Pedro Dias, Head of Strategy and Investor Relations

Good morning, ladies and gentlemen, and welcome to our Q2 2017 results conference call.

Joining me today is Carlos, who will start with our execution update; and Filipe, who will go over the quarterly results. After this quick overview, we will be available to answer any questions you may have.

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 statements at the beginning of our presentation, which we advise you to read.

I will now hand over to Carlos. Thank you.

Carlos Gomes da Silva, Chief Executive Officer (CEO)

Thank you, Pedro, and good morning to you all.

During the Q2, Galp achieved a strong set of results on the back of our continued focus on execution and operational efficiency and supported by the recovery of the downstream environment.

Our Ebitda was up 40% YoY, both for the quarter and for the first six months of the year. This performance was driven by the upstream, where I would highlight the strong progress of our Brazilian pre-salt projects; and also from the downstream, where our Refining & Marketing (R&M) business successfully captured the market recovery.

Overall, our post dividend free cash flow stood at €130 million (m) during the quarter, placing Galp already in a positive territory year-to-date.

Let me briefly cover our operations during the quarter, starting with our upstream on the slide #5 of our presentation. Our main projects in Lula and Iracema continued to progress according our plan. Back in May, we announced the start-up of our P-66, the seventh FPSO in Brazil and the first of the replicant units. That unit is developing Lula South and is currently producing over 25 kbpd from just one well. P-66 ramp-up should drive our production growth over the next quarters with at least two additional producers expected until the year-end.

Meanwhile, the sixth unit, Cidade de Saquarema, placed in Lula Central achieved plateau in June following the gas export start through the Cabiúnas pipeline and the connection of the sixth producer. Once again, a great performance from all parties involved, with the unit fully ramped up in just 11 months.

Regarding the next units to be allocated to Lula, we have two. The first one is the #8 that will be placed in Lula North and is currently in COOEC's shipyard in China, integrating the topsides. The second one, the FPSO #9, to be deployed in the Lula Extreme South area, the hull is already at Brasfels shipyard, where integration works are underway. Execution is, so far, aligned with what we have included in our production estimates that we have shared with you in the last CMD.

During the quarter, our production growth was impacted by maintenance in Brazil. Works have been carried out safely and the production should go up in the second half, even if impacted by planned stoppage in two other units in Lula/Iracema and some maintenance in Angola. I recall all of you that this maintenance has been flagged in our CMD for the year of 2017.

In Angola, we continue to observe the natural decline of our production from Block 14. In Kaombo, in Block 32, the works are proceeding with the start-up during the year of 2018 more than offsetting the falling production from the mature Block 14.

Moving now to Mozambique on slide #6. On Mozambique, we announced back in June the final investment decision for our Coral South project. This is an important milestone, which puts Mozambique’s Rovuma LNG on the map. Rovuma is a key asset for Galp's strategy towards a lower carbon portfolio mix.

We are now in project execution mode in Coral, with first gas expected during 2022.

On Mamba, the onshore project, we are progressing with the project preparations for the initial stage of the development of this very large and competitive discovery.

Moving to the downstream on slide #7. As I mentioned before, R&M delivered a good set of results, benefiting from the improving of the market conditions.

In refining, our realised margin was $5.7/boe, up QoQ and YoY following the recovery in the European refining margins. These benchmarks benefited from gasoline cracks, and stronger diesel and fuel oil margins YoY. Our spread over the benchmark stood at $1.4/boe, within the normal range and still benefiting from sourcing opportunities and gasoline exports to the United States. Giving the supportive market environment and high availability and conversion of our units, our refineries throughput was 14% up during the period.

Our Marketing business delivered a solid quarter, supported by the evident signs of the economic recovery in Iberia. Our African downstream assets are also performing well.

Regarding Gas & Power (G&P), results were up QoQ as we recovered from the Q1 sourcing restrictions from Algeria. However, we continued to experience a lack of LNG trading opportunities, with our trading mainly based on our structured contracts. We also had a lower contribution from the natural gas marketing activities in Iberia.

Now allow me a quick recap on the first half of the year versus our Capital Market Day guidance in slide #8.

On top of a solid execution so far this year, we have had better-than-expected refining margins. Our first half Ebitda is, therefore, higher than planned. And we continue to see supportive refining margins at least until the end of the Summer season. In addition, Brazil is going according to plan, so we confirm our production guidance.

As such, we are now expecting full year Ebitda to be above our guidance. On the other hand, capex intensity should increase during the second half of the year, staying, however, closer to the bottom of our guidance.

So ladies and gentlemen, to wrap up, I would say that Galp's high-growth plans remain on course, with our cash flow inflection objective now firmly within sight.

Filipe will now go through the quarter numbers.

Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Thank you Carlos and good morning to you all.

I will be brief today as our financials this quarter are quite self-explanatory.

Starting with the P&L on slide 10. Group Ebitda in Q2 was up 40% YoY to €473 m. This is up 13% from Q1 despite weaker oil prices in the second quarter.

Exploration & Production (E&P) Ebitda was €188 m in the quarter, supported by both production growth and higher oil and natural gas prices YoY.

Refining & Marketing Ebitda was also up significantly, both YoY and QoQ to €233 m, supported by the strong performance in our Refining & Marketing businesses.

Gas & Power Ebitda decreased YoY to €46 m, impacted by the deconsolidation of the gas infrastructure business and a smaller contribution from the natural gas supply and trading activities.

At the Ebit level, I would highlight a couple of effects which increased our DD&As. First, if you recall, we increased the amortisation rates of some refining assets at the end of 2016; and second, starting this year, we are booking exploration expense write-offs as recurring items. In Q2, we had a €22 m impairment related to exploration blocks offshore Portugal.

Now below the Ebit line, we have a higher contribution from associated companies now including our share of earnings from the gas infrastructure business, whilst financial results reflect the swing YoY and mark-to-market of refining margin hedges.

Higher P&L tax charges reflect primarily higher corporate results and production taxes. Net income was €151 m in the quarter, this on a RCA basis. Under IFRS, net income was €99 m, with the main difference arising from negative inventory effects of about €35 m in the quarter.

On slide 11, capex during the first half of the year amounted to €411 m, and this is mostly allocated to development activities in BM-S-11 in Brazil and Block 32 in Angola. Capex numbers showed the expected reduction in drilling activities in Brazil with over 75% of the wells already drilled in Lula and Iracema. For the rest of the year, we should see some pickup in E&P capex intensity given that Coral FID took place in June.

Slide 12 shows our cash flow during the first six months of the year. Galp generated some €70 m during the first half, this is post dividends, with Brent at just over $50/bbl and with a high-profile investment program under way. There were no meaningful divestments in the period, and working capital levels are normalised.

Finally, on the balance sheet on slide 13.

Work in progress of €2.5 billion (bn) and these are assets to be commissioned over the coming quarters, make up a full 1/3 of our asset base. Within this are our different stakes in seven upcoming FPSOs in Brazil and Angola, plus related wells and equipment.

Assets and equity reductions at the end of the quarter reflect the depreciation of the Dollar and Brazilian Real against the euro at the end of the quarter. These are the currencies of our key upstream subsidiaries.

At the end of June, net debt amounted to €1.9 bn. Considering the outstanding balance of the loan to Sinopec of cash, net debt to Ebitda is down to 0.9x.

Galp's liquidity remains high at around €2.9 bn, of which about €1 bn in cash, undrawn credit lines of €1.3 bn and the loan to Sinopec of €0.5 bn or so.

We're now happy to take your questions.

Thank you.

Questions & Answers Session

Flora Trindade – CaixaBank BPI

First question is on the cash flow and considering the performance you had in the first half, it seems you could be already free cash flow positive this year. So, could you just let us know what could prevent you from reaching this milestone during this year?

Then the second question is a follow-up on the refining margins. You mentioned the refining margin is strong until the end of the Summer season. You have given an indication of $3/bbl in the last quarter. In the first half, we are at $3.9/boe, so just wondering if you are maintaining the $3/bbl indication or if we could see an upgrade?

Carlos Gomes da Silva, CEO

Flora, thank you for your two questions.

Effectively, we have been surprised by the macro environment that, aligned with our operational performance, has put us in the positive side of the free cash flow.

Anyway, you know that we are a Dollar company. The Dollar is cutting back comparing to the Euro, and that is one of the effects that should be taken into consideration for the quarters to come and namely for this year.

Depending on the context, we might end up the year with fairly neutral cash flow, which is what I could call an anticipation of our execution plan, but mainly driven by the environment conditions.

That drives me to the second question that you have addressed. Effectively, in our plans, we have considered $2.5/bbl as benchmark refining margin. We have been prudent on the approach. Effectively, for the third quarter, we are seeing the refining margins being supportive due to several factors. There are some unplanned stoppage in Europe from the refining players; there is also bigger demand than it was planned; according the cuts of the OPEC and non-OPEC, we also saw that the fuel oil, namely the one that comes from Russia, is better valuated. Therefore, we do see for the next quarter that refining margins might stay above $4/bbl and for the year-end we will say that slightly around $4/boe might be something that we can reach. I would say that we are preparing ourselves for something between $3.7/bbl and $3.8/bbl.

I also take the chance to recall to all of you that we have 30% of the volumes in the second half hedged and it is about 17 mmboe at a $3.6/boe. So, all in all, that's what I can share with you.

Thank you.

Theepan Jothilingam – Exane BNP Paribas

Two questions, please.

Firstly, on capex. Could you perhaps just give a little bit of colour where you are seeing the downside or the lower capex for 2017? In your answer, if you could also just address perhaps how much spent do you anticipate for Coral South this year and then the rollover in spend for 2018 in Brazil, please?

The second question, just on the Sinopec loan. Could you perhaps remind the market in terms of how potentially you can get access to any excess cash from the loan, particularly as Brazil becomes self-funding?

Carlos Gomes da Silva, CEO

I will take the first question, and I will address the second one to Filipe.

About capex. Effectively, we have just taken the FID of Coral South by the end of the first half and therefore complying with the plans that we have on Coral South, it will be more visible in our capex in the second half.

We are also preparing ourselves in the downstream activities for the plans to increase the Dollar per barrel, and some of those projects are undergoing, but its execution is more in the second half.

When we consider the Mozambique Coral, I would say that is something below €800 m [below €80 m net to Galp] in the coming six months.

In what concerns also the capex, we are not cutting any activities. This is an important message that I would like that you take with you. At the same time, we have also to see the moves the dollar is doing against the Euro. Since our investment is mainly in Dollars, in Euros we are spending less. We have the opposite comparing with the results.

So, all in all, the main impact is that we will have an accelerating of the execution in the second half and the Dollar will tend to reduce our investment in Euros. This is fairly what I have in terms of capex and we hope that we will stay in the bottom of the range that we have pointed out to you in the last Capital Markets Day.

Filipe will now address the Sinopec loan. Thank you.

Filipe Silva, CFO

Thank you Theepan for giving me the opportunity to remind the market of this Sinopec loan.

We have full access to that cash. That cash belongs to Petrogal Brasil, an entity that we control 70%. These are from the proceeds of the capital increase in Brazil a few years back. So full access to the cash when needed.

As Brazil becomes self-funded, the question for the future will be how will that cash be used and that will have to be seen in the context of our expansion plans for Brazil over the coming quarters.

I will stay with that. Thank you.

Mehdi Ennebati - Societe Generale

Good morning all and thank you for taking my questions. Two questions, please. First one, regarding the replicant units. So, you've started your first replicant unit in May. It is currently ramping up. And from the first month of production, can you tell us if everything is going well? And if like the preceding units you should reach plateau in rather 12 months other than the 18 months you've guided before?

And second question regarding the refinery utilisation rate, which has been particularly high in Q2 '17, is it due to some improvement at the refineries' level? Or is it more due to Galp trying to fully benefit from the healthy refining margins environment?

Carlos Gomes da Silva, CEO

Hi Mehdi, good morning and thank you for your two questions.

In relation to the replicants, I will take the chance to clarify that there are some changes comparing with the first leased units. They are similar units, but there are some differences, namely the fact that they are newly built and not converted units. They are zero flaring units and with more processing plant flexibility. That said, this is the first replicant, and there are lessons to learn. So far, the operations are going pretty well. The plateau that we have in our plans is 15 months and not 18, so we will continue to have that as a basis and we will use this first replicant to take those lessons toon one hand, implement minor adjustments in the units that are already being integrated and assembled; and second, to adjust the operations for the coming units. But so far, the operations are running at the right pace, and nothing special to highlight.

In what relates to the refining margins, there are some contributions for the relatively high refining margin. First, you see the demand increasing in Europe and Africa. Secondly, there are some unplanned stoppage from some European refineries. Thirdly, with the OPEC cuts, there have been some heavy crudes out of the market, namely those that are coming from Russia. And at the same time, the fuel oil that is available and the VGO from that region has decreased and, the tax increases in fuel oil. So all in all, what has supported the refining margins the most were the diesel and the fuel oil, and that seems to be the biggest difference comparing with the past. We have more than 20-year maximum cracks of the fuel oil in the market, due to the reasons that I have explained to you.

There's another point, by the way Mehdi, utilisation rates. Of course, these will end up with the fact that there is an incentive and, therefore, everyone is using the conversion at maximum. So that's what we have done. Our conversion units were slightly above 100%, and we have also adjusted our crude unit distillation capacity to have the conversion at maximum. So just to close the answer adequately.

Thank you.

Thomas Adolff - Crédit Suisse

Two questions, please, from me. One, just going back to refining, and the other one just on acquisitions.

So obviously, on the first point, on refining, we've actually seen divergent performance amongst players with European refining footprint this quarter. For example, one company saw lower margins quarter-on-quarter. Another one saw a small uptick. Whilst actually Galp delivered a good increase in realised margins on a quarter-on-quarter basis. Maybe you can talk to us about the moving parts that allowed you to outperform some of your peers in the regions? What is your competitive advantage, in your view? Or what have you done so well to optimise margin capture? And perhaps you can also talk about what went wrong and you could have actually done an even better job, excluding the hedges in place.

The second question I have is just, can you perhaps remind me the target you have of EBITDA to net debt of less than 2x - Is that on an adjusted basis for the Sinopec loan? And if that's the case, since the ratio now stands at 0.9x on your estimate, should we think of this perhaps somewhat more inefficient balance sheet leading you to a willingness to make quite a material acquisition should an opportunity emerge? And perhaps you can talk about whether beyond the licensing rounds planned in Brazil for the end of the year, if there's anything else you're currently looking at or working on at the moment? And linked to that, perhaps you can also comment on -- perhaps you've run some scenarios around that -- what that actually means to organic capex and the guidance you've provided of, I think, €0.8 billion to €1 billion per annum over the medium term and, therefore, the cash flow breakeven longer term?

Carlos Gomes da Silva, CEO

Thomas, good morning and thank you for your questions.

So first one that has relation with refining. Basically, the first point has to do with operational availability. If you have all your conversion units available, this is the first point to play adequately this game. The second one has to do with the sourcing optimisation. So we have done, I would say, an optimisation not only by using the crude slate that mostly fits our refining system and as well, we have used the VGO as a complementary alternative for increasing the conversion capacity. You do know that our ability to achieve the gasoline American market is also a key advantage, and we have used that as one of the levers for the results in our refining activities. And finally, what I have already mentioned previously to Mehdi is the fact that the fuel oil cracks are relatively high compared to what we have seen in the last 20 years. And that is actually due to the fact that the cuts from the OPEC and the increasing of tax of fuel oil, also in the exports from the Russia is pushing up that. The last but not the least is the availability of the others, or the unavailability of the others. So there are a few peers that were not capable to keep their efficiency at same level, and that had helps us and leverage us in terms of the results of the refining activities.

In what relates to the Brazil and the optionalities and net debt-to-EBITDA. Starting by the net debt-to-EBITDA, yes, it is adjusted to the Sinopec loan, and it ends in 0.9x and gives us room space for optionalities due to this new cash cycle that we are facing and that we have anticipated to you in the last couple of months.

So, we have now a solid position and, of course, looking forward, we are attentively screening the market with opportunities that will pass by mainly Brazil. So we are not taking in consideration any M&A alternatives, but instead of that, looking to the several opportunities that Brazil will present in coming years, not just this year. There are many bid rounds that will happen this year, next year and in 2019, and therefore, we are taking that considerably and balancing what might be more value accretive, keeping two or three key points for us: first, the financial discipline; secondly, guaranteeing that we have a portfolio that is low cost oil producing, which means that what gives relatively low oil price Brents; and thirdly, that fits our strategy in terms of being a well-balanced oil and gas producer. So yes, we are preparing ourselves for the coming bid rounds, but it has to be value accretive, otherwise, we will pass on. Thank you.

Filipe Rosa - Haitong Bank

So my first question will be, there have been some transactions in Brazil involving assets where Galp has preemption rights. And so far, Galp has not exercised those rights. Could you just elaborate a little bit whether this has been a valuation issue or it's just a strategic decision? That's my first question.

My second question, also related with these potential reinvestments in Brazil, could you just give us an idea what would be the cost of capital you are considering for those investments? And what would your long-term price assumption when you make those decisions? Can we assume that is the one that you have included in your Capital Markets Day?

Carlos Gomes da Silva, CEO

Hi Filipe, and thank you for your questions. Yes, you're absolutely right, we are involved in two of the assets where there were some transactions.

Starting by Iara, which is in BM-S-11, we have not exercised our preemption right due to the fact that we thought the transaction done between Petrobras and Total was made within a fair value. And therefore, considering the deal conditions and the other portfolio development options, we did not preempt. So this was not due to a strategic issue because Iara is strategic for Galp.

In what relates to the BM-S-8, two transactions have happened. One has been closed and the other is undergoing. The first one was related with Statoil and Petrobras, so it was a major transaction that allowed Galp to have a de-risking of an important asset for its portfolio. So it was easier then, when that the decision of not preempt was done. And the second one has to do with the Queiroz Galvão-Statoil transaction. What I can say is that we are aligned with Statoil in what regards to the BM-S-8 activities. We have this preemption right, but we prefer not to comment. We still have time to take that decision, and we will analyse and we will decide later on. In what relates to the new bid rounds that will take place in Brazil, as you may understand, we are in a kind of confidential competitive positioning because anything that we might share with the market will be listened to by our potential competitors. So I apologise for not going further in detail on this issue, but I'm sure that we will take the opportunity to elaborate more in the future. Thank you.

Biraj Borkhataria - RBC

Hi. I have three, please. Firstly, on LNG, could you talk a little bit about what you're seeing at the moment? You've talked about the lack of trading opportunities. So if you could just elaborate on that, that would be helpful.

Secondly, on refining, if you could just give us an update on your hedging activities and where you stand now for 2018 and 2019 at this stage?

And finally, as a follow-up to one of the earlier questions. I think, Carlos, you've talked previously about wanting to balance the oil and gas mix within the portfolio longer term. And as you look out to 2025, even with some contributions from Mozambique, you'll still be fairly heavily oil-weighted. So how do you think about that balance longer term? And is that something that may stop you from bidding on more pre-salt oil assets going forward?

Carlos Gomes da Silva, CEO

Thank you, Biraj, for your questions. So starting with the Gas & Power. When we look to the market, the different basins where the prices are formed what we see is that there's a lag of arbitrage between those different basins. Nevertheless, we see the gas consumption or gas demand increasing.

And if you look to the coming years, you will see that it will increase mainly due to the Asian markets, but the demand will be supplied mainly by the United States projects that are now coming to the system. So the rebalancing of the market is not open for arbitrage alternatives for the time being. That doesn't mean that at some point we might have some spikes in the gas prices in the market due to the imbalance resulted by some instability in some areas of the globe and, at the same time, by the dry winters that we are observing. Effectively, what we have observed during the first Q with our Algerian problem in terms of supply, that obliged us to go to the market and to buy additional gas on the market, it was an evidence that price spikes in the market might happen but not in a structural way. So that said, that's the reason why Galp has started to operate in the network trading activities all over Europe in order to complement our structural trading activities. But we will continue to observe and being very active with a small but very agile team, and well skilled, that could benefit from any window of opportunity that open in the market.

The hedging strategy going forward. Starting by our hedging strategy, so basically, to smooth our results, we have a bandwidth, a range of between 20% and 30% volumes to be processed that we consider as potentially to be hedged. For 2018, we have already hedged 12 m barrels, which means about 10% of our throughput for 2018, with $3.6 per barrel. We have also started to hedge some volumes – we have 5 million barrels – for 2019, and the average value or the average hedging price is $3.8 per barrel. So that also gives us color on the going-forward refining margins that the market is offering today.

The third point you have referred, our aim to have a more balanced oil and gas portfolio. For this, Mozambique will play an important role. But you should also take in mind that we are already producing gas in Brazil. Brazil is now producing approximately between 13% and 14% of our global volumes. So when we speak about Brazil, we are mainly thinking about oil, but effectively, the gas is already weighting 14%. And you know that the assets that we already have in our portfolio, they are also potentially gas producers, as it is the case of BM-S-8 and BM-S-24, so the Júpiter field, Júpiter giant field. So that said, we will not refrain ourselves to move forward on the bidding rounds that are to come. And if there are some areas or geographies where we can anticipate the potential of production might be more oil or gas, there are others that are more frontier ones; and we don't know since the beginning if we will find oil and gas. But what is sure is that we will continue to focus our activities to rebalance this oil and gas ratio. And effectively, it's due to that, that our efforts on making Mozambique happen has been really committed in the last couple of years. Thank you.

Joshua Stone - Barclays

I have two questions, please. Firstly, on the downstream. There was news a couple of weeks ago about potential strikes at Galp's refineries. Can you just confirm whether that went ahead? And if not, can we see that issue as fully resolved?

Secondly, on the maintenance you have had in Brazil, are be able to quantify how much production was out during the first half of the year as a result of maintenance and then what your expectations are for the second half of this year?

Carlos Gomes da Silva, CEO

Thank you, Josh.

About strikes, yes, we have had a 5-day strike that ended early this morning. I would say this is negligible in terms of impact. Our units were running up to almost the maximum of its capacity, namely the conversion ones, and the impacts were relatively neutral. The key issue here is from the shift operators that are claiming to have early retirement, which had been removed from the Company agreements for many years. We are not anticipating this to be a relevant issue. These are internal affairs of the Company, but for all of you just a word of calm, has been a pacific strike with no relevant operational impact.

In what relates to the maintenance in Brazil, we have provided a guidance in our Capital Markets Day, that for the full year, it will have an impact of 4 kboepd. We maintain that guidance for the whole year, even if the biggest portion has been done in the first half. Thank you.

Anish Kapadia – TPH

Good afternoon, first question. Going back to your Brazil comments, and I'm thinking about potential M&A. Just wanted to see whether you were looking at potentially acquiring some of the more mature producing assets that are available for sale in Brazil at the moment. If that is kind of an area where you think you can kind of add value by taking some older, mature assets and putting more capital into those?

The second question is going back to the pre-salt in Brazil. I just wanted to get a bit of an update on your take on a couple of issues. Firstly, in looking at the production from a number of the wells in the pre-salt, it seems like the water breakthrough level is still extremely low. I just wanted to kind of get your take on whether this is still kind of running ahead of your expectations and where your expectations are in terms of water breakthrough.

The second point in terms of the production. You had an issue in terms of gas corrosion earlier this year, just wondering what kind of the follow-on measures are that you'd expect to be taking on the back of that?

Carlos Gomes da Silva, CEO

Good morning Anish, thank you for your 2 questions. First question was related to the potential interest in mature assets in Brazil. Our answer is we are not candidates for that kind of assets.

The second one, related with the pre-salt activities. In the first point related with the water production. It is a natural breakthrough and, therefore, there are no known water breakthroughs whatsoever. It is according to our expectations and we are not seeing nothing really special on that.

In what relates to the corrosion issues, I'm wondering if you are speaking about what happened in the riser related with the Lula Pilot. Petrobras has already hosted a dedicated conference call to provide fundamental information on that issue.

What I can say is that, as long as it has been analysed and monitored, it was a combination of specific circumstances. When the riser was installed some damages were provoked that made some leaks and, therefore, the corrosion was triggered by the combination of the seawater with relatively high CO_2 content.

I would like to highlight to you that Cidade de Angra dos Reis is the only FPSO with the availability to reinject such high concentration of CO_2. This is the first unit that has been installed in the project and it was a kind of, as the name reveals, a pilot, a live lab. There is where we are monitoring and testing some of the alternatives to increase our productivity, including the WAG system.

Therefore, we are now carefully monitoring all the critical equipment on the pre-salt to prevent other failures, but we think this is not an event that might be reproduced in the other production units.

Thank you.

Hamish Clegg – Bank of America Merrill Lynch

Good afternoon guys, just three questions from me.

I know we have discussed quite a bit about refining already and this is fairly simple. Your guidance for the full year wield mark-to-market quite a lot and I know it sounds obvious, but your required run rate refining margin benchmark to hit your target is about $1. Is there any reason why you don't sort of update these plans? Because it strikes me that marking-to-market, you're potentially under-egging your earnings somewhat?

The second point was just on the dividend. We know that you've got spare cash kicking around, and you're saving it up for Brazilian opportunities or other upstream opportunities in the world to invest counter cyclically, which makes an awful lot of sense. Can you give us maybe an insight into when we might know whether or not those opportunities have or have not a reason enough that you might consider giving us a new message on the dividend? Is that something that you will only do once a year or we could potentially see in the second half?

Carlos Gomes da Silva, CEO

Hamish good morning and thank you for your questions.

I would say that you are absolutely right. Our update on our guidance has been done precisely due to do the downstream activities. We are still being prudent, but I've already shared with all of you that we do see the refining margins being supportive in the second half of the year and therefore, that's the reason why we think that we will stay above our Ebitda guidance. I insist that it is our updated guidance.

In what relates with dividends. First of all, we will continue with our financial prudency and we are observing and analysing all the opportunities in what relates to the value creation for our shareholders. The combination between dividends and additional value creation projects is something that we are balancing in our decisions in order to guarantee that we can get the optimisation of the value creation for our shareholders.

We end up in the first half with a fairly neutral cash flow position. Of course, the dividend policy that we have shared with you in the last Capital Markets Day it's to be reaffirmed, even though it can be adjusted according to what happens during the year and what will be the success of the bid rounds that are to come in Brazil. That is what I have to share with you. Thank you.

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Hamish Clegg – Bank of America Merrill Lynch

Can I elaborate a tiny bit on your kind answer? On the bid rounds in Brazil, which we're expecting in September, can we assume that at the top of your priority list is the bid rounds as opposed to other assets? For example, I assume you weren't bidding in the recent Carcará stake that changed hands with one of your partners?

Carlos Gomes da Silva, CEO

Hamish, I appreciate your remark, but we still have time to take the decision regarding BM-S-8. What I can assure to you is that we are having a holistic analysis of all the optionality that the Company is facing; keeping the financial discipline, as we have committed with the market; and optimising, I would say, maximising the value creation for the shareholders.

So, you have to see this in a holistic perspective and I apologise for not going in detail because we are in a kind of a competitive moment in our industry. Thank you.

Michael Alsford – Citi

Good morning, I've just got two please. Just firstly, on Mozambique, it was obviously good to see the sanction of Coral FLNG in the quarter. I just wondered if you could let me update on how you see the time line around Mamba and the broader development of the gas resources in Mozambique and when we should expect the FID there?

Then just secondly, on Kaombo in Angola, you obviously have flagged that there were some scheduled risks and delays to the FPSO arrivals and I just wondered whether you feel that the current schedule is comfortable or whether you see continued risks to that schedule going forward?

Carlos Gomes da Silva, CEO

Good morning Michael and thank you for your two questions.

Yes, Coral FLNG has been an important milestone for us and now it's in execution mode, as I have mentioned before.

In what respects to Mamba, there are many works being done. The project's team is committed with the different areas to be addressed, not only the technical ones in the upstream and in the midstream, but also in what relates to the marketing of the gas and financing of the project. There are many areas to push ahead but we do hope that we might have conditions to make an FID by the end of next year or early in 2019. Basically, those are the targets for which the teams are working.

In relation to Kaombo, we do see the new two units coming to the system in the next year. The first one should come in the first half and the second one in the second half. Thank you.

Michael Alsford – Citi

Thank you Carlos, just to confirm on Kaombo. The first half of 2018 and second half of 2018 in terms of the two vessels, is that correct?

Carlos Gomes da Silva, CEO

Yes, that is correct. You understood it well.

Tristan de Jerphanion - Kepler Cheuvreux

Good morning, two quick ones please. The first one is on Brazil, and on Sépia in particular. It's my understanding that the contractors' bids were expected in the first half of this year. However, it seems there were some sort of dispute around the issue of local content. So if you could give us some colors around that, it would be great, please.

And also, secondly, kind of a housekeeping question, but I see on your average realisation prices in upstream, which was $43.4/boe in Q2, that you narrowed the spread significantly with Brent to just $6.2/boe. I had in mind that you were guiding for a spread of $7 to $9/boe, so just wondering whether there was something unusual, some sort of one-off in the Q2 figure maybe on the trading side.

Carlos Gomes da Silva, CEO

Good morning Tristan and thank you for your questions. In relation to Sépia and as you all know, Sépia is a project that is being developed by Petrobras, so we don't have much visibility because this is out of

BM-S-24. Anyway, we know that the award of the production unit has been launched in the market and the decision is to be taken hopefully in the coming months. We cannot go further from what the market already knows.

In relation to the realised price, I will address that to Filipe. Thank you.

Filipe Silva, CFO

Tristan, just to recall that last year we have changed the criteria. We are booking all oil trading revenues in Brazil now to E&P, where they used to be under trading within Refining & Marketing.

Thank you.

Pedro Dias, Head of Strategy and Investor Relations

Ladies and gentlemen, thank you for attending this session, which we hope has been useful to update you on our strategic execution and Q2 highlights. As always, feel free to contact our IR team for further clarifications.

We wish you all a great holiday season, and the team is looking forward to seeing you soon.

Thank you.