Pedro Dias, Head of Strategy and Investor Relations

Hi, good morning. Welcome to our Q1 2017 results conference call. Joining me today is Carlos, who will start with our execution update, and Filipe, who will go over the quarterly results. At the end, we will be available for Q&A, during which Thore will join us as well.

I would now like to highlight that we may be making several forward-looking statements. Actual results may differ due to factors included in the cautionary statements at the beginning of our presentation, which we advise you to read.

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. Today, I think this should be a rather quick results overview and strategic update, considering the extensive views we shared with you during our CMD last February in London.

In Q1, Ebitda was up 43% year-on-year (YoY), supported both by the upstream and the downstream oil businesses. Downstream had a strong contribution to Ebitda with a robust Refining & Marketing performance more than offsetting the weaker Gas & Power results. In upstream, we benefited essentially from the continuing production ramping up in Brazil, despite maintenance works performed during the quarter. The macro environment was also less harsh.

This leads me to the Slide #5. As you can see, the Brent has increased during the quarter to an average of $54 per barrel (bbl), supported by the production cuts from OPEC and some of non-OPEC countries. Refining margins remained resilient with middle distillates and fuel driving benchmark refining margin higher to $3.5/bbl, above what we had budgeted for the period. The Iberian oil market was up 1.3% in a YoY basis on the back of higher demand for diesel, jet and LPG, supported by the economic activity. Natural gas also benefited from lower hydro and wind conditions for power generation and also helped by stoppages in some French nuclear reactors.

Let's now take a closer look to our operations during the quarter, starting precisely with E&P on Slide #6. So, the production in FPSO #5, the one that is placed in Lula Alto, has reached plateau by year end 2016, and the ramp-up of the production unit #6, placed in Lula Central, more than offset the maintenance works performed in both FPSOs #1 and #2, which mainly occurred during March. Meanwhile, production was resumed, even though there are still some maintenance activities ongoing on FPSO #1, which should be concluded in May, when production will be normalised. These maintenance activities in our Lula-Iracema fleet were flagged during our CMD, with overall maintenance activities during the year expected to have an impact of around 4 thousand barrels (kboepd) across the year. I remind you that our 2017 full year guidance is of 90-95 kboepd, already considering these maintenance effects and the natural decline in Angola.

Looking ahead, you should expect the continuous ramp-up in Brazil where unit #7, the first replicant, is now deployed in Lula South area and ready to start. However, we continue to wait for the license to operate from IBAMA. As for the other two replicant units to be deployed in Lula, the one that will be placed in Lula North is currently performing integration works in China and is pretty much according to plan. The other unit to be placed in Lula Extreme South, we have seen the hull arrive to BrasFels shipyard in Brazil this March where integration works are now underway.

So moving now to Angola. The working interest production of mature fields in Block 14 continues to decline as expected. On the other hand, in Block 32, Kaombo, the drilling campaign is proceeding at good pace and the project is on track to start production in 2018. The start-up of Kaombo project should more than offset the production decline in Block 14.

Moving now for the downstream on Slide #7. The Refining & Marketing delivered good results, driven mainly by refining, despite some maintenance works in Sines crude distillation units. Not only were benchmark margins supportive, but we have also captured a premium over benchmark of $1.6/boe, benefiting from sourcing optimisation. Indeed, we processed raw materials, which were trading at a higher discount to Brent during the quarter, maximising our conversion capacity utilisation. Also, we took advantage of arbitrage opportunities between different products and markets, like gasoline crack differentials between Europe and North America, where Galp is well positioned to attend.

In the Marketing oil, we have delivered another solid quarter, supported by robust demand in retail and also in the wholesale segments, with two reasons playing an important contribution. Also, we had one day less in the calendar, and Easter fell entirely during the Q2.

On the Gas & Power front, this was an abnormal quarter with temporary sourcing constraints from Algeria, one of our key long-term suppliers. These constraints obliged us to buy gas in the spot market just as the market was spiking. This explains the lower-than-expected margins during the period. Also on trading, Galp was not able to take advantage from the temporary recovery in LNG prices and the price spike in Iberia, given the same sourcing restrictions.

So with that said, I will now pass to Filipe, who will go through the financial overview.

Filipe Silva, Chief Financial Officer (CFO)

Thank you, Carlos, and good morning. I will start with the P&L on Slide 9.

So during the first quarter, group Ebitda was up 33% to €419 m, up 5% quarter-on-quarter (QoQ). E&P Ebitda was up significantly YoY, reaching €204 m on higher production and Brent. It was slightly down QoQ, but this is due to the normalisation of the one-offs, which we talked during the previous quarter.

If you recall, Q4 revenues were boosted by the allocation of trading activities from Refining & Marketing to E&P. And also, unit production costs were particularly low in Q4 on the back of a one-off cost adjustment in Brazil. Excluding these two base effects, E&P during Q1, Ebitda would have been up QoQ.

Refining & Marketing Ebitda, up 27% YoY to €187 m, which was driven mainly by higher refining margins and a solid premium over the benchmark. Be reminded that in Q1 last year, we had planned maintenance in the Sines hydrocracker.

Gas & Power Ebitda was down YoY to €22 m, mainly due to the gas sourcing issues Carlos alluded to. This was also the first quarter during which the regulated infrastructure contribution was entirely accounted for under the associates line.

And below the Ebit line, financial results were impacted by a €26 m YoY negative swing in the mark-to-market of refining margin hedges. Higher P&L taxes reflect the higher contribution from E&P and non-cash one-offs related to a reversion in deferred taxes in Iberia and Angola oil tax provision. All in all, net income was €99 m in the quarter on an RCA basis. Whilst under IFRS, net income was €134 m with the main difference being the positive inventory effect of €54 m. Non-recurring items accounted for €18 m, mostly driven by the Portuguese special tax on the energy sector.

On Slide #10, we have capex. It reached €227 m in the quarter, and as you would expect, mostly allocated to development activities in Brazil and Block 32 in Angola. Downstream capex was directed mostly to maintenance activities in the Sines refinery.

Cash flow on Slide #11. The highlights here was the large increase in working capital, €203 m, driven by a temporary increase in crude inventories. This resulted primarily from an outage in the Sines

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distillation unit, disrupting the normal sequencing of crude intakes. Cash flow generation would have been quite healthy otherwise in the quarter, i.e. organic free cash flow was healthy.

Looking at my last slide, the balance sheet on Slide #12. Work-in-progress still making up a very large proportion of our fixed asset base given the magnitude of the projects to be commissioned over the next few quarters.

At the end of March, net debt amounted to €1.9 bn. If you consider the outstanding balance of the loan to Sinopec as cash, net debt to Ebitda stood at just under 1x. And our liquidity remains high at around €2.9 bn, of which around €1 bn in cash and undrawn credit lines of €1.4 bn, and the loan to Sinopec of over €0.5 bn.

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

Questions & Answers Session

Oswald Clint – Bernstein Research

Maybe the first question, just on Brazil. Obviously, continued strong performance here this morning. But obviously the balance sheet is very strong, and I suspect your ambition to get free cash flow positive in Brazil is still on track. So it looks like you didn't pre-empt Total in terms of Iara. And perhaps, if you weren't able of accessing new licenses in Brazil later on this year, could you maybe update us on what discussions you may or may not yet be having in terms of the new cash flow, the new free cash flow in the business, on what you might intend to do with that as you look into 2018, please? And then secondly, just quickly on refining, in terms of the refining margins holding up here and the sourcing opportunities that strengthened it in the first quarter, are those specific to the first quarter? Are you still seeing those in the second quarter? Were they included within your refining business plans for 2017?

Carlos Gomes da Silva, CEO

Oswald, thank you for your two questions. In our CMD, we have debated a lot the optionalities that the new cash flow cycle will bring to Galp. We are complying with our execution plan in Brazil, and we are happy with that. Our Company always stated that keeping our financial discipline, a solid balance sheet, we will have the optionalities going forward. So we don't need, what we might say, to be too much stressed on acquiring new resources. But of course, all of you know that we like Brazil. We are in Brazil, that offers good assets and good opportunities, and we are looking carefully for the new bid rounds that will take place in the second half of this year, preparing ourselves to participate on that, mostly in those that makes sense in a perspective of value accreative.

In what relates to the pre-emption of Iara, I have to say that there are still discussions undergoing within the consortium. And therefore, I prefer not to make any further comment on that. But to let you all know that, on all the assets that might create value for the Company, we are always more than aware in order to consider them. And the new bid round is one of the case.

In what respects to refining and the sourcing optimisation that we have released, one must be very clear that we have done this optimisation by using the full conversion of our refining system, due to the fact that we have some stoppages in the distillation crude unit. Otherwise, we will optimise always based on our LP [linear programming], and the distillation unit is important to the integration of the internal production of the VGO instead of buying in the international market. So we always use the LP, and this optimisation that has been done during the quarter was an agile way to approach a certain stoppage that we had to make. And therefore, I think there's nothing that you should consider as recurrent. If we had a distillation crude unit, we possibly would have better results with possibly lower premium to benchmark, but it's a balance between the two.

Brendan Warn – BMO Capital Markets

Just two questions and just one other point of clarification. Your comments on this quarter's tax, I think you mentioned a couple of one-offs. If you can just give us an idea of if there's any change of effective tax rate that we should be thinking about? And then I guess my primary question, though, I appreciate it's only been a short period since the CMD, but any update of discussions with Angola about terms of any future investments, please?

Carlos Gomes da Silva, CEO

Thank you, Brendan. I will ask Filipe to address the tax issue. So in Angola, what we are doing for the time being is focusing ourselves in developing the Kaombo project and searching alternatives to optimise our existing Block 14. But no other projects are appearing to the surface in what relates to Angola, so still waiting. I think it is kind of a wait-and-see mode since a long time, but we have to keep that. It's one of the three geographies that is an anchor for Galp, and therefore, we hope that Angola, sooner or later, takes the decision to re-launch the development of the oil and gas industry. And we hope to benefit of that.

Filipe Silva, CFO

Brendan, no, there's no change in taxation in the quarter. What you do have are one-offs, which are detailed at the bottom of Page 12 of our book. So you have an €8 m deferred tax adjustment in Iberia and a €6 m provision for oil tax in Angola, both of which are non-cash. So expect no changes to effective tax rate on a recurring basis.

Theepan Jothilingam – Exane BNP Paribas

One question, please, just on your guidance for capex for the full year. I guess with the potential for a new partner in Mozambique and Exxon potentially leading the onshore business, I just want to understand whether there's scope to see a reduction in the contribution for capex for Mozambique for this year?

Carlos Gomes da Silva, CEO

So our guidance capex remains the same, as we have mentioned in CMD. What we observed during Q1 was a slight delay in some of our projects, but for the time being, we are not anticipating any difference between what we have shared with you.

In what respects to Mozambique, the new partner that you have referred is not still on board, so there are discussions, and work is under progress. Any optimisation that we might see from Mozambique, that we are still working on that, should be related with the onshore development project. And that will not take any impact in 2017. Hopefully, it will take impact in the years forward but not for this year. Thank you.

Filipe Rosa – Haitong

So two questions from me, if I may. The first one on upstream. There have been some reports that there were corrosion issues on a couple of risers on FPSO Cidade de Angra dos Reis. Just to see whether you think that this is an isolated issue, whether this could have any impact on your output and could lead to any changes to your capex budget due to the need to replace, or are these reported issues as you would expect so far? The second question relates to the Gas & Power division. The issues you have in terms of sourcing in Q1, could this lead to a lower result this year, or do you think that you can recover over the next quarters, sourcing at much lower levels and selling at higher prices? Could you update us on that, please?

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Carlos Gomes da Silva, CEO

Taking the chance that we have Thore with us, Thore will address the first question. In what relates to the Gas & Power, our guidance still remains the same, even though we are pointing out to the lower end of our guidance. So that's what you should expect. We think that we will recover partially, but not obviously the total that was the Q1, compared to the strongest ones, and when we have experienced the difficulties that we have shared with you. So Thore?

Thore E. Kristiansen, COO Exploration & Production

With respect to the riser issue in Brazil, first of all, it's important to distinguish there has not been two risers that have had a problem in BM-S-11, and more specifically, connected to Angra dos Reis. There has been an issue in BM-S-9 connected to the Sapinhoá field, which we believe happened last year. Our understanding is that Petrobras has confirmed that that was related to possibly a corrosion issue, more specifically corrosion cracking issue. With respect to BM-S-11 and Angra dos Reis, it is too early to conclude on what was the reason. We have recovered the bottom part of the riser. The upper part of the riser is being recovered as we speak. And these are then being delivered to a laboratory for proper metallurgical examination. And before we've had the conclusions of that, we cannot conclude on what has been the failure. What has been done is that we have, of course, examined all the other risers in parallel, and there's only one more riser that was produced in the same batch as this riser, so we believe that the issue is pretty well contained as far as we do. But what we also are doing now is that we are looking through what are the qualification criterias that should be used when it comes to these risers based on the possible outcome of these investigations.

Flora Trindade – BPI

Two quick questions. The first one is if you could comment on the refining margin environment to date? And considering that feedback, is the $2.5/bbl estimate you have given in Capital Markets Day for the full year still holds? And then secondly, a general question in E&P. The level of production costs, the normalised production costs in Q1 of $8/bbl, can we assume that as a reference for now?

Carlos Gomes da Silva, CEO

Good morning Flora. Thank you for your two questions. So in what relates to refining margins, we are entering in the summer season where the gasoline demand used to increase, but we also know that the U.S. build-up gasoline inventories is a concern, and the season has started with relatively high levels. So that's one of the concerns in terms of the possibility to see the refining margins increasing. On the other side, we have to look attentively to what happens in what relates to the Brent. If Brent goes up with the consolidation of the cuts from the OPEC and the non-OPEC, or some non-OPEC countries, that could press down the refining margins. So that said, we think that for the next Qs and therefore, for the rest of the year, we might end up with a refining margin around $3/bbl. So it's more or less where we're thinking at, which is above, as you know, what we have considered in our last CMD. You also know, and you should retain, that we have more or less 20% of our annual throughput hedged at almost 3.5/bbl. It's $3.45/bbl actually.

In what relates to the opex for the E&P, as long as we start to have replicant units on the system, there's a difference considering the present status. You know that the first six units were leased, and therefore we have part of the cost as opex and the other part as DD&A. Once we start to have replicant units in the system, our opex will increase, because they will be operated by Petrobras. What you can consider is that the technical cost as a whole will remain more or less identical to the ones that we have for the leased units. So I think that's the best approach that all in all you might do.

Biraj Borkhataria – Royal Bank of Canada

Just a quick one for me. Could you update us on the refining margin hedging for 2018 and beyond and where you are now?

Carlos Gomes da Silva, CEO

Hi Biraj, good morning. We have basically 20% for this year, as I mentioned to you, 7% of the throughput for the next year and 5% in 2019. And the values that we are considering is $3.6/bbl in 2018 and around $3.8/bbl in 2019. And we will continue with this policy in order to soften the refining and marketing contribution. Thank you.

Michael Alsford – Citigroup

So I just wondered if you could perhaps update on Coral FLNG. You didn't mention it much in the release, so I just was wondered, since the Capital Markets Day, where we were in that project in terms of project financing? And then secondly, at the CMD you also talked about Kaombo, and there was obviously the delay to the second FPSO of around six months. I just wondered, since the update, as to whether you've been able to put in mitigating actions to reduce that delay or whether we are still thinking that there'll be a six-month delay for the second FPSO?

Carlos Gomes da Silva, CEO

Thank you, Michael. So starting by the Mozambique, so the FLNG in Mozambique. Effectively, we are just in the border of taking the final investment decision. So in what relates to the pre-conditions that we have self-established to take the FID, most of them are already addressed, which means that the Government of Mozambique still has some approvals to make, and in what respects to the financing, we have more than 80% of commitment letters secured through the export trading agencies. And so in terms of the financing, I would say that it's not fully completed, but it is at a good pace and we are not anticipating any problem in what respects to this. That said, what we can anticipate that in the coming weeks we might be in a position to take an FID within the consortium, as we anticipated in CMD.

In what respects to Kaombo, we are monitoring the development of the works in Singapore and trying to minimise the delays that we have anticipated. So, for the time being we are happy with all the measures that have been taken, and therefore we are considering that the unit might be ready to start next year, as had been anticipated during the Capital Markets Day.

Michael Alsford – Citigroup

Sorry, if you don't mind, a quick follow-up, just a little bit unrelated, but just on the capital structure. Clearly you've got a very strong balance sheet as was alluded to earlier, and your Net Debt to Ebitda of 1x, you're going to be free cash flow positive at $55/bbl next year. I'm just wondering, what would you say is your optimum capital structure or gearing level we should think about through the cycle? Because you'll start to throw off a lot of cash, and I'm just wondering where you would expect to keep the balance sheet over the medium term?

Carlos Gomes da Silva, CEO

You know that our industry is typically less leveraged, and that has to do with the structural profile of the industry. Nevertheless, you know that we are still in a growing process. We still have a long way onwards, and therefore, we have to keep our financial discipline. What is our commitment to our shareholders is keeping our net debt to Ebitda below 2x, which means that we will continue to be focused on the execution of our projects, which is the best that we can do. The second best is extracting more value from those existing projects with incremental capex that might be value-accreative and extracting a lot of value for our shareholders. We only consider optionalities in terms of investments, as I have mentioned before in the case of Brazil, if the alternatives will fit our strategy on one side, and the typology of the assets fits completely in the breakeven portfolio that we have. So in summary, the ideal in our industry is keeping it low, but considering the optionalities, the limits and the caps or the commitment that we have defined is keeping the net debt to Ebitda lower than 2x.

Joshua Stone – Barclays Capital

I've got two quick questions on the downstream, please. Firstly, on the depreciation level, up slightly with the lower refinery asset life. Is this an appropriate level to consider for future quarters? And then secondly, just again on the downstream, is there any planned maintenance we should know about in refining for this year?

Carlos Gomes da Silva, CEO

Josh, simple and direct answers. In terms of depreciations, yes, you should consider. It is like that, it is the new approach. For the maintenance in our refining system, just minor interventions in Q4, few days, I would say 4 to 7 days in our distillation unit and on the FCC, but they are minor. And intervention has been considered in our planning, in the figures that we have shared with you in the CMD. Thank you.

Joshua Stone – Barclays Capital

Just to clarify, so that's no planned maintenance for Q2 until Q4?

Carlos Gomes da Silva, CEO

Yes, precisely.

Jason Kenney – Santander

I was just looking at the upstream Ebitda profile, and I was wondering if you had a roundabout figure for 2017, and if possible, an expected upside in 2018 if oil prices were to stay at constant levels, and you just see the volumes growing as per guidance? Just trying to get a gauge of how Ebitda and the upstream moves relative to volume growth.

Carlos Gomes da Silva, CEO

Jason, you know that we have one unit that is ramping up and there's two more coming in this year that should be at plateau level, one by mid next year and the other in 2019, which means that the production contribution will continue to accelerate the weight of E&P in our P&L. But as long as that happens, one other thing that is also impacted is the level of the taxes that we pay in the origin countries. And therefore, the speed of the contribution bottom line has to do with both components. So it's not directly, it's deleveraged, I would say, due to the tax impact. But, for sure, over time, E&P will represent more than 60% in the global P&L of our company. Thank you.

Hamish Clegg – Bank of America Merrill Lynch

Just two quick ones, really just to follow-up. First of all, on the flexible pipe issues, the technical problems that have been talked about in Upstream this morning. Could you elaborate a little bit further in terms of whether or not you're having guarantees from your suppliers on these flexibles? Is this just wear and tear, or is it sort of a one-off isolated incident like you alluded, i.e. will there be some kind of form of compensation for issues?

The second question I had was just on your LNG sourcing impact in the quarter. Totally understand it was one-off. Is this something that was more one-off to you? I know spot prices were high. Or do you feel other people in the industry faced this as well? And is there anyone in particular you were able to source the LNG volumes from?

Carlos Gomes da Silva, CEO

Hi Hamish. I will take the second question and ask Thore to complement the first one. So for those that are exposed to same supplier, they have experienced exactly the same problems, and therefore, it's something that affects all in the same way. You know these kind of long-term contracts, they have some flexibility in terms of quantities. And you should take into consideration we are not speaking about LNG. We are speaking about gas pipe. What we used to do is replace the gas pipe that we received from Algeria in order to have the LNG gas that comes from Nigeria to make international trading operations. It was not the case. We have to comply all the commitments that we have before in the trading cargoes, and we have to use our LNG cargoes for self-consumption to our clients. So this is a combination between the two. That is the reason why we have taken the decision to buy gas in Iberia because it was the one that could immediately solve the problems that appeared in that market.

In what relates to the risers, I will pass now to Thore. Thank you.

Thore E. Kristiansen, COO E&P

First of all, let me try to underline what I said the first time. It is too early to conclude on what has been the root cause of the rupture of the riser for Angra dos Reis. That’s number one. Number two, this riser has been in place for four years and three months the time when it ruptured. It ruptured as we were changing from water injection, and we were going back to gas injection. This is one of the alternating injectors that we have. They have a defined life of 20 years, so we will have to revert first. We need to define what was the root cause, and then with a four year and three months duration, of course that is not matching with expectations where the design was for 20 years. Thank you.

Thomas Adolff – Credit Suisse

Two questions, please, on Brazil. You've mentioned the lack of a license from IBAMA, which explains why the first replicant hasn't started up. I just wanted to get a better sense for what this is. Is this the environmental permits? And is that something that, I guess, has been a problem in the past, is being tackled for the next licensing round? I believe for the next licensing round, there have to be a few things in place, such as fixing the issue around the environmental permits. I think getting the local content policy in place, I think that's already been done. I think the simplification of the unitisation process and the extension of Repetro… Maybe you can give us an update on where we are on all of these. And as far as the licensing rounds are concerned, this is one way of deepening your exposure to Brazil. Now, let's say, Petrobras were not to participate, just as an example. Why would another consortium, another group of companies, would want to partner with Galp? I mean what does Galp bring to the table? Or is your strategy, as far as bidding rounds in Brazil are concerned, just to bid together with Petrobras, because you've been a good couple?

Carlos Gomes da Silva, CEO

Two very good questions. Starting from IBAMA. IBAMA has six months to address the license permit. So what it seems that is happening, they are using all the time available. We must admit that this is the first replicant that will be placed, and they are probably more accurate and demanding in order to guarantee that everything is complying with all the conditions. If it is not so, I must admit it is difficult also to us to understand why it takes so long, because we have delivered everything that has been asked to the consortium.

In what relates to the Brazil as a whole and the new bid rounds and the Galp's position. So, starting by Galp's position, we are in Brazil for more than 20 years. We know that approximately 20% of the acreage in Brazil has been awarded, so 80% to go. And therefore, if there is one company that knows the assets, knows the geology, knows the ecosystem in Brazil, I think it is Galp. We have internally made a huge effort to develop, to train and to participate with our team in the consortiums, in what we consider, as an active non-operator. We seized to guarantee that we are well-positioned to take the benefit of the new opportunities in Brazil. So that said, and it's not clear if Petrobras will participate or not because it still has the optionality to do it, and you know that the law has been changed to adapt to consider that. But what we are doing is preparing ourselves, at least in the surrounding areas of the existing assets that we know quite well. And therefore, we are one of the potential partners, which for the time being, we are not what can be seen as a candidate as an operator, at least in the ultra-deep offshore. And therefore, I think we have the good combination between what could be a medium-minor player and one of the big candidates that have the option or ambition to operate in Brazil. So both combined, I think they are giving us a good result. And amongst the several alternatives, I think the north of BM-S-8 is one of the key areas that we have always mentioned as a potential alternative to candidate ourselves to bid rounds.

Thomas Adolff – Credit Suisse

Great. Any comment on reforms, like the simplification of unitisation and the extension of Repetro? Where are we on those?

Carlos Gomes da Silva, CEO

Thomas, there's no unitisation process still concluded. The first one will be in BM-S-11. So it's the first that has been taken. It's the one that will anchor the rules and the principles for the new unitisation processes that will come. We have already started other processes, namely in Iara fields and also in Sépia. But we are benefiting from the experience that has been taken during the Lula unitisation. So we hope this process will be concluded by the year-end and we are, I would say, positive that that could happen.

In what relates to the revision of the framework in the taxation, in the regulation, in the industry local content, what we are observing, independently of the political issues that Brazil has experienced, or is experiencing, is a fully supportive approach to the oil and gas industry, which means that flexibility of, and the relaxation of not having Petrobras as a mandatory operator is, I think, one amongst several. The relaxation of the local content obligation is also another one. So we are seeing positive signs in Brazil that even though in a middle of a complex political context, the industry is observing that is granting conditions to continue development, which by the way, in our opinion, is absolutely crucial for the economic recovery and development in Brazil. So all in all, I think this might be a win-win solution going forward. Thank you.

Marc Kofler – Jefferies International

I just wanted to come back to the cash cycle over the quarter. And I totally accept that working capital is a bit of an unknown event a lot of the times, but it struck me that there was quite a big build in the first quarter. And the commentary in the press release seems pretty adamant that that will reverse quite soon. So can you expand on those comments a little bit, please? And then perhaps just stepping back a little bit on the cash cycle. Is an organic run rate of around €450 m to €500 m per quarter a reasonable assumption on a go-forward basis, assuming the major commodity prices remain where they are?

Filipe Silva, CFO

We gave the markets quite a bit of detail only a few weeks ago about our macro assumptions, Brent assumptions, Dollar assumption, refining margin assumptions, so this is not yet the time to give you any revised guidance, other than to say that Q1 has a number of, call it, one-offs. We had issues with FPSOs, we had issues in Algeria, we had issues in the Sines distillation unit, so it was weaker than expected. Also, bear in mind that if you compare with Q1 last year or Q4 last year, there are quite a number of one-offs on those periods as well. So this is to say, it's very much on track as per the guidance we have delivered in February to the market.

Anish Kapadia – Tudor, Pickering, Holt & Co

A couple of questions. First of all, just thinking about your production guidance for this year, with the issues on the risers on Lula and the delays to Lula South, just wondering, have these been factored into your production guidance already for 2017, or is there some risk to those numbers?

And then secondly, I was wondering if you can give an update on the tax claims on Lula? Just your interpretation of it and how you see those cases proceeding over the coming months in terms of the notice that the participants in the Lula field got from the government with regards to SPT. And the other issue in Brazil that affects you, is the delay to Statoil's purchase of BM-S-8 and just how you see that affecting your operations on that field this year?

Carlos Gomes da Silva, CEO

So from the perspective of the production guidance, and as I have mentioned in my previous introduction, we keep the guidance from 90-95 kboepd. And one should bear in mind that maintenance issues that we have referred, we have already pointed out in our CMD, and have been included in our forecast for the year. So therefore, we keep the guidance as it was.

What you call taxes, I would say that this infraction notice that is coming from ANP effectively was a different interpretation that ANP has in what relates to the rules that are applied in the concession. So effectively, the claims are related with oil prices reported between 2013 and 2016, where they are saying that we have used lower oil prices than the market ones. And that is only for the related parties' transactions. And that said, since ANP is considering that those prices should be higher, they are claiming for additional SPT and additional royalties. So what I can ensure to you is that Galp has acted according to concession rules, and we see no legal grounds for what we consider a new ANP interpretation. So that's the point.

In what relates to BM-S-8, this is really an unexpected issue. What we can tell you is that we are monitoring it closely with Statoil, which is the entity that is facing the issue. And we hope that this will not affect our operations going forward. It will depend one the legal points that have to be addressed. You know that we have for this year some initiatives on de-risking these relevant assets for the Company, namely the possibility to drill the Guanxuma well and to do a DST in Carcará Northwest. We are also working in the development concept for Carcará, so let's wait that this will not affect. For the time being, I think it's too soon to see if there will be impacts. Thank you.

Tristan de Jerphanion – Kepler Cheuvreux

It turns out all of my questions have been answered, so thank you. Maybe just a quick and easy one. If you could tell us where the benchmark refining margins have been so far in Q2 and where they are trading right now? That would be very helpful.

Carlos Gomes da Silva, CEO

Tristan, I would say that for the Q2, the benchmark margin stands, and I would say, it's Q2 to date, it's about $4/bbl. So it's above what we have considered and I have anticipated to you. Let's see if the market will stand like that. If it is, we can count with another strong quarter from refining. Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Well, ladies and gentlemen, I think we got to an end. Thank you for your questions. As always, feel free to contact our IR team for further clarification. We are already in a Spring mood here in Lisbon, so have a nice day you all. Thanks.

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