Pedro Dias, Head of Strategy and Investor Relations

Good morning ladies and gentlemen, and welcome to the conference call for our third quarter 2018 results.

As always, Carlos will start with a quick update on the operations during the quarter and on our strategy execution. Filipe will then go through results. At the end of the presentation, we will all be available to take any questions you may have. Thore is here with us as well.

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

Carlos, the floor is yours.

Thank you.

Carlos Gomes da Silva, Chief Executive Officer (CEO)

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

I think this should be a rather quick introduction from our side today, so I call your attention for slide number four where we have the key highlights for the quarter.

So, one can see that Galp delivered a good set of operational and financial results during 3Q18, underpinning our strategic development and business plan targets.

The cash generation in the quarter was supported by a solid contribution from both our upstream and downstream operations. This was achieved despite the consideration of planned maintenance activities in Brazil and the preparation of our refinery's maintenance that started in the September and will take place during October and November.

So, the September year to date gives us free cash flow generation of about €514 m, which already covers the €0.55/sh dividend. This is due to a combination of a strong focus on our strategy execution that has been also helped by a favourable macro environment.

Considering the supported macro and the operational performance so far, we are upgrading our full year Ebitda guidance to about €2.3 bn. Regarding capex, we now expect it to be around €1 bn, which compares with our previous guidance in the range between €1.0 bn and €1.1 bn, and this is mainly due to some deferrals into 2019.

I will now briefly go through the main drivers of our performance in the different divisions, starting with the upstream on slide number six.

The working interest production QoQ has decreased and this was driven by the concentration of planned maintenance in Brazil including three units, three FPSOs and a key gas export pipeline. All the units and the pipeline are now fully operational. Production was, however, supported by the ramp-up of Kaombo, in Angola, which started operations in July, and is proceeding according to plan.

We now have seven units in Brazil running at plateau levels, and the last week brought online the new unit, number eight, that is located at Lula Extreme South, it's the P-69. This unit is currently delivering about 25 kbpd from one well. So, all-in-all, we are now producing over 110 kbpd.

As mentioned before, the FPSO to develop the Lula North area, the P-67, is in Brazil and should move to final location as soon as we perform some final workovers, which we expect to happen until the end of the year.

All-in-all, Galp's full year production should be up 15% YoY, still, at our lower end of the range indicated during our Capital Markets Day.

As for exploration and appraisal activities, we have concluded Sururu West EWT during this August, which is expected to support the optimisation on development plan for the Berbigão and Sururu area.

In the Greater Carcará area, we spudded the first appraisal well in Carcará North, in the West part. This occurred less than one year after the award of this block, which reveals a strong commitment with a rapid appraisal campaign for this promising asset. On other exploratory activities, we have drilled a well in Guanxuma with an oil discovery, even though further analysis and evaluation is still needed, but the preliminary result seems to be encouraging.

As for Portugal, we have now taken the decision to step out the exploration. We regret not being able to access the potential resources in the country, but the legal and regulatory context for upstream made it, objectively, impossible.

Moving now to the downstream, on slide number seven.

Refining had a solid performance in the quarter, apart from the start of the scheduled maintenance works in Matosinhos refinery and the preparation of the FCC maintenance in Sines during 4Q18, impacting raw materials processed, as well as the inventory level. The Matosinhos refinery has now re-started, whilst Sines FCC should be back by the end of November.

Looking to the margins in the quarter we see that the margins were hit by lower gasoline cracks and higher-priced refinery self-consumptions. At the same time, we had less supportive contribution from gasoline exports to the United States, due to planned inventory build ahead of the FCC unit shutdown, which I referred to you, and also a lower Eurobob-Rbob spreads. Still, Galp's realised refining margin in the quarter was $5.8/bbl, already capturing $0.30 from our plan for an extra $1/boe by 2020 in energy efficiency and enhanced conversion in our refineries.

Moving forward, we expect that the current weaker refining environment remains throughout 4Q18 with gasoline cracks following the end of the driving and lower demand on the Atlantic basin. So, the combination of maintenance and a weaker refining environment should lead to lower utilisation rate in 4Q18.

We are taking the opportunity to implement some projects and making some tie-ins related with these initiatives, while performing the ongoing planned maintenance. Some of these projects will also help us during the IMO transition period, as we are able to improve our conversion capacity, whilst also executing other small investments to prepare our solution to supply bunker fuel fully compliant with IMO specs.

Let me emphasise again, that we do have a feasible solution for the IMO-capped world and that we are expecting IMO to be neutral to slightly positive for our downstream operations. Middle distillates are expected to appreciate and more than offset higher sourcing costs. More importantly, it should be clearly positive for our upstream performance, which should benefit from the widening of the sweet-sour spread as we only produce sweet crudes.

So, coming back to the quarter and looking to the marketing. Marketing activities continue to benefit from robust sales to direct clients in Iberia and the positive economic environment, and we can see that in the results.

As for Gas & Power business, it was the last quarter with the contribution from the structured LNG trading contracts that we had established back in 2013. Going forward, the gas trading activity will be based on potential opportunities within the international LNG market, but also on European natural gas hubs where we have already developed a relevant position. I would also highlight that our electricity sales are growing nicely in Iberia. This should be supportive of our growth in this segment in the future.

That's it from me. Filipe will now go through the financials.

Thank you.

Filipe Silva, Chief Financial Officer (CFO)

Thank you, Carlos, and good morning.

Just a quick overview from me on the quarterly numbers. Now move to slide nine on the P&L.

E&P Ebitda was, unsurprisingly up YoY, driven by higher oil prices, and on a QoQ basis, Ebitda was actually down 4% or so with a relatively stable Brent but lower production given the significant maintenance in Brazil.

On Refining & Marketing, Ebitda of €195 m was down €20 m YoY, impacted by the weaker refining margins and the lower throughput as we started maintenance in Matosinhos late in the quarter. On a QoQ basis, Refining & Marketing Ebitda was up, supported by marketing, a stable refining contribution and a stronger U.S. dollar.

Gas & Power Ebitda was up to €44 m, with supportive volumes and stronger contribution from power.

Below the line, I would just highlight the financial results, which were mostly driven by mark-to-market adjustments, including our refining margin hedges, which were less favourable than at the end of June.

RCA net income was €212 m in the quarter and €235 m under IFRS, and this was helped by positive inventory effect of €34 m.

On cash flow, on slide 10, CFFO reached €343 m during the quarter, dragged down by working capital. We built a products inventory buffer ahead of the refining maintenances and also had a few Brazilian cargoes in-transit to Asian customers as of September 30.

Capex disbursements reached €246 m, including the €103 m in signature bonuses for the acquisitions in the Santos and Campos Basins earlier in the year. We also have, here, the drilling activities in Guanxuma and Carcará North.

FCF was €87 m in the quarter, net debt was flat compared with the end of last year, and this with already two dividend payments disbursed.

On slide 11, the balance sheet shows the working capital built at the end of September. And you also see that we have reduced, significantly, the loan to Sinopec, which is now down to only €172 m. Our JV with Sinopec for Brazil is now FCF positive and capital is being returned to the partners. Before, the excess cash in the JV was temporarily lent to the partners and recalled as needed to fund Brazil capex. What we have done now are non-cash entries, with a reimbursement of loans by Sinopec booked simultaneously against the capital reduction in our JV in the same amount.

Net debt to Ebitda was stable at 0.9x. The average debt maturity is currently about three years with a cost of debt continuing to decline as we keep replacing older debts with less expensive new ones.

We're now happy to take your questions, thank you.

Questions & Answers Session

Thomas Adolff – Credit Suisse

Good afternoon. Two questions for me, please.

Firstly, I would be grateful if you could comment on the expected exit rate for 2018. I'm interested in getting a bit more detail on how many wells have been drilled and completed on the recently started up FPSO.

Secondly, just on future opportunities, you got the license Uirapuru, but how would you characterise the last bidding round in Brazil, where you didn't really participate? Is it harder to get new opportunities in Brazil now? Thank you.

Carlos Gomes da Silva, CEO

Hi Thomas, good morning. Thank you for your two questions.

In relation to the exit rate, as I mentioned in my previous statement, [regarding full year production] we think that we will be at the lower end of our production guidance, 107 thousand barrels per day (kboepd). We are now over 110 kboepd and Kaombo is still ramping up, we have all maintenance done in the different units and the gas export pipeline is also working adequately, and one well producing on the recently started FPSO. Basically this is the guidance that we are doing for the year end.

In relation to the recent bid round in Brazil, we have defined Brazil as one of the potential areas in terms of expansion and we are analysing every opportunity that is offered in the different bid rounds. Not participating should mean that we have looked attentively and, based in our technical analysis, our financial discipline, and the way we can build a top tier portfolio, we didn't see value accretive based on the terms and conditions that have been offered. We will continue very attentively with Brazil and we will continue to use this approach for the future bid rounds. Thank you.

Flora Trindade – CaixaBank BPI

Hello, good morning.

The first question is on the working capital build up you have in 3Q18. Can you just give us an idea of what is your estimate for the full year and, consequently, where you see net debt at year end?

My second question is on the extraordinary energy tax in Portugal. Can you give us an update on your views here, following the news flow we have been having on this?

Carlos Gomes da Silva, CEO

Good morning, Flora, thank you. Filipe will address the working capital, which has been already stated, but he will give you more details.

In relation to CESE, you know we think this is an extraordinary tax that should be temporarily applied. We disagreed, since the beginning, with that. It seems that the budget for the next year will continue to consider it and since we have a legal dispute on this point, I would prefer not to make further comments. Thank you.

Filipe Silva, CFO

Flora, your question is on the level of working capital at the end of the year. We don't expect it to be any higher given the one-off, if I can call it, on September 30. So, we had product inventory build-up ahead of the stoppages in the two refineries. We also had significant volumes of oil in transit. If you assume that these are going to go down, then the question will remain what would be the Brent price level at that time? There's a pricing effect we don't know but the one-offs will not be there by December 31.

Flora Trindade – CaixaBank BPI

Ok, can you just give us an idea of what could be the level of the one-off, just to exclude it? Or is it not possible to get that figure?

Filipe Silva, CFO

It would be triple-digit numbers, €100 - 200 m at, again, this is September 30, the number on that date. Thank you.

Thomas Klein – RBC

Hi, thank you for taking my question.

When you talked about the 2018 capex guidance to be now around €1 bn, you mentioned some of this was due to deferrals, which is understandable, given the kind of activity you had planned in Brazil for 2019. I just wondered if you could provide any more detail on that and any sense of how capex could be in the coming year. Thank you.

Carlos Gomes da Silva, CEO

Good morning, Thomas.

Effectively, we have anticipated that there are some deferrals in the drilling and completion activity in Brazil. That's one of the key points.

The other point that has also been considered is some deferrals in our downstream activities, and it was the reason why we have been able to accommodate the two new assets that we have acquired in the last bid round. We still don't have a final number for next year, we will do it as we complete our budgetary scenario, but you know that we have a forecast that should be around or lower than €1 bn. In capex there's also some FX effect during the year but we don't know up to the end of the year if they will maintain, and depending on the evolution of the exchange rate. You know we are a Dollar-based company and therefore we have to take into consideration that. Thank you.

Rafal Gutaj – Bank of America Merrill Lynch

Good morning, thank you for taking my question.

Just sticking with the theme of capex, obviously with your guidance now being €1 bn for the year, and you're running at about 60% of that spend as of the end of 3Q, can you just remind us of the activity set in 4Q18 that's going to close that gap? Perhaps there's a difference here between cash capex guidance and the accrued capex guidance. Thank you.

Carlos Gomes da Silva, CEO

Good morning, Rafal.

It's a good question but you should bear in mind that we still have some maintenance activities that are being implemented, and also some +$1/boe investments that you should bear in mind. I've anticipated that in my previous introduction, that will allow us to increase our conversion capacity and our energy efficiency. We do think that we will comply with close to €1 bn capex, but most of these investments were, in the end of the year, related with refining activities. So, you know, it's all about the combination between maintenance and the +$1/boe investments, and we are speaking about approaching €1 bn for the year 2018. Thank you.

Filipe Rosa – Haitong

Good morning everyone. Two questions, if I may.

The first one is on the first FPSO at Lula. I think that this is the eighth year of production and last year we already saw a low-capacity utilisation due to maintenance and this year, again, we have some important maintenance works at the FPSO. Could you update us on how do you see the number of years of plateau, whether you have started to see any declining rates in terms of output at the first FPSO, and whether this has changed your views for the remaining FPSOs? That would be my first question.

The second question relates to Sururu. You finished the extended well test (EWT), I believe that Petrobras, the operator, has said that you found the biggest oil column so far in the pre-salt. Could you update us on whether this has led to any upward revision of the resources in the area of Sururu and whether you are more positive here than you were before? Thank you very much.

Carlos Gomes da Silva, CEO

Thank you, Filipe, and good morning.

In relation to the first FPSO, I have to recall all of us that it is called the Lula pilot project. It was a very long time ago comparing with the new technologies that we have today. Effectively, we had some maintenance works in the past but you know that this unit has also been used to perform the EWT on Lula West, which ended during the third quarter in July, which means that we have less one well. The production will be resumed during 4Q18 when a new well will be connected and the unit will be at full capacity.

So, from the plateau point of view, this unit continues to be our outstanding one and is one of our key test units to guarantee that our plateau is increasing time after time. Coming back from the 2.5 years at the beginning of this process, we now have 4 years and we continue targeting the 7 years that is happening now with this unit.

Concerning the Sururu EWT that was concluded last August you are right, the operator has confirmed considerable volumes in place and that this test also presents ideal deliverability. We also have the confirmation that it is one of the biggest, for not saying the biggest, net oil pay column of 530 meters, but this is relevant information to optimise the drainage plan and the development plan. We will need to assess the information that has been obtained in order to work together and see what the best solution in terms of development concept for this outstanding asset. Thank you, Filipe.

Josh Stone – Barclays

Hi, good morning. I've got two questions, please.

Firstly, on Gas & Power, are you able to provide us with the impact of the expiry of the structure contracts there, and what that means for 2019 Ebitda?

Secondly, following up on the refinery maintenance for 4Q18, can you say how long will the shutdown last and I didn't quite catch on what you're doing with regards to getting ready for IMO, so maybe if you could elaborate a little more on those solutions? Thank you.

Carlos Gomes da Silva, CEO

Josh, good morning. Thank you, it gives me the opportunity to clarify.

So, in relation to the Gas & Power, the termination of the structure contracts that we had in the past, is now in effect. However, all of us should bear in mind that in the last couple of years we have been preparing for this and the operations that we have launched, the growth in the gas pipe operations in Europe, has proved in a way that we are able to replace, volume-wise, the LNG structure contracts that we had in the past. Of course, the margins will be lower than the ones that we had in the past, even though we will continue to explore the international arbitration that the LNG market continues to offer. In terms of guidance, we continue to have this range of between €100 m - €150 m per year for the G&P business, excluding the gas infrastructure regulated assets that are now out of our Ebitda, and these are captured in Associates.

In the refining maintenance, we will have the FCC unit shutdown for maintenance for 50 days, and this will allow us not only to recover the unit and prepare it or a new operational cycle, but at the same time to implement some projects related to energy efficiency in the gas compressing system, a turbine that is producing power. At the same time, we are also introducing some adaptations in the unit to allow us to have more atmospheric residue as a raw material to replace the VGO, which means that we will have more flexibility, on one side, and it will be a more economical solution. This is contributing to our additional $1/boe by 2020 in the refining system.

Concerning the IMO, we are implementing minor investments just to increase the flexibility of our blending capacity in a way that we will be completely prepared to comply with the IMO specs, which, by the way, we have anticipated, with some tests with a few clients. Therefore, we are more than prepared for that. Thank you.

Matt Lofting – JP Morgan

Yes, thanks. Good morning gentleman and thanks for taking the questions. Two, if I could?

First, just sticking with downstream, clearly 4Q18 was quite a turnaround intensive quarter. I'm wondering if you could just talk about how active a turnaround year 2019 needs to be in order to execute on the +$1/boe margin initiatives and IMO preparations that you have outlined?

Then, secondly, just coming back to Brazil and the FPSO outlook. If you could be more specific on unit #9, on what works and if any are outstanding that could further impact timing on when the unit comes online once the sail away is complete. Thanks.

Carlos Gomes da Silva, CEO

Good morning Matt and thank you.

Looking at the maintenance activities, we are performing most of the relevant regular maintenance activities in 2018, which means that we are preparing ourselves for the next run of four to five years. We have the opportunity now to make some tie-ins to minimise the start-up of some of the new projects related to the extra $1/boe project next year.

We might have to make a shutdown next year out of necessity, but we are making all the possible efforts in order to guarantee that we will minimise that. If so, we will flag that quickly and timely to the market, but it will be less than three weeks, two to three weeks maximum. I'm speaking mainly about the atmospheric distillation unit, where the heat exchangers will be installed to guarantee that we will have the energy efficiency working. That should happen between the end of 2019 and the beginning of 2020. That's the reason why I'm not so sure if we will be doing this maintenance in 2019 or in 2020. All in all, the relevant maintenance is being performed this year.

Thank you and I will now pass to Thore, who will address your second question.

Thore E. Kristiansen, COO E&P

So, with respect to unit #9, also known under P-67, and which will go to Lula North, the FPSO arrived in Brazil at the end of July after a dry-tow transportation from China. It is now in Guanabara Bay, where it is undergoing the final commissioning and preparations for finally sailing off to the field. The current expectation is that the FPSO will be set in motion for going to the field by the end of this year.

That is what we can guide in this respect. Thank you.

Michael Alsford – Citi Group

Hello there, thanks for taking my questions. I've got a couple.

Firstly, on the downstream. I don't know if you could provide a bit more colour on how you're seeing demand at the moment, whether there's been any real impact in terms of demand, due to high oil prices across both, I guess, Iberia, but more broadly in the Atlantic basin?

Then, secondly, just on Brazil again. Unitisation discussions are, I guess, primarily on BM-S-11. I just wondered if you can update as to when you think they might be complete. I'm just thinking in terms of the impact on, obviously, 2019-20 E&P volumes and, equally from a cash flow perspective, as to money that could come into you as well. Thank you.

Carlos Gomes da Silva, CEO

Hi, Michael, good morning.

From the demand point of view, we are observing that the macro context in Iberia and the economic growth is also pushing our industry and the demand upwards. We see, in Iberia, a growth of about 3%, globally-speaking, more strongly in Spain rather than in Portugal. The high price effect that you had before is not still visible. Effectively the economic growth is pushing up demand and one of the key drivers in the demand is the aviation segment, where the numbers are between 5% and 7% to 8% growth. In the mobility consumptions, meaning gasoline and diesel, they are between 1% and 3% growth. So, still supportive even though we are in a high price environment.

In respect to the unitisation, all the procedures are done. We are waiting for the decision, so it is out of Galp's control and, I would say, from the joint venture control. We believe that this might be addressed and shown by the end of this year, having completed the process. Anyway, we have to wait, and are expecting that ANP has a final decision sooner rather than later, and hope that could bring us news in the coming weeks. From the cash point of view, there is no material relevance so far. Thank you.

Rob Pulleyn – Morgan Stanley

Hi, gentleman, just one question from me.

Obviously, you're giving a very positive outlook regarding the IMO 2020 impact on your upstream business. Could you maybe just remind us or update us on your view of where the differentials on your crude that you're producing in pre-salt Brazil could move to, versus say Brent as a benchmark? Just to give an idea of the upside potential. Thank you very much.

Carlos Gomes da Silva, CEO

Hi, Rob, good morning.

Effectively, we have a wide range in terms of what might be the impact of the spread between sweet and sours, which is the most relevant point, but you have referred specifically to the spread between sweet and Brent.

We think that it might land between \$3 and \$4 per barrel, that's our reference, our base case, for the IMO impact and it will tend, over time, to close. I would say that we are counting with two different moments: the first one, which is the so-called interim one that could end up by 2022/2023, and the one that comes after that, which is sufficiently far-away not to make projections. So, our base case is between \$3 and \$4 per barrel.

Rob Pulleyn – Morgan Stanley

Okay, that's interesting, thank you. I'll hand it back.

John Rigby – UBS

Yes, hi. I just want to go back and pull together a few of your answers to some of the questions.

It seems to me that you're indicating capacity availability to spend capex at about €1 bn or so a year, and it's fairly indicative, from the two cash flow statements you've released at 2Q18 and 3Q18, that the direction of travel on cash generation's going to very significantly positive if oil prices stay where they are. Maybe this is like an early shot at what you might talk about in February or March, but is management confident that they can find a home for that cash, or will it just effectively have to come back to shareholders? Just because, effectively, the playing field that you're playing on doesn't have the capacity to take much more than the level of spending that you currently have.

Also, sort of related to that, does it change your attitude to how you might think about funding your participation in Mozambique? I think the first unit was done by project financing, but, obviously, with significant debt capacity available to you at the corporate level, would you think about just funding it organically from corporate rather than through, sort of, external project financing? Thanks.

Carlos Gomes da Silva, CEO

John, thank you for your interesting questions.

In relation to the cash flow generation, we have a home for that cash, definitely. Since we have brought to the company assets that we truly believe could create value, and we have to de-risk them first, and that will also require capex. We are speeding up the de-risking of the Greater Carcará and we do think that we'll be able to start sooner rather than later to do the same with the other assets, starting by Uirapuru.

One thing you should count on, however, is the financial discipline that this Company will continue to pursue. It's not because we will be cash generators that we will start to spread our money without taking consideration for the 15% ROACE that we aim to have, and therefore you can count that we will be fully disciplined on that.

In relation to Mozambique, it's a good question. We have full funding for that, speaking about the midstream project, because on the upstream project you should bear in mind that we will finance that with equity. Therefore, for the midstream, we have full financing for that and we will go in that direction.

I will terminate by letting you know that we will continue to look at the Total Shareholder Return, which means that it will be a combination between value creation and, of course, the dividend that we give back to our shareholders. We will continue to do that in a very disciplined way.

Thank you for the question, John.

Giacomo Romeo – Macquarie

Thanks for taking my question.

I just have one last question to ask in relation to something you said earlier, relating to IMO and the fuel testing that you have been performing. I was just wondering if you can confirm if this testing is lab testing, or if you had any sea trials for your products?

Carlos Gomes da Silva, CEO

Hey, Giacomo, good morning.

Effectively, we have no questions on that respect, it was just to guarantee and test that our system is plenty available and capable to answer according to what our linear programming and optimisation models are saying. Therefore, a feasible solution is there and the slightly positive impact, it is also expected to be there. Thank you.

Giacomo Romeo – Macquarie

Obrigado.

Pedro Dias, Head of Strategy and Investor Relations

I think we have concluded, ladies and gentlemen, so thank you. We hope you found this update useful, and I will remind you that the IR team is always available for additional clarifications.

Thank you, have a great day.