Carlos Gomes da Silva, CEO

Ladies and gentlemen, a big welcome and thank you for joining us today. It is a pleasure to be here in London again and to have the chance to share with you our achievements and also our goals for the future. Ironically, in a fast-changing world, it is playing in the safe mode that is the riskiest thing you can do. Today, living in that fast-changing world, we have to embrace the opportunities that the world is presenting to us. One thing is for sure: that during this transition, the world will need more and more energy and cleaner solutions to embrace that new era.

I will divide my presentation in two divisions. In the first one we will look at our achievements of 2019, and after that, let us look into the future. But starting, reviewing our goals and our achievements in 2019, our performance has been consistently capturing the market opportunities and growing in the last five years.

So, starting with 2019, as you can see, it was a strong and very cash-generating year, both from the financial and the operational sites. That has happened during a very macro challenging environment. The FCF, as you have seen, was over €900 million (m) and has increased 45% if we compare it YoY. As we continue to execute our strategy, that was more than sufficient to cover our 15% dividend increase.

We have started three new production units, two of them in Brazil and one in Angola, and that was the keystone for the 14% production increase in our yearly average. That stays above the guidance that we have provided to you one year ago. Our natural gas activity has also played an important role during the year, since they have successfully captured market opportunities, namely in the trading activities.

During the year we have done an important reshaping in our organisation. We have now split into four different business units which are more aligned with the risk/return profile and the strategic challenges that every single one of them will have in the coming years. The most transformational change was introduced in our commercial activities, where we have merged all together into a single unit, in order to move our mindset, our focus and our attitude from product, which is very traditional in our industry, to service, to customer. It is a big move. It is clearly something that is disruptive, when you look to what is traditional in our industry, and while we are delivering today, we are also investing in the future to continue to address and to deliver profitable and sustainable long-term value growth.

In line with our strategy, we have also allocated 10–15% of our equity capex to renewables and new business forthcoming, and we have recently made the announcement of an important move in this area by acquiring 2.9 GW of high-quality solar PV projects in Spain. This is completely aligned with what we have mentioned to you – and for those that have been following us for many, many years, we started to point to this four years ago with the caveat that once we became FCF positive, for those that still remember what we have said, and we are complying with it.

So, over the last five years – and you have the chart here – Galp posted a consistent growth path and the cash that we have generated from our operations grew steadily, reaching €1.9 billion (bn) in 2019. I think this path is the result of a clear focus on execution. You may remember that we have defined for ourselves the 3Es, where the first was precisely related with execution. It is something that we have taken into our hands in a very serious and committed way. Execution, execution, execution has been the stepping-stone to deliver these results – and do not forget that we have done that during very volatile market conditions. We are seeing what is happening in the world every single day, every single month, during the last couple of years.

I think that demonstrates the resilience and the quality of having an integrated business model design. This growth has clearly been converted into value. Our total shareholder return over the last years has reached 17% per year, well above our peers. I will repeat, because this is important: 17% per year on average. I think this is outstanding by any measure.

So, having established that Galp has this distinctive long-life asset base, and having the possibility to share with you what brought us to 2019 with such a strong performance, I think now we have to move on and see our investment case and also the strategic guidelines through which we will continue to deliver sustainable value growth while we start embracing the energy transition opportunities that are on offer to all the industry.

So, looking to our distinctive and long-life asset-base, that you know quite well, it is highly competitive and truly resilient to different macro assumptions. We look at energy transition as a new era, full of opportunities. I think it is the only way that we have to look at it. The speed and the scale to take advantage of those opportunities will be the difference between the laggards and the successful companies, and we will invest in growth and transition simultaneously, but we will continue to be focused on attractive returns and on keeping a strong balance sheet.

Integrating the so-called energy transition into our strategy means that all of our businesses and segments need to address the challenge. This is not only a single responsibility for any one of the four divisions that we have now organised. Looking at the four divisions and starting with upstream, in upstream we will continue to develop sizeable and very low-cost resources and increase the weight of natural gas in our portfolio with the Mozambican projects, as you know, which will continue to support the strong cash flow generation and also the value creation.

Secondly, in refining – and now the so-called midstream – energy efficiency projects will be a priority to maintain our competitiveness while we are adapting to evolving markets and to stringent environmental regulation in the European zone.

Thirdly, looking to our commercial division, we will leverage on a unique, cleaner and expanded integrated offer. This is important because I think we are one amongst very few that could provide to our customers a full integrated offer in our sector, that will be supported by innovation, digital transformation, and agile ways of working, to provide the best-in-class customer experience. That is where we put our attention in all of this.

Fourth, the last but not the least important division is I would say our new baby, and we have to take care of our new babies: that we are committed to develop a competitive and profitable renewables business, but doing that with innovative and differentiating solutions to capture new scalable value pools.

Let us now go over in more detail, to every one of these divisions, of course starting with our upstream business. Here, you know that we have an impressive asset base that ranks within the top quartile in the industry, and we plan to keep it that way. That means that we have to ensure that we are creating value, even in a below 2ºC scenario where oil prices could be materially different from what we are expecting today – and sometimes we do not know what we are expecting every single day. Our upstream portfolio of 2.4 bn barrels – I am speaking about 2P + 2C reserves and resources – allows us to have enough resources to continue to grow. The breakeven of both sanctioned and pre-sanctioned projects is below $25/bbl, and that is considering an NPV_{10}. This is excluding potential upsides in any of these developments; I am sure that Thore will cover that upside in a very enthusiastic way. I am looking to Thore’s face and I have no doubts about that.

By using the best technologies and practices in 2019, our portfolio has reached a low carbon intensity of 9.4 kg of CO_2e/bbl, well below the industry average of 18 kg of CO_2e/bbl. This is another example of the high quality of our portfolio. Our future developments will continue to fit in our low cost and low carbon portfolio strategy. In a very summarised way, this is what we plan to do and guide in our upstream activities.

Let us now move to the production profile, because one thing is the guidelines and another thing is what are the results, what are you expecting to do with those assets. Production is expected to grow over the next decade at the compounded annual rate of 10%. This is more frontloaded, and this is a cycle, but all across the next decade it is a compounded annual rate of growth of 10%, mostly from projects already being developed. Upsides to this production growth will come from improvements in our recovery factor and additional value extraction initiatives on the existing projects, and secondly from exploration results in a set of promising assets such as Uirapuru. I think we should have news on the potential of this project in the coming weeks or months – we are working hard on that. With the development of Mozambique and our Mozambican projects Coral FLNG and also Rovuma LNG, the gas weight is expected to increase significantly, reaching 30% after 2025, which is completely aligned with our strategic guidelines.

Having covered the upstream activities, let us now move to our refining and midstream activities. We have at Galp a reliable refining system with technical costs – and we are using technical costs joining opex plus recurrent capex – which stand below $2.8/bbl. There is still room to improve. We have been able to fully accommodate the change in marine bunkers specifications, that have just entered in force on the first of January, and we are now producing 100% VLSFO. For the discussions that some of us have been involved with, during the last couple of months, this is the proof that clearly we adapt, we are feasible, and we are complying with what we have said.

We will continue to increase the competitiveness, the efficiency, and also the sustainability of our refining system, primarily with incremental projects. The ongoing initiative of one dollar, one additional dollar per barrel contribution, will be fully captured during this year. We are now doing some works at our Sines refinery that should be concluded during the first half of this year, which means that for, at least, half of the year we will have 100% of this dollar per barrel. We are above 80% of this initiative today and we will complete it by the second half in our 100% basis.

But we did not stop here. We have meanwhile launched what we can call a second wave of initiatives aiming at an additional $0.50/bbl contribution, between process enhancements and, at the same time, by using digital initiatives. These actions should contribute to improve margins or to reduce our cash costs during the coming years and we think that we will implement them and have this full capture after 2022, so we entered into this process a couple of years ago for one dollar per barrel and now the second wave of an additional $0.50/bbl will be fully captured by 2022 onwards. Taking advantage also of the circular economy potential, and of course new technologies and our digital transformation applying to all the divisions, we will work towards offering cleaner, more valuable energy solutions while we continue to reduce our carbon footprint.

Now moving to commercial, the division that I have mentioned to you that is experiencing the most drastic, relevant and disruptive transformation We made this significant transformation of our commercial activities to take advantage of our large client scale, diversified proposition, and taking advantage also of a strong brand awareness in Iberia.

With a more agile and customer-driven organisation, I think we will enhance our client experience and we will expand our offer through multiproduct and service solutions, having what we can call a holistic way of viewing our clients across their whole needs in an everyday life experience -at home, at work, on the move. Sometimes we do not realise different needs throughout the day and in different times in our lives, and it is crucial that we will be capable to capture that value.

We have also an important starting point: the extended capillarity of our network, with around 1,500 service stations and 800 convenience stores. This will also be at the core of a diversified and tailored to each location, taking advantage of new mobility, commuting trends and urban space development. This is important, because the world and the way we live, the way we move, the way we behave will change, and what we are doing is anticipating the movements that society and the behaviour of human beings is taking. This commercial division is set up to generate more than €0.5 bn in Ebitda by 2025, increasing by at least 20% its current contribution. I think with this perspective and this visibility, you may have a clearer view of our plans, our actions and also our commitments going forward.

On new energies, we advocate for technological diversity. We hear that some people are more focused on a certain technology that could be the stepping-stone to solve human problems. We do not. We continue to advocate on technological diversity as a principle, to keep options open, promoting innovation and creativity. With this in mind, we are particularly interested in what we can call the green hydrogen deployment, as we believe that it must be one of the most efficient solutions to address challenges related to the decarbonisation of certain sectors, such as the industry feedstocks and high-grade heat. At Galp, we believe that this is the right way and this is the best way, to keep options open.

At Galp, we believe also that renewable generation will play an important role and is amongst the best opportunities to invest in the energy transition at a new at-scale business, supporting a profound transformation that will be required to achieve the targets that have been set in the Paris Agreement. Integrating these businesses into Galp’s portfolio will also allow us to develop what we can call the natural hedge to our Iberian power market exposure. We have a set of clients, electrical clients, for which we are not producing any electrons whatsoever. With this new approach, we will design our business in a full supply integrated way, taking advantage of the existing asset client base. We see there is a clear potential upside on top of the pure generation business model, so do not look at this as being just a pure generation renewable business model.

In addition to this platform, we see that we have levers to expand our activities from Iberia to other regions where we may combine power generation, storage, and also supply. Building this renewable generation business will also allow Galp, at least, four different things. First, to diversify our portfolio; secondly, to reduce our carbon footprint; thirdly, to increase client sales; and fourth, to tap new profit pools. This is clearly one of the ways to summarise why we are embracing these new four divisions and these new businesses.

We have the ambition to reach 10 GW of total installed capacity by 2030 – we could say by the end of the next decade, but depends when we count the next decade, so let us say by 2030. This is of course depending on our ability to find and to develop projects that may fit our investment criteria, and in that case, we will be and we will continue to be disciplined.

By 2023, in two countries – in Iberia, in Portugal and also in Spain – we intend to have 3.3 GW of solar projects already operating from existing portfolios in both countries. We estimate more than €200 m of CFFO from this project, when we look at them on a standalone basis. Filipe will go into details on how we plan to do it.

So, with our recent solar acquisition in Spain, I think we have made a significant move to accelerate the strategy I have just reaffirmed to you all. Galp has become the market leader in solar power generation in Iberia; I think this is one of the key milestones that we have reached and we are strengthening our position as an integrated energy provider for that region. Leading in all the segments where we are present is and will continue to be one of our key ambitions.

Our portfolio of 2.9 GW of production benefits from a premium location, which is translating above average solar yields of more than 1,800 hours. Over 900 MW are already operating, and we expect by year-end this year approximately 1.4 GW of production. All the remaining projects, as I have mentioned to you, have already secured grid connection and will be developed over the next three years. All in all, you can see the quality, the profitability and the pace of developments that we are putting on these developments.

Finally, to give a word on what that means in terms of financial contributions. Effectively, in terms of our metrics to drive this move into solar, we expect equity IRRs above 10%. Business integration with our remaining activities and other potential upsides, such as ancillary services or storage deployment, may create additional value and therefore increase the impact in our equity returns. We will work on that in the coming years.

Stepping into another level that has to do with the commitments and the ambitions that we have during this energy transition – and taking into consideration this move to the renewable businesses – I would say this is just part of our future. Energy transition being a reality, we have to assume our own commitments to embrace and to address the challenges that the energy transition presents to human beings. We have defined for that five levers to decarbonise our portfolio.

The first one is precisely to incorporate renewable energy. The second is increasing the weight of natural gas – and I have spoken about that with our Mozambican projects. The third one is improving the efficiency of our operations all across the supply chain. The fourth one is analysing options for the production of low to no carbon products. Finally, we are developing, and we are studying technologies like CCS and natural offset mechanisms as potential solutions to meet the energy challenges in an efficient way.

We come, I think, from a good starting point as we are growing our energy production well above the industry average. Whatever we may decide to commit in the future, it should be both environmentally and economically sustainable and the goals that we will set out to all of us will address simultaneously those two elements.

Moving now to capital allocation. You may recognise the slide; this is exactly the same that we have shared with you back in October, as our capital allocation guidelines are unchanged. You can see that more than 40% of our equity capex intends to capture the opportunities coming from the future of the energy demand patterns, while at the same time we continue to reduce our carbon footprint. Investment in renewables, as I have mentioned to you, and also in new businesses, should account for 10–15% of our equity capex in the coming years, provided that the returns are in line with our investment criteria. Project returns will vary across each different business due to size, risk profile and finance structure, as you can see in the centre of the slide, but the competitiveness of our future investment will remain aligned with Galp’s return on capital employed target of 15%. We also renew our commitment to stay below two times net debt to Ebitda, and we will rotate assets if required to sustain this level.

On shareholder distribution we reiterate what we have targeted of a dividend per share increase of 10% per year, over three years. You may see 2019/2021 – that means the AGMs that go from 2020 to 2022. I think this underpins the confidence we have in our plan’s resilience.

To conclude, ladies and gentlemen, let me tell you why Galp is and will continue to be a distinctive value and growth story. I would like you to retain three key messages. Firstly, we will continue to deliver profitable growth. Our upstream production will double during the next decade, supported in projects already being developed and with low breakeven. I have shared with you below $25/bbl, and we will enhance and transform our downstream businesses. These so-called legacy businesses or conventional businesses will be key contributors to the next chapter of our story.

Simultaneously, during our transition journey, we will also pay relevance and impact the next decade. Galp will be a €3 bn-plus cash Company by 2025 onwards. This is clearly a great statement and an ambition that we have set to all of us. Secondly, we will remain committed to our solid financial position and our clear capital allocation. Thirdly, we will balance between growth investments from one side and progressive shareholder distribution.

You may know Hans Rosling, the Swedish physician that has described "the secret, silent miracle of human progress," alluding to that with figures, not just with words. That is to say that we are living in phenomenal times today, with important human challenges, with unique opportunities. In a fast-changing and very unpredictable world, embracing the energy transition is surely a lifetime opportunity for Galp, to position as part of the solution in the same tenable and profitable way that brought us to this day.

I sincerely appreciate your attention today, and now I will hand over to Filipe. Filipe, thank you.

Filipe Crisóstomo Silva, Chief Financial Officer (CFO)

Thank you, Carlos. Good morning, guys; thank you for joining us today. I will start with the recap of the 2019 cash flow and then I will move on to the divisional cash flows going forward. The plans are very much on track, you will see very little changes from what we told you back in October, other than we have now factored in lower refining margins.

I start with my favourite slide: 2019 cash flow. This is the best slide to understand the fundamental competitiveness of the Galp asset base. It also helps to understand how we will fund our capital allocations going forward. On the left-hand side, we effectively have Ebitda plus associates that was over €2.5 bn last year. The key drivers here were much higher production in upstream, but we have lower brands and we had a difficult refining year, as you know. Taking out taxes and working capital, CFFO was €1.9 bn. That is 7% up if you strip out the IFRS 16 adjustments.

After paying for the operating leases, interest and capex, we are left with €922 m of FCF. Now, this FCF is quite unusual for a business that is growing as quickly as Galp. As you know, we have a very high proportion of our capex going into new developments that are not generating any cash, and that is the new units in Brazil – that is Carcará, now Bacalhau – we have Rovuma and we have Coral. None of that is generating any cash but is weighting on this cash flow. Of the €922 m of FCF, about €130 m went to Sinopec, €562 m to the Galp shareholders, and the rest was to de-lever our balance sheet that is now at 0.7 times Net Debt to Ebitda. I think this slide says a lot about how strong the cash flow is from the existing asset base, i.e. if you park for a second what is going into new projects.

Now, a few words on how we will be reporting our segments going forward. This reflects our new work chart, our new priorities, and hopefully it will also help value our business more appropriately. E&P, no change; this is the entire oil and gas upstream activity, €1.75 bn of Ebitda last year. A major cash cow, likely to remain a very large cash cow going forward given how long-life and competitive the asset base is.

Refining was previously bundled with marketing and, going forward, we have Refining as you know it and Midstream. Within Midstream, we have all the core generation, we have all trading of all products – gas, electricity, oil products – and we also have within Midstream all the infrastructure assets such as oil pipelines, gas pipelines and the stake in GGND.

Commercial now includes all our client activities in all geographies. That is products and services. This combination went live last year and our commercial workforce is already operating on a per-client basis as opposed to a silo-based product or service organisation. In 2019, this was a €400 m Ebitda activity coming from our commercial businesses in Spain and Portugal and certain African countries. This spans service stations, LPG, lubricants, natural gas, and electricity. This is a low volatility, high multiple business, which was perhaps not very well understood when it was bundled with refining.

Last but not least, our fourth division is renewables and new business, which includes the recent solar acquisition in Spain. Now, we have hired a senior, experienced solar team last year to help us with this, under the leadership of Susanna – easy to spot, the woman in red – and this business is also a very low cost of capital, low-risk business, so quite different from our more traditional commodity business.

Now, as we report our numbers during 2020, we will be laying out the numbers under this new format so that you can reconcile 2019 with 2020 numbers. I now have one slide for each of these four segments on our views going forwards and I will then wrap up with the consolidated views.

Starting with Upstream, and for consistency, we have kept Brent unchanged from the October assumptions, so we have $65/bbl flat this year, 2020, then we have $70/bbl flat. This is nominal, so in 2025 it is still at $70/bbl, so this is nominal $70/bbl flat going forward. We know this looks a bit rich today, but we have stopped changing our views on Brent every time we sit here. On this basis, the upstream CFFO should be over €4 bn cumulative during the 2020–2022 period, and this is supported also by the higher cash margins of the forthcoming project in Brazil. We have also planted here what the cumulative cash flow would have been, assuming $60/bbl flat nominal throughout the period.

On capex, almost all of it is going for expansion and we should have €700 – 900 m per annum (p.a.), and the bulk is going into Phase I of Bacalhau, Phase I of Rovuma LNG, and the remaining is going to the Iara areas and to exploration. On exploration, we have Uirapuru coming up shortly. We have Sao Tomé, Namibia, and we also have the appraisal of Sururu. And of course, we also have capex going into Angola and Coral, which is ongoing. As you recall, Rovuma and Coral are project financed, so our capex numbers are net of that.

On Refining & Midstream, again, midstream you have all the pipelines, all the supply and trading activities and cogeneration. We have assumed Galp realised refining margins of $4 – 5/boe, so this is more than $1/boe less than we had back in October. Refining cash costs, as alluded by Carlos, are under $2.8/boe, and cash costs means opex and recurring capex in the refining system.

Refining & Midstream Ebitda is expected at over €350 m p.a. during the 2020–2022 period and the Midstream contributes about €150 m of that, to which you need to add the stakes in the associates which come on top. So this is GGND, international pipelines, comes on top of the Ebitda numbers here.

CFFO for Refining & Midstream should be over €1.2 bn cumulative during the 2020–2022 period, and this includes associates. Capex should be on average about €100 m p.a., and this is mostly centred into energy efficiency measures, incremental conversion and maintenance.

On Commercial, we expect that the integration of all of the Group's products and services will put us in a much stronger position to extract much more value from our B2C and B2B clients going forward. This should be a cash flow contributor to the tune of €400 – 450 m at the Ebitda level during 2020–2022, and CFFO on a cumulative basis should be about €1 bn. Capex here should average €150 m p.a., likely to be a bit lower than that, and this is centred around retail network upgrades, forecourts, digital and loyalty. Now, we are spending quite a bit of money on digital and powerful CRM tools to enhance the client experience and also to help us optimise our own operations.

Finally, on renewables and new businesses, you know we had about 400 MW of solar PV projects in our Portuguese pipeline, but this recent acquisition in Spain is a step change for Galp. We had been looking at solar projects for quite some time in Iberia, but this was the very best for Galp given its scale, given its competitiveness, and given its pure play nature in Iberia where we also have our power commercial activity.

The €2.2 bn highlight figure considers the acquisition cost itself, including for the recently commissioned 900 MW and the development and construction of the other 2 GW coming until 2023. We have teamed up with the ACS Group in Spain for this very experienced player to build this sort of project.

It is also great to see a new business generating cash flow from day one, and by 2023 CFFO of this business on a standalone basis should be generating €200 m-plus of CFFO. Here we are assuming €50/MWh in the pool price in real terms.

Now, these projects will be levered and the partnership is most likely for the equity piece. This will lead to de-consolidation and the net impact into the Galp balance sheet – from the acquisition, the development, the construction, so the whole cash-out impact on our balance sheet – should be no more than €700 m or so over time. The transaction does not change our commitment to the overall €1 – 1.2 bn of average net capex during the next two years. It does frontload it to 2020; no debate about this.

Equity IRRs from this acquisition are expected to be over 10%, and this is aligned with our risk-return ambitions, given the risk of this project and its geography. Bear in mind that this business also brings an economic hedge to our electricity commercial activity, which we planned to expand.

Now, on a consolidated basis, if we put it all together for this year of 2020, we are guiding towards a group Ebitda of over €2.8 bn and CFFO of about €2.2 bn or more. For the 2022 period, cumulative cash flow should be well over €6 bn. Now, how are we planning to redeploy this money? Capex, €1 – 1.2 bn on average for the next few years. To stay within that for the range asset rotation is likely – and bear in mind that all this capex is going to high-quality new projects, 40% of which fall into the energy transition buckets, LNG included. Then we have distributions to Sinopec from our Brazilian subsidiary and we have distributions to the Galp shareholders as per the 10% CAGR which we have announced previously. This is all in line with the messages we have been delivering: that we can continue to fund our projects, move and diversify into low-carbon, and we can increase distributions and keep our leverage low.

That was our guidance to 2022. If we look a bit longer than that – and I will conclude with this – what do we see? We see a very large upstream portfolio of long-life projects which are super-competitive; they sit at the bottom of the global cost curve and with half the carbon intensity of the industry today. These are very sought-after assets. We see a cash-generating Refining & Mid-stream business. We see a client franchise which we will leverage much better going forward, and this business commands higher multiples with a low cost of capital. This includes, again, forecourts, convenience, B2B, B2C, electricity sales, EV services and all the low carbon offers that we have in the pipeline. We see a very competitive renewable energy platform. This is a business model where the economics work. It is also a low-risk, low cost of capital business. So, overall, different businesses with different criteria for valuation.

Now, some of our investors will think that our pace of transition is faster than they would have liked. Some will say we are not going fast enough. We know we will have to manage this and we will not be pleasing everyone. That is not just a Galp problem, it is a sector problem, but we are taking this transition very seriously. One thing we can agree is that Galp is quite different from most of its peers. Given our very manageable size, the nature of our portfolio and our financial flexibility, we can be much more agile than certainly the big guys and we will adapt as quickly as we want. With CFFO some 50% higher in 2025 compared to today and with a lot more going on post-2025, Galp is indeed in a very distinctive place.

I will stop with this and we will break for 20 minutes or so, after which Thore will come back to give us the upstream update. Thank you.

Thore E. Kristiansen, Chief Operating Officer E&P (COO Upstream)

Good morning ladies and gentlemen, and welcome back. It is a big pleasure to be here today and to give you a little bit more insight into Galp's upstream business. I have four key messages for you here today.

One, Galp holds an outstanding E&P portfolio that is of world class. Two, this portfolio will deliver on average 10% growth over the next decade, and this would be profitable growth with an NPV10 which will deliver a breakeven of below $25/bbl. This allows Galp to be really value focused on what we do. On upstream, our focus will be to maximise the value from our assets. I think you see that we are delivering.

Over the last five years we have quadrupled the production from upstream in Galp. Last year we delivered a production of 122kbpd on average, which was 14% higher than the year before. We are doing this from a world-class asset base that contains nothing less than 2.4 bn boe of 2P reserves and 2C resources and with an RRR (Reserve Replacement Rate) that has been running over the last two years at 125%. With Rovuma Phase I and Bacalhau Phase I now moving soon to be sanctioned, we will move additional resources into reserves.

We do this with a low carbon footprint. At 9.4 kg CO_2e/boe, we are doing and comparing quite well with the global average of 18 kg CO_2e/boe.

A characteristic of Galp's portfolio is that this is really profitable growth. To have a breakeven at NPV10 below $25/bbl very competitive in the industry and clearly first quartile. This asset base grew at 14% from 2018 to 2019. We believe it can grow another 13 – 17% from 2019 to 2020. As I said, over the next decade on average it will grow approximately 10% per year. This is truly a unique growth portfolio. This allows us to focus on value. Galp does not need to take any moves on the E&P unless we see that this is really going to enhance the value of our portfolio and enhance the value for our shareholders.

Now a few words about some of the key assets in the portfolio. I have to start with Lula/Iracema, which is really our jewel in the crown. It now runs with nine FPSOs, with an install capacity of around 1.3 mmbpd. This is all done over a period of 10 years and these are very profitable barrels. We see that there is a breakeven at NPV10 at around $15 per barrel from this asset. Also, it is turning out to be a fantastic cash flow generator for Petrogal Brasil. This asset is generating some $750 m of FCF for Petrogal Brasil at this stage.

As you know, we believe there are some 20 bn bbl in place in this reservoir, so we have a lot to work with in order to further maximise the recovery on this field. Our current development plan calls for recovery of around 34%. This is still quite a conservative ambition, and we are working with our partners to further see what are the ways to further improve this through looking for tie-back solutions, looking for further in-fill wells, looking for further usage of Water Alternating Gas (WAG) injection, and also possibly looking for how we can extend the field life. Our ambition for this field remains to recover more than 40% of the oil and gas in place. Let me remind you that one percentage point improvement in recovery is nothing less than 200 mmboe, so these are very exciting opportunities to further improve the profitability of this field.

However, we have more fields that are contributing in a very, very nice way to the Galp portfolio now. In Angola, Kaombo’s second unit, which reached plateau in December, is actually the asset with the highest cash margin for Galp in these days. In Brazil, Berbigão Sururu is ramping up ahead of plan and actually with only two wells is producing around 68kbpd, which is quite remarkable. The third well is expected to come into production in March, so the ramp-up of this field is going very well. In Mozambique, Coral is developing according to plan and is also on budget. Actually, at year-end 2019 there was a completion rate of 63%, which means that we are really well on our way to have first gas in the second half of 2022.

These are the assets that are producing and delivering as we speak, then the second wave of pre-salt fields is on its way into our portfolio. Bacalhau, which was previously called Carcará, is now moving forward to FID this year and it will be developed the biggest FPSO that has been used in Brazil, with an oil-processing capacity of nothing less than 220 kbpd. This will be a significant asset for Galp. It actually will yield us at plateau something like 40 kbpd equity for Galp and about $400 m in FCF. We believe that this field has a breakeven that is significantly below $35/bbl, so this is a very profitable additional asset to Galp’s portfolio and, as you know, we own 25% of this field. First oil is targeted for end-2023 or early 2024. We are also now studying a Phase II. We believe that we need to do some more appraisal in order to understand what would be the optimal development of Phase II, but there are significant additional reserves and resources that can be developed in the Bacalhau field.

Then we have another really exciting opportunity in the portfolio, and that is our position in Mozambique and more specifically in the Rovuma basin. Mozambique LNG can really be first-class. Its location and position vs. serving the markets is really first class – we can serve customers in the Far East, we can serve customers in Europe, we can serve customers in South America. We believe that, due to the size of these resources, there is around 85 tcf of natural gas in place just in Area 4, and the fact that it is very clean gas – no H_2S, very little nitrogen – and actually the relatively benign temperatures in

Mozambique make it also cheaper to develop than for instance in Qatar, enables us to develop this in a very competitive way, with a breakeven that is below $4.5/mmbtu. It will also turn into a fantastic cash machine for us. We expect at plateau that this field would generate for Galp around $400 m of FCF, and contrary to an oil field, which typically stays at plateau for three, four or five years, we expect a plateau period for the first phase of this to last for around 20 years. The work at maturing the subsequent phases is ongoing and there is the real possibility that we can double this performance by developing Phase 2 and Phase 3 in Mozambique.

Also, we have some quite exciting exploration opportunities in the Galp portfolio. Let me highlight two for you today which can yield very interesting results over the next 12 months. First, Uirapuru in Brazil. We are drilling as we speak. This is a very interesting opportunity. Let me remind you that when ANP – the petroleum agency in Brazil – put this out for auction, they claimed there was something like 7.8 bn bbl in place in this reservoir. We believe that we understand this play concept quite well – this is on the trend line from Bacalhau – and we are, as I said, drilling as we speak. We are getting closer to the reservoir per minute. The team is quite excited; however, this is exploration and we need to drill before we know. Within a month or so, give or take, we should know whether this is an opportunity that will be working. It could be another world-class asset, if it works.

A second opportunity which I find very interesting is our opportunity in São Tomé and Príncipe. This is actually a play concept that the Galp team developed. The acreage around us now is largely taken by other super-majors, but Galp – together with its partners, which are Cosmos and Shell in this field – I expect will be the first that will drill in this frontier area and hopefully we will be spudding there in the course of this year or early 2021. This is a very interesting opportunity if the concept works, but this is truly frontier and, of course, with the associated high risk.

Let me round this off by hopefully confirming for you that Galp has a very interesting and globally very competitive E&P portfolio with a breakeven that is below $25/bbl and which can grow at least by 10% per year over the next decade. In addition, we have some interesting exploration opportunities that really can be disruptive in the growth patterns for Galp.

With those few words, I will conclude this session and then invite my colleagues to the podium for our Q&A. Thank you very much.

Questions & Answers

Sasikanth Chilukuru – Morgan Stanley

I just had a couple of questions, the first one on your ambition on the renewables side. When you talk about the 10 GW by 2030, is that an ambition on a net basis, after your farm down? Also, the capex associated with it, is the capex that you have laid out for your current projects any indication of what the capex levels will look like to scale up to that 10 GW capacity?

The second question I had was on your upstream carbon intensity. You talk about having it at $9 kgCO$_2$e/boe. I was just wondering what it would look like on your numbers for 2025 and beyond. Thanks.

Carlos Gomes da Silva, CEO

Thank you. I think I will share with Filipe the answer to your first question. Clearly the 10 GW, as we had mentioned before, is based on a fully integrated power approach, starting by Iberia. Effectively, as Filipe has mentioned, we have considered in terms of net capex after project financing and, assuming that we will leverage these positions, we will have the intention to find a partner or partners to clearly deconsolidate this from our balance sheet and to run this business according to the multiples and according to the project financing that is typically its profile. So, what applied to the first projects we have exactly the same intentions for the forthcoming additional GW.

In relation to the carbon intensity, effectively I think our starting point is quite fantastic. So looking at the quality of our portfolio in terms of profitability and at the same time the carbon intensity, it is quite amazing. However, we have to assume and to be aware that as we will continue to grow, effectively our carbon exposure will increase. We have already embedded in our operations zero flaring and other initiatives that some of the industry players are now starting to set up as ambitions and targets, so effectively we have been working on that many, many years ago and that has required that we have already invested in technologies to ensure that that is properly addressed.

Filipe, I think on the renewables you can elaborate a little bit more.

Filipe Crisóstomo Silva, CFO

The 10 GW, bearing in mind 3.3 are done from an access to the grid point of view, so to 2030 the 10 GW, we are talking about 6 GW+ of extra capacity by then. Clearly, we had to pay an entry ticket to get into this one, so if you divide €2.2 bn by the 2.9 GW figures, that is c.€750 k/MW. Going forward and as the cost of this technology continues to fall, we are looking into c.€500 k/MW as you roll out the next projects, so there is also a dilution effect coming.

On top of the financial engineering, on bringing in low cost of capital partnerships, low risk as well, so the impact to our balance sheet, we have mentioned €700 m for the existing portfolio, but to 2030 the equity piece is very manageable for a Company like Galp.

Carlos Gomes da Silva, CEO

If you will allow me just to complement, we start by solar PV but that does not mean that we will not look at different technologies and different renewable sources of technologies. So you should also take that into consideration, which aligns with our different partnership typologies.

Oswald Clint – Bernstein

Just following on, on renewables, Carlos, you said the transition strategy or success depends on speed and speed will be the difference between the leaders and the laggards. You are obviously coming up to a period of significant FCF expansion and we expect you to try and deploy that, but you also said the deal you just did was one of the very best you could find in Spanish solar. Just talk about the other ones you looked at, how much worse they were and what happens if you cannot find anything as good as the deal you have actually just done in terms of short term?

Then secondly, a great chart on your upstream production, thank you. I just wondered if you could talk about when do you start declining Lula/Iracema in that long-term exhibit out to 2030? But also, you talk about infill wells and tie-ins, which we have heard about before. I just want to get a sense: is Petrobras an obstacle here in terms of expediting or executing those types of short-term opportunities? I get the sense they may be, talking to your other partner. You identify them, you want to execute them, but perhaps there is a little bit of an obstacle there with Petrobras. Is that true? Thank you.

Carlos Gomes da Silva, CEO

Speaking with a geologist that is at the same time a great analyst, it is quite difficult to answer your questions, but I will start with the second, letting Thore elaborate.

Our partner is not an obstacle. Clearly, we have identified projects to increase our recovery factor and it seems that every year we are expanding our production, but that will require a different investment profile. I will let Thore elaborate on that.

In what relates to renewables, I think the first point was to find out a sizeable, economically acceptable base to set up a team to learn inclusively, to incorporate energy management skills inside of our organisation and build up a platform to look into other geographies. But it has to be completely different from the profile and the strategy that we are applying to Iberia.

In Iberia, I should remind all of you that we have a sizeable base of clients and we have done this move looking at a business that is fully integrated. Looking to other geographies where we do not have exactly the same profile, we have to redesign completely the approach. Effectively it depends on partnerships, it depends on regulatory framework, it depends on the cost of capital, on the risks, but having that team that is handling a business and in geographies where we might have some strategic advantage – and you can think of some of them, in Latin America and also in Africa – could be the next move.

But it is early to start to speak about that. One step at a time – we have to digest and we have to be humble and to assume that we have done nothing. We are just starting this journey. We have a way forward to do. This is sizeable. This has the chance to position Galp at the leading and not in the laggard side of the industry but building it step by step. I think we have a lot of work to do in the coming years.

Thore E. Kristiansen, COO Upstream

We at Galp are very impatient when it comes to making sure that we are really extracting the maximum value out of Lula & Iracema. We are pushing, but that should be the role of a partner as well, actually. The Galp team has spent a lot of time showing the business cases for why utilising the existing technologies on the units is such a profitable way to use the equipment.

Would we have liked Petrobras to go even faster? Yes. Are they moving, and moving in the right direction? Also yes. There is actually already now a commitment on 10 new infill wells for the field, so we are going in the right direction and we will continue to push for that, and we will continue to push for being also agile when it comes to buying new gas injection lines so that we can have more water alternating gas injection capacity, because we see it works really well in this reservoir.

So it is moving and it is moving in the right direction. Would we have liked it to go even faster? Yes. But I think that it will eventually go in the way we want it, which is to recover more than 40% of the oil in place in this field.

Michael Alsford – Citi

A couple of questions from me, please. Firstly, on your newly renamed Refining & Midstream business, it seems like the focus is now very much incremental investments and trying to improve the returns and margins in that business. I was just wondering whether you could talk more medium term as to whether you think the business is well-positioned for the longer-term trends of oil demand in Europe, and does that mean that you are ruling out any major investments in that area going forwards?

Secondly, I just wanted to touch on the point you make on Brazil, on Bacalhau. What needs to be done in terms of the remaining contracts or anything you need to actually fully sanction the project?

Carlos Gomes da Silva, CEO

On Refining & Midstream, midstream means, as Filipe has simplified, supplying trading activities, everything that is related with our international pipelines and refineries. In refining, we have proved to you that during the last couple of years we have been investing in incremental projects that allows us to increase the conversion capacity and also the energy efficiency, and that is our plans for the near-term future.

Europe is in a fast-changing moment; the Green Deal is in a couple of weeks or months and I think all the European refining systems will be under scrutiny going forward. What we are doing today is analysing alternatives for optimising using different feedstocks. The example that I have provided to you, looking at green hydrogen as a platform for new usages in industry where high heat or different feedstocks are required, could be paramount for us. Effectively we have to look attentively, because the long lifecycle of the refining system is no longer as it was previously. There are no plans to invest heavily or whatsoever in our refining systems except the ones that we have shared with you, incremental projects to continue to position ourselves in a competitive way comparing with our European peers or competitors.

In Bacalhau, the FID should be taken this year. Thore?

Thore E. Kristiansen, COO Upstream

You are right: the biggest single item still to be decided for Bacalhau is the cost associated with the drilling and completion. That is being tendered as we speak and of course then we are doing the FEED for the SURF and the FPSO as we also speak, and we need to see that the costs are coming in in line with what we had expected so that we are maintaining the competitiveness of this field.

As I said, for us in Galp the focus is all about value and we need to see this delivering below $35/bbl. That is the focus we have for this field. Drilling a well is the key focus right now.

Biraj Borkhataria – RBC

Just one follow-up on the renewables business. I think you are using a €50/MWh power price within that. Could you just talk a little bit about how you expect that to evolve over time, particularly as there is so much capacity coming online in solar and also your views generally about taking on merchant risk over time as that portfolio builds up?

The second question is going back to the upstream. The 3 p.p. increase in recovery rate at Lula is quite material. Could you just let us know whether that has worked its way back into your production guidance out to 2030? Is there any change in the assumptions there? Thank you.

Carlos Gomes da Silva, CEO

Thank you for your questions. They give me time to observe my colleagues responding to you. Filipe?

Filipe Crisóstomo Silva, CFO

On power prices, today you still see a premium for the solar capture hours. Over time, we are building a very significant discount to the average pool price into our models. We actually take the Poyry numbers, so these are not just Galp assumptions, so we take the market views.

Key drivers in Iberia will be how fast a nuclear fleet will be decommissioned, and there is a deadline for that in the middle of the 2030s. Coal-fired power generation is being decommissioned very quickly as we speak, so most likely the price of the pool will be marked by CCGTs that will be complementing the renewables business. So yes, we are building in a significant discount to average pool prices in the long term.

Carlos Gomes da Silva, CEO

Just to complement you, it is important that when we speak about the fully integrated power businesses, as we do in our oil business, that does not mean that we will sell our own electrons. We always develop our trading activities that you know that I love it. We will continue to set up a trading team that will continue to see and to search, from the energy management point of view, where are the best opportunities for our production and also where and how we can get supply of electrons to feed our power commercial activities.

Thore E. Kristiansen, COO Upstream

To your question regarding the recovery factor, yes, I can confirm that in our business plan we have factored in a 34% recovery rate for Lula & Iracema in our business plan, but nothing beyond that at this stage.

Biraj Borkhataria – RBC

Does that impact the production plan that you have put out?

Thore E. Kristiansen, COO Upstream

No, that is already included in the production guidance that we have given you until 2030.

Carlos Gomes da Silva, CEO

With the prudence that you know of Galp's profile.

Joshua Stone – Barclays

Two questions, please. Firstly, you have talked about the upstream being a highly cash-generative business. Could you talk about what you think about the capex profile longer term for that business and to what extent you will be willing to sacrifice things like reserve life and reallocate some of that capital towards some of these lower carbon businesses?

Secondly, on exploration, you have talked about some pretty high-impact potential wells coming up. Again, if you think longer term in that business, what role do you think exploration has as you move towards a lower-carbon world as well? Thank you.

Carlos Gomes da Silva, CEO

I will start, but I will add one point that I think is important: we were looking at the period of 2022 and we have also given to you a flavour of what this Company might be by the middle of next decade and also the Company could be by the end of the decade. You should bear in mind that we have also a lot of projects to develop in different phases.

It is the case that our Mozambican project will require lots of capex for the second and the third phases. Effectively, the sacrifice that you have mentioned is not really a question. We have to rebalance our position. The weight of natural gas will increase at the same pace that we are opening new avenues in the renewables, as long as it fits our size, risk profile and returns. It is important that you get that message, because we will continue to have that profile and that discipline.

Thore E. Kristiansen, COO Upstream

As I stated in the presentation, the key driver for Galp and Galp's upstream strategy is value. Value is what is going to drive our behaviour and that also goes for the exploration part. If that means that we will sacrifice on reserve life, then so be it. It has to be barrels that are – as Carlos also said in his presentation – competitive also in a below 2 degrees scenario world. That is why we are so adamant about value and value and value, and those are the type of opportunities that we need to find.

However, we are screening opportunities. In 2018 we screened 64 different opportunities. We selected three. Last year, we screened more than 50. We did not do any deals because we did not see anything that was in the market that was offered to us that could compete with what we had in our portfolio. So we will be very selective and focusing on value.

Irene Himona – Société Générale

I had two questions, please. Firstly, Mozambique is obviously a key part of growing the portfolio in the energy transition. Can you talk a little bit about your views, your scenarios on natural gas prices going forward, given that this is a rather challenged market?

Secondly, Carlos, you presented the five levers of decarbonising the portfolio, but I note these do not translate into explicit targets to reduce scope 1, 2 or 3. You only communicate on the basis of reducing carbon intensity. Is that not of concern or relevance to you, do you think, given your scale? Thank you.

Carlos Gomes da Silva, CEO

Thank you so much. We used not to have our views on going forward macro assumptions, and gas is one of the cases. Just not to avoid your question, actually we know that in the short to medium term the gas market is fully supplied – I would say over-supplied. There are a lot of new projects coming on stream. We also see mild winters, a lot of geopolitical questions, a lot of fighting between North Sea and the Russian gas – we are observing they are competing for putting their molecules in Europe. So effectively, in the short to medium term, there seems to be a glut on that.

Looking ahead with a longer-term perspective, gas has to play an important role in combination with renewables. Renewables are the main point and have to find out technologies and solutions for the intermittency of that generation capacity, and therefore gas to power is one of the possible alternatives. Of course there are others, like storage, and there are different typologies of storage, so effectively, looking into the future, we do see gas – and not only gas prices, but gas – as one of the key elements to ensure that we will behave as a civilisation in a smooth energy transition path.

On the levers of decarbonisation, we have established for ourselves and our board and our remuneration committee has set of KPIs for the executive team related to the carbon intensity index. So, we have that. The key point is that suddenly everyone starts to set targets without measuring adequately how sustainable they will be going forward. It seems to be more a movement that comes from the buzz in the entire world community, rather than something that is organic and is well-analysed and adequately addressed. We are clearly working on that and we will come to you with targets, ambitions and what we think is well-balanced between sustainability and profitability, because these are the two points, the two elements.

It could be easier for us to come here and make a brilliant statement saying that, but the good directions and the quality of the assets are I think the key elements for all of us to analyse where we are. First, the starting point is good. We are half of what we see in our industry in terms of emissions, we have technologies that we have been investing in for the last five to 10 years to guarantee that our operations are eco-efficient. We have introduced in our different businesses eco-efficiency initiatives to guarantee that clearly we are in that way. The renewables will also play a new important role in that perspective. But of course, addressing what could be the net zero world by 2050 or so is something that we have to address seriously. It is a big topic and we will approach it after having done a deep analysis with all the consequences, taking into consideration that our position is much better, but with the humbleness of knowing that embracing the transition means that we have also to embrace those levers with specific targets.

Thomas Adolff – Credit Suisse

I have three questions, I am sorry. Firstly, on net capex or net investments, the €1.0 bn to €1.2 bn p.a., to stay within that range is your base case the deconsolidation of the renewable business as you bring in a partner and selling part of the RAB business is not your base case – is that correct?

Secondly, just going back to the renewables business – 3.3 GW and then the longer-term ambitions of 10 GW – do you plan to bring in one partner to grow together, or do you do that with several partners depending on the geographies? What makes Galp attractive to an outsider to develop this renewable portfolio?

Then finally, just going to Uirapuru, obviously ANP said 7.8 b bbl of in-place volumes. What if the first well is a dry well? Are there additional prospects there? Thank you.

Carlos Gomes da Silva, CEO

The answer to your first question is yes. We have considered in our base case the deconsolidation that would imply not only to sell back part of the assets but as well to consider, if needed, to rotate assets. We have already mentioned to you this previously. Whether we will have one partner, two, three or four, it depends. Partners that could be bringing valuable contributions like cheap money or geographic, strategic advantages will be considered going forward. We will keep all of that open because we have to move project by project, as we have done in the past. You should remember that in the past we had also similar projects like this one and the regulated natural gas infrastructure is one of a kind.

On Uirapuru, again, Thore?

Thore E. Kristiansen, COO Upstream

Yes, there are more opportunities in Uirapuru as well, but of course this is a very important well for us, actually we expect that if this well works you could prove up around 2.5 bn bbl from just this well. Given the totality of what we expect, there are other opportunities as well. But if this was going to be dry, we would have to take a serious time out and really re-think what is it that we have not gotten in the right way in the first well.

Markus Schmid – KfW

Not to diversify the questions, a question regarding the legacy refining business. I would like to know just your summary of the IMO 2020 effects on your refining business, especially when you contemplate your expectations last year and now the reality this year. Thank you.

Carlos Gomes da Silva, CEO

When we started looking at IMO 2020 one year ago, I would say the market was anticipating that the spreads between sweet and sour crudes would increase dramatically and that the cracks of high sulphur fuel oil would decrease also dramatically and that the new compliant fuel oil would take a place, but it would be combined, compounded with marine diesel. Due to the fact that the conversion capacity and specifically the desulphurisation capacity was limited, it has to be a combination of all of this.

Coming to the present day, it has been completely different. The margins were not there, we have internally assumed that the margins today could be between $5 and $6 per barrel. We are telling you now $4/boe, $4.5/boe, $5/boe. The geopolitical conflicts, what is now happening in Libya, that has decreased almost 1 mmbpd, what is going on still in Venezuela, the OPEC cuts. I can continue to elaborate on a set of things that are happening. Effectively, the differentials between sweet and sours are there, so approximately $5/bbl, so it is not so different from what we have seen before. The key point is the cracks are completely different and the very lowsulphur fuel oil – what we can call the compliant fuel oil – became the primary alternative solution to address this. If you go to Singapore, which is one of the reference markets, more than 60% of the compliant fuel is being based on very low sulphur fuel oil.

What happens to Galp? First, we have told you that we have a compliant and feasible system, and that is the case. What have we done? We have optimised our system, balancing between should we produce more very low sulphur fuel oil or should we continue to have some yields on high sulphur fuel oil. With the market with cracks in high sulphur fuel oil that almost reached a $300/ton discount over Brent, we clearly have been optimising our system and we are producing 100% of very low sulphur fuel oil. Effectively, instead of being blending, we are moving in that side. Even though we base more our supply basket crude on sweet mid-high ranges, effectively that is the solution that optimises our system. Just to give you a brief overview of what happened and what is going on in this sector.

Nuno Vaz – Banco de Investimento Global

I have a question. Petrobras has been having some strikes in Brazil. Are these impacting your assets? What is your view on these strikes? Are they going to impact the first quarter of 2020, or are they not?

Just to also have a long-term question, your production costs per barrel have been going down quite quarter-by-quarter. Have we reached a plateau, or is there some more efficiency to be added in Brazil? Thank you.

Carlos Gomes da Silva, CEO

The strikes up to now have had no impact. Secondly on efficiency measures, as Thore has mentioned, yes, it has to be continuously an optimisation of our system and has to be a positive impact. If you would like to comment, Thore?

Thore E. Kristiansen, COO Upstream

Yes, but we are guiding that the production costs that you saw now in the fourth quarter is what you can expect for 2020 as sort of a reference. We have taken significant reductions, including that our logistics cost was reduced to around 20% last year. Efficiencies have been pursued. Our guidance for 2020 is that you can expect production costs to be what you saw in the fourth quarter.

Yuriy Kukhtanych – Deutsche Bank

Thank you, gentlemen. One question really from me, please. As your production in Brazil is growing, could you please elaborate on relative pricing of your Brazilian volumes and sales structure and, more specifically, whether in the post-IMO world the pricing formula has changed for your Brazilian production?

On structure, how much volumes do you have contracted from Brazil, if at all? Whether Portuguese refining has any contracted volumes from Brazil? How do Brazilian volumes fit into your $4 to $5 refining margin outlook? Thank you.

Carlos Gomes da Silva, CEO

Once our Lula and Iracema crudes are gaining more liquidity – and when I say 'our,' it means the entire production – effectively they start to have a price that is being set in the markets and is increasing over time. We are observing that sweet mid-range crudes are being well-appreciated by the refining system, mainly from the Asian part of the world.

We do not have any contracts whatsoever in the longer term. We are always in the spot market. That applies not only for Lula and Iracema, but also for our Angolan grades. Actually, Angolan grades and nowadays some Brazilian grades, they fit very well our refining system. However, we are not using them often because, balancing in the optimisation of our entire system, we are being able to sell them better most of the time to Asian clients and doing the supply of our refining operations with different basket compounds.

There is just a twist on this: in more recent times with the IMO implementation – and the constraints that I have already referred to previously – we do see that Brazilian crudes and also Angolan crudes fit more and more the European refining systems. It is not just Galp's refining system. Thank you.

Jon Rigby – UBS

Two questions for me, both on Brazil. The first, operationally: as you look out over the performance of the fields, what do you think is going to be the driver of the eventual decline? Is it going to be reservoir pressure, water handling, gas handling? What should we be looking for in terms of the maturity or the maturing nature of what you are seeing, just to understand the performance?

The second question is, obviously I think the market appreciated the fact that you stood back from the transfer of rights auction last year. I think there was a widespread feeling that the returns on offer were not appropriate. However, there is clearly a lot of logic behind the alignment of joint venture partners and the opportunity to consolidate positions where fields extend across different licence blocks. Is that the opportunity, or do you sense that there may be the opportunity at some point or other to revisit some of that operational logic, but at a financial solution that makes more sense for all parties? Thanks.

Carlos Gomes da Silva, CEO

Let me take the second question and let Thore address the first one. Brazil is clearly one of the key spots for Galp. Effectively we were not active, even though we have been analysing all the possible alternative solutions to participate in the auction. We were concerned because the prices were completely out of market. Even the fact that you have referred about JV arrangements, it is something that we have taken into consideration.

Going forward, I think the unique word that we will continue to use, whether we will participate or not in future auctions, is value. That should be, with all the respect for all the partners that we have that are highly qualified and capable, but effectively, in our case, we will always drive our decisions through value. That might imply different asset management decisions going forward. It will be dependent on what will go on in the future auctions, because one thing is for sure: keeping immaterial stakes or shareholding in projects makes no sense. However, at the same time, increasing our exposure has to be clearly value driven. We have to balance between the two.

Thore E. Kristiansen, COO Upstream

When it comes to the decline and what will eventually lead the decline in the key assets in Brazil, really it is depletion. For us, it is then all about trying to keep the mass balance in an adequate dimension by trying to replace the reduction in reservoir pressure that naturally leads from the production of the crude and then finding the optimal solution between water injection and gas injection in order to keep up the mass balance.

For now, the water breakthrough has not been any issue at all in Lula/Iracema. It is really behaving according to the rest of our model. So far, the performance of the reservoir has really been good. It is one of the reasons why we have also been able to increase the recovery factors, because the reservoir is really performing well.

Jason Gammel – Jefferies

I had two questions, please. The first is on the new commercial division. I wonder if you could comment on the volatility that you would expect to see in that business. I appreciate you have given an Ebitda range of €400 m to €450 m. However, trying to think of that within the context of say a refining business that can fluctuate by €100 m based on a dollar change in refining margins, what growth potential would you see in that commercial business?

Then the second question comes back to the diversity of technologies for dealing with energy transition. You have mentioned a couple of times green hydrogen. You have also mentioned CCS in the presentation. Can you talk about what you think needs to happen to make those economic technologies? If it is just carbon pricing, could you talk about a carbon price that would be necessary?

Carlos Gomes da Silva, CEO

All of us, familiar with the industry for many years, we know the beauty of the integration between refining and marketing. And our logistics plays an important role here. However, what we are speaking about on giving independence to our commercial division is clearly to have a focus on the client journey experience – I will put the spotlight now on the lady in black, not the lady in red. It is like being the Amazon of energy. That is what we have in our mind.

The volatility on that is quite small because effectively if you look at what is the balance and what is the frame between refining and marketing, we are quite stable and resilient. Our position in Iberia is quite strong, we are market leaders in Portugal and we have the third position in Spain. Our African operations are quite healthy and deliver really good results.

What is transformative in this is how can we, on top of what is the classic way of dealing with this, address the new mobility requirements, the intercommuting urban solutions that will be required, looking at our network service stations as different value pools, because we have ideas to expand the business using different business proposals. There is a set of initiatives related to the digital and client journey experience that could vary across the day, across the week, across the year, that could be nowadays seen as a surprise for a common client. Effectively, this focus will relaunch a jewel that was quite even within our portfolio and with room to increase, if we have this focus and if we have this attitude. Imagine just the upselling and cross-selling that we might take advantage of looking to a client with what we can call a one-stop-shop. It is completely different from what we are doing today, with different teams going there, different perspectives, different mindsets.

At the same time, is why digital is important – because we are transforming all the tools that are related to the salesforce team to guarantee that the face time with clients will increase. Effectively, this is not to reduce people; this is clearly to increase the face time with clients and to allow our sales team to be much more capable to redesign a pack of solutions that could fit and increase the profit pool from those clients.

The diversity of technologies, what is going on. There are two examples that show something is going on. We are now starting a partnership in a green hydrogen project that will be set up based on solar PV 1 GW power production plant, which is completely independent from this, with a different partnership, with the goal and the ambition to produce hydrogen. Hydrogen will be one of the key elements to decarbonise our products, because we position ourselves as one of the key off-takers. If we will increase our products with hydrogen content, we might supply our clients feedstocks, as well as for high-heat purposes, as I have mentioned to you, in a completely different way. That answers also to our carbon intensity ambitions that have been mentioned before.

The other one is related to carbon capture and storage. Actually, we won last year and we have just registered a patent that is a reactor that has been developed based on Portuguese, Brazilian, and American technology that could be a one-of-a-kind solution precisely to address CCS solutions. There are many others –storage capacity, alternative solutions for energy management. Things are happening.

When saying that we have to embrace the energy transition, that also means that we have to keep our mindset quite open to guarantee that we will not close ourselves in a shell that prevents us from stepping out from the legacy, traditional way of doing things. That also applies to our refining system. I have referred you to a circular economy using different feedstocks from plastics, up to garbage, going to used oil. We have so many things that we can do based on our internal and existing industrial skills that could clearly be a complement and a lever to address this transition. However, we have to do that very carefully, so consider my response to you as an open-minded and a sharing moment rather than an action plan that we have clearly committed to you, as we used to do. When the time comes, we will do it.

Matthew Lofting – J.P. Morgan Cazenove

Two questions, please. First, just coming back to renewables and how you think about building the portfolio towards 10 GW, could you share some thoughts on the key investment criteria or metrics that you are using when you assess the ACS portfolio or others that you have screened? And in particular thinking about the extent to which you are looking at returns versus needing to take a more holistic risk/reward approach to capture the different cash flow and risk and cost of capital profiles that come with these assets.

Then secondly, can you just come back to the earlier question on net capex? There are obviously different moving parts that you are looking at in terms of introducing partners, portfolio rotation, project financing, etc. Can you help us understand what the order of priority is and what the minimum is that you need to deliver over the next 12 months to ensure that you stay within the upper end of the range? Thanks.

Carlos Gomes da Silva, CEO

I will start to answer you and I will ask the support of Filipe as well. One of the key criteria is double-digit equity IRR. Let us be frank and direct on that. Secondly, it is having independence of each and every single project, which means that we can have one, two, three, x partners when that best fits our investment case.

Third, and to conclude, just a brief summary related to the initiatives that we have to set up during the year to comply with our net capex. We have committed ourselves to stand between €1.0 - 1.2 bn a year in terms of net capex, and we will do it. Taking that into consideration, two or three elements will be required. First, we have to resell part of the assets that we have just bought. That means we have to find a partner to deconsolidate and to give independence to these projects. Secondly, if required, we will also consider having asset rotation. You know that we always mentioned our natural gas infrastructure as one of the key candidates for that. By the way, for doing that, we are just swapping equity IRRs that are more than doubling coming from one to the other. Thirdly, it has to be a long-term, high-quality partnership, otherwise it makes no sense. Filipe, can you complement?

Filipe Crisóstomo Silva, CFO

Not much to add, Carlos. Of course we take a view on what electricity prices will be. Key assets is access to the grid; once you have that, access to land, how much you pay for land. There is plenty of finance today for this at very attractive rates, very long-term money. This could change in the future, of course, so our view will also be adjusted accordingly. However, one thing I will say: this has to be deconsolidated, given the nature of our mostly oil and gas investor base. This has to be seen as an equity IRR game and we need to play the cost of capital game to make the numbers work.

I just want to follow up on the previous question, because I am not sure it was clear that commercial has an entirely different risk profile than midstream and upstream, of course. Upstream takes all the commodity risk. The refinery takes all the refining margin risk. You should think of commercial almost as if it is a cost-plus activity. They buy in the market and they price it in the market. They want to make money. It is a margin business. We dont operate in a regulated feed-in type of environment. We have to operate and price our products commercially so that we make a return. However, it is very, very stable.

Anish Kapadia – Palissy Advisors

Good afternoon. I had a few questions, firstly on Mozambique LNG. Just wondering if you could run through the delays on that project and whether it is the larger number of FIDs last year-end and Qatar's 50 mtpa ambitions that slowed down that project?

The second one is, going back to the solar business, it is obviously a very highly leveraged business to get those equity IRRs. I was wondering: what is the sensitivity there? Are those IRRs getting wiped out by the higher capex, rising interest rates, or downtime on the assets, if you can give some kind of idea around that?

Then just a final one on the financial side. It feels like there is a few financial headwinds below the Ebitda line out to 2025. If you could just run through the impact on the associates of some of the pipeline assets coming off, the increase in the minority interests and changes in cash tax rates and interest rates out to 2025? Thank you.

Carlos Gomes da Silva, CEO

Thank you, Anish. Thore, first?

Thore E. Kristiansen, COO Upstream

When it comes to Mozambique, the reason for why we did not take FID in October last year is the fact that we are really hunting for how to reduce costs further. We know that unit cost is going to be the alpha and omega in order to have a resilient long-term product. As has been discussed here before, there are some risks associated with gas prices. What we can do is to work with unit cost. Actually, you have shaved some $1.2 bn of the project capex since October last year. That is what we are doing right now – finding ways to make it even more efficient.

Carlos Gomes da Silva, CEO

Filipe, can you take both?

Filipe Crisóstomo Silva, CFO

When we take decisions on new projects, solar projects, other than power prices of course, we tend to lock in for the very long-term all the key drivers. We rent land for 20–30 years. That price is fixed. We know at what price we are going to buy the panels. That is likely to surprise us; it will continue, in all likelihood, to go down. Again, other than pool prices, no major surprises.

Below the line, that is why we are so keen to focus on CFFO, so that they do not look at what is associates, what is Ebitda, you know? Let us look at cash, whether we consolidate or not. However, Ebitda is function of refining margin and Brent prices versus production, I think that has been clear.

We have this unit in Holland called Tupi BV, which has historically bought and rented out to the consortium in Brazil FPSOs, for example, subsystems. That is likely to be unwound over the next few years as the laws have changed in Brazil. All that equipment is being imported back into Brazil as we speak. That started last year and that part of the associates will be disappearing, will go up to Ebitda.

On minorities, we are assuming we’re distributing 30% of the FCFs of Brazil to Sinopec. Whatever the FCF, 30% is assumed to be paid out.

Cash tax 40%, so no change in guidance. We are assuming 40% cash tax on profit before tax.

Pedro Dias, Head of Strategy and Investor Relations

That is all. We will conclude the session. We invite you for a light lunch and to continue these discussions with the management panel. Thank you very much.