Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to Galp's Q2 2016 results conference call.

Joining me today is Carlos, who will start with our execution update and Filipe who will run you through our quarter results. At the end, we will be available for Q&A, for which Thore will join us as well.

I would like to take the opportunity to say that we may be making several forward-looking statements. Actual results may differ due to factors included in the cautionary statement at the beginning of our presentation.

I will now hand over to Carlos. Thank you.

Carlos Gomes da Silva, Chief Executive Officer (CEO)

Thank you Pedro.

Good morning to you all, and thank you for attending our call.

Although we are witnessing some improvements in the macro environment, Q2 was still a challenging quarter. Despite our resilient performance, Ebitda decreased 25% on a year-on-year analysis, to €337 m, on the back of lower refining margins and also oil prices.

I will start with a word on the macro environment that affected the Q2 results.

The price of crude has increased during the quarter, supported by the supply disruptions in regions such as North America, Libya, Venezuela as well as in Nigeria. And the average brent price was $16/bbl lower during the same period of last year with higher production from OPEC countries continuing to add to stockpiles.

Regarding refining margins, the build-up of product inventories led gasoline and middle distillate cracks to fall. Our benchmark refining margin has therefore decreased both year-on-year and quarter-on-quarter to $2.9/bbl.

In Iberia, the oil market increased about 2% in a year-on-year comparison, mainly due to a higher demand for diesel and jet, which to some extent was supported by higher tourism activity in Iberia. In what concerns the Natural Gas market, this region benefited from lower seasonal temperatures, which supported volumes sold for the retail and wholesale segment.

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Now a closer look at our operations this quarter, and I will start with E&P on slide number 6.

Our average working interest production was just below 55 thousand barrels [oil equivalent] per day (kboepd), of which 45 from in Brazil, slightly down QoQ. This was mainly due to maintenance works during April on two units in Brazil, as it was flagged during our last results call.

In Cidade Angra dos Reis, the 1st FPSO, we have experienced a stoppage for about 11 days in mid-April for turnaround maintenance. This was conducted safely and the unit rapidly ramped-up and is now running at plateau levels. Meanwhile, in May a new producer, the 6th one, was connected to this unit, which allows for better reservoir management of the Lula Pilot area and higher operational availability of the unit.

In Lula Northeast, in FPSO #2, we also had a stoppage for a couple of weeks during April to perform maintenance works, an activity which had previously been scheduled for later this year.

In the Iracema area, the connection of Cidade de Mangaratiba to the Cabiúnas pipeline was moved to the fourth quarter due to operational limitations. However, I must highlight that the unit continues to produce at plateau, so no expected relevant impact from this postponement.

As for FPSO #4, Cidade de Itaguaí, in the Iracema North area, the case is pretty different. The unit's production is still constrained due to gas handling. Therefore, the connection to the Cabiúnas pipeline has been prioritised for the course of the current quarter. Considering that five producer wells are already connected, and the high productivity in the area, this unit could reach full capacity as soon as the connection is completed later this quarter.

As for FPSO #5, Cidade de Maricá, which had started production last February, it is already producing over 90 thousand barrels [oil] per day (kbopd) through three producer wells, once again proving the excellent productivity of this reservoir.

And last, but certainly not least, we highlight the entrance of a new unit to our pre-salt fleet, the 6th one as planned, called Cidade de Saquarema, which started commercial production on July 8 in the Lula Central area. The unit is for the time being connected to its first producer, with flow rates currently averaging 30 kbopd. This is another milestone for Lula/Iracema project.

Still on Lula/Iracema, and in what concerns to efficiency improvements, we continue to see a reduction of drilling and completion times, which are now around 20% faster than the average time that we have reached in 2015, an important milestone for Galp's improvement in this project.

Crossing the South Atlantic, to our projects in Africa.

In Mozambique, the Area 4 consortium continues to work on optimising the EPCIC contract for the offshore FLNG Coral project, whilst also working on a financing solution and on finalising the offtake contract for the LNG. As for the onshore Mamba project, the EPC proposals continue to be reviewed.

In Angola, production increase from block 14k was not able to offset the shutdown of the Tômbua-Landana platform, impacted by the demobilisation of a rig. Regarding block 32 in Angola, drilling and completion of wells has been proceeding at good pace in Kaombo, as well as the construction works of the two FPSOs and subsea equipment.

So, despite the continued challenging environment for the upstream business, Galp is involved in the development of world class assets, and we have been able to deliver on these developments on schedule. As always, our team remains focused on execution of these challenging projects.

Moving on to the downstream business, on slide 8.

The hydrocracker unit has resumed operations after maintenance during Q1, and has contributed to a quarter-on-quarter increase in raw materials processed, despite the planned outage for maintenance in our Matosinhos refinery, involving the atmospheric distillation unit as well as the vacuum visbreaker unit.

We were able to achieve a premium over benchmark of around $1.7/bbl, as we continue to benefit from gasoline arbitrage opportunities in the United States.

The marketing of oil products activity contributed steadily to results, even though volumes sold decreased in a year-on-year basis, as we continue to optimise our portfolio of clients, concentrating our efforts on higher margin trading clients.

On the Gas & Power (G&P) side, again a resilient quarter, with our natural gas sourcing activities contributing to lowering our cost of gas during the period and offsetting the effect of lower volumes sold. Our gas marketing activities in Iberia were relatively stable, except for the decrease in the electrical segment on the back of a higher hydro-based power generation.

A final word about the partnership that we have announced yesterday regarding the natural gas infrastructure business.

Galp has reached an agreement for a long term partnership with a Japanese consortium led by Marubeni for Galp Gás Natural Distribuição, which we call GGND, our holding company for the regulated infrastructure businesses. After the completion of this transaction GGND will become an independent, ring-fenced and self-funded entity.

GGND, wholly owned by Galp Group, holds stakes in nine local distribution companies that offer the gas distribution infrastructure to all gas marketing operators.

As discussed in the past, this is quite a unique business within our portfolio, with completely different characteristics and risk profile. Under a historically low interest rate environment the market appetite for this kind of assets is high.

The partners will take a 22.5% stake and, together with Galp, will jointly control the business.

Two direct impacts that are worth highlighting: the deconsolidation of GGND from the Group accounts, and the second one is the establishment of conditions for this entity to fund its operations autonomously given the stable nature of its activity. Today this business is fully funded by Galp.

The deal involves the payment to Galp of €138 m relating to the equity stake and the repayment of exiting shareholder loans, that will be replaced by new debt to be raised by GGND. This will lead to a cash inflow to Galp of about €700 m. Considering the transaction price and outstanding liabilities, the deal has valued the business over €1.3 bn, equivalent to a premium over RAB of around 27%.

With this agreement Galp will crystalise value and gain additional financial flexibility to enhance its strategic growth options. Additionally, the partnership with Marubeni opens avenues to jointly explore and develop projects globally.

I will now pass you to Filipe, who will go over the financial overview.

Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Thank you Carlos and good morning.

I will start with the P&L on slide 11. In the second quarter, Group Ebitda was down 25% year-on-year, to €337 m. This decline was almost entirely driven by lower results from Refining & Marketing (R&M) and E&P [Exploration & Production], given the lower refining margins and lower oil prices.

E&P Ebitda was down 27%, to €86 m, with production growth insufficient to offset the much lower oil prices. Production costs this last quarter were also impacted by maintenance activities, and you will see at the back of the presentation that, on a unit basis, costs were also affected by the lower production levels quarter-on-quarter.

Refining & Marketing Ebitda was down 38%, to €143 m, this was of course versus a very strong Q2 last year when refining margins were particularly healthy.

On the other hand, G&P Ebitda was up 10% year-on-year to €97 m. This comes from sourcing optimisation and the normalisation of results from our Power activity.

Overall, you know that this challenging macro backdrop had, for the most part, been factored-in into our plan, so no real surprises here. We are actually increasingly confident on reaching the top end of our Ebitda guidance for the full year.

Below the Ebit line, you will see that financial results were actually positive by €15 m. This was driven by mark-to-market, i.e. potential gains in refining margin hedges, compared to market-to-market losses in Q2 last year.

Net income was €133 m on a RCA basis, whilst under IFRS, the bottom line was €66 m, and the difference between the two relates mainly to E&P impairments in Angola, partially compensated by a positive inventory effect of €31 m during the quarter.

On the next slide, capex of €287 m in the quarter was allocated mostly to development and production activities in E&P Brazil. We continue to expect full year capex to fall within our €1.1 bn to €1.3 bn range.

Slide 13 shows our cash-flow generation during the first six months of this year. Here you see how Galp before expansion capex, in projects like BM-S-11 and block 32, continues to generate positive free cash flow post-dividend, even during a most challenging macro backdrop.

Our summary balance sheet, on slide 14, already earmarks GGND, the gas infrastructure business, as Available for Sale, which leads the Group assets and liabilities to be netted-off of the respective GGND line items.

Net debt remained stable at about €2.5 bn despite the dividend payment made during the quarter. And, considering the balance of the loan to Sinopec as cash, the net debt to Ebitda ratio stood at 1.6x.

Our liquidity remains high, at around €2.7 bn, of which over €900 m in cash, undrawn credit lines of €1.2 bn, and the loan to Sinopec which is now down to under €600 m. And once GGND completes the raising of its own funding and repays its shareholder loans to Galp, the monies will be used to early retire most of Galp's outstanding debt maturing in 2017.

We are now taking your questions. Thank you.

Questions & Answers Session

Bruno Silva – BPI

Good morning everyone, it's actually Bruno Silva from BPI. The first question. Just wanted to go through the gas network deal, and I have some straightforward clarification requests, namely, what are the consequences of this deal, if any, to shareholder remuneration, how much dividends you expect from subsidiary on an annual basis, and whether or not are there any contingency on the price to be received regarding potential regulatory and tax developments in Portugal.

The second question also regarding this morning deal announced in Brazil by Statoil and Petrobras. Did Galp or does Galp have any tag-along rights? And related with the upstream in Brazil, could you please update us in terms of the ongoing discussions in the country on regulatory and tax side of it for the oil industry?

Thank you very much.

Carlos Gomes da Silva, CEO

Good morning Bruno, and thank you for your questions. I will take the second one in relation to Brazil, and Filipe will take care about the first one.

So in relation to the transaction that has been announced this morning, what we have to say about it is first that we think it is a positive transaction and a positive move in order to de-risk an important asset for Galp. And therefore, we welcome this transaction, and as we see that we have a promising future for BM-S-8, which is one of the important assets for Galp.

We always mention also that we will be part of the solution. Therefore, when you ask about the pre-emption rights or the tag-along rights – so there's no tag-along rights, there's a pre-emption right that is offered to the remaining partners but as mentioned before, we are confident this is a very good and positive step onwards to develop and to refocus the development of BM-S-8. And therefore, what Galp has is commitment on the development of BM-S-8 where we would like to be with a new partner. That seems to be the case.

Filipe Silva, CFO

Bruno, on the infrastructure transaction, so the impact to Galp from a cash flow perspective is that we will have effectively sold 22.5% of the dividend stream coming out of that business, if that is your question.

On the contingencies to the price, no. The transaction was agreed with Marubeni on the basis of a reference date. So the accounts have been audited so we're not expecting any changes to any of the items as of the reference date which was December 31 last year.

You may ask – so no regulatory impacts to us, if they come. We did protect, however, Marubeni in case the Galp Group were to be subject to the CESE or the tax on the energy sector. So this would be an adjustment to the price if and when we get there.

Is that what you were looking for, Bruno?

Bruno Silva – BPI

Yes. Thank you. Just a quick follow-up. With this deal, and cash in and the good prospects that you have in upstream, and so on, I remember from the Capital Markets Day that there was clearly scope for recovering the level of dividend during the strategic plan. I think this is a step in that direction.

Could we see that sooner rather than later?

Thank you.

Filipe Silva, CFO

What this does, so short short term, the cash proceeds will be used to retire debt, short short term. Clearly, we're not doing this transaction to retire debt, as you may imagine, so as always, we are always looking to redeploy resources into much higher-yielding assets if and when they come our way. So at this stage, that's all we can say of this.

Oswald Clint – Bernstein

Yes, thank you. Could I ask a question about refining and whether you're still seeing attractive gasoline arbitrage opportunities? What's your thinking about the state of the market as we go into the next couple of quarters? And also, your hedging position within this business, is it the same 30%? And is there any contango benefits that we had in the second quarter or would expect to see going into the third quarter as well, please?

And then the second question was just on the drilling and completion improvements, the 20% improvement there. But I think you're still sticking with your capex guidance for the year. Should that mean we could look at the lower end of that capex range, or the 20% was within your expectations?

Thank you.

Carlos Gomes da Silva, CEO

Good morning Oswald and thank you for your two questions.

So, in what concerns to refining, we are seeing there are still arbitrage opportunities for us, and that comes from the fact that our heavy grades are well appreciated to mix with the ethanol components in the United States market, and therefore, we are getting benefit of that. And we have improved our logistics facilities in order to be more efficient and to be more capable to have that as an opportunity market.

In what concerns to the hedging, in fact, we have hedged for 2016, as we have mentioned several times, about 30% of our annual throughput, which means about 2.5 million barrels (mmbbl) a month with $3.52/bbl. For next year, we have already implemented a hedging strategy of about 1 mmbbl per month at $3.33/bbl.

I must also to highlight that we have made some contango activities in order to benefit in the past two quarters that maturate during the year and will contribute to increase our results for this year. In the part of the capex guidance, I would say that we are getting benefits; we are optimising our investments. And I think if you were to look at the middle of the guidance that we have gave to you in the Capital Markets Day, I think it is a fair value to take as a consideration.

Thank you.

Oswald Clint – Bernstein

Thank you very much.

Mehdi Ennebati – Société Générale

Hi, good afternoon and thanks for taking my questions. Two questions. First on the Sinopec loan, could you just give us a quick update regarding the Sinopec loan and remind us the date for, the schedule for the reimbursement of the loan? Given that Sinopec is, let's say, hurt by a low oil price, is it possible that Petrogal Brasil extends that loan given that your subsidiary should be free cash flow positive from 2017?

And a question, a follow-up question on the refining margins. Can you please tell us what is the current benchmark margin and if you should be able to increase your premium in Q3 versus Q2?

Thank you.

Carlos Gomes da Silva, CEO

Good morning Mehdi and thank you for your questions. I will take the second one and Filipe will answer to you on the Sinopec loan.

So in what concerns the refining margin, so the present market benchmark is slightly above $2-$2.2/bbl, so it's what we have saw in the last few days or weeks. Going forward, what we are expecting for the coming future is that by the next two Qs, they will be slightly under-stressed, and we are forecasting a full year of about $3/bbl. So it's our annual forecast, which means that in the second half, we are not considering that the margins will fly.

Filipe.

Filipe Silva, CFO

Mehdi, the Sinopec loan – what's happening is what has been planned since 2012. Petrogal Brasil most likely will be free cash flow positive during 2017. At that stage, whatever the balance of the loan, if we see no use to the cash, then it's either distributed; and/or if we find opportunities to redeploy the funds into interesting assets, this will be a source of funding for us. But there is no relationship between that loan and the Sinopec issue that you have alluded to.

Mehdi Ennebati – Société Générale

Thank you

Thomas Adolff – Credit Suisse

Hi guys. A few questions, please. Filipe, I'm just looking at your Capital Markets Day slide on free cash flow, and it shows a bit of a 2016 a fairly large negative figure. And when we look at the first half of the year, you've almost – you know, you've pretty much been breaking even. So with higher production in the second half of the year as Brazil continues to ramp up, I wonder whether you can give an update on your free cash flow expectations for 2016 versus what you said at the Capital Markets Day.

And the second question on Brazil more specifically, I just wanted to get an update on the replicant FPSOs. Performance at the Chinese yard seems to be going pretty well, and I believe with that, the first five of the replicants have been pretty much de-risked. And I just wanted to know where we are on the sixth FPSO, what the issue there is, and what is being done.

And, sorry. I have another question, a final one. You have this partnership with Sinopec in Brazil and I wondered whether you're having any discussions to extend this partnership beyond what you have; and with that, whether Sinopec actually is in a position to invest further given the issues the Chinese have had in the past few years.

Thank you.

Carlos Gomes da Silva, CEO

Good morning Thomas and thank you for your questions. So I will take the last two and let Filipe give you the free cash flow guidance.

So, starting by the replicants, so, actually, we have end up our first milestone last July 8 on putting in our operation the first six leased units. And this is really important to highlight that we are delivering according to our plan.

Now we have another kind of challenge onwards, which is the replicants units that we have taken the decision to run by ourselves within the joint venture. So in the past, we have highlighted to you some delays. Last year, we have been capable, together with Petrobras and BG, and now Shell, to address all the critical paths that we have experienced for complying the schedule that we have for each independent replicant.

So actually, we continue dealing with some challenging issues related with financial situation of the contractors. As you correctly mentioned, a few of these units and some of the modules have been transferred to Asian shipyards, which allows the consortium to mitigate, and at the same time, to optimise the costs, the over-costs that we can have from this. So we keep them under control in terms of time and also in costs.

The one that as you correctly have highlighted is the sixth one, so the replicant number 6, that still is at risk, mainly due to the construction of the hull. But as you may be aware, according our plan, we have enough time, if it will be required, to let the consortium to decide to launch another tendering to get a new hull.

So all in all, I think we have to be concerned with the scheduling activities that we have onwards, and in due time, we will take that in our hands, emphasizing or highlighting that the critical pathing today is precisely Ecovix. So Ecovix is in a financial difficulty and, therefore, it's something that we are dealing within the consortium.

In relation with the partnership with Sinopec, the answer is yes. We regularly have good discussions with Sinopec in order to expand the partnership that we have implemented in 2012. We have a very good relationship within the Petrogal Brasil operation. And therefore, coming from that confidence and that wellness and trust relationship, it gives grounds for facing new projects. And mainly those that are in Brazil, we obviously always look at all of them together. So it's something that we continue to explore together, and if the opportunities arise, of course, we will take that in consideration.

Filipe.

Filipe Silva, CFO

Thomas, the guidance on free cash flow from CMD was almost €600 m negative. This was assuming Brent at $35/bbl, which you'll recall. Going forward, I think we should be doing better than that given where we stand today, but do bear in mind that Brent is not far of $40 today and we still have about 70% of our refining margin at risk, i.e. un-hedged. So it depends on what the refining margins will do.

We have been quite successful at tackling working capital management, but there's only so much more we can take from that. A word of caution that when you look at variations of our net debt that you do have the Sinopec loan reimbursements coming in. That's not a free cash flow. That's just a return of our money that is deposited with Sinopec. So do look at our free cash flows excluding monies coming back from Sinopec.

Joshua Stone – Barclays

Hi, good afternoon, it's Joshua Stone from Barclays. I've got two questions, please, on the upstream. Firstly, on the average realised sale price of $38, it's around a 20% discount to Brent. I know in previous quarters there are a few one-offs to do with lifting. Is that now what you would consider given the mix of production a normal level of realisation and one we should consider for the rest of the year?

And then secondly, on maintenance, there are a few planned shutdowns in the upstream. Are we done now, or is there more to expect?

Thanks.

Carlos Gomes da Silva, CEO

Hello Josh, good morning. I will take the first question, so the realisation price.

Yes. The answer is yes, we are considering the same for the rest of the year, but you should take in consideration that it's oil and gas. So, sometimes we are forgetting that inside of the realised price it's not only oil, it's oil and gas.

I will let to Thore to answer to the second part of the question.

Thore E. Kristiansen, COO E&P

Hi Josh. With respect to when it comes to the shutdowns, we have – there will be continuous maintenance going on also for the year. But what we have given you as forecast for the year, namely that we will reach an average increase in production of between 35% and 40%, remains the aim, and I think that should be the factor that you should factor in when you're estimating our annual production rate. It will be not correct for us to be more specific on that for now.

Joshua Stone – Barclays

Okay. Thank you.

Filipe Rosa – Haitong

Hi, good morning everyone. So, two questions from me as well. The first on unitisation in Brazil. So I think that your guidance in terms of output for this year already took into account the potential impact from unitisation. Could you just give us idea where we could have that impact incorporated into your output?

And my second question relates to an impairment that you have made in Angola close to €80 m. Could you just give us some details on what were the drivers for this and whether this could impact your outlook for production, either in the short term or in the long term?

Thank you very much.

Carlos Gomes da Silva, CEO

Hi, Filipe, good morning. So I will address these two questions, the first one to Thore, and the second one to Filipe.

Thore E. Kristiansen, COO E&P

So, Filipe, when it comes to unitisation, the situation remains as it has been communicated in our side before. We have delivered all the necessary materials/documentation to ANP, and it now remains with ANP to decide the timing on when they will then rule on it. So we have no further insight into this, but we have delivered what we have and are then expecting the ruling on their side.

Filipe Silva, CFO

Filipe, on the Angolan impairment, given where Brent prices are, we're not drilling in block 14. We have actually terminated, released a rig. So the impact long term, decline is likely to be a bit quicker than what we had expected had we continued to drill and to have this contract in place.

So we've done the NPVs of that decision, and it was a good decision taken by the operator. Now the value, the NPV then of our stake goes down because of that, hence the impairment.

Filipe Rosa – Haitong

Thank you.

Haythem Rashed – Morgan Stanley

Hi, good afternoon gentleman. Thank you for the presentation. Two questions from my side, please. Firstly, can I just go back to the partial sale of the regulated gas business, just two points on that. Firstly, does the sale change your tax position in Portugal? I recall in the past talking about how this asset offers you, the benefit that you have in Portugal with regards to tax credits, offers you a unique position there. Does this change in any way with the sale?

Second question on the gas transaction is if you could just talk a little bit about the rationale for selling a 22.5% stake; why it wasn't any more or less than that. I just note that your debt maturities or reimbursement profile for next year, I believe, is around €700 m of debt that matures. So I just wonder whether the sale was really entirely just to fund specifically the maturities on the debt side for next year, or whether there was something else related to the amount that was sold.

And the second question I had is just simply on Brazil and your exit rates for production, actually more at the Group level, but obviously mainly driven by Brazil. I appreciate you've reiterated a 35% to 40% growth rate guidance, but could you give us a sense of where you think production could end up at the end of this year. I know you're talking about 70 kboepd of production today, but if you can give us a sense of where that could be by end of year, that would be very helpful.

Thank you.

Carlos Gomes da Silva, CEO

Hi. Good morning, Haythem. I will take the second question and, actually, the first question, they are linked and Filipe will take care about that.

So given the guidance that has been already provided by Thore, so the 35% to 40%, I would say that we'll end up our exiting production in the high of 70s [kboepd]. So it's a reference that you can take for your calculations.

Filipe, for GGND, please.

Filipe Silva, CFO

Morning, Haythem. Yes. Your first two questions on GGND are inter-related. The answer is, no. This implies no change to the current tax position in Portugal.

The GGND divestment does not change the tax position of Galp in Portugal. And the reasons why we haven't sold 100% of this business is because the rate of remuneration that the regulator has granted us is at a historical low, and we think it's almost unfairly low, so we think that there is upside value for that business. And so we have sized the transactions exactly so that it would not affect the tax perimeter in Portugal.

So any read-across that this was pretty much sized according to our redemption profile of debt is incorrect. Galp could have, and can, issue debt directly in the market without doing this or any transaction and raise the funding through GGND.

Again, so it was sized so that we have a good partner and grow the business with us, and we keep the upside on 77% if and when the remuneration from the regulator goes back up.

Thank you.

Haythem Rashed – Morgan Stanley

Very clear. Thank you very much, Filipe.

Biraj Borkhataria – Royal Bank of Canada

Hi, its Biraj Borkhataria, RBC. A quick question on the G&P business, and particularly on the LNG trading side. I was slightly, probably surprised, to see earnings flat quarter-on-quarter for that segment, and I was wondering if you could talk about whether or not you're seeing continued opportunities for regional gas price arbitrage. Any color on that would be much appreciated.

Carlos Gomes da Silva, CEO

Hi. Good morning Biraj, and welcome. I think it is your first time, so it's appreciated.

Gas & Power LNG trading, I have to go back and to recall you some of the decision making that we have taken in the last past years that allows the Company to implement some medium-term contracts, benefiting of the capturing of the margins that were provided by the market on those times. Therefore, we are still living on the next couple of years, up to 2018 at least, with those medium-term contracts that will allow us to stabilise the trading activities in the gas business.

In what concerns additional arbitrage alternatives, as you are aware, the market is now closed, which means that when we compare the different price regions such as the United States, Europe, and as well the Asian markets, they are completely closed since the liquefaction, and the transport net back doesn't allow room space to have a trading activity in a large scale. Even though, if we search and if we are awake in the market, we can always find some minor opportunities, which is basically what we are doing.

Another point that also contributes for the optimisation that we have seen is the sourcing, and namely in a volatile Brent period, we always can play between the spot markets in terms of the flexibilities that we are considering in our supply baskets.

So these are the main two contributors for the optimisation. Thank you.

Biraj Borkhataria – Royal Bank of Canada

Thank you very much. Much appreciated.

Henri Patricot – UBS

Hello everyone, I just have one question left. On Mozambique, I've seen that they report that the Coral FLNG project is getting close to FID, so I was wondering how close the project is getting to your targeted returns given the ongoing discussions that you have with contractors at the moment.

Thank you.

Carlos Gomes da Silva, CEO

Henri, good morning. So we are still working in the optimisation of the EPCIC. The economics are still hard, especially in this oil price context. And therefore, it's something that we have been challenging all together and working closely with the operator in order to see if we can get an economic and profitable alternative solution for the Coral project.

But I must highlight and underline to you all that the structural and relevant project in Mozambique is really the Mamba project where we have made some positive progress in order to design and to prepare to have a decision on this project, hopefully by the end of next year. So that is the project where we have been more focused.

In Coral, it's still hard and the economics are challenging, especially during this Brent context that we are having.

Thank you.

Henri Patricot – UBS

Okay. Thank you, Carlos.

Marc Kofler – Jefferies

Hi, good afternoon everyone. Just one left from me for Carlos, please. Around the GGND transaction, you made a comment earlier around a future relationship with Marubeni. So I was just wondering if there was anything specific that was driving that comment and how you might envisage the relationship with them progressing in the future?

Carlos Gomes da Silva, CEO

Hi Marc, good morning. You are correct, that it opens the doors for future joint cooperation. There are no specific opportunities that have being already identified between the partners, but we are confident that we will find a joint project for future development, not only in Europe, but abroad in Asia, Africa or LatAm.

So we have to keep our minds open. I think it is another reputable, knowledgeable partner that opens grounds for expanding Galp's activities abroad.

So I think it is a very positive point to highlight. Thank you.

Marc Kofler – Jefferies

Great. Thank you.

Michael Alsford – Citigroup

Thank you for taking my question. I just got one question as well, please. Just back to the Carcará transaction that Statoil and Petrobras announced today. You're looking at the timeline for the development. Statoil also talks about a potential Declaration of Commerciality in 2018, that we know about, but not likely to see an FID before 2020, and then production not likely before mid-2020s. And I just wonder, you know the asset clearly better than they do, and I just wondered whether you thought that was a realistic timetable that we should think about as to when you see first oil from Carcará. I appreciate the deal maybe reduces the uncertainty with Petrobras looking to sell down, but that would suggest quite a long timeline to first oil. So perhaps you could maybe talk us through that.

And then just finally, the exploration upside on the block, could you maybe give us some understanding as to what you think that could be per Statoil's comments and your previous comments.

Thank you.

Carlos Gomes da Silva, CEO

Michael, good morning. Thank you for your question. So these are the kind of details that we have already addressed and I will pass to Thore that will elaborate on that.

Thank you.

Thore E. Kristiansen, COO E&P

Thank you, Carlos, and thank you Michael for your question.

Let me first underline that Carcará is by any standard a world-class asset. This is one of the finest undeveloped assets there are in the Brazilian pre-salt area, and as mentioned by Carlos before on the side of Galp, we welcome the transaction that we have seen today and we think it is good for everybody involved, and this is a key way to de-risk this asset for us.

As you will know, a significant part, however, still to be specifically determined off Carcará extends outside of BM-S-8 in the open acreage area. In that area, there are still so far no drilled wells.

So the first natural step here now will be that, first the Brazilians need to conduct a licensing round for the open acreage area, and we have good indication that that will be done during 2017. Secondly, there needs to be an exploration and possibly also an appraisal campaign conducted with that.

So the indicated timelines of DoC, Declaration of Commerciality by 2018, which is in the current plans, and an FID 2020-plus, seems to be under the current circumstances a very realistic one. It is better to do this right than to do it rushed.

Thank you.

Michael Alsford – Citigroup

Great. Thank you.

Giacomo Romeo – Macquarie

Good afternoon. Two questions for me. The first one is on R&M. I believe you talked in the past that you were planning maintenance to your visbreaker unit in the fourth quarter. Wondering if in the current environment, you may decide to anticipate that to the end of the 3Q.

And the second question was on the Cabiúnas pipeline, whether you see a risk of further delays in the connection of your FPSO #4.

Carlos Gomes da Silva, CEO

Good morning, Giacomo. Thank you for your two questions.

So in relation to the vacuum visbreaker, we are looking at that possibility. Nevertheless, since it is a planned maintenance, under the present scaling time, it's relatively short notice. And as you have seen before, we have done that for the hydrocracker. So, we are working on that in order to see if we can anticipate. But the diesel season will also happen and we have to prepare ourselves in the 3Q. Therefore, it's mixed feelings. So, there is not a single answer to that. We will try to manage that properly and try to find the best window of opportunity.

In relation to the Cabiúnas pipeline, we are not anticipating additional delays. The works are being finished and the works to connect the first unit have already been started. So we are not anticipating any kind of delays.

Thank you.

Giacomo Romeo – Macquarie

Thank you.

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Carlos Gomes da Silva, CEO

Ladies and gentlemen,

I thank you for all of your questions, it was very interesting and I hope that myself and my colleagues have been able to be as clear and positive as possible with all our answers. As always, if you have additional questions, feel free to contact our Investor Relations team that will be full available for any extra clarifications.

As for what the future brings to Galp, we are fully focused on execution, and it is what guides us to achieve our goals. Times may be challenging, but we are working hard to deliver projects, as always, on time and on budget, and taking advantage of having solid partnerships which are aligned on the key strategic and operational decisions.

We are building a portfolio which continues to prove its resilience in spite of the unfavourable macro conditions.

Resilience of our Refining & Marketing as well as our Gas & Power businesses, have continued to contribute to solid cash flows, and we will continue to optimise these businesses to become leaner and more efficient.

We have also enhanced the robustness of our balance sheet, and remain focused on delivering sustainable growth to our shareholders.

So with this, we conclude today’s session. I wish you all a great summer break and I hope to see you after the vacations. Thank you for your time and a very good day. Thank you.