

## Pedro Dias, Head of Strategy and Investor Relations

Good morning. Welcome to our 3Q16 results conference call.

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

I would like to highlight 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 this call today.

Galp has just celebrated its 10<sup>th</sup> anniversary since the IPO. This has been quite a transformational journey. At the time of the IPO, Galp was a small energy player focused on its downstream and gas activities in Iberia.

In 10 years, the Company grew into a midsize integrated oil and gas Company with a strong international presence, developing world-class projects in the upstream, and supported by a competitive downstream and gas business. We have done so by transforming our Company internally and by establishing strategic alliances with key entities in the regions we operate. And that's how we will proceed in our path.

During this 10 years, we have more than doubled our share price, and delivered a total shareholder return of almost 200%. And we are just getting started!

A special thank you to all who have helped to make this transformation possible. I am of course referring to those who continue to work with us to make our strategy happen on a daily basis, but also to those who were here before and paved the way for this great project.

Now back to what bring us here today:

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Q3 delivered a strong operational performance, with Ebitda up 14% quarter-on-quarter (QoQ) on the back of higher production and oil marketing seasonality. However, year-on-year (YoY) we are still impacted by the challenging macro environment.

Brent has stood at around 46 dollars per barrel (\$/bbl) during 3Q16, with unbalanced supply and demand as well as high inventories.

The benchmark refining margin was down, both YoY and on a QoQ basis, to \$2.3/bbl, following the lower gasoline and diesel cracks.

On the positive side, the Iberian Oil market increased around 4% YoY, mainly due to higher demand for diesel and jet, supported by the strong tourism activity this summer in Iberia. As for the Natural Gas market, demand decreased slightly YoY, reflecting a lower gas demand for electricity generation, on the back of higher renewable and nuclear generation.

Now on slide 7, to take a closer look at our operations during the quarter, and starting with E&P activities.

Our average working interest production stood at 74 thousand barrels of oil equivalent per day (kboepd), up 35% from the previous quarter. This was mainly driven by the ramp-up of FPSOs #4 and #5 as well as by the start-up of FPSO #6, in Brazil.

FPSO #1, Cidade Angra dos Reis, and Cidade de Paraty, FPSO #2 were back to their plateau production after completing maintenance work.

FPSO #3, Cidade de Mangaratiba, in Iracema South, continues to produce at plateau level, with the connection of the unit to the Cabiúnas gas export network expected during the fourth quarter.

During 3Q16, FPSO #4, Cidade de Itaguáí, in Iracema North, was connected to the Cabiúnas gas export pipeline, allowing the unit to reach its plateau during August, only 13 months after start-up.

So we have now four units running at plateau level, with one more almost there. In fact, FPSO #5, which started production in February in the Lula Alto area, had its fourth producer well connected during the third quarter, with the fifth producer expected to be working by the end of the year.

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As for the FPSO #6, which started production in last July, it contributed with one producer well during the quarter. During this month of October, we have connected two additional producers and this unit is now producing around 80 thousand barrels of oil per day (kbpd).

Fantastic work from Petrobras with the helping hand from our colleagues in Brazil.

We currently expect to beat our production guidance for the full year, as the operations are running on schedule and with a good performance. The expected exit rate for year-end is somewhere between 82 - 85 kboepd.

Moving to our projects in Africa.

The offshore Coral South floating liquefied natural gas (FLNG) project in Area 4, in Mozambique, saw the signature in October of the gas offtake agreement with BP. This contract ensures the sale of the Coral liquefied natural gas (LNG) volumes for a period of 20 years. This contract is, however, subject to a final investment decision (FID) for this FLNG project. Regarding the Mamba onshore project, we continue to analyse the Engineering, Procurement, Construction (EPC) proposals.

In Angola, production from blocks 14 and 14k remains steady. In block 32, drilling and completion proceed in the development area of Kaombo, and the two FPSO units are being built in Singapore.

On slide 9, we move to the downstream business.

As mentioned earlier on the macro environment, the refining business has been impacted by lower refining margins. However, the high availability of our refining system, namely of the main conversion units, allowed for higher throughput during the quarter.

Our premium over benchmark stood at \$1.1 dollars per barrel of oil equivalent (\$/boe), with still some gasoline arbitrage opportunities between the U.S. and Europe. As I said, availability was high, with no relevant stoppages for maintenance in our refineries during the quarter. Meanwhile, during October, we have carried out some maintenance activities, namely in our Visbreaker at Sines refinery, that took around 15 days. The FCC is expected to go over maintenance works during 4Q16.

Marketing of oil products had a strong summer, maintaining its positive contribution to results. The Iberian oil products market is recovering, and Galp continues to optimise its client portfolio and to reduce volumes to lower margin wholesale clients.

On the Gas & Power, LNG trading was impacted by fewer arbitrage opportunities, with activity in the quarter mostly based on structured contracts. This was only partially offset by the increase in sales to the electrical segment.

On the regulated infrastructure business, the results were impacted by the well-flagged decrease of the regulatory rate of return, effective from July, from around 7.9% to 6.2%. As you may have seen, we have just concluded the partial sale of our business, but Filipe will go over this in more detail – namely on benefits of this deal to our financial position.

In what concerns the power business, we continue to see results normalising after the steep decline in commodity prices during 2015, and benefiting from increased sales to the grid and to direct clients. I remind you that, strategically speaking, this is a gas-to-power integrated business.

Thank you for your attention, I will now pass you to Filipe, who will go through the financial overview.

Thank you.

### **Filipe Silva, Chief Financial Officer (CFO)**

Thank you Carlos and good morning to you all.

Starting with the P&L on slide 12. During 3Q16, Group Ebitda was down 6% YoY, to €384 m, mostly driven by lower refining margins. QoQ Ebitda was up 14% on the back of our Brazilian production increase and a seasonably strong R&M quarter.

E&P Ebitda was up 43% YoY, to €127 m, with the significant increase in production more than offsetting the lower oil prices. Also, upstream unit production costs continue to diluted down on the back of higher production. During 3Q16, unit production costs were particularly low but here we have a one-off adjustment from over-charges in previous periods.

Refining & Marketing Ebitda was down 25%, to €180 m, but this is mostly a reflection of a strong 3Q15 when refining margins were particularly high.

Gas & Power Ebitda is flat YoY at €73 m, with a normalization of the power business offsetting the lower Rate of Return on the regulated infrastructure business.

So, group-wide, we have Ebitda sequentially higher at 14% QoQ, even if the sector margin headwinds continue affect our YoY performance. Having said this, and now with almost 10 months under our belt,

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we believe we should be able to beat the top end of our Ebitda guidance of €1.3 bn for the full year. And this already considering the deconsolidation of the November and December Ebitda of GGND.

Below the Ebit line, we have financial results of minus €16 m include a €13 m negative mark-to-mark adjustment in the value of our outstanding hedges on commodities.

Net income was €115 m in the quarter on an RCA basis. Under IFRS, net income stood at €91 m. The difference relates mainly to a E&P asset impairment in Brazil onshore, which was partially compensated by a positive inventory effect during the quarter.

On the next slide, capex reached €244 m in the quarter and, as one would expect, mostly allocated to development activities in Brazil. We expect full year capex to fall near the mid-point of the range we had guided you to. To recap, the guidance range was €1.1 - 1.3 bn.

On our balance sheet, on slide 14, our net debt increased by some €320 m during the quarter on a comparable basis. This was driven by the dividend payment and investment in working capital. However, given the reclassification of GGND to Available for Sale, our reported net debt was down to around €1.6 bn, considering the Sinopec loan as cash.

We have since closed the GGND transaction. Slide 15 shows the pro-forma September net debt considering the equity cheque of about €141 m which we got yesterday. Net debt of €1.5 bn leads to an net debt to Ebitda of about 1.3x.

As at the end of September, our liquidity was very high, at around €3 bn, of which around €1.2 bn cash, undrawn credit lines of €1.2 bn, and the loan to Sinopec of €575 m.

We will be soaking up some of this excess liquidity over the next few days. You may have seen that we have called one of our outstanding bonds. This €0.5 bn eurobond will be early amortized on November 21.

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

## Questions & Answers Session

### **Bruno Silva – BPI**

Good morning everyone and thank you for the opportunity. The first question is upstream. Can you please detail the one-off that positively impacted opex in Brazilian E&P, and what would be the opex per barrel excluding that effect? Taking advantage of that, what level of opex per barrel will be a good estimate for the fourth quarter of this year?

The second question. Just to confirm if the Ebitda guidance beat for this year that you mentioned, just to make sure that is without adjusting for the perimeter changes.

And finally, I'm sorry about that, but I just wanted to make sure that you are going to make an update on the Rio de Janeiro oil taxes. If there has been any news on that front.

Thank you very much.

### **Carlos Gomes da Silva, CEO**

Good morning, Bruno. Thank you for your three questions. I will take the third one and I will pass the first two to Filipe.

In what relates to the tax in Rio de Janeiro. We are working together with the other partners in Brazil. There is no major progress on that relation, and the strategies that we have implemented are being followed.

What I can say on top of this is that we are expecting that the developments in the Oil & Gas sector will be properly addressed by the Federal State of Brazil, in order to guarantee that the sector continues to take these dynamics. We followed the strategy from one side. We have nothing, neither positive nor negative, additional to share with you.

I pass now to Filipe. Thank you.

### **Filipe Silva, CFO**

Good morning, Bruno. Your first question on the production costs. This is related to a VAT-type of cost on opex in Brazil, which we were not fully recuperating, which we're now making use of the tax credits. This equates to about \$1.50/boe. You should expect unit costs to continue to decline, given more volumes coming our way, as expected.

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As far as the Ebitda guidance for the year. This includes 10 months of GGND, not 12. So, it's equal perimeter, but only for 10 months.

Thank you.

**Mehdi Ennebati – Société Générale**

Hi, good afternoon, thank you for taking my questions.

Two questions, please. The first one on your alliance with Petrobras, you recently announced that you reinforced your strategy alliance with Petrobras, and that means further cooperation on the oil and gas exploration segments.

However, some other groups, such as Statoil and Total, also recently announced strategic cooperation with Petrobras. So, I wanted to know, what kind of value-added can you bring to Petrobras compared to those big oil companies? And, does this alliance mean that you are going to be together in some open areas within the pre-salt in Brazil?

And, I wanted to know as well, if you are part of the Statoil-led consortium which intends to bid in the open area of Carcará in 2017?

The other question is related to the working capital variation. So, working capital went up in 3Q16. I wanted to know, if this is essentially due to the reversal of the 2Q16 working capital decrease, or if it is also due to some inventory building, ahead of the maintenance in 4Q16? And what should we expect in 4Q16 regarding the working capital variation?

Thank you.

**Carlos Gomes da Silva, CEO**

Good morning Mehdi, and thank you for your questions. I will take the first two and Filipe will elaborate on working capital.

In what relates to the MoU or the strategic alliance that we have formalised with Petrobras. Effectively, this is to reinforce the relationship that, in fact, exists between the two companies. But, in this case, not only to explore opportunities in Brazil, but also abroad.

You ask what can we get from this and what we can add to this partnership. So, I will split it in three areas, to simplify. The first one is to explore, in the upstream projects, opportunities in the existing assets to optimise not only how to extract more volumes from those assets but also which kind of new infrastructure we should build to guarantee that we optimise the value creation for those assets.

The second one has to do with the potential opportunity of exploring, in the divestment programme that Petrobras is implementing, optionalities for Galp. And of course, we always look preferentially to Brazil, and in Brazil in the assets where we are already present.

The third one has to do with joint training and research programmes that are focused on the deepwater carbonate reservoirs, where we are present, and having joint work to guarantee that we can find solutions and increase the skills of our joint teams to get more value from the assets where we are present.

In the case of Carcará, and looking forward for the Carcará development, we are not sharing anything related with future potential bid rounds. But, what I can tell you is, having Statoil in Carcará in BM-S-8 already, it makes no sense to partner with third parties. But nothing has been decided for the time being.

I will now pass to Filipe.

### **Filipe Silva, CFO**

Hi Mehdi. You know our business units have been doing a tremendous job over the last few years in reducing working capital levels, and there is a limit for how much we can do.

Whilst 2Q16 was very good, so, very good job, 3Q16 was not so good. So yes, there's a partial reversal and we should expect that we would be, at the current Brent prices, we should be operating in a band, which is somewhere between what we had in 2Q16 and what we now have in 3Q16.

I guess where you're going is that we should not expect this to get worse than what we had at the end of September, and it has no relationship with inventory building in anticipation of refinery maintenance.

Thank you.

### **Michael Alsford – Citi**

Thanks for taking my questions, good morning all. So I have two, please, on the upstream. So firstly, perhaps, just around Brazil and I guess your technical capabilities, I think back to the Capital Markets Day, and you talked a bit about building in-house capabilities to, perhaps, in the future, operate assets. I just wondered where you were in that build-out of technical expertise and whether you're close to being able to, perhaps, take on operatorship, and I guess it refers back to your comments around the asset divestment of Petrobras.

And secondly, switching to Mozambique, you've perhaps been a little bit more cautious in your comments regarding Coral, perhaps relative to some of your other partners in the project. I just wonder, there's been a number of data points in progress on the project, perhaps could you update us as to where you are on the project, and how, you feel that the returns that you continue to generate from the project are versus your, I guess, thresholds for sanctioning projects?

Thank you.

### **Carlos Gomes da Silva, CEO**

Good morning Michael. Thank you for your two questions. I will take the second one to make you an update on Coral FLNG project. And I will ask to my colleague, Thore, to elaborate in the first one.

In relation to Mozambique and, namely, to FLNG project, we have just closed and signed the Sharing Production Agreement (SPA) with BP, which is subject to FID. We are also working in the EPCIC that will be also under the final approval process. And we are doing all the activities that we can consider as pre-FID activities, namely those that are related with the operating costs, the technical issues of engineering and details on the equipment, seeing all the guarantees in terms of execution time. So, things that are more pragmatic and practical and that might affect not only the implementation of the project, but as well during the lifetime of the project.

And there's, of course, two additional issues that are relevant and important for that. One is the funding; it's the financing of the project that has been one of the key initiatives in the last couple of weeks. Still far away from guaranteeing that we will have the full financing for the project. We are working with different potential loan bankers and also with export credit agencies for the several countries that are involved in the project; and, of course, looking to the economics. So, the pre-FID initiatives, are fastening in the last couple of weeks. And, as we have always mentioned in relation to this project, we always act as a contributor and finding solutions, and proposing solutions, in order to make this project profitable. That's where we are.

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I will pass now to Thore. Thank you.

**Thore E. Kristiansen, COO E&P**

Good morning Michael. Building operating capabilities is a strategic ambition for Galp, and something we do step-by-step. Let me remind you that we, as a Company, have drilled and operated 56 wells onshore in Brazil, we drilled technically successfully outside of Morocco and, this year, we have, as operator, acquired exploration licenses in São Tomé and also in Namibia.

But we do this then in step-by-step basis. We have now approximately 60 people in our Geology & Geophysics (G&G) team and another around 60 people in the development and production team. So, we're starting to build also critical mass and, in totality, some 250 people are directly involved in the E&P team, plus directly supported with engineering and with procurement from the corporate staff with another 150 people; so, on a daily basis approximately 400 people.

In addition, we work strategically with the Heriot Watt University, in order to build the skillset among our younger people that we are recruiting. And, together with international staff that comes from 16 different nationalities, I think we now have a very good mix between very clever, very eager, very learningful local employees, as well as a good international staff.

So, this is something where we are building day by day. We're not going to jump; we're going to learn to walk before we're going to run. That's the development path that we have chosen.

Thank you.

**Michael Alsford – Citi**

Thanks Thore. So just to follow-up, I guess when it comes to looking at an asset, or additional assets, it will be more still in a non-operated position and just taking in smaller stakes in those divestment processes for now, but, how they're building for the future?

**Thore E. Kristiansen, COO E&P**

We will not comment on that, Michael. We will evaluate that on a case-by-case basis and then let's see.

Thank you.

### **Oswald Clint – Bernstein**

Hi, good afternoon. Yes, the first question, I'm just looking maybe in the comments about the continuous improvements in drilling and completion performance and, obviously, the ramp-ups on these FPSOs. I remember you gave us some numbers on these back at the Capital Markets Day. But perhaps if Thore is there as well, you could give us some recent data points in terms of drilling days and months of ramping up, and just where you think you could get those numbers to, as we look forward from here, please?

And then secondly, back over Mozambique I just wanted to know, or confirm or clarify how much capex you have allocated for Mozambique, certainly in terms of your forward capex guidance for the next few years, perhaps a percentage number or something like that?

Thank you.

### **Carlos Gomes da Silva, CEO**

Hi Oswald, good morning. So, as you have addressed directly a question to Thore, I will let Thore answer the first one. But just giving the idea that Mozambique is worth about 20% of our capex for the coming years, so what we consider in our business plan. But I will now pass to Thore. Thank you.

### **Thore E. Kristiansen, COO E&P**

Thank you. With respect to drilling and completion, there has been really a fantastic development on the Lula/Iracema field over time.

As you will remember, we started off spending more than 200 days drilling and completing a well. In 2014, we were down to 135 days. Last year, we spent 110 days drilling and completing wells. And YTD, we are now running at 89 days for drilling and completing wells. So, a continuous significant improvement, and actually, cost-wise, we are down 24% when it comes to the drilling and completion costs in Brazil, from \$110 m per well last year, to YTD some \$94 m per well, so, continuous improvement. We are starting to get towards the bottom of the learning curve, so this huge improvement per year cannot be expected, but we still operate with a target of getting down to around 75 days of a long-term ambition on drilling and completion.

When it comes to ramp-up, there is a huge focus on making sure that we have sufficient well inventory. We have actually now drilled 102 wells of the 152 wells that is planned for the Lula/Iracema

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field in totality in the first phase. And, one of the key reasons why now ramp-up is going faster is that we now have a well inventory, which means that we can focus a lot on hook-up phases, so that we put the wells and the units into production.

And lastly, now symbolised with the Saquarema which, on the 19<sup>th</sup> of October, had its third producer coming on stream.

So yes, we continue to believe that the trend is to improve this. However, Lula/Iracema is a complex field and there are differences from field to field. The general guidance that we gave you on the last Capital Markets Day with around 12 months' ramp-up, is still what we are using for general guidance for you.

Thank you.

### **Filipe Rosa – Haitong**

Hi, good morning everyone. So, two questions from me as well. The first one on the unitisation talks, just trying to understand whether the potential changes in legislation in Brazil on this front could help the long talks that you are having with your partners to reach unitisation agreements. So just an update on that front.

And secondly, on downstream, looking at your refining metrics, the percentage of gasoline and middle distillates this quarter has seemed abnormally low in terms of your overall output. We have also seen a relatively low weight of heavy crude. Did you have any major issues this quarter; the premium that you had versus the benchmark has also been relatively low. Could you just elaborate a little bit on that?

Thank you very much.

### **Carlos Gomes da Silva, CEO**

Good morning Filipe and thank you for your two questions. So, in relation to the unitisation, the unitisation that we have in course and is more advanced, is on BM-S-11; it's in Lula, in the south of Lula, as you are aware, Lula/Iracema field.

There's some issues, and there's one point that is relevant. The decision that will be taken in relation to this unitisation process will be an anchor for the future unitisations in Brazil, because it is effectively the first one.

And there are some complexities on this, because it's not only the unitisation in relation to the south part of Lula, as it is the recognition of the existence of two different reservoirs: the Lula, and the Iracema reservoir. So, it's two issues. Of course the unitisation is in Lula, but both issues are to be considered together on the decisions that will be taken.

So, what we will see is, with these apparent dynamic changes and processes that are taking place in Brazil, which by the way we have anticipated in previous calls, as you are aware, I think they will fasten the decisions, and we might have a unitisation conclusion on Lula in the next year.

In what relates to the refining cracks, I would say that if we compare YoY, we have completely normal operations in the refineries. The arbitrage between Europe and United States has been smaller than it was in 2015. Effectively, in 2016 the arbitrage was smaller and, therefore, we didn't take advantage of that. And what we have also experienced is that, in 2015, the EuroBOB and the NYMEX gasoline were much more aligned, and therefore, the premiums that we get in that moment were also smaller.

When we compare 2Q16 with 3Q16, in that case we have a difference. But the difference is because 2Q16 was much stronger than it was in the past. So, it's more the comparison QoQ than YoY, because YoY we are aligned with what happened in 2015.

Thank you.

### **Haythem Rashed – Morgan Stanley**

Thank you, good afternoon gentlemen. Two questions from my side. I'm actually going to switch to the downstream a little bit, because you've had a lot of questions on the upstream.

Could you just give us an update on what the market conditions have been like so far in 4Q16, the premium that you've seen so far, but also, any plans on the hedging side? Whether you plan to extend that programme into 2017, and your thoughts around that?

And secondly, just a slightly more specific question on the tax rate that's been growing over the past quarters, clearly, in line with your growing upstream business. I just wondered if you could give us any sense on 2017. Should we be thinking about this being a sort of, you know, comfortably over 40% for 2017, or whether there are some other offsetting factors?

Thank you.

## **Carlos Gomes da Silva, CEO**

Good morning Haythem, thank you for your questions. I will address the first one, and Filipe will address the second one.

In relation to the first one and the market conditions, in terms of the hedging strategy, we keep the same. So, when we look to the forwards; we have the forward refining margins at \$2.5/bbl, which is below the level that we have decided to smoothen our hedging strategy. And therefore, we are not seeing additional alternatives to increase in 2017, the quantities that we have already hedged.

I remind you that we have already hedged 10% of our 2017 volumes at \$3.33/bbl.

Looking forward in the market conditions, we are observing this year a very strong market in jet fuel. So, aviation is increasing dramatically in Iberia, in Portugal, and as well in Spain. That went to a 7% increase in the consumption, and as well in the diesel. Diesel is showing a stronger position also this year. In Spain, we are also observing an increase in gasoline.

So, we anticipate that in 4Q16, at least the diesel will continue to sustain the growth that we are observing. And the jet for the aviation, it's still one of the key levers for the growing of the market, not only in Portugal, but also in Spain.

I will now pass to Filipe. Thank you.

## **Filipe Silva, CFO**

Haythem, the tax rate really depends on the assumptions we make on the mix of upstream and downstream. But if you take Brent next year at \$50/bbl, and refining margins at, let's say, \$2.5/bbl for the benchmark, our tax rate should be around 50%. And this includes the Brazilian SPT, so the participation tax.

Thank you.

## **Thomas Adolff – Credit Suisse**

Good afternoon. Going back to the upstream and to Brazil. Firstly, in light of Petrobras' revised capex guidance recently and that was driven mostly by efficiency gains. What implication does that have on your capex guidance that was provided earlier this year. I believe you've exchanged some notes between yourselves and Petrobras on some of the assumptions related to the Santos basin.

Secondly, on some of the work that you've transferred from Brazil to China, or Chinese yards. As I understand it, there has been a number of hiccups in the summer with regards to the transfer of funds. So I wanted to know whether that has been resolved and everything is running very smoothly right now.

And, if I may, another question on Brazil again, or linked to Brazil. You've said in the past that the Company that needed to work on sustaining the business for the 2020s, and then subsequently embark on an exploration campaign, which really didn't turn out to be that positive.

But when you look at your resource base today and you take into account, in the blue-sky scenario for your resources in Brazil via improved recovery factor. Do you feel that you need additional resources to sustain the business in 2020s, or do you feel that you actually have everything you need to sustain the business, maybe this one is for Thore.

Thank you.

### **Carlos Gomes da Silva, CEO**

Good morning, Thomas, and thank you for your question. I will take the two first questions, and Thore will help us to address the third one properly.

In what relates to the Petrobras' business plan, I would say that it's mainly prioritising the deepwater pre-salt basin resources. When we look to the adjustments that have been made, there is some reshuffling in the FPSOs delivering, but with no major impact in Galp's business plan.

We have already flagged some issues in the past, namely additional appraisal that will be required either in the Lula West, where we will do a EWT during this quarter to FPSO #1, and also additional appraisal in Atapu field in Iara, which also requires additional information to decide the location of the second unit.

So, these are the key issues. In the capex reduction that we take out from the business plan that has been presented, what we can see are efficiency gains, which Thore already addressed during this call. It has to do with drilling and completion and it has to do with the better well productivity.

I think all-in-all, there are no major impacts on this and, of course, what we can see is that Galp will have to review its own capex profile, and if there is any impact in relation to this, it is an optimisation

that came out of the issues that I pointed to you and we will have the opportunity to address them properly in the next CMD.

In what relates to the works that have been transported to Chinese shipyards. Effectively it has to do with the hulls and also with some integration of the Packs. The ones that are at a higher length from our side, and under more scrutiny, are the construction of the hulls from the replicants, some of the replicants, and mainly the ones that have been transferred to the Chinese shipyards.

What we have done for that is implementing a kind of escrow account in order to guarantee that the payments from the JV will flow directly to the ones that are doing the construction. We are following these issues very closely with our remaining partners, with Petrobras and Shell, because it is one of the key issues for our execution profile and to guaranteeing that the timetable that we are showing you will be executed.

### **Thomas Adolff – Credit Suisse**

So will there be another escrow account or the existing escrow account? Just making sure that actually the payment goes through on a timely manner.

### **Carlos Gomes da Silva, CEO**

There will be the escrow accounts required to guarantee the entire payments. It's a daily basis management issue that we are taking, together with our partners.

I think, the most important is that there's a lens, there's a focus on this issue, because it's one of the key ones to guarantee that we will keep the movement, we will comply with the challenging delivering execution process that those replicants will represent to us.

I also remind all of you that the first one should be deployed and should be prepared to operate during the first quarter of next year. It will be another starting point, because it's the first replicant unit that will be started and its learning curve will be observed during the 2017. Of course, the lessons that we will take from that process will be applied for the coming units to the system.

It's something on which we are working closely. If I have to flag someone on what is complex and difficult for us today, it would be to address this properly. But the Asian shipyards are working properly, and are delivering; and that is the key point. From our side, it is to guarantee that the money flows to them.

I will pass now to Thore. Thank you.

**Thore E. Kristiansen, COO E&P**

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

As you know very well, Galp is in this fantastic position and enjoying one of the best E&P asset bases in the world. I am very comfortable that with the current asset base we have, we will continue to grow through until the midst of 2020.

Our key focus is therefore aligned with our strategy. That is, number one, execute and deliver what we already have in the portfolio on time and on budget. And two, squeeze those oranges as much as possible in order to get the maximum recovery.

I think it's also noteworthy to see that with what happened this year, the fact that Statoil has bought into the BM-S-8, it's a derisking for Galp with respect to making sure that also this asset now is being developed in the best possible way.

And then we have Mozambique, which is another giant in our portfolio. We are getting closer to a decision point with respect to the development. So, in this respect, I'm feeling comfortable on the asset base. On the other hand, as a Company, we continue to consider our opportunities, and what is the best interests for the Company in totality. We will continue to do so as the time goes by.

Thank you.

**Thomas Adolff – Credit Suisse**

So additional resources is more opportunistic than a necessity, in essence, that's your conclusion then?

**Thore E. Kristiansen, COO E&P**

We are continuing to do our job by looking into how do we maximize value for this Company. That is our job and the board's, and we will continue to do so.

**Anish Kapadia – TPH**

Good afternoon. Couple of questions, please.

Wanted to see on some of your upstream projects, are there any plans to revive the development of Negage, Malange, Lucapa, in Angola, given the improved fiscal terms and lower costs you're seeing. And I suppose a similar question for the Potiguar Basin discoveries in Brazil.

Then a second one on Mozambique. I just wanted to confirm that you will participate in the Coral FLNG development if it goes ahead or is there still a chance that you may opt out?

Thank you.

**Carlos Gomes da Silva, CEO**

Hi, Anish, good morning. I will take the Mozambique to complement my previous thoughts and I will address the first point to Thore.

We are doing our best to participate in FLNG in Mozambique. It's the only thing that I can tell you and, since the beginning, this has been the way we have act and we have participated in the consortium. But economics have to prevail and value creation has to prevail. But we are doing all the best.

I will pass now to Thore. Thank you.

**Thore E. Kristiansen, COO E&P**

Thank you very much, Carlos. Thank you for your question, Anish.

With respect to block 14, in Angola, the key focus we have on block 14 is to reduce costs and optimise the activity that we have in the block, also by looking into our SG&A and how we can get more out of the services we have. That's one side.

The other side is also, when it comes to block 14, is to see if there is any opportunity to improve the fiscal conditions that are framing that field, in order to make any possible further development of the field more attractive.

Before we have accomplished the latter, any further major investment in that field is not in question. But if improved financial conditions could be given, then it might be that we can make some business cases for extending and reducing the decline.

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When it comes to Potiguar. Basically, the key issue in Potiguar for the time being is to reprocess the seismic information we have. We are doing PSTM processing of it in order to better understand the structure. Only after we have done that we would be able to decide what is the right way forward.

Thank you.

**Biraj Borkhataria – RBC**

Hi, thanks for taking my questions. I had another couple on Brazil, if that's okay.

First one on timing. I was wondering if you could be a little more specific on the FPSOs due in 2017. Are we looking at middle or towards the end of the year for those two when they're expected to start up?

Then the second question, probably for Thore, is in terms of the day-to-day operations, has there been any significant change in the processes or the method of working with the introduction of Shell into the consortium. Or is it more business as usual. Any colour on that would be helpful.

Thank you.

**Carlos Gomes da Silva, CEO**

Good morning, Biraj.

The first question, I thought I had already flagged it. So, basically, we will have one additional production unit in Brazil in the first quarter of next year, and an additional one by the end of the year. That might be in 4Q17 or in the beginning of the year after. But we are pointing out for timing by the end of the year, let's say, by the end of 4Q17.

I will let now Thore answer to your second question. Thank you.

**Thore E. Kristiansen, COO E&P**

Thank you, Carlos. Thank you, Biraj.

We have experienced the entrance of Shell into BM-S-11 as a very positive force. With respect to that, they are really staffing up the organisation and the focus on Brazil and we have also done it on a more strategic level. Myself, I have bi-monthly conference calls with Andy Brown or his stand-ins in order to discuss alignment on technical key issues, in order to bring the asset forward.

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I see that Shell and Galp are very well aligned when coming to having the focus on trying to get more out of this asset than we initially had planned. So, I think we are very well aligned, strong support, and we really are enjoying the big muscle of the Shell Corporation.

Thank you.

**Henri Patricot - UBS**

Hello everyone. I have just one question left from me, on your gas trading business. You had a strong second quarter, a bit lower in the third quarter. I was just wondering how the fourth quarter here is shaping up and what your outlook for 2017 is.

Thank you.

**Carlos Gomes da Silva, CEO**

Hi Henri, good morning.

What we will have for 4Q16 and, of course, for the next year is that GGND will be deconsolidated from November onwards. We will have that from now on and it will be the case in 2017.

Of course, in terms of the trading, we still benefit from the past structured trading contracts that have been signed in 2014/2015. We will also continue to scrutinize and to identify alternatives for additional trading volumes, which seems to be hard in the time being since the window of opportunity in terms of arbitrage are closed. But as long as there will be possibilities or optionabilities, we will benefit from that and we will be attentive to those ones.

All in all, next year, I would say that less arbitrage trading opportunities; the structural trading contracts still in force; and GGND deconsolidated for the year long.

Thank you.

**Brendan Warn – BMO Capital Markets**

Thanks gentlemen. I'll keep it to one question, considering the length of the call.

Just circling back to Mozambique and Area 4, probably left with more questions than answers. Can you just clarify in terms of that 20% allocation of capex, is that at the full current working interest level.

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Your thinking on, obviously, Coral in terms of economics and if you do elect to opt out, is there an agreed value for your stake or how would that work going forward please?

**Carlos Gomes da Silva, CEO**

Brendan, good morning. I think what I have shared to you all, is the maximum that I can say for the time being. We are committed with the project, we are working hard, but I cannot elaborate more than I have said already.

Possibly next CMD we will deepening and we will look in more detail to Mozambique.

Thank you.

**Joshua Stone - Barclays**

I've got two questions, please. Firstly, on the upstream, are you able to say what 3Q16 exit rate of production was?

And then secondly in the downstream, looking at refining margins, we have seen pretty much a straight-line recovery since September. But when I look at that, a lot of that's been on the fuel oil, so it would appear that the premium of diesel over fuel oil has narrowed a little bit. If I look at that with the maintenance you're taking at 4Q16, do you think it's fair to say the premium margin would be lower than normal in the fourth quarter?

Thank you.

**Carlos Gomes da Silva, CEO**

Josh, good morning. In the first question, I would say it is high 70s, and I think that answers properly to your question.

In relation to refining, I highlight that we will have a short shutdown in FCC during the 4Q16, and the compound and the elements and the sourcing of raw materials, we are always optimising based in our LP model. It's the ones that create more value that allow us to choose the right crude and as well to provide the markets.

When looking to the 4Q16, the premium on the refining margin will be somewhere between \$1-\$1.50/bbl, so it's our guidance.

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Thank you.

**Marc Kofler - Jefferies**

Good afternoon everyone. Just one final question from me, please. Over the last few weeks and months, we've seen some pretty big changes in terms of the very top of the Company around the Chair of the Board and, indeed, their ownership.

I appreciate it's difficult for you to comment but any observations or colour you could provide there would be useful. Really just trying to gauge a sense of the changes that have been happening at Board level.

Thanks.

**Carlos Gomes da Silva, CEO**

Marc, good morning. It is not difficult at all, and thank you for your question. Effectively, our former Chairman, Mr. Américo Amorim, has resigned for personal reasons, that have to do with himself. But it's someone we respect, someone that has helped this Company and has been one of the levers for the transformations that we have experienced in the last 10 years. The coincidence between his involvement in the Company and the way the Company has developed itself, it's absolutely unique.

I think this is what I would call a generation transition. It's been very well done, so it was well prepared. Our actual Chairman, Mrs. Paula Amorim, was already Vice-Chairman in the Company. She has been involved in the Company in the last couple of years and the transition is, I would say, natural.

The other change that has occurred is the appointment of Mr. Miguel Athayde Marques, which is an independent director in the Company as the first Vice-Chairman. I think that, in a certain way, improves the governance that the Company has by having the leadership of the Non-Executive Directors - the independent Non-Executive Directors - participating in the relevant and key positions.

I think, all in all, what we can see is a commitment by the reference shareholder with the Company from one side, and the generation transition that has been well prepared and is a succession that, for us, is seen as natural.

The strategy of the Company is to keep as it was, to continue to follow the steps that we have and the fields that we have launched in the past. I think this is a natural movement.

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Thank you for your question.

**Hamish Clegg - Merrill Lynch**

Hi guys. I enjoyed watching the share price jump when you said you were going to come in above your guidance range of Ebitda. Just two short questions, hoping for two short answers.

After the GGND deal, can we expect you to sell more in 2017? Is it a platform to do some more?

And secondly, you were drilling in Portugal with your partner, Eni, over the summer. Just wondered if there was any update on that well.

**Carlos Gomes da Silva, CEO**

Hi Hamish, good morning. So two very exciting questions. The second one is, of course, surprising.

We don't elaborate on active portfolio management. You see, you always listen from us that we will promote that in active basis and continuously. Therefore, we, of course, keep the attention to all the alternatives that we might have.

The mention that you have made to our new guidance, or the update to our guidance, I think it is only a surprise for those that are not observing the Company, on a daily basis, as you are. I'm sure that for you and for your colleagues it was not a surprise, taking in consideration the results that we have presented in the 3Q16 and the market conditions that we are experiencing today.

I, of course, will not comment on the Eni issue. I'm sorry. You probably know more, so I think it's not worth to elaborate.

Thank you very much.

**Alwyn Thomas - Exane**

Good afternoon. Just a couple of quick ones from me. Could I just ask, given the exit rate of 82-85 kboepd at the end of this year, what does that mean for 1H16 next year? And does it mean that you'd be at the upper end of production guidance YoY? And how the phasing of that will come in, and what maintenance you expect early next year?

My second question is just on the early wells on the Lula/Iracema field, how long can the wells sustain plateau there? If you could elaborate on that, that would be great.

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Thanks.

### **Carlos Gomes da Silva, CEO**

Good morning, Alwyn, and welcome. I think it is your first call, so welcome.

What I can tell you for the update that you have asked, we will come with an update in our CMD next year. I think I have already shared with you where we are today, the exit production and as well the new units that will come to the system in the next year. So, you know the existing information. I think it is enough to conclude. I think with the support of all the drilling and completion and, of course, the costs, you can now take a complete view of the optimisation process that we are running.

In relation to the sustainability of the plateau, we basically design our production systems for having a three-year plateau. But, of course, we are always working on that in technical terms, in order to guarantee that we will expand that part. You can see that from the FPSO #1.

I will pass to Thore that will elaborate on that, and will show and detail what we are doing in order to expand the plateau period of time.

Thank you and welcome.

### **Thore E. Kristiansen, COO E&P**

Thank you, Carlos, and welcome Alwyn.

The Lula/Iracema field, as you will know, it's a world-class field by any standards. But it's also a huge field, and it's a huge field characterised by the fact that there are very different behaviours within the field. The first development plan calls for nothing less than 10 different production units being installed in the field.

I will hesitate for generalising and speaking on a well-by-well basis. We are going to drill in totality 152 wells in the first phase of the development of this field. There will be very individual behaviours from well to well.

As Carlos said, the base case for when the field was designed was that the plateau would be expected to last around three years per unit. We are working very hard now to extend that. On Angra dos Reis (FPSO #1), we now believe that we can extend the plateau to seven years. And in the same way, we're now working, unit by unit, to see what can we do in order to extend it. We start then with the low-

hanging fruit. The low-hanging fruit is difficult to see what can we do then of the in-fill drillings. There are unused well slots and then it goes up the ladder regarding what you can do for debottlenecking, both with respect to water capacity, with gas capacity, and so on and so forth.

So, there is where we're working. Let me say that when it comes to the reservoir performance, so far, it has overall, in totality of the field, really lived up to the expectations we had at the day when we put the field into production. If anything, some of the wells have behaved even better than we dared to anticipate when we started. It's, actually, the fact of the matter now is that 10 of the 12 best producers in Brazil are actually in the Lula/Iracema field. So, I think I'll leave it with that.

Thanks.

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**Pedro Dias, Head of Strategy and Investor Relations**

Ladies and gentlemen, this concludes our call. Thank you for your time and questions. As always, feel free to contact our IR team for further clarifications. I wish you all a very nice day.