

---

## Galp Energia's Capital Markets Day 2014

### "An integrated energy player focused on exploration and production"

Today, at its Capital Markets Day 2014 in London, Galp Energia will present its strategic update, mainly focusing on its upstream activity and, in particular, on the Company's prominent development projects in the pre-salt Santos basin, in Brazil, including the Lula/Iracema project, and in the Rovuma basin, in Mozambique.

The Company's upstream portfolio includes projects at different development stages. Operating and/or sanctioned projects include the Lula/Iracema project, in the Santos basin, and the BBLT and Tômbua-Lândana fields in Angola. Pre-sanctioned projects include other fields in Brazil, namely Iara, Júpiter and Carcará, the LNG project in Mozambique and Block 32 in Angola.

Moreover, an update of the Company's financial outlook will be provided, considering the strong growth in the upstream business and its stable downstream and gas businesses, as well as the strict financial discipline pursued.

#### Key material information:

- Galp Energia anticipates a compound annual growth rate (CAGR) of production of around 40%, for the period 2013-2020, through the development of its sanctioned and pre-sanctioned projects;
- Until 2020, the Company should deploy 14 additional FPSO in Brazil and Angola, and start the LNG project in Mozambique;
- The Lula/Iracema project is being executed according to the plan, on time and on budget, being all the critical equipment already contracted;
- Conducting intensive appraisal activities to accelerate time to commercial production of resources of pre-sanctioned projects in pre-salt Santos basin, in Brazil, and in Mozambique, and to increase the number of FPSO allocated to those projects;
- 2013 exploration drilling campaign added c.300 mboe to contingent resources, in line with the target announced one year ago;
- Scheduled drilling programme for 2014 includes the drilling of seven to nine exploration and appraisal wells, including one exploration well to be drilled in the Trident oil prospect in Morocco;
- Total 3P reserves and 3C contingent resources increased in 2013 to 4,630 mboe, driven by the discoveries in Brazil and Mozambique; 2P reserves and 2C contingent resources increased to 2,432 mboe;
- In the downstream business, the Company aims to increase cash flow generation, namely through improved integration of the refining and marketing activities, increased energy efficiency and lower capital employed on those activities;

- In the Gas & Power business, the goal is to continue to exploit LNG trading opportunities and maintaining a material natural gas outlet in Iberia, coupled with a flexible sourcing of natural gas and LNG;
- Average annual estimated capex of c.€1.5 bn - €1.7 bn in the period 2014-2018, mainly channeled to the upstream business, namely to project development in Lula/Iracema and in Mozambique. For 2014, capex is estimated to reach €1.3 bn - €1.5 bn;
- Estimated Ebitda CAGR for the period 2013-2018 above 25%, mostly driven by the upstream business. For 2014 Ebitda is expected to be €1.1 bn - €1.3 bn.
- Commitment to a solid capital structure, with net debt to Ebitda reaching c.2x in 2015, falling quickly from 2017 onwards;
- ROACE is expected to increase from 5% in 2013 to over 15% at the start of the next decade, and capital employed is expected to show a twofold increase, following the planned investment in the upstream;
- Dividend payment of €0.288 per share concerning the 2013 fiscal year, in line with dividend policy.

### Key strategic update:

Galp Energia is focused on the upstream business, which will enable that the Company leverages the favorable context which is expected in the oil and gas markets worldwide. In fact, the upstream business shall be the main driver of the Company's future profitable growth and cash flow generation going forward, supported on a disciplined financial strategy and on the stable downstream and gas activities, which generate positive cash flow. In addition, Galp Energia will continue to pursue an active portfolio management, which should be seen as an additional funding source.

Relevant production growth, with an expected CAGR of around 40% for the period 2013-2020, will be supported by a set of world-class projects, sanctioned and pre-sanctioned, being expected until 2020 the deployment of 14 additional FPSO, in Brazil and Angola, and the start of the LNG project, in Mozambique, totalling an installed capacity (net for Galp Energia) of c.350 kboepd.

As non-operator of those projects, the Company considers it to be crucial to maintain valuable partnerships with experienced companies, to leverage its internal know-how and benefit from cross-fertilisation of technology from its major projects. In addition, the focus on risk management, such as contingency measures and a competitive procurement strategy are key to ensure project execution, both on time and on budget.

Galp Energia is committed to execute appraisal activities, in order to accelerate time to commercial production of areas such as Iara, Júpiter and Carcará, in the pre-salt Santos basin and in Mozambique, and as well as to increase production capacity to be allocated to those projects. In addition, the Company conducts studies so as to optimize the development plan, including on EOR techniques and on subsea separation, among others.

Galp Energia is committed to its exploration target, of adding 100-200 mboe resources per year, although subject to free cash flow generation, which will translate in a reduction in drilling activities until cash flow turns positive, which is expected during 2017. This decision is in line with the Company's focus on development project execution and on pursuing a disciplined financial strategy.

In the downstream business, and considering the difficult environment in the refining industry in Europe, Galp Energia is focused on improving cash flow generation, namely through higher and improved integration of refining and marketing activities, increasing energy efficiency and reducing capital employed.

In the Gas & Power business, Galp Energia will continue its efforts to sustain the LNG supply and trading activity in the long term, through exploiting LNG trading opportunities and maintaining a material natural gas consumption base in Iberia, based on flexible and diversified sources of natural gas and LNG.

Galp Energia expects that its ROACE increases from 5% in 2013 to over 15% at the start of the next decade, following the development of its sanctioned and pre-sanctioned development upstream projects, and capital employed is expected to show a twofold increase.

In executing its strategy, Galp Energia promotes responsible and sustainable practices, particularly in terms of health, safety and environment. In addition, the Company continues to focus on the development of its human capital, namely in the upstream business.

Galp Energia is also redesigning its corporate centre and simplifying its organisational structure, in order to adapt to the ongoing transformation of the Company, as well as aligning legal and business structures, which should result in greater flexibility and increased accountability, and to promote business growth.

### Key data on upstream projects:

At Brazil's pre-salt Santos basin, in block BM-S-11, the Lula/Iracema project is being executed according to plan, with two FPSO currently in place. FPSO #1, Cidade Angra dos Reis operated in 2013 at 90% capacity with technical costs below \$15/boe, as expected. FPSO #2, Cidade Paraty, in Lula NE area, produced in 2013 c.30 kbopd since its startup with one producer well, and is expected to reach full capacity in the 4Q14, when the FPSO #3, Cidade Mangaratiba, is also expected to reach first oil in Iracema South area.

The manufacturing works of the FPSO are proceeding according to plan, so that in the period between 2014 and 2017, eight additional FPSO should be deployed in the Lula/Iracema field. FPSO #3 is already in Brazil for topside installation and had reached an execution rate of 85% by the end of January 2014. The seven FPSO units that will follow are being converted in China or constructed in Brazil, and are expected to be on location between the 4Q15 and the 1H17.

In addition, Galp Energia and its partners have already contracted all the critical equipment, with multiple local and international suppliers, and continue to work on the additional natural gas exports routes, namely the Cabiúnas pipeline, which is progressing in order to start operations by 2015.

Regarding project execution, it is worth highlighting the efforts to decrease the ramp-up period for the next FPSO coming on stream, from the current 18 months to 12 months. To this end, it is important to note the drilling of development wells prior to FPSO deployment and the subsea equipment optimization, among others. In addition, Galp Energia and its partners continue to work on decreasing the average drilling and completion period to 125 days, from the current 170 days (including rig mobilisation).

At lara field, still in block BM-S-11, the consortium conducted an intensive appraisal campaign during 2013, so to better outline the development plan of the area, given the heterogeneity of the reservoir, which has different structures with different porosity and permeability levels. In terms of the appraisal activities, it should be highlighted that the lara West-2 DST revealed an excellent productivity in the West area, while the DST performed in lara High Angle (HA) was below expectations. Nevertheless, the successful drilling of the first horizontal well, lara HA, was a positive achievement.

It is worth mentioning that the lara project might benefit from the potential unitisation of the area with lara Entorno, where one FPSO is already contracted by the operator of the area, Petrobras. Galp Energia expects to start an EWT in lara in the 2Q14, with the submission of the DoC planned for the end of 2014. This will enable production to start according to schedule, in 2017, being two FPSO already contracted, with potential for additional FPSO deployment.

In block BM-S-8, the Carcará well, drilled in late 2012, revealed one of the best quality rock identified in the pre-salt Santos basin. The Carcará extension well should be spud in 4Q14, followed by a DST, which results will be key to test the productivity and resource potential in the flanks of the reservoir. Given the high pressure in the reservoir, the consortium identified specific equipment to operate in such pressure levels, such as MPD and upgraded X-trees to

perform the EWT, which is planned for 2015. Still in that block, the Guanxuma prospect could offer additional upside to the area. First oil is expected in 2018 with one FPSO.

In block BM-S-24 at the pre-salt Santos basin, the drilling of the most recent exploration well, Bracuhy, confirmed the reservoir continuity with Júpiter area and reinforced the oil volumes to be developed. During 2014, Galp Energia and its partner expect to continue with the appraisal campaign, and plan to drill two appraisal wells and to perform two DST. The results of this appraisal campaign will be helpful to define the development project and to de-risk the deployment of additional FPSO in the area. Currently, the development base case scenario is focused on the oil, although studies are ongoing regarding the development of condensates and the reinjection of gas with CO<sub>2</sub>. The first oil is expected in 2019 with one FPSO, with potential for allocation of additional FPSO units.

In Mozambique, in the natural gas project in Area 4 of the Rovuma basin, the Mamba/Coral structure appraisal campaign was completed during 2013 and confirmed a potential of over 80 tcf of GIIP. The Agulha exploration well drilled in 2013 in the South of the Area, identified an additional c.7 tcf of GIIP and a new exploration play in Cretaceous interval. In order to assess this new play, the consortium is planning to drill, in 2014, one appraisal well in Agulha complex and one exploration well in Querimbas East prospect, with potential for one additional exploration well pending on results.

Regarding the development plan in Mozambique, Galp Energia and its partners are currently proceeding with the definition of the initial phase, which comprises the development of 10 mtpa to 15 mtpa. While the onshore LNG project is being planned in coordination with Area 1 consortium, so to optimize common facilities and infrastructure, FLNG options are also being matured. At the same time, the consortium is currently working on key milestones towards FID. First LNG production is expected to occur by 2019.

In Angola, Galp Energia is pursuing the development of new fields, which are expected to offset the declining production from current fields in Block 14. As such, it should be highlighted the production coming on stream from new fields in that block, namely Malange and Lucapa fields, which are expected to start production in 2018 and 2020, respectively. In Block 14K, the Lianzi field should initiate production in 2015, while in Block 32, where FID is imminent, two FPSO are expected to be in place in the Kaombo field, the first in 2017 and the second in 2018.

On the exploration front, the 2013 drilling campaign added c.300 mboe to contingent resources, in line with the target announced one year ago, with a 38% commercial success rate and a finding cost of c.\$1.1/boe.

In Potiguar, where the Pitú well resulted in the first oil and gas accumulations in deep water, a DST is currently being performed. In Namibia, the Wingat well, one of the three exploration wells drilled in the country, proved oil potential in Walvis basin and currently several prospects are being matured in that basin.

For 2014 Galp Energia expects to drill seven to nine exploration and appraisal wells, including one exploration well in the oil prospect Trident in Morocco, which has a potential of 450 mbbl and a PoS of 21%. Galp Energia, which is the operator of the well, expects to spud the well in 2Q14, according to plan.

### Key data on reserves and resources:

Total 3P reserves and 3C contingent resources increased 585 mboe in 2013, to 4,630 mboe, driven by Brazil and Mozambique discoveries. 2P reserves and 2C contingent resources increased 9% in 2013 to 2,432 mboe. This resource base is mainly composed by Lula/Iracema project, other pre-salt Santos basin projects in Brazil, such as Iara, Júpiter and Carcará, and the Rovuma basin project in Mozambique, being Galp Energia focused on its development.

The exploration resources (mean estimate unrisked) decreased 22% in 2013 to 2,495 mboe, following the success in exploration activities in Brazil and Mozambique, and the non-commercial success of the exploration campaign in Namibia.

### Key data on Galp Energia's financial outlook:

Galp Energia considers that it is crucial to pursue a disciplined financial policy and to maintain a robust financial position in the implementation and execution of the outlined strategy.

As such, the Company is committed to a disciplined capital allocation towards premium upstream projects. Consequently, Galp Energia estimates an annual capex of c.€1.5 bn - €1.7 bn for the period 2014-2018, from which c.90% will be channeled to the upstream business, namely to the development activities in the sanctioned and pre-sanctioned projects, most notably in pre-salt Santos basin, in Brazil, and in Rovuma basin, in Mozambique. As for 2014, the Company estimates a capex of €1.3 bn - €1.5 bn.

Ebitda should deliver a CAGR of over 25% in the period 2013-2018, following the development of the identified sanctioned and pre-sanctioned projects. In 2014, Ebitda is expected at €1.1 bn - €1.3 bn.

As such, free cash flow positive is expected to occur during 2017.

Galp Energia is also committed to preserve a strong liquidity position and to guarantee diversified funding options at competitive costs, while continuing to align debt maturities with cash flow generation profile.

The Company is committed to a strong capital structure, and is expected to present a net debt to Ebitda reaching c.2x in 2015, but falling quickly from 2017 onwards.

For 2014, Galp Energia is planning to pay a dividend €0.288 per share concerning the 2013 fiscal year, in line with dividend policy.

## Appendix

## Mid-cycle assumptions

	2013	2014E	2018E	Average 2014-2018
Brent price (\$/bbl)	109	≈ 100	90	94
Benchmark refining margin (\$/bbl) <sup>1</sup>	1.2	≈ 2.4	3.2	2.9
EUR:USD	1.33	1.30	1.30	1.30

<sup>1</sup>Benchmark refining margin = 42.5% cracking margin + 45.0% hydrocracking margin + 5.5% aromatics margin + 7.0% base oils margin

## Key operational and financial targets for 2014

	2013	2014
WI production (kboepd)	25	28 - 30
Refining utilisation rate (%)	73	70 - 75
Oil sales to direct clients (mton)	9.9	+ 1% to 2% yoy
NG/LNG sales (bcm)	7.1	5 - 7
Ebitda (€ bn)	1.1	1.1 - 1.3
Capex (€ bn)	0.9	1.3 - 1.5

Reserves and resources (mboe)<sup>1</sup>

## Net entitlement reserves

	2012	2013	% Chg.
1P	154	178	15%
2P	640	579	(10%)
3P	783	707	(10%)

## Working interest contingent resources

	2012	2013	% Chg.
1C	206	319	55%
2C	1,583	1,853	17%
3C	3,262	3,923	20%

## Working interest exploration resources

	2012	2013	% Chg.
Unrisked	3,203	2,495	(22%)
Risked	526	342	(35%)

<sup>1</sup>Exploration resources and contingent resources on a working interest basis. Reserves figures on a net entitlement basis. All figures based on DeGoyler and MacNaughton report of 31.12.2013

## Acronyms

**\$** – Dollar of United States of America

**€** – Euro

**%** - Percentage

**3C** – Contingent resources

**3P** – Proved, probable and possible

**bbl** – Barrel

**bcm** – Billion cubic meter

**bn** – Billion

**boe** – Barrel of oil equivalent

**c.** – Circa

**CAGR** – Compound annual growth rate

**CO<sub>2</sub>** – Carbon dioxide

**DoC** – Declaration of commerciality

**DST** – Drill stem test

**Ebitda** – Earnings before interest and taxes

**EOR** – Enhanced oil recovery

**EWT** – Extended well test

**FID** – Final investment decision

**FLNG** – Floating liquefied natural gas

**FPSO** – Floating production storage offloading

**GIIP** – Gas initially in place

**HA** – High Angle

**kboepd** – Thousand barrels of oil equivalent per day

**kbopd** – Thousand barrels of oil per day

**LNG** – Liquefied natural gas

**mbbl** – Million barrels

**mboe** – Million barrels of oil equivalent

**MPD** – Managed pressure drilling

**mtpa** – Million tons per annum

**mton** – Million tons

**NE** – Northeast

**PoS** – Probability of success

**RCA** – Replacement Cost Adjusted

**ROACE** – Return on average capital employed

**tcf** – Trillion cubic feet

**X-tree** – Christmas tree

**Yoy** – Year over year

## Definitions

**Sanctioned projects** – Lula / Iracema (10x FPSO) and Block 14 (2x CPT)

**Pre-sanctioned projects** - Iara (2x FPSO), Carcará (1x FPSO), Júpiter (1x FPSO), Block 32 (2x FPSO) and Mozambique (LNG project)



---

## Disclaimer

RCA figures except otherwise noted.

This announcement may include forward-looking statements. Forward-looking statements are statements other than in respect of historical facts and accordingly actual events or results may differ materially from those expressed or implied by such forward-looking statements. Important factors that may cause actual results to differ from forward-looking statements are referred in the Annual Accounts Report of Galp Energia for the year ended 31 December 2012. Galp Energia does not intend to, and expressly disclaims any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this announcement to reflect any change in events, conditions or circumstances.

## Galp Energia, SGPS, S.A.

### Investor Relations:

Tiago Villas-Boas, Head  
Catarina Aguiar Branco  
Cátia Lopes  
Maria Borrega  
Pedro Pinto

### Contacts:

Tel: +351 21 724 08 66  
Fax : +351 21 724 29 65

Address: Rua Tomás da Fonseca, Torre A, 1600-209  
Lisboa, Portugal

Website: [www.galpennergia.com](http://www.galpennergia.com)

Email: [investor.relations@galpennergia.com](mailto:investor.relations@galpennergia.com)

Reuters: GALP.LS

Bloomberg: GALP PL