

Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to Galp Energia's Q2 2015 conference call.

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

Please bear in mind that we may be making several forward-looking statements. Actual results may differ materially due to factors included on our disclaimer at the beginning of our presentation.

I will now hand over to Carlos. Thank you.

Carlos Gomes da Silva, Chief Executive Officer (CEO)

Thank you Pedro, and good morning to you all.

It is really a pleasure for us to be here today, presenting a strong set of results in the current macro environment. Our integrated position allowed us to deliver an Ebitda of €446 m, in a low oil price environment.

Starting with Exploration & Production (E&P), our average production was close to 44 thousand barrels of oil equivalent per day (kboepd), benefiting from the growing contribution of FPSO #3 (FPSO Cidade de Mangaratiba) that is placed in Iracema South, and from the stable contribution from our remaining upstream operations in Brazil and Angola.

Looking at the overall project execution, Lula/Iracema remains a benchmark in terms of execution and production time to market. Within less than ten years since the first discovery, there are already three permanent production units allocated to the field, producing over 350 kboepd. And FPSO #4 (FPSO Cidade de Itaguaí) will be very soon contributing to increase this production.

Considering the pace of execution and the strong response we are getting from the Lula and Iracema reservoirs, we are able to increase our 2015 production guidance. We are now assuming an average annual production of around 43 kboepd. Please keep in mind that this forecast already considers the ongoing unitisation process in the Lula field, which we expect to be concluded by the end of the year.

The higher than expected production and the level of international refining margins observed during the first half of the year leads us to increase our 2015 Ebitda guidance to the range between €1.3 bn to €1.5 bn.

Our strong operating performance benefits from our vertically integrated profile, which helps stabilize our cash flow generation even under very low Brent price conditions. I want to highlight that our revised guidance assumes second half refining margins well below what we have observed during the first half.

In fact, there have been no real structural changes to sustain the refining margins observed in Europe. These have been mainly driven by strong gasoline demand in the Americas and by the low oil prices.

In Iberia, we continue to see growing demand for oil products, which have been benefiting from the economic recovery and from the low oil price environment. Natural gas demand has also been increasing due to much lower levels of rainfall this year and to lower wind power generation.

In the E&P business, we are very pleased with the progress achieved so far.

First and foremost, FPSO #4 is already on location at Iracema North, with one producer well already connected. Production should start very soon.

A total of twelve wells have already been drilled in the Iracema North area, of which six are producer wells. I remind you that we continue to assume on our business plan an 18-month ramp-up for this unit.

In the case of FPSO #3 (FPSO Cidade de Mangaratiba), we may be looking at a ramp-up period of close to one year. We have now four producer wells, and the fifth producer is planned to be connected until the end of the year. Considering the outstanding flow rates achieved in the Iracema area – we are producing over 130 thousand barrels of oil per day (kbopd), so around 33 kbopd per well – it should be enough to reach full capacity.

And it's not all about flow rates.

The consortium has proceeded also with an effective reservoir management in order to sustain the production level. I draw your attention for the fact that FPSOs Cidade de Angra dos Reis (FPSO #1) and Cidade de Paraty (FPSO #2) continue to produce at plateau levels. In fact, FPSO #1 has just entered its fourth year of plateau.

Moreover, total technical costs – this is the production costs plus DD&A – at plateau remain quite competitive at around \$15/bbl, a clear indication of this project's robust economics.

As for FPSO's #5 (FPSO Cidade de Maricá) and #6 (FPSO Cidade de Saquarema), they are on track to start production during the first half of 2016. FPSO #5 is at the Mauá shipyard in Rio, where BRASA will carry out the integration works. And FPSO #6 should be about to sail away from Asia to Brazil.

A quick update on the replicant units. A number of mitigating measures have been implemented. Let me highlight the conclusion of the international tender for construction of compression and injection of CO2 and gas modules, that we have flagged last quarter. The consortium has awarded the contracts in early last May, within the scheduled time period. As you know, IESA delay and consequent replacement were on the critical path. We have awarded the construction works to two Asian shipyards, which will be responsible for the construction of eight modules each. The best performer will then be responsible for the construction of the last eight modules.

This is one example of measures implemented to mitigate critical execution risks. And we were able to do so while keeping costs under control and within the time frame embedded in our guidance back in March.

Moving to lara, the development plans for Berbigão, Sururu and Atapu fields have been submitted last June to ANP.

As previously announced at the Declaration of Commerciality (DoC) last December 2014, the consortium is assuming, as minimum development requirements, three production units for the first stage of development of these three fields. That is to say, for both BM-S-11 and the Transfer of Rights area.

The priority will be to develop the sweet spots of the reservoir, with two production units in Atapu by 2018 and a third one in Berbigão in the year after, so by 2019.

As for Sururu, the former lara Central, we have highlighted since the beginning that it was the most challenging area. This area will be subject to further appraisal, and a pilot is expected for 2018, through the Atapu North FPSO.

Still in Brazil, just a quick word on Carcará and Júpiter.

We still need more appraisal work in Carcará in order to fully assess the dimension of this discovery, but we are positive about its commerciality. The main challenge will be to find a solution for gas evacuation.

We have concluded the drilling of Carcará North by the end of last June. We will now conduct a Drill Stem Test (DST) during the second half of the year. We also expect to conclude the second phase of drilling of Carcará Northwest (NW) during the second part of the year, which has just started by using a MPD (Managed Pressure Drilling) rig.

Regarding BM-S-24, Júpiter appraisal works have been put on hold for now, as we are preparing to request an extension of the DoC submission to ANP, which was originally scheduled for February next year. Our base case continues to be the development of the oil and condensates, but we need more time to mature the development plan and to better define the technologies that should support Júpiter.

Still on BM-S-24, for some time now we have had evidences of the extension of Sépia discovery within the block. As you know, the Petrobras business plan considers commercial unit for this field. So even if it is still early to elaborate much on this, we will be fast-tracking the works that will help the joint development of this light oil field.

Moving to our project in Mozambique, we have just received in last June the EPCIC (Engineering, Procurement, Construction, Installation and Commissioning) proposals for Coral, which are currently being analysed before we enter in an optimisation and negotiation phase.

In what considers the offtake for gas, we are at an advanced stage of negotiation.

As for the Mamba/Prosperidade onshore project, unitisation discussions with Area 1 have made good progress and we are maturing the project development, with FID expected next year.

Moving now to our downstream and gas businesses.

Refining results were of course supported by the recovery of margins in the international markets, but we were only able to capture them due to the flexibility, and most of all, due to the availability and productivity of our refining system. In Gas & Power (G&P), we saw less trading opportunities in the market, but the structured contracts we have established previously helped to support our activity and cash flow generation.

In addition, we continue to maintain an effective cost control at every level of our Organisation.

I will now pass on to Filipe, who will go over our financials this quarter.

Filipe Silva, Chief Financial Officer (CFO)

Thank you Carlos and good morning to you all. Just a quick overview of our second quarter numbers.

Starting with the P&L on slide 14, Group Ebitda was €446 m, up around €50 m QoQ. As Carlos mentioned, we were able to take full advantage from the recovery in European refining margins, which were negative in Q2 last year. Also, our Sines refinery was shut for maintenance during part of Q2 last year.

Refining & Marketing (R&M) Ebitda reached €224 m this quarter, as the availability of both refineries allowed us to take full advantage of good market conditions. Marketing also provided a solid contribution during the quarter.

E&P Ebitda was up 12 % YoY to €120 m, with higher production and a stronger dollar offsetting the very sharp fall in oil prices.

Gas & Power Ebitda was down to €92 m, with fewer trading opportunities in a lower gas price environment.

Group Ebit was up to €303 m reflecting the improved Ebitda, but affected by the increase in DD&A related with the ramp-up of FPSO's #2 and #3.

Below the Ebit line, the increase in taxes is a consequence of the higher pre-tax earnings. Net income reached €189 m on a RCA basis. Under IFRS, the bottom line was €100 m impacted by impairments, mostly related to i) some petrol stations and logistic assets in Spain, ii) residential gas distribution assets in Spain as per the SPA signed with Endesa, and iii) the Amazonas exploration assets which we are relinquishing. Also as a reminder, we booked as non-recurring the temporary taxes on the energy sector.

As for capex, on slide 15, of the €313 m invested during the quarter, 91% was allocated to E&P, mostly to the drilling of development wells, the Cabiúnas pipeline and the construction of FPSO's and subsea systems for the development of Lula and Iracema. Block 32 in Angola is the other important item here. At

this stage, we are not providing revised guidance to our capex range of €1.3 bn to €1.5 bn, other than indicating that it may fall closer to the bottom of that range.

On slide 16, you have our summary balance sheet where you see that working capital remained under control, with inventories down even with a rising Brent in the quarter.

Cash flow from operations in the quarter, which you have on page 29 of the attached report, reached over €532 m which, added to €50 m reimbursement by Sinopec of our loan to them, more than offset capex, interests and dividends.

As such, net debt was lower for the second consecutive quarter, standing at €2.3 bn at the end of June. Considering the remaining loan to Sinopec as cash and equivalents, net debt was €1.5 bn, or about 0.9x net debt to Ebitda.

Our liquidity remains high at €3.2 bn, of which cash of €1.3 bn, loan to Sinopec of €835 m as of June 30, and undrawn credit lines of €1.1 bn.

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

Questions & Answers Session

Mehdi Ennebati, Société Générale

Good afternoon, gentlemen. Thanks very much for the presentation, and I will ask two questions please.

The first one regarding the E&P division. So, you've said that the FPSO #4 is about to start. However, I wanted to know if you need the Cabiúnas pipeline to be operational to maximize your production from the new FPSO's, from this new FPSO and the ones coming in the beginning of 2016 or if you could just inject the natural gas inside the reservoir.

And besides, you've told us during the last conference call that Cabiúnas pipeline will be operational by end 4Q15. Now, you are talking about commissioning expected during the 1Q16. When should we expect Cabiúnas pipeline to be fully operational?

The second question is related to your 2015 capex. You have provided €1.3 bn – €1.5 bn guidance in March. Since then the Euro weakened versus U.S. Dollar, and I wanted to know if there will be any impact

on your capex guidance in Euro or if the strengthening U.S. Dollar is offset by better contract conditions. Thank you.

Carlos Gomes da Silva, CEO

Good morning, Mehdi, and thank you for your two questions. I will take the first one and I will pass to Filipe the second.

In relation to FPSO #4, we will start with one producer well that will be with production limited by gas flaring. So, the only limitation will be related to the flaring of the gas and, of course, when we will have the second producer, it will be at the same time where the first injector will be also connected and working properly. In what relates to Cabiúnas gas pipeline evacuation, of course it will be required, and we are forecasting that it will be operating by the first quarter of 2016.

I'll let the second question to Filipe.

Filipe Silva, CFO

Hi Mehdi.

On capex you are absolutely right. We have a higher Dollar versus the Euro versus what we budgeted which is negative, i.e., higher capex. However, we have a much lower Brazilian Real on which some of our capex is based on, and we have some limited optimisation of capex. Hence, we're guiding you to the bottom of the range for the full year. Thank you.

Oswald Clint, Sanford C. Bernstein

Good afternoon. Thank you.

Maybe a question on Brazil as well, and related to the two Asian companies that are coming in to complete this contract. Can you say if the new contract terms are more or less favourable versus the first contract? And generally – just more broadly – can you update us on what's really happening on the grind with respect to local content requirements and if there's going to be any changes to those.

And second question – just related to refining – quite a bit of mark-to-market impact to the second quarter results, I think refining could've been better. Can you tell us if you have any mark-to-market positions for the third quarter? Thank you.

Carlos Gomes da Silva, CEO

Good morning, Oswald, and thank you for your two questions.

In relation to the first one, we have already anticipated to you the mitigation measures that we have been taking within the consortium. In what relates to local content – as you might be aware – we are completely complying with what is required in exploration and also in development phase. We have in BM-S-11 relatively low local content, and by considering only the subsea facilities equipment, we are capable to comply with it. Nevertheless, we are completely on track on that. And the two examples that we have already were related with IESA, so in the pack III, that was the most critical issue that we had within replicants' delays and it's, for the time being, addressed. And it is also the second part that is related with parts of the integration and pack I that is also addressed. Local content wise, we are not anticipating any question.

On top of that, the cost that came from these mitigation measures implementation are completely controlled. So, we are not having any additional costs related with this issue.

For the second question, I will pass it to Filipe.

Filipe Silva, CFO

First, related to H1 this year, within our Ebitda, we have €44 m of derivatives already booked. So, €44 m negative. Going forward, it's pretty much a straight line on a monthly basis for each of the 12 months of 2015. As of June 30, we have €30 m of negative mark-to-market outstanding.

Refining margins since June 30 have come down. If you were to mark-to-market today, it would be significantly below this €30 m outstanding as of June 30. And we have no hedges in place for 2016 onwards.

Thank you.

Flora Trindade, BPI

Hello. Good morning.

Probably a follow-up on this last question and regarding these refining hedges, just wondering if you could give us some detail in financial expenses. You have a positive impact in terms of FX and there is probably another relevant impact there, which is not detailed. If you could give us the reasons for that.

Secondly, a more general question and considering the delays you mentioned in the presentation regarding Júpiter and the last presentation by Petrobras. What is your central scenario for both Júpiter and Carcará? And what would be your preferred positioning if there is M&A involving these two blocks? What would be your more optimistic scenario? Thank you.

Carlos Gomes da Silva, CEO

Hi, Flora. Good morning. I will take the second question and I will address to Filipe the first one.

In what relates to Júpiter and Carcará, as you are aware, it has not been part of our business plan so the implications if any, in our business plan is related with capex. We are following and we are monitoring what is going on in Brazil. If and when any kind of action will be taken in relation to these two assets, we'll be prepared to make a decision. I have already anticipated to you that Galp is keen enough with all the assets that we have in Brazil, namely with Carcará and also with Júpiter. And therefore, we will be for any stance, we will be part of the solution. We will be positively approaching and of course, if there's any opportunity to increase the exposure of Galp, we will consider it – if and when it will appear.

In what relates to Júpiter, I draw your attention for the fact that we will need to find out a technical solution to address this fantastic reservoir. And therefore, I think our attention in the next couple of years will be on that issue and at the same time - as we have mentioned before to you - we will take care of the Sépia unitisation process. So, we will split our attention in Júpiter in those two important areas.

So I will pass to Filipe now.

Filipe Silva, CFO

Thank you, Carlos.

Flora, this quarter versus last, we have FX gains. And given how negative it was in Q1, you're right. So we're worse in refining margin hedging and this is quite compensated by FX, and these are operational FX. This is the difference between the time we book crude purchases and the time we actually pay for that. So, this is a Euro-Dollar variation within the quarter. Thank you.

Brendan Warn, BMO Capital Markets

Good afternoon gentlemen.

Just one question I wanted to focus on. If you can flesh out a bit more for us, just in terms of LNG trading or your trading business. I know that you're sending more cargoes to Latin America and made comments about lower demand in China. But can you just sort of talk through what we should be seeing or expect for the second half and to assume that the expectations of Ebitda are baked into your group Ebitda upgrade, please?

Carlos Gomes da Silva, CEO

Good morning, Brendan, and thank you for your question.

In what relates to the LNG trading business, you might be aware that we have prepared ourselves in the recent past to guarantee that, what we call, the structured LNG business will be a positive contributor for our cash flow generation. And it is the case. Even though the different market regions have closed the arbitrage within the markets, we are still able to generate positive cash on this activity. Of course, when we are experiencing this closure of arbitrage and this volatility in the market, we will reduce what we call the spot LNG trading activities. And therefore, for the second half of the year, we will remain with our past business, that has been structured for the next two/three years, contributing positively. But of course, for the trading activity that is more based on the spot activity, we are not anticipating any extraordinary results. Therefore, our guidance for the Gas & Power business will stay between the €350 m up to €400 m of Ebitda.

Thank you.

Haythem Rashed, Morgan Stanley

Good afternoon, gentlemen. Thanks for the presentation.

Actually, most of my questions have been asked. But there is one question I have – perhaps for you, Carlos – how you think about the business and allocating capital and the strategic activity in the second half of this year.

If we get a scenario which may well sort of emerge, where oil prices don't really recover from current levels, but at the same time we're starting to see refining margins, and some of the downstream sort of tailwinds that we saw in the first half of the year, start to recede and not to help as much as they have been before. In such a scenario, how are you thinking about managing the business in that process? I mean, can you talk perhaps a little bit about sort of the disposal program that you talked about in the past, whether things have changed there, priorities have changed there, whether there are other things that you are considering? Perhaps a little bit about that would be very helpful. Thank you.

Carlos Gomes da Silva, CEO

Good morning Haythem and thank you for your question. It's relatively hard to condensate such a wide question, but I will try to do it.

We are preparing ourselves in our guidance for 2015 on not having high levels of refining margins and as well the Brent oil prices. Therefore, we are being quite prudent for the second half of the year, which means that we should keep our attention and our focus on execution - as I mentioned to you all in the past. Secondly, we should improve and we should be accelerating our cost control and cost reduction in all the downstream activities, which is the case we are implementing a program that we call the 60/70. It's 60 actions, €70 m of cost savings. Thirdly, we are also considering the minor optimisation in our activities, which means that small adjustments, like the one we have done recently in relation to our domestic gas business in Madrid. So, we will pursue it. And of course, at the end of the day, the increase of production in Brazil is remaining the topic that we will have in our hands.

That said, and taking in consideration the challenges that we will have in the future, we have to focus our attention in what is relevant in terms of technical solutions for the most challenging reservoirs that we have, which means the lara Central, so Sururu, is one of the key issues. The appraisal will continue and the technical solutions for that field will be one of our focus. And the other one is related with Júpiter. So these are the main questions.

In what relates to the economics for BM-S-11, they are quite good. We are completely above what has been the forecast for the Lula Field. The technical costs for the units that are under production are quite low, so we are experiencing for the two first units a technical cost that is c.\$15/bbl, and therefore we are completely compliant with our previous plan.

What is important to take in our hands is that any move that we will do in the future, being on analysing new opportunities or on disposal of non-core business that we have, should be done under financial discipline and therefore, we are not concerned about that. The recent context has improved slightly our performance for 2015 as you might see in our cash flow generation. We kept almost at a neutral situation, investing approximately €600 m and distributing dividends and taking in consideration the financial costs in the company. And therefore, that slightly puts us in a position that is better than what we considered in our business plan. But we will have time, execution, for the time being, is the word and we will keep on track for delivering based on that focus. Thank you.

Michael Alford, Citi

Thanks for taking my questions. I've got a couple of follow-ups if I could, please.

Just to come back to your new Ebitda guidance for 2015, you've given us some help on the Gas & Power business where you're saying that Ebitda should be in €350 m to €400 m range in your guidance. I guess that leaves us, €950 m to €1,100 m remaining from the other businesses. Based on what you've done in the first half, that doesn't leave you much to do. Could you maybe just give us a bit more colour as to what you're referring to in terms of your expectations on the reference refining margin and perhaps oil prices, to get us a bit of an understanding as to the sensitivity on that guidance. It would just seem quite conservative based on the first-half performance to-date. That would be my first question.

Secondly, just coming back to Júpter in Brazil, I think originally back in the Capital Markets Day, you talked about perhaps a pilot FPSO project into 2019 to 2020. It does now sound that is somewhat delayed, and I just wanted to get a sense as to where you thought, or if you thought, that pilot project would still happen in that kind of timeframe or whether you think that is now going to be a complete change to the way you plan to develop the asset.

Finally, just on Mozambique. On Coral FLNG, could you maybe give a bit of guidance as to what the next stages are that you need to go through to sanction the project, and if you are confirming that sanctioning is likely still to be in the second half of 2015? Thank you.

Carlos Gomes da Silva, CEO

Good morning, Michael, and thank you for your questions. I will take the first and the third, and I will pass the second one to Thore that is with us.

In what relates to the Ebitda guidance, as you have requested more colour in our results for the end of the year. In what relates to the refining margins, we are forecasting that the refining margin will stay at around \$3/bbl in terms of benchmark. We are also working with a \$57/bbl Brent price, and the exchange rate that we are considering is 1.15 - I'm speaking about Euro to Dollar. So, these are the main assumptions that we are taking into consideration in our guidance for 2015. Therefore, I think the range that we have sent to you is quite in line with these premises.

On top of that, of course, we are considering the production ramp-up in Mangaratiba. The fourth producer well has already started on the 1st of July and we are also considering that the fifth producer will be operating and producing in the last quarter of this year. We are also considering the unitisation effect of Lula and the anticipation of the fourth unit, the FPSO Cidade de Itaguaí, that is accelerating versus what we have in our previous guidance.

Moving now to Mozambique, and to the Coral project. We are working in order to analyse the proposals that we have received from the three consortiums that are working on that. We are now in a moment where we are analysing and optimizing all the proposals and keep in mind that there are three main assumptions in order to make the final investment decision. The first one is that the costs that we will be able to take in this project will be completely in line with our initial assumptions. Secondly, the marketing of the LNG is fully guaranteed which, as we have mentioned to you before, are in a well-advanced phase. Last but not the least, guaranteeing that the project is fully funded. These are the three premises and we are working hard in these three different items. We hope that by the end of this year, or until the end of this year, we will be in a position to take a decision.

I will pass now to my colleague, Thore.

Thore E. Kristiansen, Executive Director E&P

Good morning, Michael. Thank you for your question regarding Júpiter and I'll try to elaborate a little bit more on the situation in Júpiter.

First and foremost, I think we all need to remember that Júpiter by any standards is a world-class discovery and in Galp's view there are about 3 billion barrels of oil and gas in place in that discovery. It's world class beyond standards.

Secondly, this is a very technically challenging reservoir, particularly due to the high level of CO₂ that has been discovered in several of the wells and therefore, we in Galp Energia are supporting Petrobras in the fact that it now makes sense to suspend the exploration and appraisal campaign, and really ask for a five-year postponement on the opportunity to deliver the declaration of commerciality. Actually, it's a five-year plus five-year postponement that is being requested.

As you are aware, there are causes on the side of Petrobras to consider divestment on parts, or the whole, of their share in BM-S-24 and it will make a lot of sense if there is a new operator coming in to spend some time on re-thinking what is the opportunity set and what will be the right development opportunities. As for now, and as correctly observed by you, we had initially in our plans expectation that it would be a pilot in the business plan. This is not what is now in the current plans, it makes sense to take a more step-wise approach in order to find an optimal solution. This will be a good development at the end of the day. Thank you.

Michael Alford, Citi

So, thank you and Carlos, just a quick follow-up on your point. Right at the beginning – just back to the numbers – you mentioned you were thinking about a reference refining margin, I think it was \$3/bbl you said for the second half, and then I guess that is the same base of \$5.3/bbl I think it was in the first half. Can you give me a little bit of colour as to the moving parts. Clearly, gasoline margins have been very strong in the first half. Is that simply what you're reflecting, a view that it doesn't sustain itself or are there more drivers behind that gives you a more cautious tone on the margin in the second half? Thank you.

Carlos Gomes da Silva, CEO

Yeah, Michael. It's precisely like that. For the second half of the year, we are forecasting refining margins of around \$3/bbl and falling down. Of course, we have taken in consideration that on the first half of the year they were quite high, related to the strong demand of gasoline in the American continent and the extremely low oil prices. Now, the gasoline and the driving season mainly in the United States will end up, and therefore what we are anticipating is that the cracks of the gasoline against the Brent will fall down. That's the reason why we are adjusting our forecasting of the refining margins for the second half, to around \$3/bbl. So, you're absolutely right. Thank you.

Filipe Rosa, BESI

Good morning, everyone. Two questions from me, the first one on the unitisation.

It seems that you have a good idea now of what could be the impact of unitisation on your output. If you could try to give us some numbers and also, whether you would have to make any upfront payments for past production that you have done so far, and whether that would affect the full year production, so to give us some colour on the mechanics.

And my second question relates to the technical costs that you mentioned, the \$15/bbl for the first two FPSO's. Could you just give us a split between what is the rent of the FPSO, other opex and depreciation for those \$15 for us to have an idea. And I believe that those two FPSO's that you mentioned, have a capacity that is below, for instance, of the one from FPSO #3. Do you think that those \$15 still have some downside potential when you start to have this FPSO #3 at full capacity? Thank you very much.

Carlos Gomes da Silva, CEO

Hi, Filipe. Good morning. Thank you for your two questions.

In relation to unitisation in Lula, we are close to finalize this unitisation process and our business plan, and our forecast for the year-end, is including the impact in production related to that process. Just to give you an idea on the mechanism that would be used in that process, it will allow all the entities to have a fairly neutral impact on production volumes in the medium and long term. There are also some main assumptions that will be used based on the past costs and the profit adjustments related with what everyone has already invest and what will be the initial tract participations. We are still ongoing with this

process, and therefore, I ask your consideration to the fact that we could not anticipate and we cannot disclose any additional information.

In what relates to the technical costs, you have mentioned the downside for the bigger units. I would say the upside, as a matter of fact is a question of words – you are asking if we have room to decrease the technical costs and if we look to the Mangaratiba unit with the flow rates per well and the productivity per well, of course, there's room for that to happen. But we will have to wait up to the plateau and the stabilization of the unit and we will see what happens with the new units that are coming to the spot and we will see. So with time, we will evaluate that with more attention and more deeply. For the time being we will refrain ourselves to enter in more details. Thank you.

Lydia Rainforth, Barclays Capital

Thanks and good afternoon, gentlemen. Two questions if I could.

The first one, just a very technical one. On the refining side, the premium to the benchmark was actually much higher than last quarter. I'm just wondering if you can give us an indication of how flexible the product slate actually is. Is it a case of as gasoline margins are higher, you can get an extra two to three percentage points of yield of gasoline out or just what that scale is?

And then secondly, if I could come back to Mozambique and the Coral Project, you did talk about there being the three main assumptions, the cost saving in line, the marketing of LNG is fully guaranteed, and that the project is fully funded. Which of those is actually more challenging at the moment, given where the LNG pricing is, is that one the biggest issue? Thank you.

Carlos Gomes da Silva, CEO

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

In what relates to the refining margins, we are seeing that refining is becoming, from the poor guy in our Company to the star of the Company in the quarter, and therefore, let's try to deepening a little bit, to better understand what is behind the results that we have achieved, that were not related with the market.

So for refining, it is absolutely important two or three actions that we have been able to guarantee during the last quarter or the first half of the year. The first one was availability. I'd say that having the refining system available, was the first point to guarantee that are able to benefit of the context. The second one has to do with the stability, productivity and the capacity to use the conversion capacity that we have within our refining system. But on top of that, we have been able to optimise our sourcing not only in relation to the crude oil and raw materials, but also by using more VGO that has experienced a higher discount vis-à-vis to Brent in the last quarter. Part of this relevant and high premium in our refining system came precisely from that fact. When we consider our refining margins, we have to take in consideration that we are not only buying and processing crude oil, we also buy from outside of our refining system relevant volumes of VGO and the VGO has been with higher discounts comparing with the Brent. That had a positive impact in our P&L.

In what's related to Mozambique and to the marketing of the LNG in Mozambique, without disclosing too much, what I can say to you is that we are having within the consortium, or within the Area 4 consortium, several negotiations and several contacts with different counterparts and what we are doing is more focused on the Coral project. The first negotiation process that we have put in place is related with Coral. Of course, Coral as I mentioned to you before, has for the time being, three issues to be addressed: one is the LNG marketing, the second one is the technical solution for engineering and construction, and the third one is financing the project. The three are linked, and of course, the marketing of the LNG is completely subject to the solution that we will have and moreover, to the time period in which will be capable to be on the market. I think by the end of this year, we will be in better conditions to disclose to you and to present a global solution to address the Coral project. Thank you, Lydia.

Hamish Clegg, Bank of America Merrill Lynch

Good afternoon, gents. Just two questions obviously. First of all, just wanted really to focus on your guidance. Your working interest guidance for the full year seems to imply that there isn't much further ramp-up from existing production within the portfolio, if my numbers are right. Could you maybe explain if that's just you being prudent, or if we can expect any particular fields to have outages in the second half of this year, whether it'd be plant maintenance or whatever?

The second question is fairly similar, in fact, is on capex. Regarding your capex guidance, if you were to run rate the existing capex we've already seen in the first half of the year – and this may sound obvious – we're

below your bottom end of your capex range. Can we assume that there'll be a small increase in costs into the year-end or can we also assume that you've built in some degree of contingency in that capex guidance. An example, if you could maybe comment on this as a sort of point within the capex question, I notice your opex has come down on a unit per barrel basis very dramatically, and if you could give some more colour on that, it would be great.

Carlos Gomes da Silva, CEO

Good morning, Hamish. I will take the first question, and I will pass to Filipe for the second one.

In our production guidance for 2015, that we are forecasting 43 kboepd, we are considering several contributions on the second half of the year. For 2015, we will have the FPSO #4 that will be starting operations sooner than we have planned. We have also to consider the unitisation effect, that is not effective yet. So, it's a process that is still ongoing and will potentially impact by the 4Q. But we have also to consider that we will have a turnaround in Angola, in BBLT and Block 14k Lianzi, that we will have to do a tie-in during between one and two months. Therefore and all considered together, I think that the forecast we are putting in place, is prudent and achievable.

So, I will pass now to Filipe.

Filipe Silva, CFO

Hamish, we are hinting at bottom of the range within the capex guidance we have given you. I'm not sure if we are being prudent or not, but we have quite a number of projects we are working on, Block 32 in Angola, BM-S-11 of course in Brazil, and we also have Mozambique. So, bottom of the range but not much below that. I would not run rate H1 at this stage. Thank you.

Henri Patricot, UBS

Hi, everyone. Thank you for the presentation.

Just a couple of questions, actually. I wanted to follow-up on the previous question on cost. You had a steep drop in the unit production cost in E&P this quarter to \$7.6/bbl. I was wondering if that was kind of a new range where you can remain over the next few quarters?

And second one, just quickly on lara, where you've just given the development plan to the ANP, when do you expect to get the approval on that? Thank you.

Carlos Gomes da Silva, CEO

Henri, good morning. Can I ask you to reformulate your first question because we didn't follow you?

Henri Patricot, UBS

Yes, it's just on the unit production cost in E&P, which fell to \$7.6/bbl this quarter. I was wondering if that's the new range for the next few quarters, where it can remain, given it was just at \$12 per barrel in the first quarter. So, it's quite a major change.

Carlos Gomes da Silva, CEO

Henri, we had in Angola a better dilution of our costs in the past that we are not forecasting for the future and therefore, that should not be considered. I think that answers properly to your question.

In what relates to the development plan of lara, we are still waiting on an answer in the second half of this year. So, I would say that possibly in the third quarter, but I will prefer to tell you that up to the end of 2015, we will have an answer to the PoD that has been submitted to ANP. Thank you.

Thomas Adolff, Credit Suisse

Hi, guys. Last but not the least, a few questions on Brazil, please, and then just a quick one for Filipe.

Just again with lara, you say you submitted the development plan. I wonder where the in conjunction with the plan whether you've also submitted something around the unitisation or whether that's something that you'll look to do later on.

Sticking to Brazil, on the replicants, you've got six topside integration jobs related to your FPSO's. Two of which will go to Brasfels, I think two you've just transferred from OSX to China, and I remember discussing with you that there are another two that you're doing some work on, and I wondered whether there's any update around those two.

And finally for Filipe, on working capital, you talked about stock optimisation benefit during the second quarter. I wonder whether there's a bit more upside to that in the future, i.e., or whether it's been maxed out. Thank you.

Carlos Gomes da Silva, CEO

Good morning, Thomas. Thank you. Let's share between us the questions that you have addressed. So, I will take the replicants one. I will pass the other to Thore, and finally to Filipe, the last one that you addressed directly to him.

In what concerns the replicants and taking all the measures that we have already announced to you, we are seeing that they are under control, so we expect to have two units available for first oil in 2017, three additional in 2018, and a last one in 2019. Therefore, they are on the schedule that we have released in the CMD last March. Of course, we are considering that the mitigation measures we have implemented will be succeeded, which we are confident it will be the case.

Now, I will pass to Thore for the PoD of lara and the unitisation. Thank you.

Thore E. Kristiansen, Executive Director E&P

Thomas, good morning. With respect to the lara unitisation, that is a process that has not started yet. What the parties are in agreement with is that, first we will finalize unitisation process for the Lula field and then, afterwards, we will move ahead and look for the lara unitisation. So, this will come as the next step, but it's too early to anticipate anything in this respect. Thank you.

Anish Kapadia, TPH

Good afternoon. Just a couple of questions, one on capex and one on Lula.

On the capex side of things, it sounds like your underestimating this year, I think, that's partly because of the some of the delays to the FPSO's. I'm just wondering in terms of that delayed capex impact, could you give your expectations on how much you'd expect capex to increase in 2016 as a result of the delays?

The second question was on the reservoir performance on Lula. I think we've seen some water breakthrough now on Lula and probably not too much of a surprise, given the amount of time it's been

producing for. But can you just discuss, in your eyes, how the reservoir has been performing relative to expectations. And also, how you see the heterogeneity of the reservoir given the issues you've seen with Lula West and that development being pushed back? Thank you.

Carlos Gomes da Silva, CEO

Good morning, Anish. I will take the first one. I will pass the oil-water contact to Thore and I will ask some room space to Filipe to answer to the last question that Thomas had addressed to him.

So, in what relates to the capex guidance, namely what will be the impact for 2016, I confirm that in our business plan - which we shared with you last March - we have already consider the time delays in the FPSO's, that on average we have considered one year delay, and therefore the capex guidance that we have disclosed to you was completely aligned with that. We are not anticipating additional capex for the next year due to that fact, since we are complying with the timetable that we have consider as main assumption in the business plan. So we should keep that as not additional capex in the future.

I will pass now to Thore and I will request time to Filipe to address the Thomas question. Thank you.

Thore E. Kristiansen, Executive Director E&P

With respect to Lula, let me first and foremost say – and let this be the sort of the key takeaway – having spent now close to 27 years in this industry, I have not come across an oil field where average production performance has been so good as is in Lula/Iracema.

With respect to the water breakthrough, it is more a surprise, I will say, that it took actually close to five years before we got the first water breakthrough. As you will know, Cidade Angra dos Reis came into production in October 2010, and it took close to five years before we saw the first water breakthrough. We are, however, today not even sure whether this is a real water breakthrough.

We had quite strong evidence that this actually is water coming from an injection well that is close by the P8H well, which is sort of the chief producer of water right now, and it seems to be that the aquifers still have not been any meaningful way been breaking through. The water production in P8H is very manageable right now, it's around 12 kboepd, and the two other wells that will receive the water phase now, the level of around 25 boepd. So, this is very manageable in all circumstances, and as you know,

there's a quite significant water treatment facility on the FPSO. For the time being, this is according to expectations, and overall, Lula/Iracema has gone way beyond our initial expectation.

Just a few comments regarding Lula West.

This is a huge reservoir by any standards. This reservoir, as you correctly pointed out, that is partly not 100% consistent reservoir-wise to the whole field. So, we will get surprises and try areas where there's less production ability and also actually less of indexivity than originally anticipated.

On the other hand, we will also see, as we have just recently seen in Iracema, where we see production capabilities that anyway outstripping our expectations with around 33 kboepd on average production capacity.

So, bottom line remains: it is beyond expectations currently in the production ability for Lula/Iracema. Thank you.

Filipe Silva, CFO

Thomas, you asked about inventories. I promise I was not surprised about the dimension. So, it is a very difficult question.

Internally, I keep saying, yes, there's ample margin to reduce working capital and if you look back to the last two years, what Galp has done has been nothing short of a huge show about reducing capital employed in clients and inventories. Having said this, and to be frank, all the low-hanging fruits have been caught, and we should not expect – depending of course, on Brent price– but assuming current Brent price, we should not expect a lot of fat remaining in our balance sheet. Thank you.

Carlos Gomes da Silva, CEO

Thank you Filipe and Thore.

Ladies and gentlemen, thank you for your questions. I essentially hope the session has been useful for you all and that the answers we had to your questions clarified the issues that you might had. I also hope that it has been clear that our main focus continue to be the execution, delivering continuous and sustainable

production growth in the coming years. To do so, we are mitigating the execution risk in Lula/Iracema reservoirs and we are continuing with the development of other projects also in Brazil.

We are reaching new heights in terms of production and we will continue to deliver growth consistently over the next quarters– with the existing three production units that are up and running, we are also preparing to start the production of the fourth one and the # 5 and the # 6, so Cidade de Maricá and Cidade de Saquarema are also on track to start production in less than one year.

We are also advancing our projects elsewhere as you saw, and mainly in Mozambique and also in Block 32 in Angola. So, we will deliver on our E&P strategy, supported by profitable and efficient downstream and gas businesses.

Thank you all and I hope you have a good day and a great summer break for all of you.

See you, and thank you.