a program of putting additional production units working in the next three to four years and the timetables still remain the same. We can and we will

deepen the process, but as an overall picture, keep the track and the focus and nothing that we anticipate that is affecting our capex or our projects. Thank you.

**Brendan Warn, BMO Capital Markets**

Thanks gentlemen. Just a clarification question, in terms of what Oswald just asked about hedging. Can you just clarify: have you implemented any further hedging in terms of refining margin than what you discussed on the Q3 call?

And then just in terms of my second follow-up question relating to refining, obviously you had high throughput good availability in 2015. Can you talk about any expected planned maintenance or impacts going through 2016, please?

**Carlos Gomes da Silva, CEO**

The hedging that we have put in force for the refining margins is benchmark hedging and it is taking in consideration the plans including the outages or the shutdowns for maintenance that we will have during the year. When I mean that is approximately 30% in the whole year, it is roughly about 30 million barrels (mmbbl) that have been hedged for 2016. And that takes in consideration what we have address in your second question.

Generically we have an outage, a shutdown for maintenance recovery and changing the catalyst in the hydrocracker unit that was planned. So it is in course and we are executing that shutdown as it just started in 23<sup>rd</sup> January and it will take 55 days. We still have a shutdown in Matosinhos' refinery in the vacuum visbreaker unit that will take approximately 40-45 days, and by the end of the day we have to decoking in the Q1 the vacuum visbreaker Sines' Refinery. But all-in-all that is previewed and planned in our operations and we have taken the hedging decisions based on the annual throughput that we have forecasted. Thank you.

**Filipe Rosa, Haitong**

Good morning everyone. My first one relates to the new taxes that might be imposed in Rio de Janeiro state. Could you update us on what will be your strategy to try to avoid paying those taxes and when could we have some news flow on the legal steps you are taking to avoid those taxes?



The second question relates to assets optimisation. Taking into consideration the short term outlook for your price there could be some opportunities for you to invest some money. Could you give us some idea whether you are willing to sell for instance the regulated natural gas assets in Portugal to increase your exposure to upstream? In case you are, what would be your preferred countries to invest, would you prefer to invest more money in Brazil or would you look for other alternatives outside Brazil? Thank you very much.

**Carlos Gomes da Silva, CEO**

Good morning Filipe and thank you for your questions.

The taxes that you are referring related to the Rio de Janeiro state, as you may be aware it's a repetition of what happened in earlier 2000, in 2003 or so. The law that has been designed is clearly against the Brazilian tax framework and what we are doing is working together with the oil and gas industry in Brazil and supporting the strategy that is being advised by IBP, the association of the industry. But that doesn't mean that individually Galp will not take actions to protect lawfully its rights. We are working in both lines, together with the industry and independently.

I would like to emphasize that this is a repeated action in Rio de Janeiro, that is against the Brazilian tax framework. And we are seeing that the Brazilian union, as well as Brazil as a country, is sending a positive message that has to do with support to the oil and gas industry. I give you the example on the expansion of the existing licenses that were up to the 10<sup>th</sup> bidding round, so those that have been awarded up to 2008; as well as the local content and the unitisation rules simplification. So, there are a lot of other positive measures that are being seen in Brazil. Nevertheless, it is an issue that we consider to have very low probability of success but very high risk, therefore we keep it in our hands very seriously even though we are applying the framework that I've explained to you. I prefer not to elaborate more, we are at an early stage and this should be addressed in the future.

In what relates to the asset optimisation, what I can tell you is that we are always screening the opportunities that we can to review our asset portfolio and to create and unfrozen value. We keep that in our decision making process. We have nothing decided for the time being, but we are working and looking to the market and seeing where we can get more value. We have independent assets that could be very interesting for the Company, but our focus is primarily execution. I will repeatedly tell you this and to my

colleagues inside the Company. The first thing we have to do is execution, secondly is extracting more value but keeping an eye on the opportunities in the market. We are just looking, but we can give you more colour on the Capital Markets Day. Thank you.

**Thomas Adolff, Credit Suisse**

Hi guys, a few questions on Brazil, please. The third FPSO reached full production in 13 months versus your 18 months target. Perhaps you could talk about which parts actually contributed to the faster ramp-up. I am sure they were quite a few like better flow rates, therefore fewer wells, the availability of PLSVs, etc.

The second question is kind of going back to the point you made on the contract or license duration and Braga actually made a few proposals, which all of them sound quite positive. You've mentioned the license extension, Braga talked about royalties as well as local content. Whilst maybe the latter two, royalties and local content, may take time to agree on, can you just confirm whether the license extension cost is actually now low, and you got an extension beyond the 27-year production license on the same terms?

Maybe Thore can talk about potential risks or delays to the unitisation on the greater Iara field? That would be also helpful. Thank you.

**Carlos Gomes da Silva, CEO**

Thank you Thomas, for technical issues we have Thore. I will give him the opportunity to share with you our thoughts in relation to the topic and issues we have in hand.

**Thore Kristiansen, COO E&P**

Good morning, Thomas, and good morning to all of you. Thank you for the questions.

First of all with respect to FPSO #3 or Cidade de Mangaratiba. I would say, there are two main reasons for the faster ramp-up than what we had anticipated. First and foremost, Iracema, the reservoir is performing better than we had dared to anticipate. We are seeing average flow rates of around 30 kboepd and that is also beyond our initial expectations. This is actually the best part that we have seen so far of the Lula/Iracema area. That's number one.

And number two, we have worked very steadily with the operator over several years in order to make sure that we have always sufficient well capacity available. That has been the case of Mangaratiba and I would

also say now that completion and commissioning of new well is going faster than anticipated. We are benefitting from the learning curves and the times of hooking-up wells are going better. These three key factors, better reservoir, good well inventory and faster hook-up times, are contributing to the fact that we were able to reach full capacity within 13 months.

When it comes to the issue of the greater lara area and the unitisation, I don't think that I want to anticipate anything there right now. Unitisation processes are an important part of how business is being conducted in Brazil right now. Actually, as you are aware, we have submitted together with the operator the unitisation for the Lula field, that was submitted to ANP in August, we are still awaiting the feedback and the solution of that unitisation process and it is out of our hands right now. The second important unitisation process that we are working with right now is the Sépia field where we delivered the DoC in November last year, and now we are negotiating the unitisation of Sépia East and Sépia ToR and that is the next one that I anticipate.

#### **Anish Kapadia, TPH**

Hi, good morning. I've got a couple of questions. We've seen the decent amount of cost deflation coming through in light of the market, and then I think also in Brazil you should be benefiting from the weaker Real. I was wondering if you could give some sense of what you're saying in terms of where well costs are for 2016 to drill and complete pre-salt wells versus where they were in 2015 and 2014, just to kind of see what progression is there from the cost side and the increased efficiency?

The second question was just to try and get some update on Mozambique on timing of potential FID decisions over there, both for the floating LNG scheme and also the onshore. It feels like there has been some delays for the FLNG FID day and if you are still keen to go ahead with it in the current environment?

#### **Carlos Gomes da Silva, CEO**

Thank you Anish, and good morning to you. In what relates to the Brazilian weak real, you know that part of our investments is in local content and that is bringing us a much lower cost in terms of Dollar base and that improved the capex spending that we have in Brazil. On top of that, and following what my colleague Thore has mentioned to you, one of the key issues for optimising our capex is precisely due to the fact that we have a drilling period that is improving with the learning curve. We have approximately reduced 20%

during the last year, and that is impacting very positively our accounts. Efficiency wise, it's one of the issues that we should address.

If you allow me, I will also take the opportunity to address the question that has been previously addressed by Thomas, related to the license extension in Brazil. It is something that is in an early stage. It will take into consideration, not only the royalties, but also the all the tax framework and I think it is positive in the sense that what we are really informed, the Brazilian authorities are really committed to maximize the existing infrastructure that is being developed. Therefore, to maximize that means that if we will get more time for using the same infrastructure, that could bring more value for all the parties. We cannot, for the time being, assume any kind of terms and conditions, because it's just a beginning, and therefore, we will take time, but the positive sign of that is what I can emphasize as the contract action that we are realising from the Rio de Janeiro state. I think when speaking about the complexity of Brazil, we should see not only the negative part, but also what is the positive newsflow that are coming to the surface.

Going back to Mozambique. We are very focused on getting a profitable solution. We haven't had any decision of investment yet because the profitability is still being stressed. Under the present market circumstances, we need to be careful on this decision and I would say that we will get more detail and more colour in the Capital Markets Day since we are having some actions on this issue. But this is something that our team is working hard and together with the operator in order to get a profitable solution. Thank you.

#### **Hamish Clegg, Merrill Lynch**

Good morning guys. Two questions from me. First of all just on your financial items. Do you mind giving us a little bit more colour in terms of what really drove that, and is there risk that we see that the reverse going forward? How much of that is currency?

And the second question was regarding volumes, you very kindly gave us some guidance on the 2015 exit rate volumes of close to 60 kboepd working interest. Could you give us an update on where are you in January and what the current output is potentially either just today or the average of the month?

**Carlos Gomes da Silva, CEO**

Thank you Hamish and good morning to you, also. I will take the second question and I'll ask Filipe to go to the financial one.

In what relates to the volumes, we really have over overpassed the 50 kboepd and we have also almost touched the 60 kboepd. Nevertheless you should take into consideration that there are some maintenance works that are to be done, and there are also unitisation processes that are undergoing, like Thore mentioned. And therefore, I think it is early to have an average volume for the year end. I would say that, we are progressing positively, the commencement or the initial procedures for starting the production in the fifth unit it's really a positive contribution, and the outstanding productivity per well that we are getting from every single production unit is important. It's also important to emphasize that units #1 and #2, Cidade Angra dos Reis and Cidade Paraty, they are stable and they are at plateau production. And therefore, I think all in all we have to take care on the volumes that we will have for the year-end. We will give you a guidance in the Capital Markets Day for the year-end. I think it's preferable that we take that all together and as a whole in order to explain comprehensively where we think we will be by year-end. I'll now pass to Filipe.

**Hamish Clegg, Merrill Lynch**

Just before you pass it on, one thing just on unitisation that we discussed before. Can you confirm if that's agreed it will be a cash positive for the Company, an agreement on unitisation?

**Carlos Gomes da Silva, CEO**

What we know is that there are already some production that has been sold by us and there is capex that we have invested. All-in-all we have to take that into consideration and it is a negotiation that is undergoing and I prefer not to make additional comments on that. Thank you.

**Filipe Silva, CFO**

Hamish on financials, you asked whether we should expect any reversals. The big swing factor was the mark-to-market of our hedges, mostly around refining, so 2015 much better than the previous year. We are not rejoicing because, as Carlos mentioned, we have 30% hedged. When we make money on the mark-

to-market of the refining hedges it means that the cash refining is on the other 70%, meaning that refining margins are down, so that's really the implication.

When you have 30% hedged, currently the financial hedges are close to at the money and at the end of 2014 they were well out of the money. Other than those hedges, the swing that you'll see this year is that we have more capitalised interests, but for that I will really guide you to look at our cash flow statement, so the total amount of interest that we pay is down, because our cost of funding is coming down. On the P&L, given that we have close to €2 bn of work in progress we need to capitalise the interest associated to that, but that's just a P&L entry, non-cash. Thank you.

### **Mehdi Ennebati, Société Générale**

Hi, good afternoon, gentlemen. Thanks for taking my questions. The first one just a follow-up one on the maintenance at the refinery that you will make in 2016. Can you please guide us on the utilisation rate, I know that in 2014 you made quite a lot of maintenance and the utilisation rate was actually low, I mean for the total group, it was close to 60%. I just wanted to know, if we could have that kind of level in Q1, 2016?

And second question, a follow-up on unitisation. I presume that you need to receive money from Petrobras, for the participation in Lula, which in my view - and correct me if I'm wrong -, should be announced in March/April or May and given Petrobras' financial situation, which looks extremely complicated as they have to sale up to \$15 bn of assets in 2016, are you confident in the fact that you will receive a check from Petrobras, when the utilisation will be finalized in the next couple of months? Thank you.

### **Carlos Gomes da Silva, CEO**

Good morning Mehdi, and thank you for your two questions. In what relates to the first one, and it has to do with refining and utilisation, one could say that, if you refer to the atmospheric distillation unit, that should be working all the yearlong. What I have to share with you all is that we will take the conversion unit of hydrocracker that will be shut down by about 55 days. But we'll still have our conversion units for gasoline properly working. Our refining system during these 55 days will be mostly oriented for conversion as a gasoline oriented. Once the hydrocracker will be put to work again, we will have the maximum conversion, either in gasoline, and also in diesel. But distillation unit wise, we have everything that is

working all year. And I think we can give you a more detailed guidance in the Capital Markets Day, in order to let you to better deepen in these.

In what relates to Brazil, I already shared with you the priorities that Petrobras and Brazil have in relation to development is those pre-salt basin projects, where Galp is participating, mainly in Lula/Iracema and Iara fields. They are the ones that are at the most important level of reference. Therefore, for those we are confident they will keep the path, we have the production units, they are already awarded, and the drilling program is in force. And as Thore has explained to you, the well drilling has been anticipated most of the time in order to guarantee that it is not due to the late of the well that we will not optimise our operations and therefore, we keep them moving. Of course there are other projects that we are keeping our focus on, including Carcará and Sépia, but we can deep dive on those on the Capital Markets Day. We are keen enough on treating and focusing on them, because the result that we are getting from the appraisal campaigns are quite positive. And therefore, I think the word of confidence, I would say that you can underline and accept that as a given. Thank you.

**Lydia Rainforth, Barclays Capital**

Thanks, and good afternoon. I have two relatively quick questions if I could, please. The first one, going back to Angola, I'm just interested on what you're saying about the fiscal renegotiations. Can you just take us through what exactly is happening there and sort of what they aim from a Galp and operator side would be on that?

And then second, I suspect this might be something we come back to the Capital Markets Day. But just on the production cost and amortization numbers in the upstream on a per barrel basis, there is just lots of different moving parts throughout the year. But as we go into 2016, would you expect those to be lower year-on-year? Thank you.

**Carlos Gomes da Silva, CEO**

Hi, Lydia. Good morning and thank you for your questions.

In what relates to Angola and the tax renegotiations, these were basically addressed to the Block 32, so it was the Kaombo project as you are aware. Under the present oil market conditions the projects were under stress and therefore we were discussing how we can move forward with the present tax framework.

Discussion has been taken and what we have get in both senses it was that as for lower levels of profitability and under lower oil Brent prices, the cost oil that could be considered has increased. And therefore, we balanced the profit sharing between the JV and the government. So therefore, I think it is the way that we have been capable to rebalance this project which is a flag project for Angola for the time being. It is the most important project that is being implemented. Now with higher cost oil, we would have a higher entitlement at lower prices – it is the consequence of the renegotiation.

In relation to the guidance that you have mentioned, I think we will have to do it in the Capital Markets Day. We will deepen a little more that thing in the next month and I think we will answer to your question. Thank you.

**Matt Lofting, Nomura**

Yes thanks. I have two quick questions left, if I could. Firstly, just on the tax rate, I think the rates have moved progressively lower through 2015, partly the mix effect of which I assume is due to the contribution from E&P has moved lower. I just wonder on your existing assumptions, where you see the average tax rate for 2016 compared to 2015 levels as the production levels in the upstream continue to work higher?

And then second, just on dividend, as I recall your five-year dividend policy expires in 2016. In terms of thinking about the dividend framework beyond this year, is that something that you intend to update on with the Capital Markets Day next month, or something that you perhaps differ until you get a bit closer to 2017? Thanks.

**Carlos Gomes da Silva, CEO**

Good morning, Matt. Thank you for your two questions. I will pass it to Filipe to deepen in the questions on the taxes, even though you have already anticipated that with lower oil prices, the oil taxes are lower, and of course we have also to see the downstream activities. But Filipe will get more colour on that.

In what relates to dividends, we have a policy that is in force. We have been increasing by 20% per year our dividends, that will be in force up to 2016. I will not address anything additional on that as we are evaluating. And you know that we have 2016 as a very challenging year, and therefore any dividend policy that is being touched, will impact also 2016 and 2017. But we are considering all the alternatives and



seeing how to proceed. Nevertheless 2016 we have that, and of course for our going forward analysis, we have adopted a main assumption, that we will share with you in the Capital Markets Day. Thank you.

**Filipe Silva, CFO**

Matt, I don't have a clear answer for you on tax rate. It clearly depends on Brent's levels and now, given where we are, and you've seen now our Q4 numbers, our EBIT in E&P is close to zero, so it's anyone's guess. I would like to guide you to the 30's, but this I could be completely wrong depending on how oil prices move forward in the next few quarters. Thank you.

**Henri Patricot, UBS**

Hello. Just one quick question on E&P, on Carcará, and on the appraisal results. Can you explain more about the resource potential of the field, an estimated start-up date, and if not, is that something you expect to be in a position to do at the Capital Markets Day? Thank you.

**Carlos Gomes da Silva, CEO**

Good morning Henri. In fact we will give you that information in the Capital Markets Day. We are getting more evaluation and we'll see what we can share with you in the CMD. Thank You.

**Bruno Silva, BPI**

Good morning everyone. I apologise if my questions were already answered but I was disconnected for a while.

First of all, you have mentioned more than once today and in previous instances about the progress that you and your partners have achieved in terms of cost cutting, efficiency and so on. The question is if you could please elaborate on what would be a good reference today for the breakeven prices for BM-S-8 and BM-S-24 and Mozambique, separately please.

The second question is a follow-up of some of the previous questions, regarding in particular how you see, and if you could give us some hints at how you look at the trade-offs dividends and balance sheet management on one side, and the potential sale of assets on the other side, particularly those assets that are more mature and have lower sensitivity to low oil and gas prices. Thank you.

**Carlos Gomes da Silva, CEO**

Good morning, Bruno. I will take the second part and I'll let Thore take the first one. Dividends wise and on the portfolio active management, it's something that we are keeping a close eye.

From dividends, I have already shared with you. We have a dividend policy that is in force and it remains as it is. In 2016 we'll keep it growing up by 20% and we will give more flavour on this in the Capital Markets Day. But considering the challenging year that we will have ahead, I think it is prudent not to deepen on the issue.

In relation to the assets that are more mature and that could be recycled, if I can say that, we are always scrutinising and screening opportunities for doing that, even though we have a strong balance sheet that puts us in a good position to face the challenges in the projects that we have. It's not in a basis that we need to, but in a basis that if it could create value to, but it's nothing that has been decided or considered in the present time.

So I will now pass to Thore. Thank you.

**Thore E. Kristiansen, Executive Director E&P**

Thank you Bruno. Cost cutting, capex reduction is really a key focus on what we are doing and where we are putting the key emphasize on that right now is with respect to BM-S-11 in particular, which is the chief contributor to Galp's production right now and really the focus is to continue to bring cost down so that we improve the robustness. As we have communicated to you before, we have a breakeven price on the BM-S-11 that is below \$35/bbl, and we continue to improve the drilling and completion, as we have reduced that as in 2014 we used to take 125 days to drill and complete the well, we're now down to 110 days, and that, in addition to what we see with rig rates coming down, is a positive contribution to improvements. When it comes to new projects and as Carlos mentioned also in Angola we're looking for opportunities to reduce cost and in addition we also see that we are receiving contribution from the government with improved fiscal terms. With respect to BM-S-8, BM-S-24, and Mozambique it would not be correct for us to communicate anything in that respect. We have for the time being not taken any Final Investment Decision on these projects. We're working very hard with our partners and only when we arrive to an FID for the project we will be able to communicate anything more to you. Thank you.

**Jason Kenney, Santander**

Hi there. Thanks very much for taking the question. I am going to have another go at the tax rate if possible. I appreciate your guidance could be completely wrong as you mentioned earlier depending on where Brent actually moves, but I'm sure you had a look at what tax rate could be, if oil prices were at certain levels. So what if oil was at \$40/bbl and refining was flat year-over-year, any indication of where tax could be?

**Filipe Silva, CFO**

Jason, you will need to wait three weeks for CMD and based on our Brent assumptions, we will give you the tax rates, it's likely that we will give you different assumptions and different stress scenarios, so you need to wait for that. Thank you.

**Carlos Gomes da Silva, CEO**

Ok ladies and gentleman, thank you for assisting and for being present in our call today. I would now like to share with you just some final thoughts that have to do with the present market circumstances.

This industry is going through a challenging cycle and companies have to adapt to this new environment. Reducing its cost base, and becoming more efficient and adopting more rigorous investment criteria are requirements that will be needed. This is exactly what we have been doing during 2015 and we'll continue to do in the coming time.

We have been steering our Company with a clear focus on the execution of our projects and on extracting more value from our mature businesses, aiming to achieve higher efficiency in our day-to-day operations. And for that purpose we have our teams working very closely with our key partners everywhere: in Brazil and also in Africa, in Angola and Mozambique, and in Iberia.

2015 has shown that Galp performance was one of the best in the industry. And let me tell you that this is the best I can say to my colleagues that made this results possible. I'm happy to be part of such a motivated Company.

So this is where we stand and what we are today. And I will be pleased to take you through our strategy and give you an update of our projects in the CMD that will take place in London next March, 15. We will have our management team thrilled to share with you how Galp will continue to create energy.

Hope to see you all there.

Thank you for attending to this session. See you in the Capital Markets Day in London.

Good morning.