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Pedro Dias, Head of Strategy and Investor Relations

Good morning, ladies and gentlemen, and welcome to Galp Energia Capital Markets Day 2016. I will be hosting the session today and I'm very happy to be with you again in London.

But before we start, I must advise you on some safety evacuation procedures. (Conference Instructions).

The purpose of the session today is to give you an update on our strategy and operations, as well on our financial outlook. So we'll open the session with Carlos, who will present our strategy, as well our recent achievements. We then move to Thore, which will give us an update on our E&P projects and how we want to grow the business. After this presentation we'll have a short break.

We'll come back for the last presentation of the morning with Filipe, our CFO, who will walk us through the financial outlook of the Company for the following five years. At the end, we will open for questions.

Once the presentations are concluded and your questions have been answered, we have prepared the lunch buffet where you can meet our Executive Team, as well as some of our Directors, which I'm sure that some of you know already.

You will find as well the cautionary statement on your presentation, which I advise you to read.

And last, but not least, we have a quiz for you today. So it's very simple. We'll cover different topics; so from industry themes to international politics, to sports. So fill in the form and during the break one of our assistants will collect it, and we'll see how the results will go.

So I hope that you will enjoy the morning that we prepared for you. And you'll leave the event believing on Galp's strategy as much as we do. But before we kick off with Carlos, let's see a video about our Company. Thank you.

(Video playing).

Carlos Gomes da Silva, Chief Executive Officer (CEO)

Thank you, Pedro. Good morning to you all. I would like to welcome you and to thank you to be here today with us. It's really good to be so many familiar faces around. And following the quiz of Pedro, I hope you don't miss the answers to the questions, because you can find out moving another position rather than the united; so be aware of that.

I hope that you will enjoy the sessions of today. So what we will do together myself with Filipe, our CFO, and as well Thore, our Head of E&P, and still our colleagues from the Executive Board, we will try to drive you by our plans and our strategy for the future.

And if there are some few messages that I would like you to take home today, I have to start to emphasize them. Of course, at the end of this session, I think you will be more prepared to better understand what we mean with the five main issues that I would like you take home with you. So they are few and simple. Let's start for the first.

Galp is a unique growth profile company. You will see, we will explain to you, that we will keep growing our Company for the next coming years; I would say for the next decades. But let's now focus in the next five years.

We will present an amazing growth of between 25% and 30%. We will elaborate on that. I don't think there exists in the industry a so interesting, growing, story as Galp it is.

The second point has to do with the quality of our assets. We have already spoke about them, namely those that are in Brazil, and those that are in Mozambique, that are built on top of our legacy business that is cash flowing generator, and of course our assets in Angola.

We will go further in deep on that and showing you how, only after five years of starting our project in Brazil, we are achieving during 2016 six production units under operation. I think this is amazing by any terms in our industry.

The third topic is the resilience of our Company. So the way we have our integrated model working. I think if there's any doubt on that, 2015 is a very good reference to see how balanced is our mix of businesses. I know my colleagues have listened me to say that for several times.

But I used to say that 2015 was a year where the vessel was prepared, the crew was on their stations, and the sails were unfurled. Therefore, we take the chance to take the good winds. That shows that 2015 was really a good year and has to do with this amazing mix of business that we have within our portfolio.

So the fourth point is our strong financial discipline. So we are repeating this time after time. So the things that we are committed to are based in a strong disciplined approach. You know that we are always following our commitment, or our self-covenant I used to say, never pass a debt to equity - sorry, a debt to EBITDA of 2 times.

So 2015 was the first year in our business plan that was really challenging, and we have succeeded. We have favorable wins we can say. But at the same time, our business model has supported the way we succeeded.

Another, we will have 2016. I think it is the next year that we have to pass to be owners of our own destiny.

And the last, I would say, but not the least, is the commitment with shareholders' remuneration. So it's the way we will create value across our value chain, and we will deliver that value.

So you know that one of the key topics for doing that is developing our projects in a safe way, on time and on budget, because they are high quality standards by anyway.

So I have two questions I will try to address during my presentation. One has to do how Galp is prepared to face the industry's challenges; and the second one is how we will make our strategy happen.

But before going on those two questions, it is how we will face the industry's challenges and how we will make our strategy happen, let me summarize 2015; just a few and quick messages on that.

So 2015 was an amazing year for us; you already take that from us. You can see that we have exceeded our guidance in any of the key figures of our Company. We have improved our efficiency in our operations, and we have done that by reducing either OpEx and CapEx.

We have achieved in 2015 an all-in EBITDA, [high] EBITDA. It was above EUR1.5 billion. On those EUR1.5 billion, about EUR1.2 billion came from our legacy businesses that were contributing to keep cash flow generation to finance our new growth opportunities.

We have more than doubled our production in the upstream, and that came mainly due to Brazilian operations.

We have also - and it was, I think another important topic that we have to highlight, we have again increased our net raw gas sales. We have done that by seizing market opportunities and by managing properly our gas sourcing. We have increased on that respect our operations in the European hubs where we are already having 1.2 bcm additional volume sales.

We have also contributed in 2015 for the cost reduction program that we have implemented in our downstream operations. We have established the target for 2019 of EUR100 million of cost reduction. In 2015, we have already achieved 80% of that figure.

So what we have meanwhile done was increasing that goal, increasing that object, and Filipe will go further in that on that. We are now trying, or putting as a limit of EUR150 million of cost reduction by 2019.

If we look more, and comparing 2015 with 2014, which were the main contributions for the difference between the two years. So we have been in a situation where the prices in the oil have fallen dramatically. We came from more than $95 per barrel in 2014 for around $50/$55 in 2015. That were more than compensated with two main factors, or two main contributions.

The first one is our production growth. So we have doubled our production, mainly due to, as I mentioned to you before, our Brazilian operations.

The second one was related with our integrated business mix that enabled us to take the advantage from the higher refining margins that the market has offered. Therefore, supported on the reliability of our refining system, we will be able to catch up that value.

Looking also to the performance of our share in 2015, and looking to that in an up-to-date basis, that shows how resilient and how the market is recognizing that resilience of our share.

It is not surprising that our share has outperformed during the last 12 months. This is a performance that is amongst the best in the market, namely comparing with European integrated companies.

So in summary, 2015 was an important and very positive year for Galp. It enabled us to pass one of the two difficult years in our business plan. And now, ladies and gentlemen, here we are in 2016, which is another and the second challenging year for our Company.

So now I will be back to my first question. How is Galp prepared to face the industry's challenges? Let me start by the industry challenges in summary; just a few and quick topics on that, because I'm confident that you know and that you have listened many of us speaking about them in the last couple of weeks, not for saying couple of months.

Of course, Galp is attentive to the energy trends, and even though the mix in the energy consumption might change in the future, one thing seems certain. It's that the energy consumption will continue to grow. That growth will come mainly due to the way the population will grow from one side, and the urbanization and mobility will act in the coming years.

We are also confident that the contribution of the energy intensity in the GDP will reduce and will reduce due to the fact that the energy efficiency will increase.

In that context, we continue to believe that fossil fuels will play an important role in the energy mix, and putting the oil in the top of the priorities and in the top of the consumption.

Natural gas will continue to increase, and according the International Agency of Energy, that could be with an average of 1.4% per year, namely and especially the 2-degrees scenario, will be achieved. And that will drive us to an important investment effort that the industry will have to keep doing.

So in this context, how is Galp prepared to face those challenges? So five topics that I would like to address to you.

First, I will start by stating that we will keep acting as an integrated energy player, and that has to do with the shape and the strategy that we have defined for our Company. We will continue on that path.

We will continue that from the upstream activities, exploring and producing primary energy to the lifestream. The lifestream is where we are energizing the society; is where energy will create energy. It's where value creates value. It's where respect creates respect. That's where we would like to be.

Our integrated profile and our position, as well as a low break-even producer will allow us to play a major role in the industry and deliver value to our shareholders. We will continue to increase the weight of natural gas in our entire portfolio and across the value chain, from the upstream up to the downstream.

Lean operations, flexibility and innovation will be key words for our future. The strong discipline that we are following in our Company will be the guarantee that we will keep doing that in a sustainable way.

So let me come back to my second question, which is how will we make our strategy happen? Strategy is important and a reference in any company. If we cannot simplify our strategy in a simple paper, it's hard to transmit what we think and what we are acting.

I think this chart will try to explain briefly, and directly, and as simple as possible, which is Galp's strategy approach. So as an integrated energy player, we have defined what we call the 3E's approach: execution, extract and explore.

You have several times listened to me to emphasize our execution is our first priority. It was, it is and it still remains to be our first priority. Executing the amazing projects that we have on time, on budget and in a safe way is the way to deliver value; is the way to gain our future; and it's the way we will deliver value through across our value chain.

We'll do that by optimizing our cash flow and by targeting higher returns with the portfolio that we have. If we properly address and put them under operation, in a lean basis, we will be capable to achieve a higher return and, I tend to say, amongst the best in the industry.

The second one is extract. We are just starting and we are in the middle of the first part of developing an amazing asset portfolio. We had to take that in consideration. So we are in the middle of a learning curve and we are in the middle of a growing process.

The second wave of development that will allow us to unlock value that is in our existing asset base is a key reference for value in the coming decades. We are already starting to work on that; by doing what? By implementing second waves of development of our existing assets, taking into consideration the stage of maturity they will be in the next two, five or 10 years.

So we have to continue to invest in technology. We have to continue to invest in infrastructure that could allow us to extract that value that is even in our portfolio. There's a value that, most of the times, we and you are not taking in consideration when we look to our assets.

The last one that we have referred in our simple strategy approach is explore. Explore means to continuing to screening. It's keeping our head high and looking around, and to screen what kind of opportunities we still have in the market, to continue to fill our funnel of opportunities. And, at the same time, to actively manage our portfolio in order to crystallize value, as long as the market gives us that opportunities.

So these are the 3E's of our strategy as an integrated energy player. So you can see for that that we are acting today and thinking of the future. So execution first; extract then; but, at the same time, we have to keep our mind in the explore. So they are the three - I would say, the three wings of our strategy.

So let us first see how our strategy will apply in the downstream business. After that we will move to our upstream business.

So in our downstream business, and we can include on that the oil and gas activities, the execution will require us a lean operation, in order to maximize profitability.

As you know, Galp has an advanced refining system, but there's further room space to improve. By 2020, we have self-established to rank number one in Solomon benchmark in what concerns to energy intensity index. This is a really important and challenging goal that we are putting to ourselves.

Our plans are also considering the possibility to increase the conversion capacity with minor or small investments. So we have already identified several activities or several minor investments that could increase our conversion capacity.

Most of the time, we are being asked, which is your refining capacity utilization? So being a possible question, I don't think it is the most important.

The most important is, how is your conversion capacity utilization? That is really the main point that we should address. We are focused on that, in order to guarantee that we will increase and we will improve the fields that we came out from, extract from our refining system.

In the downstream activities, we will deepen our client-centric approach by enhancing customer experience and develop new ways to preserve our client base and, of course, to attract new clients.

We will continue to improve our operations in Iberia, call it - may it be in B2C and as well in the B2B.

We will continue also to focus our activities in Africa, in the downstream Africa, taking the advantage of the hub position, namely in what considers to Mozambique and also to Angola.

We will continue to do that, optimizing our cost base and our capital employed, ensuring a resilient structure as a platform for growing in the future.

Moving now to the gas and power business, so we expect to continue to grow this activity, this business and to sustain its profitability. In the last couple of years, it has been a challenge that we have self-committed ourselves. We are starting doing that by taking the opportunity that the arbitrage in the markets will offer to us.

Now we are in a much more challenging situation. But nevertheless, we self-impose ourselves an ambition of make it growing of additional 2 bcms. This is not considered in our business plan that Filipe will later go further in depth.

Anyway, it's an ambition and it's a commitment that our gas and business team is to be taking for the coming future.

We also will be looking to explore and expand our activities to new markets. This will based on trading activities, either being instructor sales and as well taking the opportunity for future training opportunities in LNG and also in hubs, where we are already operating.

To support our business, we are looking to keep a flexible, a diversified and a competitive gas sourcing. That means that we are looking to the gas contract duration; the indexation; the destination flexibility; and, as well, the possibility to having equity gas.

In order to manage risk and the exposure that we might have by increasing our activities, we always will be looking for a balance between the sourcing and the sales. If you look to this chart, what I pretend to show to you is that we are always balancing our position being formed on the side of the source as well the side of the sales.

So I pass in summary how we will approach to our downstream and gas businesses taking our strategy going deeper on those activities.

Let's now move on. On the upstream strategy, I will start with chart that I think it's one of the most relevant ones that you will see during our presentations of today.

Galp is the low break-even producer and, if you look through across the global production break-even curve, we have a fantastic position. We are below $30 per barrel and we have room space to improve. We have improving that in the last year and, I have mentioned to you before, we have room space to continue to improve, as long as we continue to learn with our operations.

The competitiveness of our upstream assets is also reflect our cost base. We expect, by the end of this decade, to have technical costs below $20 per barrel in the entire portfolio, so this is a blend, and lifting costs that will be below $5 per barrel.

Anyway, I have to highlight to you. That's our - starting our young projects in Brazil, they are offering us technical costs that are below $15 per barrel, which is an amazing figure by any standards within the industry.

Moving now to our resources and our reserves. So as you know, we have been building a strong upstream portfolio and they are based on two core hubs. It is Brazil and Mozambique. On top of that, we have also Angola.

In total our 2P reserves and our 2C resources stand at 2,050 million barrels of oil equivalent. Of which around 35% is gas.

With the progress of Mozambican projects, the reserves mix will become more balanced. This significant resource base will be the backbone of our E&P portfolio. It is where 85% of our high-value investment program is being allocated in the coming years.

Let's now go to our upstream strategy E by E. So taking the 3E's of execution - or execute, extract and explore. Let's see how we will apply them to our upstream business.

I will start with execute, which I repeat is Galp's first priority. We have seven operating units under production: two in Angola and five in Brazil. This number has more than double by executing Lula/Iracema, Iara, Sepia and Block 32. By 2020 we will reach 16 production units that are producing over 2 million barrels of oil per day.

So we are speaking about projects that are amongst the biggest in the world's industry. So considering 100% of those projects, they are over 2 million barrels of oil per day. This is really outstanding.

This also will deliver a significant production growth until 2020 and even beyond. We are also working in other projects within our portfolio, which are expected to come online over the next decade. These include the Mozambique being the LFNG and the Mamba project in onshore. And as well Jupiter and Carcara.

All of them are in our execution agenda. We are working hard to design the best development solutions to extract the right value from them. So even though we are focused in the execution of those projects, we are thinking about how to properly well design that development for the coming years.

Let me highlight that two of our core projects, Lula/Iracema in Brazil and Area 4 in Mozambique, because they are really the two more important project that we have within our portfolio.

Starting by Lula and Iracema. This exceptional project is the most relevant asset of Galp. In 2015 the exit production was above 50,000 barrels a day. It was done only by four production units, and including one of them in ramp up. So Cidade de Itaguai was still under a ramp up period of time.

This was wholly achieved due to Lula Iracema excellent reservoir performance, delivering an average well productivity over 30,000 barrels a day. There are some wells in the Lula and Iracema field that are over more than 30,000 barrels a day.

Thore will go following in that on that, because that will show how competitive this project is, not only by the quality of the asset itself, but the way we are developing and the profitability and efficiency that we are getting from that project.

This first phase of the project will count with 10 production units, which is a remarkable number within the industry, by any standards.

A set of actions has been implemented to reduce replicant execution risk, with fruitful results and Thore will also elaborate on that. We remember how challenged we were in one year ago, and the way that we have done in the last year I think it is remarkable by any comparables.

I take also the opportunity, by this way, to give a public recognition to Petrobras team, capacity, efficiency, professionalism and competence. They were remarkable in the way they work together with us and the other partners in those projects. It is - we should, and I should underline, that if we take in consideration the challenging situation and the context they were facing in that Company and in Brazil.

Moving now to Mozambique Area 4. This another key project for Galp. This is a project that will take, that will fly in the next decade, and for which we are working hard.

As you know, this is one of the largest discoveries of gas around the world, that could result in a construction of more than 50 Mtpas. So the Area 4, together with Area 1, could be considered another Qatar.

And they are - and it is a project that is close by regions where the demand for natural gas will increase in the next decades, being Asia and as well Latin America.

But we are conscious that only the most competitive projects will be sustainable. Taking that in consideration, we are supporting the operator Eni in its efforts to improve the projects economics.

Following the governmental approval of the first POD, so the first plan of developments, for the first 5 tcfs in Coral discovery, that will allow us to build an FLNG unit - production unit, negotiations of a long-term SPA are being finalized.

We are still working with the operator, to further improve the EPCIC costs, and to put in place a financial structure.

All of these milestones are crucial towards the development of a competitive project, and consequently to take a positive FID.

For the onshore projects, and I'm speaking about the member projects, we are also working with the operator, so with Eni, on defining the technical solution, and to enhance the project competitiveness. It's a project that will take more time, and has a complex - completely different complexity.

But it is the core project for developing Mozambican asset.

The developing of these integrated LNG projects will still contribute to Galp's production in the long term, with a stable plateau production for more than 30 years, while improving the weight that the gas will play in our portfolio.

So we have passed, in summary, the execution approach to our upstream business strategy. We have looking through the Brazil and Mozambican projects. Let's now go back to the second E, which is the extract.

It is also an important - I have to underline that it's almost a first priority for Galp, because it's the one that will allow us to continue to create value. There's a link between execution and extract, and that will allow us to unlock more value from our portfolio. That will be both from sanctioned and non-sanctioned projects over their entire lifecycle, and accelerating the entry into production of the resources, and optimizing the existing assets.

The levers that we are pulling are basically three. It's the recovery factor improvement, that Thore will deepen later on, but that we will do through enhanced oil recovered, and a second wave of developments. That second wave as precise, and well-aligned projects that are already being designed and/or tested.

The second one is achieving the utmost operational efficiency, aiming an OpEx and a CapEx reduction, namely on drilling and completion time, and benefiting from the industry deflation and increasing scale. So as we will see later, the drilling and completion times are being reducing dramatically, and the efficiency that we are gaining from that is increasing significantly. So this is only one of the several contributions for making this project even more profitable.

The third one is working, working in contractual terms, aiming at creating value, such as extending the life of licenses, and improving sales and export terms.

So let's now move to the third E: the explore. I would start to remind all of you that Galp's story has been originated from exploration activities. So if you go back in our story, in our history, I would say 15 years ago, we were a minor operator in the upstream.

So it is based on our exposure to amazing discoveries that happened in the last decade that we have been able to build up our portfolio, being in Brazil, and as well in Mozambique. Therefore, we understand the exploration value-creation potential, and its role in promoting our upstream portfolio sustainability.

Keeping this in mind, we will be focusing, exploring and appraising activities in our regional hubs, targeting new oil and gas resources.

While we are screening for new projects, we will also be targeting the operatorship opportunities to build our capabilities through the projects' lifecycle. So we have recently entering in a frontier area in Sao Tome and Principe that is only a single example how we are acting and we are positioning ourselves, keeping our financial discipline, but being coherent with the entire strategy that we are taking for our Company.

As part of our third E, we will be screening for new opportunities, considering the market conditions, and as well our financial position.

So altogether, altogether, these 3E's will result in a unique, sustainable growth story within the industry. So we will be able to offer, in the next couple of years, a growing in the production of between 25% and 30%, which is really an impressive in industry by any standards.

Our growth guidance remains the same, albeit now it includes Iara as a sanctioned project, as you can see in the - you have - saw in the chart that I've show you and the timetable of the different production units.

So in the long term, by executing our post-2020 projects, and extracting more value, more value from - or more volumes from our current assets, we expect to maintain Galp's growth story adjusting, nonetheless, the pace to a more mature portfolio.

This growth will be driven by value over volume. So that means that we will keep our profitability approach, rather than our volume-wise approach.

During my presentation, you might notice that I've mentioned several times the word of sustainability, and I have done that for each Galp business so far. This, ultimately, will result in our main goal, which is, create sustainable value for our shareholders. I think that is the final purpose that we have within Galp; it's creating value for our shareholders.

Let me now address the shareholders' remuneration. We have a dividend policy that is in place until 2016. It is a 20% annual growth. This will get us to a dividend in 2016 of EUR0.50 per share. In our business plan we have consider, and we have assuming, that the dividend will kept flat at that level after 2016. That means that in the entire business plan we are considering EUR0.50, flat for the five years.

Having said this, and going forward, I - on an annual basis, we will be proposing a dividend taking in consideration Galp's financial situation and value-enhancing opportunities to redeploy our capital.

It also - I will also highlight that after becoming free cash flow positive, we will have additional flexibility. So what we will count in our dividend is a kind of base-case scenario that takes in consideration the promises and the assumptions that we have taken for our building of our business plan, and we will have included on that a EUR0.50 flat during the business plan life.

We will continue to develop strong and durable partnerships. In order to do so, we are focusing on technology, to unlock and extract sustainable value, both from the upstream and client-driven activities.

Health and safety from our employees and our neighbors, and our environmental performance remain as a top priority in Galp.

We will be pushing forwards and delivering on our commitments to maintain our recognition within the industry.

Now, I'm more than happy to end this presentation with the foundation of the Galp success, which, is our people.

So our people, it's the reason of our success. We are keeping development our people based on a performance-driven culture, based on merit, empowerment, and engagement.

And I have to take them as the success of our Company, and they are paramount for our future. Without them, we will not comply, so this is a public recognition from the quality of the people that we have within our Company.

So let me now finish with the figures that I would like you take with you today. They are simple to get it. Of course, we will go in depth further with Filipe, but start with our competitive position.

So, Galp is offering a set of growth that is unique among the industry. We are growing about between 25% and 30% per annum in the next five years. We are doing that based in a portfolio that has a break-even production that is below $30.

We expect to become free cash flow positive during 2018, so even considering the assumptions in our business plan. And doing that by keeping a financial discipline, and the CapEx reduction that we are considering, comparing with the previous plan is about 15%.

There's room, space, to continue to improve on that, and keeping the self-covenant that we have established of, by 2020, not pass 1 time the net to EBITDA ratio.

And, ladies and gentlemen, doing that with the full commitment with our shareholders' remuneration.

So I will thank your patience, and I will now pass the floor to Thore, that will go in that of our upstream business. Thank you.

Thore E. Kristiansen, Executive Director E&P (COO E&P)

Thank you very much, Carlos; and good morning, to you all. It's really good to be back here in London. I would say that Carlos really creates energy; I get the energy for listening to this sort of presentation, Carlos; thank you.

What I will do today, with you today is to give you a brief overview of what is the key elements in our E&P strategy. How are we delivering on this world class portfolio we have? What do we do in order to exploit the upsides that we see in our assets? And what do we do in order to secure additional resources? And then, some final concluding remarks.

The E&P strategy of Galp is very simple and is focused. It is based on the three key pillars of the 3E's: to execute, extract, and explore. But then there are some - and I will revert to each one of them in further detail during my presentation. But there are some fundamental layers below, which is also very important for us.

Number one is that we over time would like to build our operating capabilities, slowly but surely, showing that Galp is able to participate in the whole value creation.

Secondly, to use research and development to build our competitiveness, and our technical capabilities. We are particular doing this in Brazil where we have a very active R&D program.

Thirdly, it is to continue to recruit first-class people. As Carlos said, the people is really the fundament of our business.

I'm very proud to say that we, today, are enjoying some of the most performance-driven people in the industry, and we are performing really well when we compare them internationally. We have a class that is now attending the Heriot-Watt master's program, and they're actually doing best in the worldwide scale.

And last, but not least we work actively with stakeholder management as this business is so dependent on having a good and professional relationship to our stakeholders.

Let me share with you a few words about how we performed in 2015.

As you all know it was a challenging year, the commodity prices were really tough. However, operationally it was a year that went very well for Galp.

We grew our production with 50%, and it outstripped our main expectations. The key reasons, being that Ciudad Parity, and Mangaratiba ramped up faster than we had anticipated, due to higher well productivity; and also, that Cidade de Itaguai came into production four months ahead of plan.

We were, therefore, able to exit the year with almost 60,000 barrels per day.

And our costs came down, our drilling and completion costs in Lula/Iracema was down with 19% compared to the year before, due to more effective well design and more efficient operations.

Operating costs, or OpEx, was down with 29%. Actually, our OpEx is now running at $7.1 per barrel; $7.1 per barrel. I think you all know that by any standards that is a very competitive number. Yes, it was largely due to increased production, but also reduction in overall cost.

We have been successful at moving our barrels, moving the barrels in discoveries, to resources, into reserves.

Our 1P reserves increased with 19% last year, and gave us a reserve replacement rate of 380%, which gives us a reserve life of 17.5 years when you measure them on 1P reserves - reserves.

And last but not least, our safety record improved significantly. Our loss type injury frequency improved 48%, but we still have room to improve. We need to have safety on top of our agenda in order to further improve on the safety indicators.

Galp is today enjoying a very diverse and exciting exploration and production portfolio. We have actually 52 projects in four continents; 11 sanctioned projects which are now producing, or under construction; seven discoveries, including mega discoveries like Area 4, Carcara and Jupiter, which is still not sanctioned; and 34 exploration licenses.

As Carlos mentioned in his presentation, this is a very robust portfolio. Actually, the break-even price for the sanctioned portfolio is $27 per barrel. I think you all know that that is very competitive, and I think it's one of the most competitive portfolios in the industry.

Our number one priority is execution, as Carlos said. A very important part of execution is to mature the barrels, from resources, to resources, into reserves.

As I said, 19% improvement in 1P reserves, to 276 million barrels of oil equivalents in 1P reserves is what Galp enjoys now.

We improved the 2P reserves with 10%, and we now have 701 million barrels of oil equivalents in 2P reserves.

This gives a very robust basis for growing our production. The reserve life, based on 2P reserves, is actually 44.8 years.

Our total 2P and 2C resources are, as Carlos said, approximately 2 billion barrels and the full disclosure of the 1, 2 and 3P reserves and 1, 2 and 3 resources you will find in the appendix.

You will notice that our 2C reserves - resources from 2014 to 2015 came somewhat down. That was due to, one, we relinquished BM-S-21 in Brazil. Two, we matured Lula/Iracema from resources into reserves. And thirdly, we did the same in Iara, where we submitted the development plan for Iara for Berbigao, Sururu and Atapu. Those were the three chief reasons why resources came down.

The second key focus under execution is to make sure that we are able to deliver our projects on time and on budget and in a safe way. Today, we have two production units producing in Angola, and five units in Brazil.

The good news now is that the new FPSOs in Brazil is coming on stream according to the revised time plan, and partly also ahead, as was in the case with Cidade de Itaguai.

Significant work has been done in order to reduce the execution risk. I will revert to that shortly to give you some more detail and what we have done.

Also, I would like for you to notice that the Cabiunas pipeline, the Route 2, came into operation now in February. This will improve in addition the gas evacuation capacity for the pre-salt fields in Brazil.

We have a very exciting portfolio of installation to come on stream over the next five years, and an overview you can see here on this slide.

We said last year that on average you can expect that replicant FPSOs will come on stream one year behind the original time plan and this forecast remains. We see the situation today and the way we see the situation today is reflected in the plan that you can see on the screen.

If anything, we think that the visibility and the robustness of the delivery dates versus the situation last year has improved, due to the mitigating action that has been put in place.

The sixth FPSO Cidade de Saquarema is now well under way with its commissioning in Rio and we expect first oil by early second half this year.

The two replicant FPSOs that are due for Lula South and Lula Extreme South next year is also well under way to commence the production according to plan in 2017.

The same goes for the three FPSOs that are planned for 2018. One, that will be located in Lula North and two that will be located to Iara, in – one for Berbigao/Sururu and one for Atapu South.

Lula West is now expected after 2020. We need an extended well test to better evaluate the area and then to finally conclude on what will be the optimum development solution. The [EVT] for Lula West will commence already now in May this year and then with the tie back to the Cidade de Angra dos Reis.

A key factor to reduce the risk and to ensure delivery according to the revised time plan has been this mitigation plan. The key element of this plan has been, one, the building of the so-called pack 3 modules has been moved from Brazil to China and the pack 3 is really the CO2 and gas compressor models.

Two, construction of three hulls has been moved to China.

Three, we have implemented an escrow account in order to make sure that the cash is flowing directly to the sub-suppliers.

Fourthly, the integration activity that Integra was supposed to be done is also moved to Brazil and is now performed by the COSCO shipyard.

And fifthly, we are still working with one local supplier, in order to do some contract amendment.

But overall, four out of the five key mitigating action is now put in place and is helping us reinforcing the possibility for delivering according to plan.

I would say that at this stage Galp is quite comfortable with the current forecast on the execution plan and this is what we, therefore, have also incorporated into our business plan.

However, this is a dynamic process and challenges might come. It needs supervision from all parties, 24/7, 365 days a year, in order to make sure on the successful completion of this plan.

A few words about Lula/Iracema. By any standard this is a world-class project and in the first development phase calls for 10 FPSOs to be deployed. That means that there will be an installed capacity in just this field of almost 1.5 million barrels per day; 1.5 million barrels per day. This is world class by any standard.

Currently, five is producing, as you know, and the sixth will come on stream this year. The drilling activity is also really well underway. First phase calls for 152 producers or injectors to be developed and we have currently drilled 86 out of those 152. Eight deep water drilling rigs are working in parallel in order to accomplish this program. That says something about the scale of this operation.

I would say with the entrance of Shell - the Shell Group in the partnership, as of February 15 this year, an even stronger muscle has been added to the partnership in order to promote state-of-the-art solutions.

I think this will be particularly useful as phase 2 of Lula/Iracema is starting to be developed, because, as you know, in the first phase I would say we only expect to recover 28% of the resources in place.

Some of you will remember that last year I said the ambition should be that we should at least do 40%. So here we have a lot to do and further to improve.

This is another slide that shows how remarkable this field is. The first graphs shows the 12 best producers ever in Brazil. 10 out of the 12 are in the Lula/Iracema field and, as you can see, several of the wells are producing in boe 40,000 barrels of oil equivalents per day. Astonishing.

The ramp-up, the plateau, has also constantly been improving. On the fourth FPSO, we now expect it to ramp-up in 12 months. That would be a 33% improvement versus the first FPSO. This is due to better availability, very good pre-commissioning work that is being done and also, of course, benefiting from the learning curve.

We also now see that with improved reservoir understanding, infill drilling can extend the plateau period from the units. The first FPSO, Cidade de Angra dos Reis that came into production in 2010, we believe that we can now extend their plateau period with almost five years.

And similar evaluation will also now be done for the other units, as we gain more experience from production and improve our reservoir knowledge.

The next part of the BM-S-11 to be developed is the Iara field. The plan of development was submitted for Iara last year and it now calls for three FPSOs to be put in place during the first phase. The first two FPSOs to be deployed will be allocated to Berbigao and Sururu, and to Atapu South.

They are both expected to achieve first oil in 2018.

The third FPSO is currently planned for Atapu North, but this is still subject to further technical evaluations and studies that will have to be performed include now incorporating the extended well test that was concluded by the end of last year; incorporating well results that was achieved last year; and then also, reprocessing some seismic data in order to update the dynamic model to finally determine the optimal location for the third FPSO.

But in Galp we are convinced that there will be at least three FPSOs producing this great field.

For the other pre-salt projects like Carcara and Jupiter, de-risking and recycling of the projects are the key activities right now. For BM-S-24 a declaration of commerciality for the Sepia East was submitted in November last year for the total recoverable resources of 130 million barrels.

The development of Sepia stretches into BM-S-24 and the unitization process is now ongoing. The Sepia development plan is expected to be delivered during the course of this year with first oil in 2020.

The declaration of commerciality for the rest of BM-S-24 is expected to be extended with five years and an application for this has now been sent to ANP.

Regarding Carcara, an excellent DST was performed last year in Carcara North which confirmed the very, very good reservoir properties and still we have not found the oil/water content in this field.

The next step now will be to incorporate the recent DST and the fluid data, in order to refine the development solution and also the unitizing of the production unit.

In addition, we're working in order to find what is the right gas evacuation solution. Is it through a dedicated pipeline or is it to use existing infrastructure?

And, thirdly, there will have to be a unitization process taking place between Carcara and Carcara North, where we see the field is extending. These are all key milestones to be achieved before we are moving into the production phase. We expect that the declaration of commerciality for Carcara will be submitted by 2018.

Angola is really the cradle of Galp's E&P business and the current focus here is to optimize the development projects. In Block 14 and 14k there's currently two CPT platforms producing. In Lianzi, which is a tie-in, we achieved first oil in October last year via tie-back to BBLT.

The key focus here is to reduce cost and CapEx and all service contracts are now being raised, including also evaluating whether to buy out some of the drilling contracts.

In Block 32 the production drilling campaign started in fourth quarter last year and there's now two deep-water dedicated rigs that work on developing these wells. Currently, four producers are completed out of a totality of 59 subsea wells that is planned for Block 32.

The two FPSOs are expected to come on-stream in 2017 and 2018. They're slightly behind plan, but over - but we still believe that 2017 and 2018 are robust assumptions for when we will see first oil.

During 2015, which was quite important, the production sharing agreement's fiscal terms were renegotiated, which made this project more resilient, in particular in a low oil price environment.

A few words more about Mozambique. You know that Area 4 is a world-class discovery by any standards. 85 trillion cubic feet of natural gas we believe that are in place in Area 4.

The Coral EPCIC contract is now under the final negotiation.

The long-term LNG offtake agreement is being finalized and it was a very important milestone when in February this year the Government of Mozambique approved the plan for operation and development.

Note, our focus is to use this moment of opportunity in the business cycle to arrive at a commercially-viable and robust project. Galp is supporting the operator, Eni, to mature the project forward to FID. Important in this aspect will be the value improvement efforts that currently is taking place.

Regarding the onshore Mamba project, the unitization process between Area 4 and Area 1 was completed in November last year, and it's now submitted to the Government of Mozambique for approval.

The unitization and unit operating agreement was also finalized between the parties and is establishing that an initial track participation will be 50/50 between the two fields.

Work has been done also to finalize the framework for the common facilities for the onshore facilities. Three initial EPC technical tender proposals have been received and is now being evaluated by the partnerships.

A key measure to extract further value is to optimize on cost, and let me give you a few examples on that. In Lula/Iracema 55% of the cutbacks is associated with drilling completion and subsea; 55%. Therefore, to improve on the drilling and completion cost is really fundamental.

Last year we spent 110 days drilling and completing a well and in 2010 that was 239 days. From 2014 to 2015, there was an improvement of 19% in drilling days and completion days. In addition, the average well cost last year was $110 million, down from $150 million in 2014, i.e., a 27% improvement in the cost of completing a well in 2015 versus 2014. These are improvements that really matter.

I said, extraction and improved recovery is another key element. First phase 28% recovery factor for Lula/Iracema. We have said that an internal ambition in Galp is that that should be at least 40% and that this really matters. You will know from the fact that 1 percentage point improvement in recovery is approximately 200 million barrels of gross reserves. This is huge by any standards.

The key elements in order to achieve this is using, among others, the following techniques: WAG, or water alternating gas injection, where all the production systems are today conceived with this ability. Today, we have tested it in three production units, which has proven that water and gas cycles are now working well and without any significant operational issue.

The simulation in the labs shows that this technique really works very well, but it's too early to conclude how do we work in a full-field scale. But it's now being tested and it's gradually being implemented unit by unit.

Another important technique, we believe, is using 4D seismic. 4D seismic has proved to be very efficient when it comes to sandstone reservoirs, where you really can see over time how the water and oil funds are moving in the reservoirs, so you can do more smart drilling.

However, this is carbonate reservoirs under several kilometers of salt. How effective this technique will be in this environment still remains to be seen and to be proven.

Thirdly, subsea processing can be an enabling factor. Eventually - it is not a problem at all today, but eventually we expect that water treatment capacity can be a bottleneck in - at our units. Then a possible way to debottleneck that issue to be to have subsea processing and alternative technologies are now being screened.

And, last but not least, infill drilling. The purpose is getting more reservoir contact and more reservoir penetration. We are still in the - very much in the infant stages of this, but the complementary project in Lula - for the Lula pilot, Angra dos Reis, that I mentioned a little earlier, is the key driver for the fact that we're able to extend the plateau period.

I believe that over time we will see that this will be a useful tool in order to extend the plateau for the different units.

A few words about the exploration and exploration activities. Our exploration activity is really focused on the Atlantic Margin. I think over the years, Galp has built a strong in-house competence on the Atlantic conjugated margin, where we see similar geological play concepts on both side of the Atlantic.

We have built this through our presence in Angola and Brazil over many years. We believe that we can extend this competence now to cover also the North Atlantic basins. I think, in particular, Galp has a strong knowledge when it comes to pre-salt, [sea drift] and cretaceous turbidite plays. In these areas, Galp can add both value and significant competences when it comes to stakeholder management.

Some of the key exploration activity that goes on right now for us is, one, the Potiguar basin in Brazil, where the Pitu North appraisal well last year confirmed the oil accumulation in the Pitu North play, Pitu 1 discovery well.

But it also showed a different reservoir quality than it was in the first well, which means that we have to update the [strata] graphic model, and we have to shoot more seismic data. Actually, we are decided to shoot 7,200 square kilometers in 2016 and 2017, in order to better understand the geology in the area before the exploration and appraisal campaign resumes.

Secondly, the Alentejo Basin. For us, it is very exciting that this will be the first really deep-water exploration well in Portugal. The rig award process for the Santola 1 well is now ongoing, and we expect to spud the first well during this summer.

The main target here is lower cretaceous and upper Jurassic sandstones. And Galp is, as you will know, being carried during the exploration phase by the operator, Eni. This was a field that we acquired 100% ourselves and then we farmed down, in order to share risk, and they're carrying us through the exploration phase. This is frontier drilling; it is really high risk, but it's also very exciting, particularly if you are Portuguese.

Then Sao Tome and Principe, where we became the operator for Block 6 in November last year, and is a step to what I said earlier on with respect to that, slowly but surely, Galp will assume more operatorships.

We have a block here that stretches over 5,000 square kilometers, and we have already farmed down 45% to [Cosmos], and ANP, the local domestic oil company in Sao Tome and Principe, holds 10%. So we have a working interest of 45%.

Our next step there would be that during 2017, to acquire 3D broadband seismic, in order to get a better understanding for do we find drillable prospect in this area.

Let me then conclude and sum up. I think, and I hope you have seen, that Galp has a very strong E&P portfolio, and assets which were able to deliver 50% growth from 2014 to 2015. We expect to grow our production this year between 35% and 40%. I'm confident that we're able to deliver a compounded annual growth rate of between 25% and 30% from now and until 2020.

I hope you also have seen that we have a significant opportunity to grow also beyond 2020, through the non-sanctioned portfolio we have; through the upsides we have in the already acquired assets; and through the fact that we have 34 exploration licenses that we hope that over time will also yield us some results.

We will, therefore, continue to, one, always put safety first; deliver a unique production growth story; focus on the execution of Lula/Iracema; develop the pre-sanctioned projects and extract the full value of our assets; stay committed to always and continuously work to improve and optimize our cost and our efficiency; and stay very disciplined in the way we are handling our exploration activity, so that we also are, long term, able to secure additional resources.

I think we now are ready for a coffee break and I thank you for your attention. Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Morning, and thank you for being with us today. I start our presentation today with our macro assumptions, given how important this has been to our industry lately.

Last year, we had planned for a 2015 Brent of about $55. We were about right on that metric; it was $52. We would hope to be very wrong this year when we assume only $35 for 2016. Going forward this will increase gradually to our long-term updated view of Brent at $70.

But as you know, given the nature of our portfolio, Brent prices are only one element of the Galp equity and credit stories. Our portfolio has offsetting features across businesses, which mitigate, partially, a lot of this macro volatility.

You will see today how small the impact is on our free cash flows and on our credit metrics, with a scenario where Brent stays flat at $45 throughout the period.

Here on the right-hand side of this slide, you see that refining margins, we're now assuming that the benchmark falls gradually to $2.5 per barrel, from the high of $5.2 that we saw in 2015.

Now, under this scenario, to be conservative we have assumed that refining margins do not go up under this flat $45 scenario, as they should, from our lower internal energy costs that this generates.

A couple of slides now on our CapEx; we are reviewing downwards our CapEx guidance for the next five years, to a range of EUR1 billion to EUR1.2 billion per year, on average. At the mid-point of EUR1.1 billion, this is about 15% below the mid-point that we had guided you to last year.

Over the planned period, the lower CapEx estimate derive mostly from the efficiency gains. So we have faster drilling and completion times, and we have the lower day rates that both Carlos and Thore alluded to. Actually, today, we are expecting more of those efficiencies to come our way than the ones that we have already included in the plan.

We also have the gradual roll-off of our plan, with 2016 being really a peak CapEx year. So it's no surprise that over time, as we extend an additional year to our plan, and we have a declining CapEx profile that the average CapEx falls, and will continue to fall going forward.

For this year, 2016, CapEx guidance is of EUR1 billion to EUR1.3 billion. This compares to EUR1.3 billion last year. Three-quarters of this CapEx is going to Lula and to Block 32 in Angola.

On the right-hand side, you see how the Brazil developments require less CapEx over time, just as the investments in the unsanctioned project, like Mozambique, start to kick in. We will continue to be very disciplined on exploration until we are cash flow positive.

The focus for now is on execution of the current portfolio.

Upstream CapEx should account for roughly 85% of Group CapEx for the life of the plan.

On this slide, you'll see that about 40% of the planned upstream CapEx is still to be sanctioned. If the economic conditions are not in place, some of this uncommitted CapEx could be either re-phased or redesigned. So we do have CapEx flexibility. And as you would expect, we are currently investing a lot of time, both internally and with our partners, to ensure that forthcoming CapEx is as optimized as possible.

As for downstream and gas CapEx, as we said last year, this should amount to no more than EUR200 million per annum, on average. These are modern, well invested assets, and CapEx is only going to maintenance, refinery, process optimization and energy consumption investment - reduction consumption.

I have now four slides on OpEx, EBITDA and cash generation. You know we are developing some of the most competitive assets in the industry, and we are doing this with the most experienced players in the industry.

The Galp E&P technical costs are expected to be under $20 per barrel by 2020; this on a working interest basis. This is driven by the efficiencies and the increasing weight of the Brazilian barrels in our overall portfolio.

The technical costs are mostly made up of DD&A on the equipment that we owned, and this includes amortization of drilling and completion of the wells. We also include here the abandonment costs, or the abandonment provisions that will come to us in the future.

We have the leasing costs, and this is related to FPSO and subsea equipment leasings.

And finally, the lifting costs, which should add to less than $5 per barrel for the combined portfolio by 2020. These are really our variable costs of production and, here, we have mostly the FPSO servicing costs.

So in addition to the technical costs, we have to include royalties, production taxes and headquarter costs, which are mostly staff and insurance.

On the downstream side, we have discussed today our optimization efforts. To date, we have already extracted about 80% of the odd EUR100million in cost reductions, which we had targeted by 2019. Our new business plan has added another EUR50 million in cost optimizations. Our new target is, therefore, EUR150 million versus 2013 levels, and this to be achieved by 2020.

On the right-hand side, energy efficiency and a higher conversion in our refineries, with only modest associated CapEx throughout the plan. These are expected to contribute with about an additional $1 to our refining margin; one more $1 per barrel to our refinery margin by 2020.

For our upstream EBITDA, here on the left-hand side, the projections on the new plan, of course, is heavily impacted by the lower Brent assumptions. The expected production volumes have not changed much from last year's plans. The volumes include or assume that we had unitization of Lula and South of 2P, as of January 1 of this year, which, clearly, has not yet happened.

We are also still assuming 15 to 18-months ramp ups for our forthcoming FPSOs, which may prove to be prudent. The plan does not yet capture all the upsides from the longer plateau production slopes, Thore alluded to, which we expect to achieve in light of the recent experience.

On the right-hand side, you see downstream, and gas and power EBITDAs, which are expected to remain stable at about EUR1 billion per year, albeit weaker than a very strong 2015.

Within this EUR1 billion, oil marketing EBITDA should continue to take advantage of the recovering Iberian economies. We are assuming a premium over benchmark, which rises in the refineries over time, on the back of the efficiency and conversion, which we have already allocated CapEx to.

Refining margins are expected to continue to be volatile. Hence, our policy to hedge about 30% of our throughput, which we have done for 2016 at about $3.5 per barrel.

On the gas and power side, we see the businesses delivering EBITDAs of about EUR350 million per year, on average, going forward. This – the international LNG activity is well entrenched, with its structural mid-term contracts, this should last another few years.

In addition, we have the opportunistic trading activities, where, by definition, we are prudent, as the arbitrage opportunities have been more limited recently. This is partly compensated by our increasing gas trading activity in the European hubs.

In addition, we are expecting another EUR70 million of income from our stakes in the international pipelines. This does not show under EBITDA, this is booked under associates. Do bear in mind that our associates, this is just as good as EBITDA. It just comes from stakes in companies that we do not fully consolidate.

Now, considering the up and downstream together, our new macro assumptions lead us to a compound growth rate in Group EBITDA of about 15% per year, on average, until 2020, and this is with a high starting point of 2015. After that, we should have - after 2020, we should have Mozambique coming on stream, the rest of Iara, most of Sepia, Carcara and Jupiter, of course.

Now, in 2016, our EBITDAs are expected to be down from 2015. This comes from lower refining margins that we are seeing today; and the planned maintenance in our refineries. In the E&P, of course, we have lower oil prices; we are assuming $35 versus the $52 that we saw last year.

We also expected to be affected in gas and power, by the lower oil and gas prices; the lower allowed returns on the infrastructure business; and less arbitrage opportunities in LNG trading.

Now, on Group free cash flow. For the Galp Group this year, we are expecting negative free cash flow of EUR500 million to EUR600 million. If you recall, this has been the plan all along, with 2016 really being the last year with meaningful cash out. By free cash flow, we always mean cash flow post dividend, so it's really free.

Group negative free cash flow in 2016 comes from Brazil. Brazil is fully funded from the Sinopec equity injection. And, Brazil is expected to be free cash flow next year as per our previous guidance.

Outside of Brazil, Galp should continue to be free cash flow positive this year, even considering peak CapEx in Block 32 and the rising dividend.

Downstream and gas and power; expected to contribute about EUR800 million of EBITDA plus associates, minus CapEx.

As a Group, we should turn free cash flow positive sometime during 2018. Again, we have not included in our numbers the further upsides likely to emanate from better drilling and completion performance, lower day rates, and the longer plateau production curves.

Now, testing for Brent at $45 throughout the plan, we would be free cash flow positive one year later. This is assuming again the same high level of CapEx, which, if we were to believe at every given point in time that Brent stays at $45 for much, much longer, some of our uncommitted CapEx would be reviewed; it might not be sanctioned. So our free cash flow under this scenario, what you see on the dotted line, our free cash flow would be much higher than what we are showing here.

Under this scenario, we're also not capturing the increasing refining margins that should come from a lower Brent assumption.

A few words on our balance sheet. Our gross debt should continue to fall gradually. It was about EUR3.6 billion at year-end. Today, we're closer to EUR3.4 billion. Our net debt is EUR1.7 billion, if you consider the balance of our loan to Sinopec.

About three-quarters of our gross debt falls due from 2018 onwards. Now, we did not raise any net new money in 2015, given that our liquidity remained very high. And, frankly, our free cash flows were better than we were planning for.

We should, however, do some form of fundraising later this year, even if only to partly fund our negative free cash flow this year and the small redemptions we have in 2016. This should allow us to keep relatively high cash balances.

Do bear in mind that we're drawing on the Sinopec loan to fund 30% of the negative cash flows in Brazil.

I have said this before, but we do not make use of off-balance sheet funding structures. There's no reserve base landing. There's no factoring or otherwise in our numbers.

Our liquidity of EUR3 billion at yearend more than covered what we need going forward. You'll see that existing liquidity plus cash flow from operations post tax covers all our debt service obligations, all our CapEx and dividends, during the life of the plan.

Our net debt is expected to remain under EUR2.6 billion at its peak in 2018. EUR2.6 billion would be our net debt at its peak, before it starts to fall significantly.

Net debt to EBITDA, so the ratio, peaks at close to 2 times later this year, assuming Brent at $35. It falls rather quickly thereafter as our EBITDAs should grow by over EUR1 billion per year going forward - after 2016.

To wrap up. Our upstream portfolio is highly competitive, even in the current environment. The assets we have in operation are significantly free cash flow positive today.

The reason why we are free cash flow negative now is because of the ongoing growth CapEx, and even that is going to some of the most efficient assets that the industry has access to.

So, given that we are fully funded and given where our CapEx is going, there is nothing wrong in being free cash flow negative for another couple of years.

If need be we have the CapEx flexibility around our uncommitted projects. Some could be re-phased. And, you know we have no pressing need to replace reserves any time soon, given all the value still to be extracted from our large resource base.

Our downstream assets are also cash generative, and the negative correlations between our businesses and the stability of the others make our business model relatively much less volatile than most.

As far as portfolio management is concerned, we would be ready to monetize assets if somehow our self-imposed leverage metrics are under threat; or, if we see the opportunity to recycle some of our assets into higher value propositions.

To conclude. We are on track, very high production growth; free cash flow positive in Brazil in 2017; free cash flow for the Group in 2018; dividends going up; and the net debt to EBITDA remaining under 2x at its peak.

Pedro. Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Thank you very much for listening to the presentations. But, ladies and gentlemen, before we go to Q&A, we have the moment of truth about our little quiz. So, let's see who the winners are.

So for question number one: what do you think about the oil price by yearend? Let's see how it goes. So people, we think that we have likely bell-shaped curves. So still like on the middle, between $30/$45 per barrel, which is what it is trading around these days. Some pessimists on the low side; not too much of optimistics as well. So I guess we're still in the middle of the road. Let's see by yearend how it ends.

Now, just waiting a bit for the political, the international politics. I remember that today is peak Tuesday too, so winner takes it all. Let's see what are the beliefs in the audience. All right, so Hillary Clinton. Clinton by far. Donald Trump; he doesn't have a chance against Hillary. Not sure if it's optimism or if it's really the polls speaking. None of the above, 11%, so maybe Michael Bloomberg will step in and let's see how it goes.

Right. And now, of course, the most important question. Will Jose Mourinho coach Man United next season? Well, it seems that he's going to Manchester. It's a close call, but people think that he will do a good job in Man United. Let's see as well. Well, I think he wanted to go in this season already, but maybe he has to wait a bit longer. Great.

So with these results we are going now for the Q&A session. So kindly raise your hands and state your name and company, and one assistant will get to you. We're just waiting for people to join us in the stand. Thank you.

Questions and Answers

Pedro Dias, Head of Strategy and Investor Relations

The gentleman over there, on that table.

Mehdi Ennebati, Société Générale

Mehdi Ennebati, Société Générale. I will ask a question on Mozambique, meaning what should we expect regarding Galp Energia post 2020. So you have, let's say, a break-even which is extremely low regarding your sanctioned projects, below $30 per barrel, and you target ROACE, Group ROACE of 15% by 2020.

I just would like to understand what will be the impact of the Mozambique development in terms of ROACE for the Group, meaning do you consider a 15% minimum ROACE regarding Mozambique? And what break-even does it imply in terms of - compared to what you are expecting in Brazil.

Finally, currently, are you far from that break-even level when you talk to the potential oil contractors interested in the development of the

Mozambique project?

And if I can add only one small question. Last year, you've told us that Mozambique was representing EUR1.4 billion on your CapEx guidance. Given that you lowered this CapEx guidance, I just wanted to know if there is any impact from some postponement in Mozambique FIDs. Thank you.

Carlos Gomes da Silva, CEO

Thank you, Mehdi, and good morning once again.

Mozambique is one of the key projects for Galp, and the stage that Mozambique is for the present moment requires additional cost optimization, and at the present oil prices. And therefore, as I've mentioned during my presentation, we are still working with Eni in order to optimize the EPCIC project costs; and as well to implement additional initiatives, including the financial structure.

We will not comment projects independently. Of course, we have gave to you a guidance in terms of return of capital employed. Of course, if our Company doesn't have a well-balanced mix between different projects that could arise to a goal that we pretend to achieve, we will not succeed.

Nevertheless, you know that oil price, and since the gas will still be related with oil, which is the case in Mozambique taking in consideration the SPA that has been negotiated with the potential buyer, oil prices, as I always mention, is a key - also is a key variable to take the final investment decision. But before doing that, we have room space to improve, and to improve mainly the costs.

All in all, we will take the decision based in our portfolio basket, and take in consideration that Mozambique will play an important role, but looking to the profitability and the break-even cost that we will have.

So we will not give any guidance on the assumptions it will take so far, but we think that you have to take in consideration that the target that we aim had to achieve in terms of return on capital employed.

In what relates to the CapEx, as Filipe has mentioned, it is over there. So it's outside a rolling, and it's still in our CapEx structure. The financing structure of Mozambican project has to be addressed independently.

In the case of Coral, we pretend to establish the project finance approach based in a weight of debt to equity that is still to be addressed, but could be - should be as standard as they are those kind of projects. I would say that a classic and standard one is 30% - a 70%/30% ratio.

And in the case of the Mamba, it's still too early to speak about that. That's - it's too - there's a lot of work to do before that, and I think 2016 will be an important year to mature Mamba project.

I think in 2017, we will be in a much better position to address Mamba project, which is by the way, and I would like to reemphasize that, the anchor of Mozambique development. So we are addressing the FLNGs, which is to fastening the Mozambican gas, but only the competitive projects.

We have the good and the bad experiences around the world. Therefore, we are committed to follow the good ones. And I think looking to America is one that is putting a positive pressure for taking the FID in these projects.

Pedro Dias, Head of Strategy and Investor Relations

Some over there, on this table.

Haythem Rashed, Morgan Stanley

Haythem Rashed, Morgan Stanley. Two questions from my side, please. Firstly, if I could just go back to the chart around the downstream EBITDA expectations over the plan period, and just if you could talk us through a little bit about how you're thinking about the different components.

In particular, with regards to, say, if we take the R&M to begin with, marketing, how big is that? How stable is that going forward? Are you making any assumptions about economic growth in Iberia? How does that look going forward? Just to get a sense of how conservative or optimistic the assumptions there are.

And then secondly, on the gas and power EUR350 million there or thereabouts of EBITDA, again, just to understand the LNG arbitrage opportunities, as you highlighted, have diminished recently. How conservative is that going forward? Are you assuming that is entirely replaced by moving - selling more from the hubs, or is there still something within that guidance going forward? That would be very helpful.

And my second question is relating both to your remuneration policy, the dividend policy, but also monetizing assets going forward. Again, it's just to get a bit more of a sense from you about how you're thinking about monetizing, crystallizing value going forward.

Clearly, the M&A market at the moment is more challenging. But as we role forward through this plan period, do you have very clear views/expectations of how you want to - where you want to end up with your various - with the various projects you have in terms of equity stakes in those projects?

And then also, when it comes to the dividend, and a slightly different question, but the EUR0.50, is that a floor for you? Is it something that actually there is some flexibility around? Just to get a sense on that. Thank you.

Carlos Gomes da Silva, CEO

Thank you. I will start with your second question, because I think that's something that everyone is - time to time is asking to us and is addressing to us.

What we have done by building our business case going forward, it was precisely keep our base case scenario in terms of dividend policy as a flat one. When I'm saying, and when we were saying, that once we will get more flexibility we can consider that in an annual basis, that should be the case, and should be the case upwards and downwards. But our base case, I would say, is EUR0.50 per [share].

And that's it, so there's no more complexity in the process. So for 2016, we still have that policy in practice. Let's see how it will happen in 2016 and we - and you all know that 2016 will be a challenging year for the industry and also for ourselves. Our investment program is still strong and which will imply an important investment effort in our upstream activities.

As the ramp-up of our projects in Brazil are coming to the spotlight, we will be more - with more flexibility. We will use that flexibility to reinvest or to optimize our position in terms of our benchmark, in terms of [distribution] to the shareholders.

In what relates to downstream businesses, and starting by refining and marketing that. In our business plan, they are quite steady; they are stable.

We have been relatively conservative in terms of Iberian demand growth. One can consider that if the oil prices remain relatively low, the demand has room space to increase. Therefore, there is room space for the marketing division to improve their results, independently of the ambitions, and the problems, and the initiatives that we are implementing on putting the digital agenda on deepening our relationship with consumers.

That's what we are doing on energizing our brand. But we are being prudent, not conservative, prudent in terms of going forward forecasts, demand growth.

Refining, it will stay steadily, I would say. What it will increase in refining, up to the end of the decade, it is the cost driven initiatives that Filipe has explained. There's several of them, and we are achieving each by one - one by one.

The small initiatives with small or minor investment effort, in order to increase our conversion capacity. By example, I can give you one or two examples that could give you a color on this.

What we are trying to do is using existing units, operating them, in order to extract values with more value, converting for instance, and this authorization unit in a mild iron ore cracker, which is with minor investments, a possibility that we can increase the conversion capacity of our refining system, without putting too much money in the system.

So they are small or minor investments, that will not require too much CapEx, but it is that with lower costs and higher conversion capacity and lower energy consumption, that we will increase our refinery margins.

Therefore, what you can count is having lower costs and, at the same time, higher refining margins, which we are estimated to achieve around $1 per barrel, by the end of this decade, additional.

Ah there's - I'm sorry there's one point that has to do with LNG and the gas. I'm sorry, I was forgetting that.

We should keep in consideration, that as we have several times explained to you, we have played with arbitrage opportunities in the past. There are still in force several contracts, with duration that [yields] up to 2017 and 2018.

So for the next three years, we have captured - we can say frozen that margins that, of course, are depending on the oil prices, because the inclinations of the curve between, the relation between oil and gas, as a difference, if we are in a small part of the oil price is running higher part. But the margin is basically the same, and we have captured that.

On top of that, we have start to rebuild our approach to the LNG activities, and mainly to the hub operations. So as I mentioned to you, our gas trading team has start to play in the European hubs. We have sold above 1.2 bcms in 2015.

We will stay acting taking positions on different hubs in France, in Belgium, in Holland. We will keep doing that, taking the advantages that the market is offering. But, at same time, and the ambition that we have put off having additional 2 bcms, has not been considered in our business plan.

So that is on top, and we will work on that by resizing, at same time, our gas sourcing, because we should keep in mind that our four gas – supplier gas contracts will start to end up by the end of this decade.

I think this is - I don't know if I should call it the right moment, but it's certainly a good moment to review those long-term contracts. They are contracts to 20 years. Therefore, I think there's room space for that.

Thomas Adolff, Credit Suisse

Thomas Adolff, Credit Suisse; a few questions. I want to go back to the question on shareholder distribution versus reinvestment. I want to stick to the base case, because you like to talk about the base case.

In your base case, in 2020, your net debt EBITDA ratio will be below 1 times; and that doesn't take into account lower day rates, extended plateau, and a faster ramp up.

So with such a good balance sheet, I don't quite understand why you're freezing your dividend at EUR0.50 per share, unless you have a view on inorganic opportunities. Inorganic opportunities, I'd be interested in this, what do you see in Brazil? Because there are still changes happening, and potentially opportunities to add more acreage.

The second question I guess, is on Brazilian operations, and you talked about mitigation efforts. Some of the mitigation efforts you've highlighted, you've talked about already, last year.

So I wanted to know what you're considering right now. Are you still comfortable with the shipyard at Semco Marine, because that has been a bit of uncertainty?

And maybe if you can comment on the Rio de Janeiro taxes and what progress you're making there as well. Thank you very much.

Carlos Gomes da Silva, CEO

Thank you, Thomas. I will start for saying that we are not frozen or freezing our dividends. We are being prudent, so our base case is basically the one that will serve better the Company.

You're right, sir, we have - once we will have more flexibility in our balance sheet, we will be more owner of our destiny. Our industry by definition, is not too much in depth, so it's - I think the industry, as a whole, is quite conservative on that purpose. But after - I would say after becoming free cash flow positive, we will be more flexibility.

At the same time, yes, you are absolutely right, we will continue to screening market opportunities for inorganic growth. Even though we are confident that we have fantastic asset-based projects in our Company, with an enormous room space to unlock value.

Therefore, I would say that you should not use - one should not use the freeze or frozen the dividend policy. It's gaining flexibility with the time, and being prudent.

In relation to the tax in Brazil, and I will pass to Thore, the second part of the question related with the shipyards in Rio de Janeiro.

So that taxes in Brazil, so it's - I think it's quite known by everyone; it's an intention that is a replay of Noel tax that has been launched in 2003.

We are in a situation, or Brazil is in a situation that is dramatic in financial ways. Therefore, the state of Rio de Janeiro, [almost] they are trying to get the support of the union.

That said, what we have to do is what we are obliged. So through the association that we belong, IBP, we have asked to the Supreme Court of Law, to cancel the law. At same time, we have made an injunction, together with the industry partners, in the first court, in order to guarantee that that law will not taking force.

So I think Brazil in the other side, and putting more positive approach on Brazil, because in average, we tend to see only the glass half empty. There are good and positive signs that are coming also from the union. So from the central Government in Brazil, namely in what relates to the simplification of the rules of the unitization and the local content, from one side.

And the other side, for the extension of the contract life for those licenses that [have] been awarded up to the 10th bid round, which is the case of most of our assets.

Therefore, I think we have a balance that is different between the signs that we are getting from the Government of Brazil, as a whole, and what is going on in terms of a single state among the union.

But I'd like Thore to elaborate more in Rio de Janeiro [GPRs] on the projects.

Thore E. Kristiansen, COO E&P

In particular when it comes to then the replicants and, I would just really like to re-emphasize what I said in my speech, is that the overall message to you guys today is that this year we're feeling more confident with the delivery schedule that we presented, than we did last year. Risk has been reduced.

However, of course, we are not out of the wilderness and the doldrums. It requires a daily presence and a daily supervision to make sure there's no progressing.

But those five mitigating actions, that I mentioned, where four are implemented, is really making a difference. I think it's also important for us to highlight, in this forum as well, that there has been a lot of negativism regarding Brazil and how the performance has been.

However, we are forgetting that shipyards like BrasFELS, like Ferrostaal is really, really performing very well. So, I think what you will see from this process is that there will be some clear winners, and then some that were not able to live up to the challenges they were facing.

The actions that has then been taken in order to make sure that the risks are being spread, part of the tasks has been moved out of Brazil to China, to Thailand.

I think it's a very sensible way of doing - handling the risks associated with this, in order to ensure the delivery plan that we now have on our boards.

The delivery plan that we have, and as we see it today, we feel is quite robust and we have a very high level of visibility and transparency when it comes to delivery of the - particularly the first five replicants. The sixth replicant, which is the one that comes the last, is of course the last one to come, and we have, on the other hand, several years in order to work, in order to find the appropriate measures in that respect.

Pedro Dias, Head of Strategy and Investor Relations

On the second row, there.

Michael Alsford, Citi

Michael Alsford, Citi. I've got a couple of questions, if I could, on the upstream. You mention a few times in your presentation around building out your operating capability. Perhaps could you give us a bit of an understanding on where you are in that process? Say, for example, on percentage of work done, i.e., where are you on a percentage basis of getting to that capability, perhaps maybe on a time basis?

I think it's important to understand this in regards to perhaps trying to accelerate some of your unsanctioned projects, which are perhaps not as core to the operator.

And then just secondly on the contingent resources. It was a larger decrease than I would have expected; it was around 300 million barrels. I know some of it was obviously booked into 2P, but could you perhaps give us a bit more granularity as to what was the moving parts behind that? Thank you.

Thore E. Kristiansen, COO E&P

Would you like me to take that? Yes. Thank you very much. When it comes to the operating capabilities, for us this is a very gradual process. I think in Galp, which is quite new players on the E&P front, this is something about learning to walk before we run.

That's why we're starting very much now to focus on the early phases, i.e., in the exploration phase. That's where we now would like to assume greater responsibility, and where the position that we took in Sao Tome is an example of that; we take it in the exploration phase.

What our chief ambition there is going to be now is then to mature up an opportunity and then we see how we manage the risk. We are doing, actually, exactly the same now in Namibia in order to try to secure a large acreage, mature opportunities, and then see how can we then manage risk by perhaps farming down, which, by the way, were the example that we did in Portugal when we came to taking the position in the Alentejo farming down, getting in [idle] carriers.

So, it is stepwise. We do it by building organizational capabilities, so the way we recruit and the way we bring in people. We have now 16 different nationalities in our E&P organization, and where we typically have taken in quite a bit of senior, international players, and they work very closely together with, what I would say, very, very capable, local Portuguese engineers.

It's one of my biggest positive surprises by coming to Galp, has been to see the quality of the engineering core there is in that country. What we typically have done, and which Galp had done over many years, has been to recruit these very strong civil engineer, chemical engineer, physical engineers.

And then we have a strategic alliance with the Heriot-Watt University where we give them a master's degree in petroleum engineering on top. The collaboration between the two is starting to bring also significant competences and quality in the core of the E&P team.

But this is a gradual process, and we are not there. We are not going to take over Jupiter tomorrow and say that Galp will operate Jupiter tomorrow. I'm sure that Carlos would not allow me to do that, even though I know from my previous company, there's a lot of engineer that really would like to put their teeth into that challenge.

It's a fantastic asset, but we need then to find a really good operator for it. We can put on top of this agenda, and then wake up every morning thinking about how to de-risk that. It's a huge opportunity and I think that that will happen one day; when that day will be remains to be seen.

When it comes to the continued resources; the three key reasons for the reduction is, as I mentioned, our relinquishment of BM-S-21. The fact that we have matured Lula/Iracema resources into reserves, and the fact that we have delivered a development plan for Iara.

However, as you very correctly have spotted, it is also the fact that when we delivered that plan of development for Iara, we focus on the exploitable areas of Iara.

The exploitable area of Iara, as we see it today, is mainly in Berbigao and in Atapu, while the Sururu area is a much tighter reservoir, and which is also one of the reasons why the resources is not being converted on a one-to-one basis from resources into reserve, so that is also part of it.

But it's also, as I alluded to in my speech, that over time I think you will see that there will be more expectation of Iara as we're de-risking it. But we need to de-risk Iara more in order to understand how

Pedro Dias, Head of Strategy and Investor Relations

The gentleman on the left, on the second row.

Henri Patricot , UBS

Henri Patricot from UBS. Another two questions on the upstream. The first one on your production guidance, by 2020 get to a range of 20%/25%. So I was wondering what drives the difference. Is it mainly the (inaudible), the unitization of Lula/Iracema and Iara? Or is there another reason why you would be towards the lower end of that range or towards the upper end?

And secondly, I just wanted to ask if there's been any impact from the added change in your partners in Brazil from BG to Shell, or is it a bit too early to say? Thank you.

Carlos Gomes da Silva, CEO

Thank you, Henri. I will start to answer your question. I will pass the operational activity for Thore, because I think he's better to have in the first person's speech the relationship with our partners.

In relation to the unitization of Lula/Iracema and mainly Lula and South of Lula, we have consider that, as per January 1, 2016, even though it hasn't happened already. So, the production profile that you see has taken in consideration already that even though it hasn't happened up today.

Iara will come only after the unitization of Lula is completed. So, it will take time. I think during 2016 we will see that coming to the table, and potentially by the end of the year or in the next year we will have that.

In relation to the coming of Shell to the position of BG, so just a general statement on that relation. Shell is amongst the world-classed operators in our industry. So it's always important to see that when well-experienced, also deep off-shore company is coming and stepping back in Brazil. That will improve the competences that are required to developer Brazil.

Of course, we have to take a word to BG team that have worked with us in the last couple of years and they are fantastic people. They are well-skilled professionals with high standards also.

We have teamed very well together with Petrobras, but having Shell, I think it is an improvement that Brazil, as a whole, will experience in the next couple of years.

But I will let also Thore to complement if anything additional.

Thore E. Kristiansen, COO E&P

I think you have basically, but what we commit to you and I know that you will remember is that we are committing to this 25% to 30% compounded annual growth rate. That's what we feel is a prudent measure for you to have as an indicator where we're going to go.

Then we have to understand there is a risk associated with this business. Typically, what I look at is that on a good day, I can improve my regularity and production performance with perhaps 1 or 2 percentage points, but I can go to zero when the unit is falling out.

So we have to realized there are also uncertainties with respect to this, and we are trying to give you a prudent measure on what is the growth rate to be the base that when we are using the base on our business plan and what you should use in order to factor in when you are trying to predict what we are going to do in the future.

Then, we also very much would like to make sure that we are always over-delivering and under-promising. So I hope that we can stand behind that and that is that you see there is validity in this plan.

I think what Galp as a Company try to portray is that we are a prudent Company that is not inflating its numbers in any ways.

Carlos Gomes da Silva, CEO

And, Thore, if you allow me just to complement. This is only based on the sanction projects. So there is room space to go ahead not only by extracting more value from the sanctioned projects and as well, to the projects that has to be sanctioned. So we have to take that very clear to you. Thank you. Thank you, Thore.

Pedro Dias, Head of Strategy and Investor Relations

Gentleman there, over there.

Matt Lofting, Nomura

Matt Lofting, Nomura. Two questions if I could please. Firstly, the - looking at your free cash flow profile, on the base case, crossing over in 2018 at $55 oil assumption in that year. If I recall rightly, 12 months ago, the profile was essentially the same, but you were assuming $75 oil in that year.

Many of the moving parts are evident in terms of CapEx reduction, efficiency gains, FX, etc., but could you just quantify some of those moving parts a bit more specifically in terms of the offsets that they're providing?

And then secondly, on the downstream, the efficiency or cost reduction target has increased from EUR100 million to EUR150 million. I guess you've already delivered EUR80 million of that last year, though. I just wonder whether EUR150 million is really the full extent of the upside, or is there a risk that you're underestimating or underappreciating the real extent of that upside given how much you've already delivered over the last 12 months? Thanks.

Carlos Gomes da Silva, CEO

Thank you. I will take the second part of your question. I will let Filipe to answer to you about the free cash flow profile.

The ambitions that we put to ourselves, it depends the momentum and how lean the operations that we are running are. In the industry, we have a reference benchmark that gives us a flavor where we are in terms of costs relative position and we use that for - in a certain way for fine-tuning the way we approach in terms of costs.

Looking through the Solomon benchmark, we see that in most of the cost indicators, we are the best in class. So, if you look, for instance, maintenance-wise, we are having the lowest costs per EDC, so equivalent distillation capacity, which means that considering a similar complexity refining system, we are top quartile in terms of maintenance cost, and that happens across the board.

The one that we are not achieving, like the top of the industry, is the energy efficiency and that's where we have to put our effort. So most of the effort that we are doing is in relation to the energy intensity index.

Let me tell you, that has to do with the infrastructure, the basic - the way that the refining system has been designed. We are adapting it in order to guarantee that we'll improve it, in terms of energy to the levels of the efficiency that we can extract more value.

Amongst those EUR150 million, they are the energy consumption costs. So if you ask me if there's no room space to improve, there are always room space to improve. That's the reason why we have not still end up with one program and we have already established another one.

So this is a circle exercise that you can count on us to do it every single year, every single month, so it's - but energy costs is the aiming that we would like to address.

So, Filipe, I will pass you the cash - the free cash flow profile.

Filipe Silva, CFO

See, Matt, it makes the whole difference, the quality of the assets that you have when you look at free cash flows. So if you have say a $50 break-even price and Brent goes to $40, you are bleeding big time. If you're $30, you're not making as much money as we were expecting last year, but we're still generating cash even with very, very low Brent prices. So that's rule number one. It's not as good, but it's still generating cash.

You will have seen as well that our CapEx has shifted slightly to the right. Hence, and also our key message for today, integration is not theoretical. You see how much value gets captured by the refining system and taxation in the legacy assets is normal taxation for a normal corporate in Europe, whilst the E&P that is taking the blunt of the Brent reduction, the E&P business is typically heavily taxed; now, 50% is normal.

So as free cash flows, you're looking at the free cash flow line, it's free of tax. So as Brent goes down, the proportion of taxation that is saved mitigates our sensibility to Brent.

Bruno Silva, BPI

I would start with a question related with the 3E's in your strategy. I appreciate the simplicity of it and I'm sure it will be very effective.

Focusing on the explore and portfolio management, there have been some questions about that, and I will put it also very simply, which is we are in a world with a very low, or at least low oil prices - oil and gas prices and, at the same time, with very low interest rates.

So in a way and looking at your willingness to tackle opportunities, particularly in the upstream, it's clearly - it's the timing, could be the timing for adding new assets there. But at the same time, with low interest rates, it's also an opportunity for selling interest rate sensitive assets.

So I guess someone has already touched a little bit on that point, so I'd like to understand how you are analyzing that timing, so selling interest rate-sensitive assets, like the regulated gas business and reinvesting in upstream, or you are more focused on waiting for free cash flow positive to take such decisions?

The final one, still related with this E, the explore, is there an innovation committee directly responding to the CEO? And how are you managing and what is the assessment in terms of potential of the non-fuel offer in the downstream business? Are you working with Sonae on that or are you considering alternative routes? Thank you very much.

Carlos Gomes da Silva, CEO

Thank you, Bruno, for your three questions. So starting for the first E, and I appreciate the way you qualify, because when we speak about strategy, we can make some volumes of strategy, but it's hard to explain it in a (inaudible).

Even more difficult is to execute that strategy. And it is precisely to simplify the way we think strategy and to go straightforward the way we execute that I think it is the difference. When I were referring to our people, it's not by - because it's beautiful to say that.

You have listened to Thore speaking about the competences and the capacities and the engagement that we have within our Company, and that is the anchors for the future.

But going back to the explore and, namely, with the investment of the possibility of the invested or deployed capital to our parts, I would say that as long as it creates value for the shareholders, we will be always screening the opportunities. The regulated assets are, I would say, in a position that is more a seller's market than a buyer's market. The interest rates are quite low.

It's our obligation to analyze, in a continuous base, opportunities to frozen and to create value for the shareholders.

We are not stressed, luckily. So we don't have no need. Our plan I think it is prudent enough to show that the resilience of our business model –the integration business model, is enough to pass these next two years or three years. But, of course, it's our obligation to keep that active approach

and portfolio management, and we will do it. I prefer not to comment on what's on that, because I think you get the point.

In relation to the innovation, and if there's any innovation committee reporting to the CEO. Yes, the investment and technology team is reporting to me directly, even though it's linked and is bridging with the business unit, namely and specifically with E&P team, which is where we are putting the major efforts and the major CapEx allocation - well, research and technology resources allocation.

We have important projects that are ongoing. I must remind to you all that we are - under the Brazilian licenses, we are obliged to invest 1% of our revenues. Therefore, we are getting - we are capturing that investment in order to center it and to concentrate it in projects that could extract value from our existing assets.

One of the examples that I can give you, in order to be more precise and to give you the sensitivity, is one project that we are working in big data. It's what we call the cognitive material sciences.

What we are basically doing is trying to get knowledge from the existing reservoirs and computing that data, in order to guarantee that the probability of success in future appraisal campaigns will increase. So it's an important project where we are putting some dollars. It's one of the examples of the investments that we are doing.

In terms of our non-fuel offer, yes, Sonae is one of the examples of the anchor values that Galp has, which is partnership. So everywhere we go, and in any business we are, we are always together with someone. So we are partnering elsewhere across our business strain. Sonae is the leading retailer in Portugal. We take that advantage for the fact that we are cooperating in the non-oil business.

But let me tell you, our business model is completely independent from the one that Sonae is running. They are retailers. We are, what we call, the impulse and convenience business approach. Therefore, it's completely different.

We have [Tiago] that has joined us last year. He's, well, experiencing the retail business has almost 30 years on doing the same that's Sonae is doing. I think now with his experience and the way we are approaching we are elevating to the next level the non-oil business activity in our Company. And it is one of the levers for the future growth of the downstream business. Thank you.

Pedro Dias, Head of Strategy and Investor Relations

I think we have time for just two more questions. The gentleman over there, on the table near you.

Tom Robinson, Deutsche Bank

Tom Robinson, Deutsche Bank. I've got three brief questions, the first one on strategy. Carlos, I think you mentioned a gradual increase in the gas weighting across a portfolio, be that equity volumes coming in or the ambition to increase gas sourcing. Can you just talk a bit more broadly about the opportunity you see in gas and how its returns compare versus the more oily part of your portfolio? That's the first one.

Second one on fiscal terms, could you just quantify the improvement in Block 32 economics under the new fiscal terms?

And then the third one on rig contracts, it would be helpful to understand, if you could give us a sense, how the renegotiation process is progressing. Whether or not you can quantify that in terms of number of rigs on older terms and number of rigs on new terms. If you could that would be helpful.

Thank you.

Carlos Gomes da Silva, CEO

So let's try to split the answers in three. I will take the first; Filipe the second; and I will let - Thore the third one. So a perfect team work.

Yes, you capture quite well the emphasis that I've put on the gas and power business, in terms of being acting across the supply chain. There's still one room space to expand our activities out of Iberia. You should keep in mind that we are already equity producers in Brazil. For the time being, the gas that we are producing and our equity gas is part of the way we are paying for using the sea pipelines to evacuate the gas from our production units.

But with time we will take access to that gas, and we will have the opportunity to use - not only to monetize, in the terms that we are doing today, but to commercialize and distribute it. We are looking above and seeing how in a strategy the gas to power to come more integrated, and to expand our activities outside of Iberia. So if we will stay just focused on Iberia, we will reduce our relative importance in the future.

So once we will have Iberia consolidated, and once we will have access to equity gas, and once we will have opening the capacity to taking different options to reinvest the resources that we are getting from the other activities, we will be more well positioned to expand that activities.

That has to be - or you will be not only in Iberia, but also in the countries where we are already present, but in others where we can be in the future. We are looking to LatAm, to Latin America, and also looking to Europe, just a starting point.

With the gas to power, this gas-to-power strategy that is important and gives flexibility in terms of primary energy generation, which is another thing that I have mentioned; it is we are focused on primary energy, and that means that we have to go to the fundamentals of the production.

Filipe?

Thore E. Kristiansen, COO E&P

I think we agree that the CFO let the engineer address also the fiscal terms, actually; let's see how that goes. When it comes to Angola, I think it would be indiscrete for me to go too much in detail.

But the general principle is that the renegotiating of the PSA terms is so that the level of cost oil that can be assumed at the low oil price has been increased, which is the key effect that comes out of this where it's that this product will be much more robust at low oil-price levels.

For those of you that know the PSAs in Angola, you know they are linked to the return on investment, the IRR, which means that, at the lower IRR level, you are going now to be allowed to deduct more cost oil.

We had before a 55%, which was the average level for the cost oil. In the new terms, we can go up to 77.5% on the cost oil that can be deducted at a lower level.

So I think, that's the level of detail that I would like to go into without giving you too much.

When it comes to rigs. I can say on the one, on the global basis all rig contracts are now being challenged. In Brazil, in particular in Lula/Iracema where we have eight rigs that is now permanently operating, two of them we have just taken in on revised terms.

The six remainder remains, continues to be negotiated between the consortium and the rig owners, in order to agree on new terms and conditions. So there is still quite a bit of job to do in order to adjust to the current market situation.

Let me just give you one example, not that being - that way you can generalize this, but it gives you an example of where the market is moving. When we first looked for a rig for drilling in the Alentejo basin in Portugal, we were indicated rig rates 12 months ago; that was in the order of around $560,000 per day.

Now we are looking at the indication of rig rates that are $265,000/$270,000 for the same - basically the same type of vessels. So we see that the market is moving and there is really an opportunity to optimize and improve on the cost side on this side.

Tom Robinson, Deutsche Bank

Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Last question please; the gentleman over there near you.

Marc Kofler, Jefferies

Marc Kofler, Jefferies. Just wanted to follow on, on the rig question from just now. If we look at the break-even on the sanction projects, you talked about $27 a barrel for the most updated estimate, as we see more of those rig contracts get negotiated in Brazil over the foreseeable future. At the same time, Coral presumably is going to be considered a sanction project.

I suppose really what I was trying to think about is how that line moves 12 months from now and given the expectations around drilling rates, is bit foreseeable as of today to expect that line to be lower, this time next year?

And then secondly, just on the 2016 production guidance, I fully accept that prudence is absolutely the right way to go in this type of environment. I was just wondering if you could just talk about contingencies, as well as some of the expected unitization effects for this year? Thanks.

Carlos Gomes da Silva, CEO

Would you like to take that, Thore?

Thore E. Kristiansen, COO E&P

Sure, okay. I think it will not be prudent by us to speculate how far down the break-even price can go from now and 12 months' time, because there are so many factors that is going to play into that equation. You mentioned a few of them, including how successful are we going to be able to renegotiate the rig contracts; and the rig contracts only being part of it.

All service contracts are now being scrutinized, in order to see where we can find an improvement. So you have that on the one side.

And on the other side, of course, it will be a factor also with respect to what sort of projects will Galp sanction over the next 12 months.

What I can reassure you is that there is a broad alignment in the Board that Galp will only sanction projects that we really believe is long-term value creating under the price assumptions that Filipe has just shared with you earlier today. We will stay very focused and very disciplined in how we are spending the capital.

So I think overall you should expect that we will continue to add value in a meaningful way for our shareholders.

When it comes to our production guidance for 2016, where we have said that we expect, you should expect that we can grow our production between 35% and 40%, that assumes that there will be unitization of Lula/Iracema as of the January, 1 this year. We are now on March, 15 and it still has not happened, so that should give some room.

But we do not know today when this unitization will happen. We have given all the information needed to the Brazilian Government. Now, it is to the Brazilian Government to decide when will be the timing when this will be [assumed]. So I will not speculate any more on that just being open and transparent with you that in our guidance we expect that unitization that took place from the January, 1.

When it comes to the other unitization processes, it is also too early to speculate when they will be effective.

I have indicated today in the presentation that we are in a unitization process when it comes to Sepia and Sepia [East], i.e., what we have between BM-S-24 and Sepia, that will be a unitization process that will take place. There will be a unitization process going on for Iara. Eventually, there will be a unitization process also taking place for Carcara. But to speculate on the results of these, I think will not be correct at this stage.

Marc Kofler, Jefferies

Thank you.

Pedro Dias, Head of Strategy and Investor Relations

I think we are given two more - time for two more questions. The gentleman close to you.

Joshua Stone, Barclays

Joshua Stone, Barclays. Two questions. One, could you talk about the, your expectations for maintenance in Brazil, replacement of kits? I seem to remember one time that risers had a life of three years, has that now been extended and how readily do you expect to have to take down the FPSOs?

Second question on the downstream conversion. Can you, when do you expect to start doing that and will it be done just during normal maintenance cycles? Thanks.

Carlos Gomes da Silva, CEO

I will take the second one, I will pass to Thore the first.

So the conversion that we have spoken about is to be achieved after 2019, it is progressively and we will take the opportunity of having small shutdowns in (inaudible) refinery to implement them.

The goal that we aim to achieve has been approached by Filipe. So with these minor investments we would like to go to - to [work] to $1 additional per barrel, so basically we will position ourselves.

Thore?

Thore E. Kristiansen, COO E&P

And when it comes to the right and replacement, on average and in general today, that would only happen every 15 years. But I think what you are referring to was that for the initial pilot there was a rise through used that was not fully qualified and then, therefore, needed to be replaced earlier on.

But now with the experience and with the competences that are now on average the current expectation is that the risers needs to be replaced on a 15-year basis.

Carlos Gomes da Silva, CEO

Once you take in consideration that is the first unit was a pilot one and it's still working.

It's important to retain the numbers under the names of the things across the lifetime, it's pilot one. And there's a lot of things that has been, to be adjusted. The tests that we are promoting in Brazil in pilots, so in (inaudible) and (inaudible) they are absolutely amazing.

The experience that, with the plateau durations on the infill drilling, so experiences, so everything has to do with that unit and we should take that in consideration. The designed engineering was based on unknown field circumstances that has to be adapted across the times. But good question.

Pedro Dias, Head of Strategy and Investor Relations

Just time for one more question. Gentleman over there.

Edward Pybus, Exane BNP Paribas

Edward Pybus, Exane BNP Paribas; just two questions if I may.

Firstly, in relation to the downstream obviously, at the moment, we're seeing a weaker refining margin environment. So just wondering in your expectations for downstream in the coming year. How do you expect that contribution from refining to compare to say the runway we saw in Q4?

And then secondly in relation to the upstream, in terms of the CapEx, you're achieving some very substantial cost savings at the moment. It seems that they're very much based in sustainable elements through, lots of efficiencies, like - since you're reducing drilling times.

But then I think about the cyclical elements essentially on your current oil price deck, which sees a reasonable oil price recovery. What are your expectations for how the more cyclical spending elements, essentially, how they re-inflate, along with the oil price, and how does that effect your free cash flow profile? Thank you.

Carlos Gomes da Silva, CEO

I will take the margins up to - so the year to date margins that we have, it's around $3 per barrel. We should also take in consideration for 2016, we have hedged approximately 30% of our refining margin, with a value that is above that, so it's slightly about $3.5 per barrel.

Currently, the benchmark margins are below that value so, we are really in a position that we have to rebalance and to see how the market will work in the future. But for the time being, I think, we have been current on keeping our hedging approach, for one side. We will see if the prices, if the oil prices will recover, I would think that the things will be one, and if not could be different, but it's too early to speculate on that.

So, Filipe, I will let you the CapEx?

Filipe Silva, CFO

Could you rephrase your question, I'm not sure if Carlos has already partially answered your question?

Edward Pybus, Exane BNP Paribas

Just in terms of your spending, in terms of your base case, like you've got a, like reasonable oil price recovery, so I just wonder, what your assumptions around the more cyclical elements of that upstream spending, in terms of how they increase, because generally they seem to move in line with the oil price and, ultimately how that effects your expectations for reaching free cash flow break-even?

Filipe Silva, CFO

As a base business, if you consider the business we're sitting in, we are already very cash flow positive post-dividend. So this is important, especially when you compare with some of our peers, that the - and on the core of our business is very cash flow positive.

The reason why as a Group we're still raising debt, or eating into our cash piles, it is because we're building - Galp is building a very large portfolio on top of the existing one.

These are projects without geology risk. We don't have to discover those. We're just executing assets, which we know are very economic under even the existing scenario. So, do make sure you understand what is Galp base case, and the Galp that we're building, and that's hence our negative figure flows for the next couple of years.

Edward Pybus, Exane BNP Paribas

Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Well thank you very much. Carlos.

Carlos Gomes da Silva, CEO

So I will take you for the final remarks that since we have expand our Q&A. So I will let you, just with the key message that I would like you take with you from the today's session.

So first of all, I would say that our growth profile that will also us to grow in the next couple of years of about between 25% and 30% per annum, in average. I think it is - that is outstanding in any terms within the industry.

The second one has to do with the world class quality of our assets, and that has been fully explained during the today's session and most of you are aware of that; that our Brazilian assets are real, the world first class. They are the priorities of development, in terms of what the operating is allocating their costs and it is also the priorities for Galp. They will make the difference in the growing story that Galp has.

At the same time, the business model that our Company has, and I think 2015 has been a good example, how the resilience and the integration of the different business contributions for the results of the Company are so important in so challenging times.

The fourth point, is the financial discipline, so most of the decisions and the guidance that we are giving to you, that we are providing to you, is precisely due to the fact that we are not being conservative as some are sometimes named or called us, but prudent.

We will keep doing that in order to guarantee that we'll be owners of our destiny. Having a solid balance sheet is the only way to be owners of our destiny.

And the last one, and is not the last, but is the most important one, is the value creation dividend approach that we have within our campaign. I think we have a simple strategy that has been in our industry and I would say is still it.

We have converted in simple action plans and I think the approach that we are doing, it's clear, transparent and easy to get. Of course, on top of that with the confidence that our people brings, and the commitment and the engagement that they have with developing the assets and the project of our Company. It's the way we will approach.

So I hope we have energizing you with our energy, because Galp that it is energy that is creating energy. I hope that it will be the way that we will perceive us. It's energizing you in order to be energizing by the society.

Thank you, and I hope to see you in the next year.

Thank you.

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