
Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to Galp Energia's second quarter results conference call.

It is my pleasure to be here for the first time, after being appointed as Galp Energia's Head of Strategy and Investor Relations. Joining me today is our CEO, Manuel Ferreira De Oliveira, our CFO, Filipe Silva, and Otelo Ruivo, our Investor Relations Officer. As usual, Manuel will begin with our execution update, and Filipe will cover our second quarter results. At the end, we will, as usual, be available for Q&A.

Please bear in mind that we may be making several forward-looking statements, including about our plans and expectations. Actual results and outcomes may differ materially due to factors which are presented on our disclaimer shown at the beginning of our presentation.

I will now pass the floor to Manuel. Thank you.

Manuel Ferreira De Oliveira, Chief Executive Officer

Thank you Pedro, and good morning to you all.

I will start with an update on our projects in the Santos basin, namely with regards to Lula/Iracema which is progressing according to plan.

First, a brief comment to say that our first production unit, Cidade Angra dos Reis, continues to be producing at full capacity and with a high reliability.

In our second unit, Cidade de Paraty in Lula Northeast, we have installed a second buoyancy supported risers system, the BSR, and two additional producer wells to the first BSR, BSR in the South, well connected.

By the end of the quarter, we had two wells producing at around 30 kbopd each. The third well although connected in June, should only start producing during this quarter due to a technical issue in the Down Hole Safety Valve, with workovers underway. This is a safety valve that with no signal, it closes automatically. Because we have evidence that the control signal reaches the valve, we can conclude that

we are facing a mechanical failure that requires the removal and replacement of the valve. However, I must highlight that the Lula NE project has consistently delivered ahead of expectations.

The fourth producer well should be connected in August to BSR South, while the fifth producer well, which will be the first to be connected to the second buoy, should be connected in October. This well was originally intended to be connected at the end of the third quarter, but was moved by a couple of weeks to October due to a re-scheduling of a PLSV.

We continue to be very comfortable with the ramp-up of FPSO Cidade de Paraty to full capacity by the end of the year. Furthermore, considering the exceptional flow rates we are getting in Lula Northeast, we are not anticipating the connection of any further producer well this year, as this should not be required for the FPSO to achieve full capacity. So, we will have only five producer wells for the time being in Cidade Paraty, which has a capacity of 120 kbopd.

Regarding the natural gas export lines from this FPSO, it started at the end of June, the commissioning took place during June and operations started in the end of June, so there is no constraint now relating to gas. Speaking about natural gas export, the offshore installation of the Cabiúnas pipeline has already started, after the consortium finally received the necessary environmental licences during the first quarter. You might remember that this pipeline is important to be operational by the end of 2016, and now the progress of this installation is aligned with that ultimate objective.

As for the third FPSO unit, Cidade de Mangaratiba, works are progressing according to schedule and it should start navigation to its final destination soon in order to that process initiate the open sea tests. The development plan for the Iracema South area, includes the drilling of a total of sixteen wells, of which eight producers and eight injectors, from which twelve have already been drilled. We are confident that this unit will start production before the end of the year.

Still on BM-S-11, we have made progress on Iara.

Iara is a heterogeneous, very large reservoir, but as we move towards its declaration of commerciality, we are getting, from tests being made, more positive indications of its total potential.

We have drilled the first reservoir data acquisition well in Iara, in the Central South area, and the production tests completed showed excellent permeability and porosity, which is translated in good

productivity indications. In addition, the first extended well test, taking place in Iara West, which is ongoing presently, is producing 29 kbopd, which is fantastic for a reservoir of the nature of Iara.

We are now drilling the second RDA well near the Transfer of Rights area, in the same reservoir in order to increase knowledge on that part of the reservoir. As you know, we are initiating discussions relating to the unitisation of Iara with the Iara Entorno area, which has been proven to be also a large accumulation of hydrocarbons, confirmed by exploration activity of Petrobras.

As for Júpiter, another giant field, where we have 20%, we are drilling an appraisal well, named Apollonia, which is located in the South-Western part of the block. This was actually planned to be spudded in the third quarter, but the consortium was able to anticipate drilling to June. This well will allow us to establish the oil-water contact in the Júpiter area, and the DST to be performed at a later stage should help us to better understand the reservoir fluids, its characteristics and its performance.

We are planning an additional appraisal well for the fourth quarter of this year, named Bracuhy Northeast, as the consortium has already secured the rig for this activity.

I take this opportunity to emphasize that the consortium is fully committed to the development of BM-S-24, and there could even be an acceleration of the appraisal works, in order to de-risk this major reservoir and progress to DOC in 2016.

Let's move to outside Brazil, we continue with appraisal works in Mozambique. We have only drilled one exploration well this year in the Rovuma basin, Dugongo well, which targeted a new play in the South of the area of the block. We are evaluating presently the results, and we decided to proceed with another appraisal well, this time in the Coral area, the purpose of which is to increase the knowledge of the reservoir for the definition and consolidation of the respective development plan.

We have launched a front end engineering and design and EPC tenders for the offshore solutions to develop Coral area and are about to send out the invitation to tender for the EPCI of the onshore solutions to the development in relation to the Mamba area. Both proposals are expected to be received, for decisions to be taken in the first half of 2015.

At the same time, we continue to progress with discussions around the unitisation with Area 1, of the Mamba Prosperidade reservoir and we also continue to promote an open dialogue with the Mozambican

government in order to facilitate the establishment of an adequate legal framework for the development of the project. We expect the respective enabling law and the associated Decree Law to be approved before year end.

Moving on to the exploration side, and going back to Brazil I would also highlight Pitú, for which we have submitted the evaluation plan in May. We are still waiting for the ANP approval, but we are optimistic about further appraisal and exploration results to be developed in the Potiguar basin. As you know, a frontier exploration basin in northeast Brazil.

On another front, I must highlight our first ever operated well offshore, this time in Morocco.

Drilling this well began in June. Our primary goal is to de-risk Trident prospect, which is a very material prospect but with a 21% chance of success.

Concerning Assaka, as you see in the slide, it is a secondary objective, some 800 metres above Trident, which was already intersected with no evidence of hydrocarbons. Drilling operations of our primary objective continue as planned. A third conditional target, TMA, of some two thousands metres below Trident and deviated will in due time be considered after the results of Trident.

Moving to our downstream and gas business, I must address two extremely different realities induced by exhaustion variables, that is related to Refining & Marketing and Gas & Power.

In the Gas & Power business, we have actively benefited from the arbitrage between the Atlantic basins, the Latin America and the Far East, and we continue to seize opportunities in the international LNG markets with 12 cargoes trading during the second quarter, up from the 6 in the second quarter of last year. It was a result of which we are proud of.

In Refining, we continue to suffer from what are extremely low, historically low refinery margins with an environment that is very stressful due to obvious overcapacity in the European refining industry.

There has been some improvement in benchmark refining margins during July, but we are not anticipating much structural improvement in the market. Excess capacity in Europe remains high, and sustainable refining margins in the market can only be achieved once some closures unfortunately occur.

Having said this, I emphasise that after the conclusion of the upgrade of our refineries, we presently have a relatively competitive refining system integrated with an efficient marketing activity. In the present context we are actively looking for all the ways to increase the efficiency of our refining process and to reduce operating costs.

With this, I will now pass the floor to Filipe who will go over our quarterly results. Thank you.

Filipe Silva, Chief Financial Officer

Thank you Manuel. Good morning.

As usual, I will start with the P&L, on slide 16. Our Group Ebitda was 271 million euros, that's down 11% YoY. All businesses performed quite well, save for our refining operations.

E&P Ebitda, was up 25% to 107 million euros, mainly driven by the increase in production and a higher realised sale price.

Working interest production stood at about 26 kbopd, in line with guidance. Net entitlement reached 22 kbopd, with Brazil up 41% YoY and Brazil now accounting for about 70% of total production. This was mainly driven by the ramp-up of FPSO #2 (Paraty).

Realised sale price was up due to higher oil prices and a higher percentage of oil in the overall sales mix, i.e. less gas. We also sold a couple of cargoes in late June, when Brent was at its highest for the quarter, also positively impacting average realised sale prices.

During the second quarter, production costs increased as FPSO Cidade Paraty operated during the entire quarter and also because of the two EWTs, in the lara and Lula fields.

Refining & Marketing Ebitda was down 64%, to 41 million euros, and this was due to lower refining margins and of course the planned maintenance at the Sines refinery, which lasted until mid May.

Galp's refining margin was actually negative in the quarter.

The marketing business maintained its contribution to group results mainly as a result of operating costs, in particular due to reduction of accruals related to variable compensation.

Gas & Power Ebitda was up 23% to 116 million in the quarter on the back of higher traded volumes of LNG in the international markets and a stable Ebitda from the regulated infrastructure assets.

Group Ebit in the second quarter was down 5% to 143 million euros, driven by the lower refining Ebitda, of course but partially offset by a reduction in abandonment costs in Angola. I recall that in second quarter last year we had to accelerate the abandonment costs of the Kuito FPSO which had to be decommissioned at year end.

Below the Ebit line, financial expenses were in line YoY, but taxes were up, to 59 million euros, as higher taxed earnings from E&P gained relevance within the overall Group results.

All in all, net profit stood at 68 million euros in the quarter.

Moving to our balance sheet, on slide 17, working capital was up around 55 million, on the back of higher stocks following the Sines refinery turnaround which had abnormally low levels of inventories in last March 31st. We also had a concentration of client receivables from sales of crude and oil products at the very end of the quarter which were only paid by our clients in early July.

Net debt was up 136 million in the quarter, impacted by the working capital and the payment of the second tranche of the 2013 dividend. Considering the outstanding loan to Sinopec, net debt was 1.6 billion euros, or about 1.5 times net debt to Ebitda.

Capex, on slide 18, reached 266 million euros, 80 per cent of which was allocated to E&P. The investments were mainly allocated to development activities in Lula, including development wells, construction of FPSOs and subsea equipment. Exploration and appraisal capex was 35 million euros, mostly due to appraisal activities in Iara, including the EWT in Iara West-2, in offshore Potiguar, in Mozambique and in Morocco.

Overall, capex was lower than expected during the first half of this year, due to the well flagged late approval of the Cabiúnas pipeline, in Brazil, and in the FID for Block 32, in Angola. We are therefore revising our capex guidance for the full year, to 1.0 to 1.2 billion euros.

On slide 19, you will see that at the end of the second quarter, the average life of our debt was 3.7 years, with 60% of the gross debt due from 2018 onwards, as we keep extending the maturity of our loans.

Already in July we issued a 500 million Eurobond, with a maturity of 6.5 years and with a yield of about 3.1%. The proceeds will be used in part to continue to retire more expensive debt, extend maturities and keep our strong liquidity position as we are still free cash flow negative. With this latest bond issue, the average maturity of our debt is now 4 years, and 40% is fixed rate.

We have also announced today the sale of our natural gas underground storage assets, for about 72 million euros. We hope to complete this transaction with REN, the Portuguese gas and electricity grid operator, by Q4 this year. This was not a core asset for Galp and this transaction does not limit anyway Galp's ability to utilise the assets.

Finally, for our usual guidance for Q3.

We expect Q3 production of around 30 kboepd, as the EWT in Iara will still be on-going and FPSO #2 (Paraty) continues to ramp-up.

Crude processed should increase QoQ, as all refining units have resumed production in Sines. As for the marketing business, we are expecting a slight increase in volumes, both in Spain and Portugal.

As for the gas volumes, sales should go down compared to first half, as we are expecting less trading opportunities considering the current LNG market dynamics.

And with this, I conclude our presentation so we move to Q&A. Thank you.

Questions & Answers Session

Filipe Rosa, Espírito Santo Investment Bank

Hi. Good morning everyone. My first question relates to Iara. You are saying that the RDA well has produced very good results and the extended well test is also showing very high productivity.

Are you already in conditions to revise upwards the number of FPSOs that you expect to deploy in this block, or could you update us your guidance in terms of the expected recoverable resources? That is my first question.

And the second one relates to the second and third FPSOs. So, basically the productivity of the first two wells at the second FPSO is around 30 kboepd. So I think that's probably before you would be able to reach full capacity. Are you expecting the next three wells to have an average productivity below the first two?

And related to that, could you tell us what is the number of wells you expect to need to drill in terms of producing wells to be able to reach 150 kboepd of plateau at the second FPSO. Thank you very much.

Manuel Ferreira De Oliveira, CEO

Filipe, good morning and thank you for your two questions. Iara, yes, we were positively surprised too with the extended well test in Iara West that is now going on. It is an exceptional performance that we are not yet extrapolating for the reservoir. The central part of the reservoir, particularly the northern part of the central part of the reservoir, is tighter than the remaining area. So, we are still evaluating. It is too early to have a firm position on the number of FPSOs. What I can say is that our base case is to install two FPSOs within the Iara in Block BM-S-11. There are further units that have to be installed in the Iara Entorno which will be unitised with Iara field.

As far as the number of further FPSOs on top of the two that are on our base case, I would prefer to wait for the completion of the analysis going on in order to be submitted and discussed with authorities by the end of the year. But the mood in our geological and development team is positive about Iara, supported by myself and other colleagues in the company.

Going to the second question, on Cidade de Paraty. Obviously being Cidade de Paraty 120 kboepd with five wells, it is more than enough according to our present estimates to maintain at full capacity. It will not be

the final number of wells because we all expect that with time we will have declination in the reservoirs and we also have to have contingency wells for workovers throughout the difference phases of the well life.

We will have Paraty at full capacity by the end of the year and then, as when necessary, the next well will be drilled. In Iracema, in Mangaratiba, yes we are forecasting more wells, not because of the same reasons I referred before. It is the nature of the Iracema reservoir, its characteristics, imply a higher declination of its production. In order to mitigate that, we have a higher number of injector wells as well as a higher number of production wells, and it will go to a capacity of 150 kboepd with five to six wells producing. Thank you.

Bruno Silva, BPI

Good morning everyone. The first question related with the guidance, with July almost over now, with already an update in terms of capex, can you please update the guidance that you have provided in the Capital Markets Day for this year alone in terms of Ebitda? In particular, I would appreciate it if you could guide us through some of the main drivers that you had announced at the time, and in terms of working interest production, the range of 28 to 30 kboepd, if that is still maintained, as well as refining margin, cash costs of the refineries, and perhaps any change you may want to advance in terms of gas supply earnings.

The second question is a detail on financials. You have mentioned unrealised gains in derivatives to hedge the refining margin exposure. Can you please mention the amount of the gains that you have already unrealised and describe the level of exposure and the basic terms of the hedging contract in order to understand what could be the potential gains for the upcoming period. Thank you very much.

Filipe Silva, CFO

Good morning Bruno. We are not announcing anything on Ebitda guidance today. You will have seen that all our business divisions are performing very well over expectations except for refining. I wish I knew what the refining margins will do, but clearly it has a very large impact up or down on our Ebitda given that, we are still materially exposed to refining.

What we have announced today is revision of capex, the reasons being the late availability of the environmental licence of the Cabiúnas pipeline, in Brazil. So we started late, not at the beginning of this

year but only in second quarter. So there is no capex savings there. It's just that in the civil year of 2014, there will be less disbursements because it started late.

We also had FID, you will recall that the Block 32 FID, as the capex came well above what the consortium was prepared to pay, it was all renegotiated, and the operator Total managed to reduce significantly the capex of the project but this bought into a few months of 2014. So, Block 32 also started later than expected, hence we have about €300 million less capex expected in 2014.

Now, for the second half, we don't expect any changes in capex so whatever we have saved in first quarter and second quarter this year, will be expended over the next few years.

Bruno Silva, BPI

Filipe, if I may, just on the Ebitda guidance, I think it's particularly exciting that you are keeping the interval you have given on the Capital Markets Day, looking at the current level of refining margins and what has been said today in the conference call about the short-term outlook, or the structural outlook, as well as the evolution of cash-costs in the refineries. So what would you say are the key drivers for offsetting the downstream business so far?

Filipe Silva, CFO

The only mitigating elements, and we are cutting costs, as I'm sure you have noticed, in our operating cost structure, albeit some of this is elimination of accruals for variable compensations, but we are still doing significant cost cutting across the firm and especially in the headquarters.

In refining, the biggest driver is energy costs and so we are spending some time and some money to make sure that we are more efficient energy-wise. There are very little levers that we can pull for 2014 that would compensate material deviations of refining margins. It's \$3.5 per barrel below last year. There's very little we can do on that front other than short-term fixes.

Bruno Silva, BPI

Ok, so can we extrapolate the €15 million of variable remuneration accruals that you mentioned for the rest of the quarters, or should we multiply by two or four times? Does that account for the entire semester or is it just one quarter?

Filipe Silva, CFO

If there were to be no variable compensation at Galp then yes you would multiply by two that number.

On the hedges, we have refining margin hedges, on which the auditors have not granted us hedge accounting. This means that it flows through the P&L, so last year we entered into a number of hedges, not significant, and as they mature - and they mature starting in 2014, 2015 and a bit into 2016- the realised gains go to Ebitda. In first half this year we have at Ebitda about €7 million of positive gains, so it actually improves our refining results, and we have still unrealised. So mark-to-market, which go to our financial results, in the first half we had about €10 million of unrealised gains in financial results.

Bruno Silva, BPI

Can we infer that we could see these €10 million, all else constant, going through the Ebitda in the second half, and there would be more or less a good estimate of overall impacts for this year?

Filipe Silva, CFO

Some of this is 2015 and there's a tail in 2016, so not all would go into Ebitda in 2014. And frankly we would love to lose money on these hedges because we are heavily exposed unhedged to refining.

This is only a partial mitigate to low refining margins.

Mehdi Ennebati, Société Generale

Good afternoon gentlemen. So I will ask only two questions. The first one regarding capex estimates for Mozambique. I've read in the specialised press that Eni is considering the installation of two FLNG units in Area 4. Given the very high cost for this technology, I wanted to know if in your capex estimates from 2014 to 2018, you already included the installation of two FLNG units in Mozambique.

Second, regarding the unitisation of the lara field, what consequence should we expect on your capex guidance from 2014 to 2018?

And finally, just regarding the trading of LNG cargoes, you've said there is now less trading opportunities considering LNG market dynamics. Should we then consider it will be challenging for you to renew the really strong results you've made in first half? Even if I understand that part of your LNG margins are hedged. Thank you.

Manuel Ferreira De Oliveira, CEO

Mehdi, good morning and thank you for your two questions. Starting with Mozambique, with the FLNG issue, yes it is our intention to develop one FLNG at this stage, and there is plenty of gas to do other things. But at this stage, a pre-FEED has been made, and now is a FEED and an EPC contract that is going to be bid with offers to be due during the first half of next year.

There are three consortia already selected out of several that were candidates and when the time comes, the best will be chosen and we will have a reliable cost estimate to support the final investment decisions associated with such a project. So we are still in the early stages of that, although not far away from taking relevant decisions. As you also know, the onshore facilities which would be fed by gas from the Mamba Prosperidade field are in a similar stage of engineering development.

Going to the unitisation issues on the lara field. The objective of the unitisation is not that we gain or lose money or resources. The negotiations are made, and they are conditional always to future reviews, and they are made to preserve the value of what is our concession. So that's substantially a good unitisation negotiation will neither create nor destroy value for any of the parties. And that's the objective that we have today.

So, what we know is that because it is public from our discussions with Petrobras, we confirm that information, is that in the Entorno area, that is a high quality reservoir which will be developed, and that has to be jointly managed with extensions of those reservoirs into the lara field. So it is not a value issue, it is hard work that needs to be done to ensure that value is preserved for both parties in this negotiation.

Going to the trading activities, we told our investors in several occasions that a material component of the transactions that we are making, they are bid for a two to three year term. So with a deepness in time

that could take us up to 2017, that is the base case. Then, on top of the base case, of managing our LNG contracts we also occasionally buy spot gas into the NBP or Zeebrugge prices, basically pipeline gas, in order to have more LNG available to opportunistically trade that in the international market. That market, the spread between the pricing in the Atlantic basin and in the Far East is being narrowed, which means that the value of the transaction is being reduced. Our main objective is to sustain last year's results in the forthcoming years. This year we expect results above last year. But this is an ongoing process and our view is that this complementary LNG trading activity will not have the same proportional that we had in the first part of the year.

Thank you, Mehdi.

Oswald Clint, Bernstein

Hi, good afternoon. Maybe just another one on Mozambique, because you mentioned it in your slide about ongoing discussions with the potential off-takers, could you talk about those discussions in terms of the appetite and especially if anything has changed post the gas, the Russian gas pipeline deal struck earlier in the quarter, if that kind of changed any of the demand side for LNG into Asia?

And secondly, just specifically on the Iara West well, there has been around 29 kboepd, could you say what your expectations were for that production test?

Thank you.

Manuel Ferreira De Oliveira, CEO

Good morning Oswald. Let me answer the two questions. The first one on Mozambique. We cannot sell what has not yet been sanctioned, the production infrastructure development. So the marketing activity that has been going on is prospective and there is work going on and it would not be proper for me to comment on what are confidential and restricted discussions. We know from the basic looking at the market, the balance between supply and demand, that the output from the LNG projects in Mozambique will have a market. The issue is now making sure that we have the good economic terms that are fair for us and fair for the costumers. That's what's going on.

As far as the Lara West well, I remember that in several occasions we stated that we would expect overall in the Lara field to have an average productivity per well of 10 kboepd, which was consistent with the knowledge that we had of the reservoir. As we completed the evolution of the reservoir and see that there are hotspots with much higher productivities, this average would go up hopefully. And in the present, we think that 15 kboepd is a good average number. This is one hotspot in the reservoir and is probably even better than Lula. This hotspot, but I would not extrapolate for the full reservoir at this stage. I want to remember you, and whoever hears us, that Lara is a reservoir of the size of Lula, however with expected lower recovery factors because of the characteristics of the reservoir. Thank you.

Haythem Rashed, Morgan Stanley

Thank you, good afternoon to you gentlemen. Two questions from my side please. Firstly just a question on opex in the upstream, Filipe you mentioned that the opex has obviously moved higher as you've had obviously greater contribution from the FPSOs in Brazil on a unit basis, is there any guidance or any trajectory you could provide us with for the second half of this year and maybe 2015. Just to see where that ultimately ends up because that has obviously increased quite meaningfully both YoY and QoQ.

Second question I have is just on tax. Again, I appreciate that that will likely move higher as the E&P contributes more to the earnings mix. But again, perhaps more specifically for the second half of this year and 2015, could you give us a sense of where that ends up at the end of those periods? Thank you.

Filipe Silva, CFO

Haythem, thank you for your questions. Now, you should expect our unit upstream costs to be lower than what we have just announced today. There are a number of one-offs, and we are not diluting enough some of, call it, our starting costs by sufficient number of barrels. The trend is untouched and we are not changing any of the guidance we have provided before. So expect 2015 to go down again, and expect actually that Q3 and Q4 to be lower than what we have announced.

The tax, in second quarter of 2014 we had an adjustment related to a 2011 payment of taxes in Angola, the IRP tax, which we have settled now, so taxes in second quarter of 2014 are a bit higher than anticipated in addition to what we have mentioned, i.e. we have no taxes in our downstream division

because of refining losses, so you see the group tax higher than expected because it is all E&P driven, and within E&P you have special participation tax in Brazil, plus income tax both in Brazil and Angola.

Going forward, no change in guidance to tax and overtime we will move and ultimately when we are closer to full production, in Brazil closer to 50%, SPT tax in Brazil runs up to the full 40%, once the whole installed capacity is up and running. Between now and then, so between now and 2017 or so, the tax rate goes from 30%'s to 50%'s, maybe 35% in the next year closer to 40%, and then closer to 50% in 2017.

Haythem Rashed, Morgan Stanley

Ok thanks, just to be clear, tax rate of first quarter of this year was somewhat on a higher side than what you would have expected for at this point in your ramp-up in production?

Filipe Silva, CFO

Correct, and let me just state the obvious, our tax rates don't change, it is the mix of pre-tax profit that has changed significantly so as the proportion of our earnings, pre-tax earnings from E&P go up, and as our refining losses keep increasing, then all the taxes you seen are on the E&P front which are higher taxed. In addition, you have a one-off in Angola in second quarter. Thank you.

Toby Hunston, RBS

Hi there, I just have a quick question on the credit side of things, really. I was just wondering whether you could give an update on your intention to gain a rating, especially in light of the recent upgrade from Moody's on the Portuguese sovereign. Thank you.

Filipe Silva, CFO

Good morning. The decision to ask for a rating is getting easier as time goes by, and the issues around the republic get sorted out. We have not given guidance on timing, but is something we are working on and so will be one day over the next couple of years when we might go for it.

At this stage, frankly the people that are buying it our paper understand our financials, we believe our average cost of funding would go down if we had a rating, but not sufficiently, at this stage, to justify

asking for a rating, while Portugal is still under some stress. But yes, we remain with the intention to ask for a rating in due course. Thank you.

Anish, TPH

Hi, good afternoon. First question, in terms of the production capability of the FPSO. So, seen on Lula, the pilot FPSO has produced about 90 kboepd, pretty consistently, so around 90% of capacity and then also, when looking at the Sapinhoá FPSO. We have seen that Repsol talked about ramping up FPSO in around 6 months time rather than the 18 month time, previously expected. So, just wondering for the Lula Northeast and for Cernambi what kind of production plateau rate would we expect as a percentage of the total, and if the potential to ramp up the Cernambi FPSO around the six month period, rather than 18 month, is it different because of reservoir quality?

The second question is about something Petrobras said recently, they talked about timing for drilling completion of wells on Lula. The best one they've kind of get down in 90 days. It seems pretty good timing, better than what was previous talked about. Just wondering how that impacts your capex going forward. Thank you.

Manuel Ferreira De Oliveira, CEO

Anish, good morning. Let's talk about Cidade de Angra dos Reis, with a nominal capacity of 100 kbopd, not 120 kbopd, and it is oil, so it is 90 kbopd plus gas associated, when we express the production in boes. Whether we came to the bottleneck of this unit, I'm sure that with time we will be reviewing it, particularly let me tell you, it is a must, when we start having water in the unit, which we are far away from.

Our engineering teams are looking, together with the operator, at the designs and see what can we do to debottleneck it faster. But for us, this is simply a natural approach for the wells connected. So we have one spare with 90 kbopd, so the unit is nearly at full capacity.

At this moment, what we need is a further well to be connected to the FPSO, to have spare capacity on the wells, so that the constrain will come from the FPSO and not from the wells. At this moment, is well constrained and not capacity constrained, as far as the 90 kbopd.

Moving to Cernambi, I do not comment BM-S-9 program, because I am not familiar with those details. But the base case for taking this unit to full capacity has been 18 months, and we are working hard to take it to 12 months. As time goes by the wells are completed faster than expected. We are more and more confident on the 12 months basis. But we are not yet giving that as a guideline.

Let me tell you and congratulate everybody involved, with a 93 days drilling and completion of a well in Cernambi. That is a merit of three actors: one is the reservoir, the Cernambi reservoir is very easy to drill; second is the rig, we have an exceptional rig with an exceptional performance; and the third case is a gift, the weather, weather related outage was zero in that well. So the 93 days for drilling and completion is a fantastic event that we are not giving as guidance for estimate of capex in drilling. You remember, that across the Lula/Iracema field the average to date drilling and completion time, is close to 118 days and the target is as fast as we can, as the crews are more experienced, the rigs are performing better and so we will try, the aim of 120 days. It will take some time yet. Probably changing some rigs as time goes by, and with more experience crews, and with good weather, we can get that high. That is basically the two questions Anish, thank you.

Anish Kapadia, TPH

Can I just clarify? Sorry. I just wanted to check, in terms of the production rates. So you are producing at 90% on Lula pilot. Do you expect to get to 100% rates on Lula Northeast and on the Cernambi FPSO? So, do you expect to be able to get that capacity? Thank you.

Manuel Ferreira De Oliveira, CEO

As an engineer, I always resist in talking that a system always performs at 100%. Technically, unless it is over designed, it will not do that. But in reality, yes, will be closer, I would say 97 kboepd to 98 kboepd on average, once we remove the well constraints that we have. We need another well there. Thank you, Anish.

Michael Alford, Citigroup

Thank you. Good afternoon. I've got two questions, please. Firstly, just on the sale of your underground storage concession to REN. Could you maybe talk about, is this the start of a more wider slow down, of your regulated business in Iberia? That's my first question.

And then secondly, just on Mozambique again, could you perhaps give an indication on how you expect the timing of the process to enable the law to be approved by the government, given the upcoming elections, and I guess given your timetable for the EPC contract to be awarded and approved? How confident you remain of seeing first LNG in 2019? Thank you.

Manuel Ferreira De Oliveira, CEO

Michael good morning. I'll take the first one, and take it on behalf of Filipe, just to you have a single voice for each question.

Our sales of the underground storage was good for us, because we had a commitment to the government to build another two caverns, and we didn't want to allocate more capital to that activity. So, the first way was saving capex for another two caverns and, simultaneously, monetise the existing caverns. Let me tell you that we did not sell our concession. We transferred this regulated activity to REN, as well as our responsibility to build another two caverns. The total concession of that area remains under our portfolio.

If you ask me whether this is the start of a disinvestment in regulated assets, I say that what we did is a step in the right direction. We do not need, at this stage, to be aggressive on that, as we told in other occasions. What we want is to reduce the country risk in Portugal, so that we can increase the value of our regulated assets. As we said, they are important in our results, in our operations, but not of strategic relevance in the mid long-term. It is a tool that we will use to maintain the health of our balance sheet, if that is necessary.

Going to Mozambique, you are aware that elections in Mozambique take place on the 15th of October, the new parliament will take place in January, next year, and the present session closes now, before the end of

June. We expect that the enabling law, which is the law that concedes the government authorizations to issue a decree law. By the way, the enabling law will have as an attachment, the draft of the decree law.

I'm proud to say that as far as we understand, from the discussions we have with authorities and with the parliamentarians in Mozambique, in order to offer them understanding of the project, is that the three parties in the parliament, FRELIMO, RENAMO, and MDM, are studying a committee of the Assembly of the Republic called Number five committee, that is studying the enabling law, and the signals we received is that they unanimously approved that to authorize the government to issue the decree law, as soon as they are able to. So, I see that before the year end, with the present parliament, we will have the enabling law and the decree law approved.

Michael Alford, Citigroup

Thanks a lot. I just wonder if you could just comment on the first LNG. Do you think it is still realistic to suggest that 2019 might be a first LNG sale, given what looks like a six months slippage around the EPC contract award based on I my expectations? Thank you, Manuel.

Manuel Ferreira De Oliveira, CEO

Michael, I'm going to make a statement that if the project in Mozambique is delayed by whatever reason, it will not be, in my opinion, because of the difficulties of the Mozambican government. They have been extremely cooperative. It is a question of the different parties involved and particularly to ourselves. The government would like, and is putting pressure, for first gas in 2018, which is public. We think that for the FLNG facility, first gas can be comfortably taking place in 2019. Although, we maintain the efforts to meet the request of government of 2018. But this is what we will expect on the bidding process that takes on, but 2019 is a safe number. Thank you.

Matt Lofting, Nomura

Good morning, thanks for the presentation gentlemen. Two questions if I could, firstly just on working capital, I guess we're seeing a working capital draw or negative through the first half of the year related to

the maintenance work at Sines. I wonder if you could give us indications of how much of that potentially reverses into the second half of the year?

And secondly, just on the Downstream. I wonder if you could talk about the scope for improved or more stable cash flow generation through the Downstream, as you're able to sort of move back to running the assets at full capacity running forward? Thanks.

Filipe Silva, CFO

Matt, on working capital I would suggest that you really look at December 31 versus June, because March has introduced a lot of noise, as Sines was preparing itself for full shutdown. Over the last six months our stocks are relatively under control.

The issue that you see at the end of June is really a client's receivable blip, i.e., not only two cargoes, one in Angola and one in Brazil that were sold in late June, for which we only got paid in July, we also had a few barges or small ships of oil products that were sold in late June. So it is really the clients receivable line that is a bit out of whack at the end of June.

Now, more structurally we are not seeing any deterioration in the Portuguese receivable situation so clients with arrears, we are not seeing that, and we have over the last few months being very disciplined on credit extensions so, structurally we're not concerned. Over time, I would expect working capital to be closer to what it was at the beginning of this year than what it was at the end of the first half. This, of course, depends on Brent, if Brent prices goes up we'll have more stocks and not tonnage, in dollar terms.

On Downstream margins, I wish I could give you a view. We have a positive margin as we speak, we are hopeful that margins will be better in second half than they were in first half. What we are confident about is that there will be more barrels processed in second half than we had in first half. In first half not only we had very significant disruptions in the ports because of the very harsh winter at the beginning of January, but we also had the shutdown of Sines planned and unplanned stoppage for a couple of days, so this had affected our margins. Provided margins remain where they are, then we should have a much better second half than first half. That's all I can tell you at this stage. Thanks.

Thomas Adolff, Credit Suisse

Hi guys, two questions please. One, just going back to Brazil and the ramp-up, I'm just trying to get my head around it. You have pre-drilled most of the wells for the next FPSO, Petrobras would have more PLSVs in the second half of the year and going into 2015, and I don't understand why you can't really guide to a faster ramp-up than the 18 months, like some of your other partners in the different block as indicated. Can you just run me through why that is not possible, or you're not quite willing to do that yet?

The second question is on Mozambique. Obviously you can't move forward to FID of the project, unless you have secured enough off-take agreements, and the fact that you haven't really made any progress there, seems to indicate that they're still reluctant to commit to this project. To me it feels like you've confirmed that today, unless I've misunderstood you there. I mean, the FEED conclusion in the first half of next year, obviously means no FID in 2014 and maybe instead of talking about when you expect the project to come on-stream, could you perhaps give me a firmer timeline now or an update timeline for FID for the FLNG? And the FID on the onshore part, please. Thank you.

Manuel Ferreira De Oliveira, CEO

Thomas, good morning. Let's take the ramp-up in Brazil. The project is so complex that when we remove one bottleneck, another one comes out. The bottleneck that is now constraining the connection of wells are the PLSVs, it's the pipeline laying supporting vessels. There are more to come to the field, and as they come we reduce our time to full capacity. We must be prudent because we prefer to under promise and over deliver, Thomas.

At this moment, there are wells drilled but some of them are not yet completed because we need drilling and completion, and in normal conditions completing a well could take some 40 days or, under worst conditions, 60 days. We take all those things into consideration drilling, completion and connection, which requires the PLSVs. We think 12 months in the present context is an achievable target. But we are counting with more PLSVs onsite, which are not there yet, so this is why we say 18 months commitment, 12 months target. As soon as we are in the position of changing the statements, we'll make them.

Second, Mozambique. Probably we were not very clear, or I was not very clear. We are working towards Final Investment Decision to take place next year, FLNG most likely in the first half and onshore facilities in

the second half of the year. This is consistent with having first gas in 2019 from offshore and from onshore in 2020. I also underline that the government is putting pressure on the consortium to do whatever we can to anticipate the schedule one year, so I give you the two informations we have. But the definitive days of first gas, we will have them when we are able to award the EPC contracts. We expect to do it next year.

Thomas Adolff, Credit Suisse

On the FID timeline for the onshore, I mean, that's like almost one year delta between yourself and Anadarko, which to me feels that there's no alignment between the projects, or what is the difference in Anadarko's and your view?

Manuel Ferreira De Oliveira, CEO

What has been agreed with the government of Mozambique is that from the unitised area, some 24 tcf, 12 tcf for each area, are conceptually removed from the unitisation process and each part will develop independently 12 tcf of gas, which means the reserves of gas required for the first two liquefaction facilities, each one. We'll do it using the same common infrastructure, the same site, and the projects will be coordinated but built independently. That is, in my interpretation, important to make sure that the project is not too big and then gets stuck in its execution. So we'll have two contractors, two projects going on, well-coordinated, but each one producing cumulatively through their life, from the Mamba-Prosperidade reservoir. So, we are talking about the 12 tcf coming or that will be developed by that area for consortium. I repeat, with final decisions, FID to be taken in second part of next year, and presently we are bidding for engineering. Basic FEED has been done already in Area 4, pre-FEED has been done, then it's for FEED engineering and EPC contracts. The bid will take place soon. Thank you.

Brendan Warn, BMO Capital Markets

Good afternoon, gentlemen. I believe two of my questions have been answered, but I'd just like to clarify, and if I refer to slide 75 of your Capital Markets Day, just in terms of 2015 and your business plan capex guidance. I was concerned there's been no change to that guidance, please? Thank you.

Filipe Silva, CFO

Brendan, today, we cannot, and will not announce any revised guidance for 2015 on the capex, but from where we stand today, we don't see anything that would be a material difference from what we have announced earlier this year. Thank you.

Manuel Ferreira De Oliveira, CEO

I understand that all questions have been answered and I want to thank you for the questions and we really hope that they have been complete.

I also want to highlight our efforts today on de-risking the development projects that we refer to you, particularly Júpiter and in the more short-term, Iara. We are intensifying, as you've noticed, appraisal activities in this area, particularly in the case of Iara where declaration of commerciality will take place by the year end.

In the second half of the year, we believe that the number of important milestones will take place, most notably the ramp-up to full production of our FPSO #2 in Brazil and the start-up of our FPSO #3, in the Iracema area.

I want to emphasize what we already said, that we will continue to work on our LNG project in Mozambique with full conviction that we'll have first gas in 2019, from offshore facilities and from onshore facilities in 2020. We will work as hard as we can to try to do whatever we can to meet the requirements of the government of Mozambique of trying to advance one year these projects.

We also should have, very soon, news flows from our exploration activities in Morocco, and because we have no material news, we simply wish good luck to our geologists that are now on the rig, monitoring what's going on there.

And with this, my friends and colleagues, I want to thank you for the time that you offered us. We wish you a good summer. Relax, so that your questions next quarter will be even harder than today. Have a good day. Bye-bye. Thank you.