28 July 2014

Results

SECOND QUARTER 2014




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Key highlights

- 2Q14 Ebitda of €271 m, down 11% YoY due to weak international refining environment and Sines refinery maintenance
- Focus on Lula/Iracema project execution, with FPSO #2 ramping up to full capacity and FPSO #3 on track to first oil in 4Q14
- 2014 drilling programme focused on de-risking development projects, namely Iara and Júpiter
- TAO-1 well, first offshore well operated by Galp Energia, spudded in Morocco

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FPSO Cid. Paraty (#2) to reach full capacity in 4Q14 as planned

Lula NE milestones	Guidance	Status
Delivery of FPSO Cidade Paraty	May-13	✓
Start of production	Jun-13	✓
Connection of injector well	Aug-13	✓
Connection of producer well[1]	4Q13	✓
Connection to gas export pipeline	1Q14	✓
Installation of BSR South	1Q14	✓
Connection of producer well #2	May-14	✓
Installation of BSR North	2Q14	✓
Connection of producer well #3[2]	Jun-14	✓
Connection of producer well #4	**3Q14**	
Connection of producer well #5	**4Q14**	
FPSO at full capacity	**4Q14**	

- Two wells producing c.30 kbopd each
- Gas export started on June 24
- Third well connected but not yet producing due to technical issues
- Unit to reach full capacity in 4Q14, without connecting all wells initially planned

[1]Contingency measure for using a flexible riser considering delay in first BSR installation. Well disconnected at the end of 1Q14 in the context of BSR North installation, and to be reconnected in the 3Q14 (producer well #4)

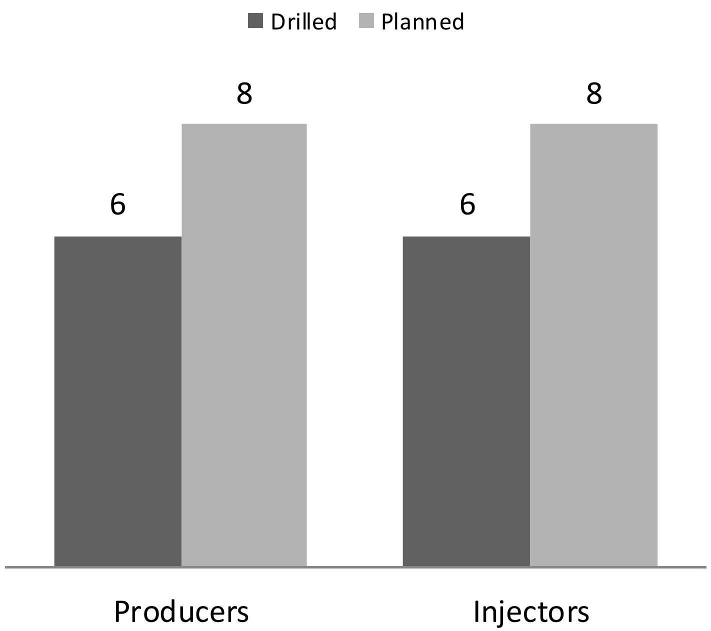
[2]Production on hold

FPSO Cid. Mangaratiba (#3) on track to start production in 4Q14

FPSO Cidade de Mangaratiba

FPSO execution rate >95%
and sail away from shipyard soon

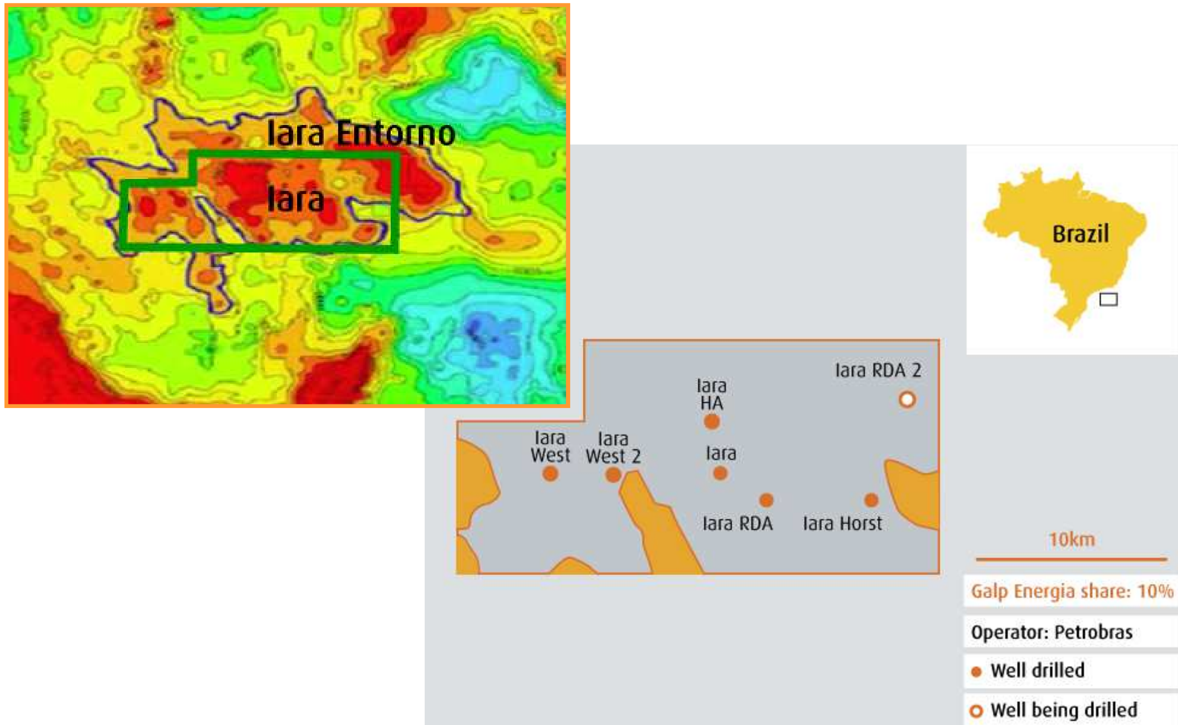
Iracema South wells (#)



Development wells being drilled
prior to FPSO arrival

Ongoing appraisal further de-risks Iara ahead of DoC by YE

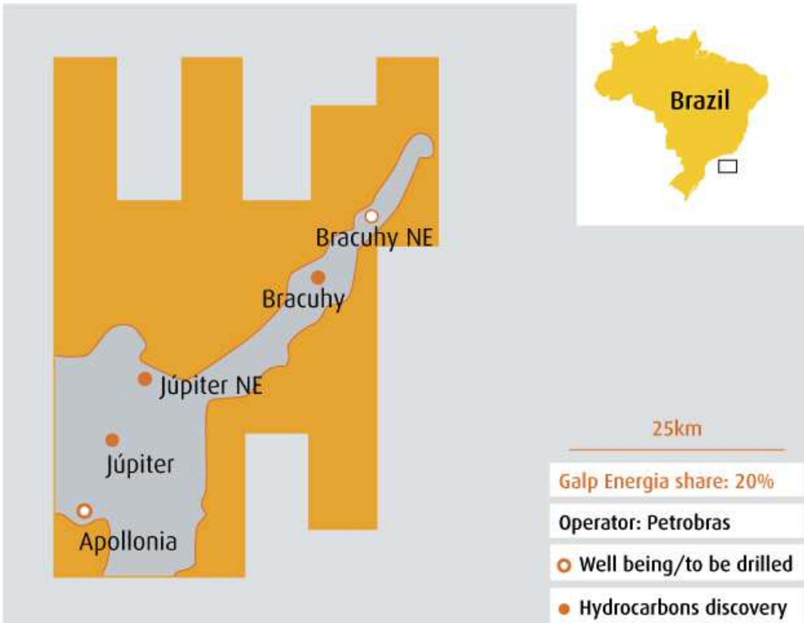
Iara, Block BM-S-11



- EWT in Iara West-2 with high initial flow rate (~29 kbopd)
- First RDA proved excellent reservoir characteristics and productivity
- Drilling second RDA well (close to Iara Entorno)
- First oil expected in 2017

Appraisal activities underway in block BM-S-24

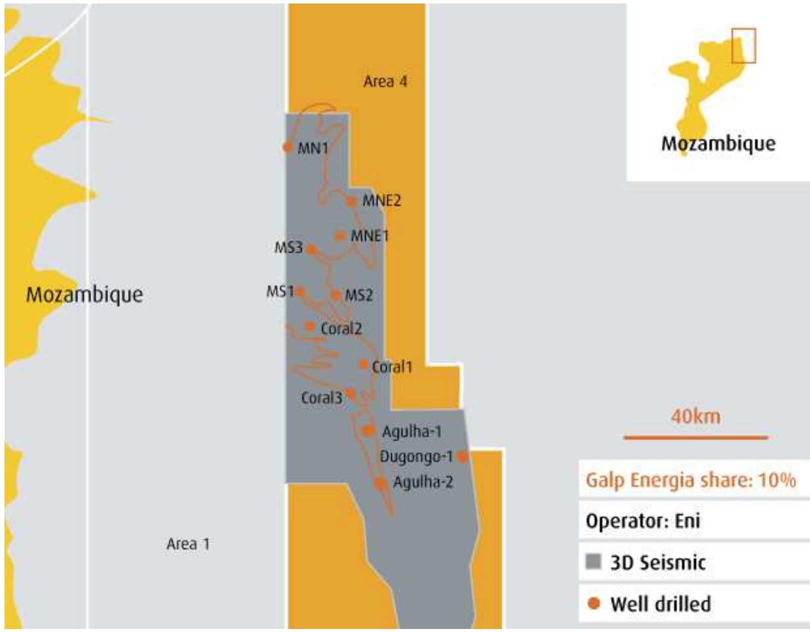
Block BM-S-24



- Apollonia well spudded on June 9, and rig secured to drill Bracuhy NE appraisal well in 4Q14
- First two DST expected to be performed in 2H14
- First oil expected in 2019

Ongoing developments for both offshore and onshore solutions in Area 4

Rovuma basin in Mozambique



- Tender for Coral FLNG solution (FEED and EPC) already launched
- LNG onshore EPC invitation to tender in 3Q14
- Process for approval of the enabling law progressing
- Ongoing discussions with potential off-takers

2014 drilling campaign focused on appraisal activities

Galp Energia 2014 drilling schedule

Area	Target	Interest	E/A[1]	Spud date	Duration (# days)	Well status
Brazil[2]						
BM-S-8	Carcará (extension)	14%	A	**4Q14**	120	-
BM-S-24	Apollonia[3]	20%	A	**Jun-14**	120	In progress
BM-S-24	Bracuhy NE	20%	A	**4Q14**	120	-
Mozambique						
Rovuma	Agulha-2	10%	A	**1Q14**	60	Concluded
Rovuma	Dugongo-1	10%	E	**2Q14**	60	Concluded
Rovuma	Coral-4	10%	E/A	**Jun-14**	60	In progress
Angola						
Block 32	Cominhos-2	5%	A	**1Q14**	60	Concluded
Block 32	Cominhos-3	5%	A	**Jun-14**	60	In progress
Morocco						
Tarfaya	Trident	50%	E	**Jun-14**	90	In progress

[1] E – Exploration well; A – Appraisal well.
[2] Petrogal Brasil: 70% Galp Energia; 30% Sinopec.
[3] Formerly known as Júpiter SW.

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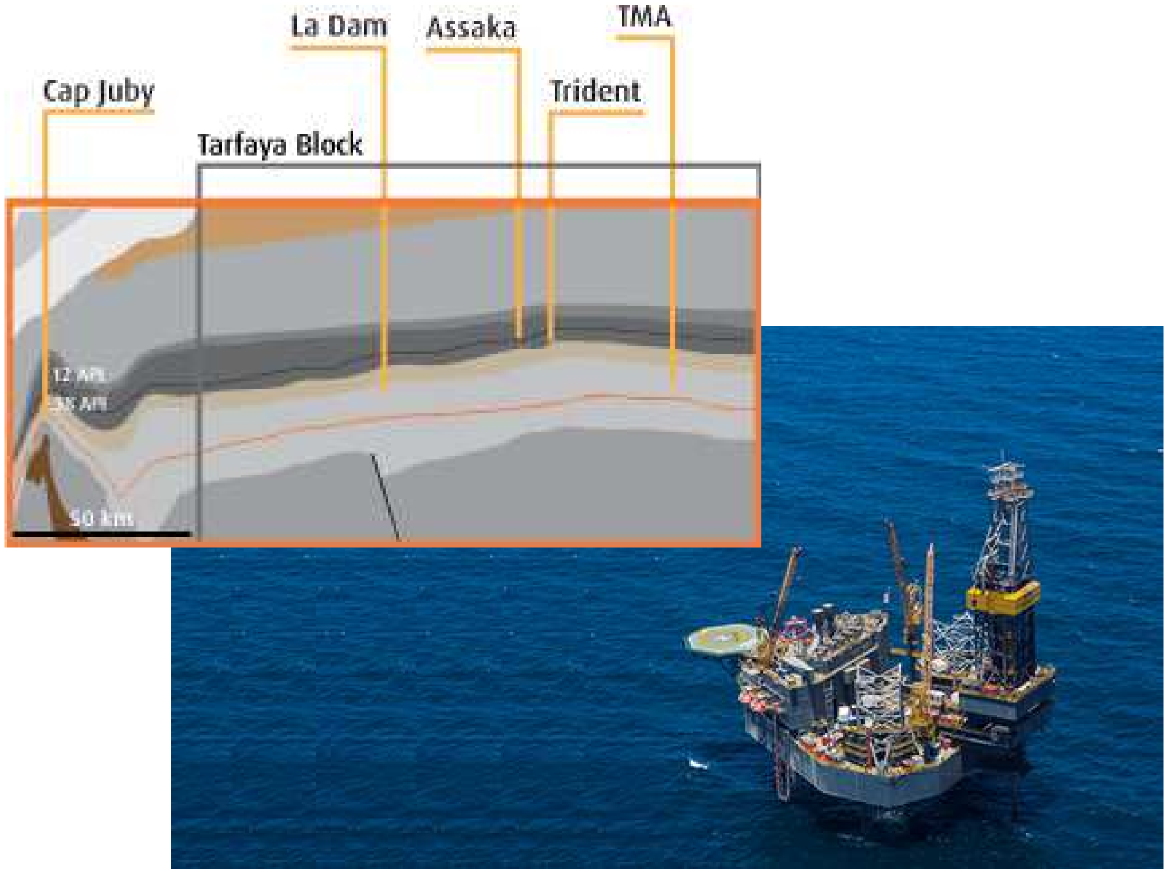
First offshore well operated by Galp Energia, TAO-1, spudded on June 26

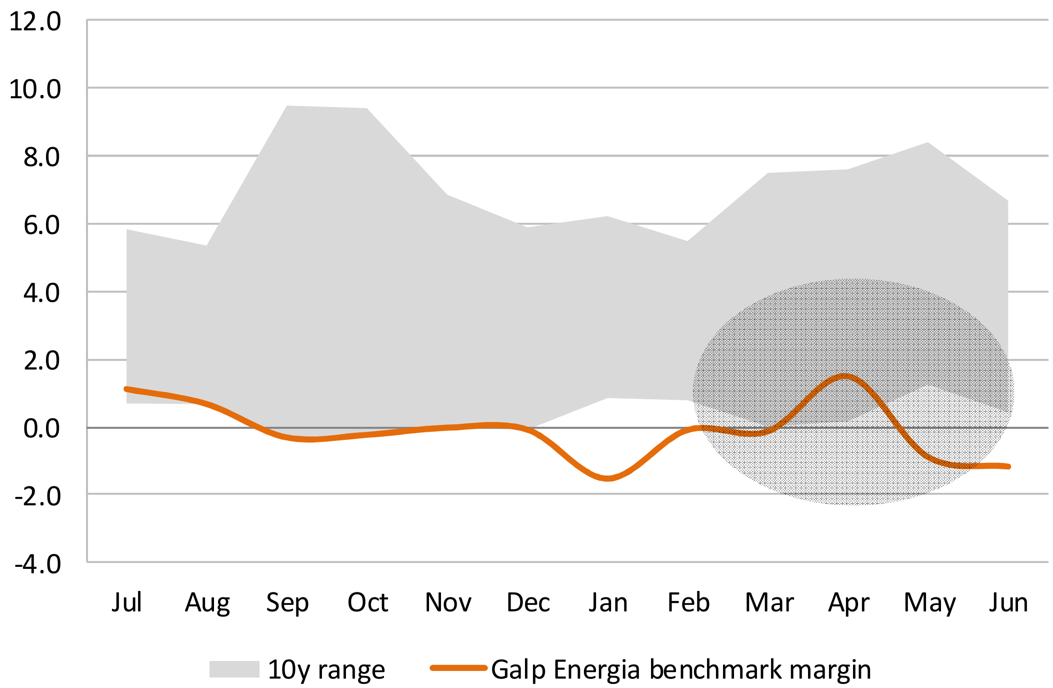
Tarfaya Offshore Area in Morocco



- TAO-1 well targeting primarily Trident, with 450 mbbl unrisked potential and PoS of 21%
- Well progressing according to plan with no major operational constrains

Continuing difficult refining environment

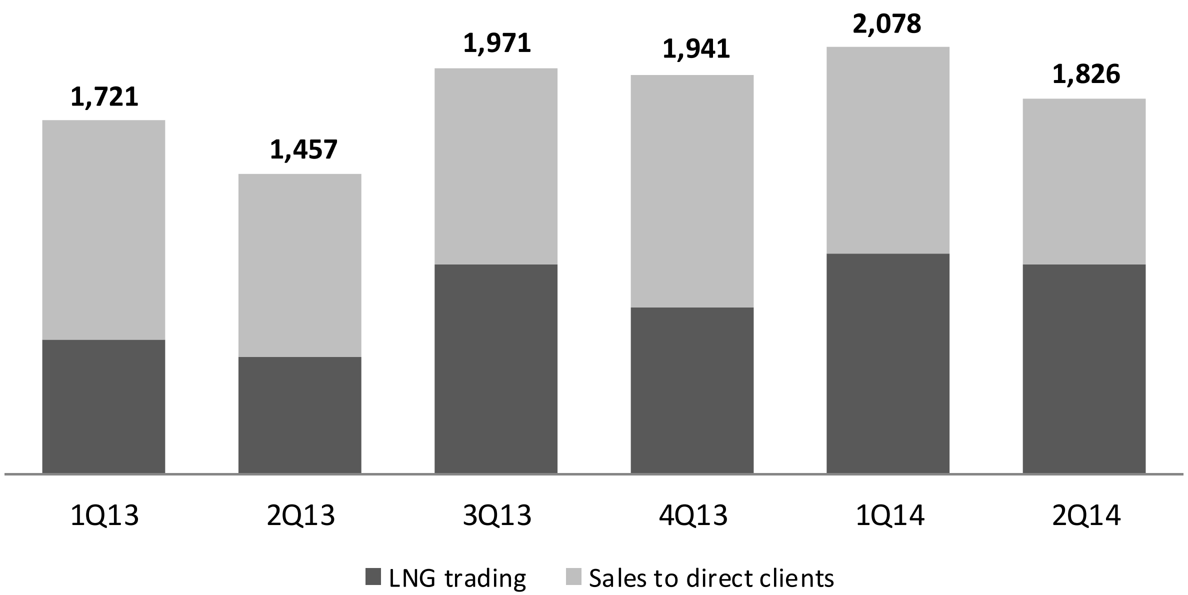
Benchmark refining margin evolution ($/bbl)



- Refining performance impacted by European unbalanced market
- Recent refining performance worsened by planned maintenance at Sines refinery, including product availability
- Stable contribution from competitive marketing activities

Sustained contribution from G&P businesses

Supply & Trading volumes sold (Mm^3)



- Supply & Trading contribution suported by ML/T contracts in place since 2013
- Exploring LNG trading opportunities in the international market, with strong demand from LatAm and Asia
- Stable contribution from regulated businesses

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2Q14 Ebitda down 11% YoY on weak refining performance

Profit & Loss (€ m)

	2Q14	2Q13	YoY	1H14	YoY
Turnover	**4,615**	**4,624**	(0%)	**8,740**	(4%)
Ebitda	**271**	**304**	(11%)	**537**	(4%)
E&P	**107**	**85**	25%	**211**	+19%
R&M	**41**	**114**	(64%)	**76**	(55%)
G&P	**116**	**94**	+23%	**238**	+20%
Ebit	**143**	**151**	(5%)	**274**	(8%)
Associates	**18**	**13**	+31%	**35**	+11%
Financial results	**(18)**	**(19)**	+5%	**(60)**	(6%)
Taxes	**(59)**	**(46)**	+28%	**(105)**	+21%
Non-controlling interests	**(17)**	**(13)**	+32%	**(30)**	+17%
Net Profit	**68**	**86**	(21%)	**115**	(29%)
Net Profit (IFRS)	**61**	**(36)**	n.m.	**75**	n.m.

- Performance from E&P and G&P businesses offset by refining environment and Sines refinery planned maintenance in R&M
- Ebit benefiting from lower DD&A and abandonment costs in Angola
- Net profit also impacted by higher taxes, due to the increased relevance of E&P

Maintaining a robust balance sheet

Balance sheet (€ m)[1]

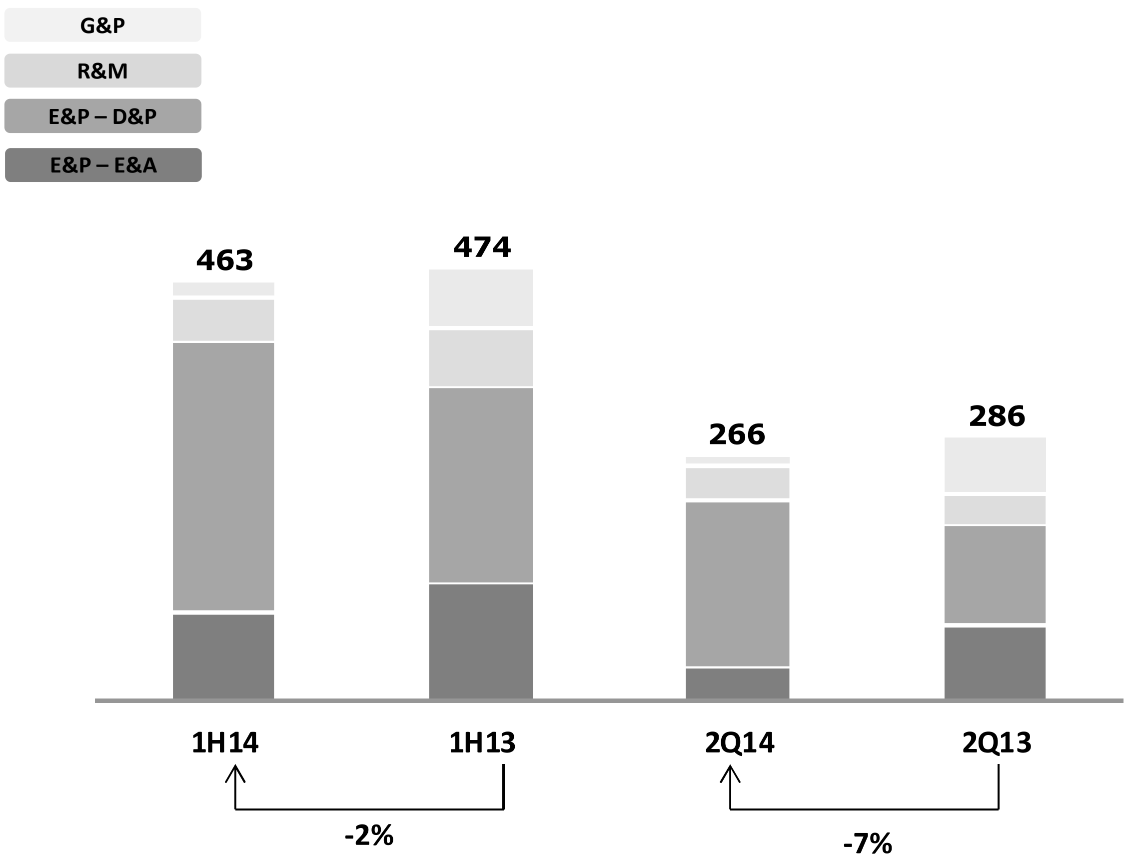
	Jun.2014	Mar.2014	Jun-Mar	Dec.2013	Jun - Dec
Fixed and LT assets	**7,219**	**7,014**	+204	**6,883**	+336
Working capital	**1,459**	**1,405**	+55	**1,294**	+165
Loan to Sinopec	**807**	**840**	(33)	**871**	(65)
Other assets (liabilities)	**(509)**	**(480)**	(30)	**(460)**	(50)
Capital employed	**8,975**	**8,780**	+196	**8,589**	+387
Net debt[2]	**2,432**	**2,296**	+136	**2,173**	+259
Equity	**6,544**	**6,483**	+60	**6,416**	+128
Net Debt + Equity	**8,975**	**8,780**	+196	**8,589**	+387

- Working capital impacted by stocks following refinery outage, and by cargoes sold at the end of the quarter
- Net debt increased to €2.4 bn, following capex execution in 2Q14 and dividend payment
- Net debt of €1.6 bn considering loan to Sinopec as cash and equivalents, with implicit net debt to Ebitda of 1.5x

[1] IFRS figures
[2] Not considering loan to Sinopec as cash

Capex mainly allocated to development of Lula/Iracema project

Capital expenditure (€ m)

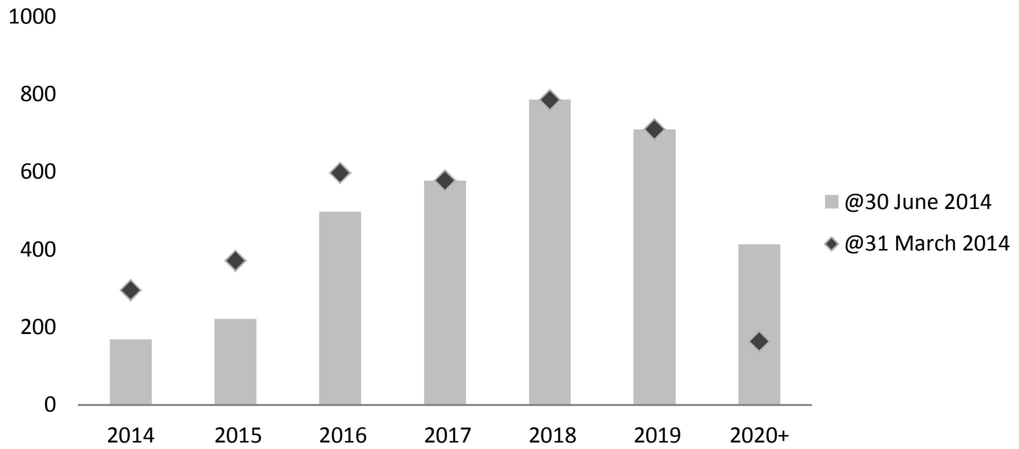


- Activities in BM-S-11 accounted for c.85% of E&P capex
- Exploration and appraisal capex mainly allocated to Iara and BM-S-24, and also to Morocco and Mozambique
- 1H14 capex lower than expected, due to project delays (Block 32, Cabiúnas) and a weaker USD:EUR
- Revising 2014 capex guidance to €1.0 bn – €1.2 bn

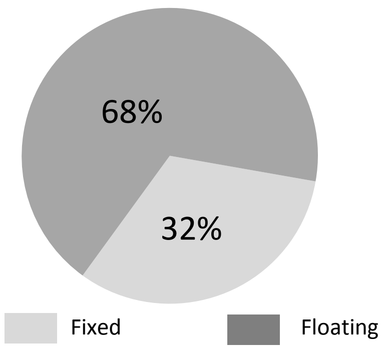
E&A: Exploration and appraisal
D&P: Development and production

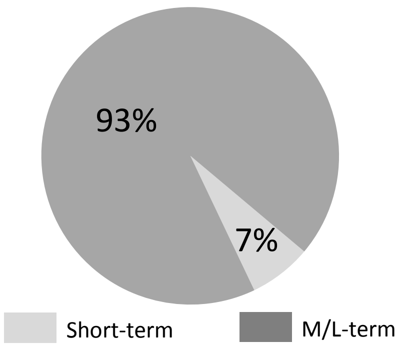
Average debt maturities further extended

Debt reimbursement profile[1] (€ m)



Debt structure[1]





- Gross debt of €3.4 bn with average maturity of 3.7y and average interest rate of 4.5%[1]
- Liquidity of €2.9[1] bn: Cash and equivalents of €0.9 bn; loan to Sinopec of €0.8 bn; available credit lines of €1.1 bn[1]
- €500 m bond issued in July raised liquidity to €3.4 bn

[1] As of the end of June 2014.

Short term outlook

- 3Q14 WI production expected at c.30 kboepd, supported by Lula NE production ramp-up and Iara EWT
- Volumes of crude processed are expected to increase QoQ, following the end of planned maintenance at Sines refinery
- Iberian oil products volumes expected to be up YoY, following the anticipated recovery in the Iberian market
- NG volumes anticipated to be down QoQ, mainly as LNG trading opportunities are expected to narrow

Sale of underground NG storage facilities

NG storage facilities in Portugal

- Transfer of the regulated NG underground storage concession to REN
- Value for the transaction: c.€72 m, in line with RAB
- Ebitda of c. €5.5 m

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- Lula/Iracema project on track, with FPSO #2 ramping up to full capacity and FPSO #3 with first oil in 4Q14
- Intensive appraisal to optimise Iara development plan and improve reservoir knowledge of Júpiter
- Ongoing onshore and offshore solutions to develop Area 4, in the Rovuma basin
- 2Q14 results benefiting from higher production from E&P and a strong contribution from G&P, although impacted by the European refining environment

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E&P: Production increased 10% YoY driven by Lula NE and EWT in Lula

Main E&P data

		2Q14	2Q13	YoY	1H14	YoY
Working interest production	kboepd	**25.7**	**23.4**	+10%	**26.9**	+14%
Oil production	kbopd	**24.5**	**21.5**	+14%	**25.7**	+21%
Net entitlement production	kboepd	**21.9**	**19.4**	+13%	**23.3**	+18%
Angola	kbopd	**6.6**	**8.6**	(23%)	**7.0**	(17%)
Brazil	kboepd	**15.3**	**10.8**	+41%	**16.3**	+43%
Realised sale price	USD/boe	**108.5**	**96.9**	+12%	**102.0**	9%
Production cost	USD/boe	**18.9**	**12.5**	+51%	**15.8**	+34%
Ebitda	€ m	**107**	**85**	+25%	**211**	+19%
Ebit	€ m	**72**	**29**	n.m	**140**	+57%
CAPEX	€ m	**219**	**191**	+15%	**398**	+15%

- Higher Brazil production YoY, due to FPSO #2 ramp-up and to EWT in Lula Central and Iara areas
- Angola NE production decreased 2.0 kbopd following decommissioning of Kuito FPSO at YE2013
- Ebitda increased 25% YoY supported by higher production and higher realised sale price

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R&M: Ebitda impacted by refinery maintenance and international margins

Main R&M data

		2Q14	2Q13	YoY	1H14	YoY
Galp Energia refining margin	USD/bbl	**(0.3)**	**3.4**	n.m.	**0.4**	(85%)
Refining cash cost	USD/bbl	**3.2**	**2.6**	+24%	**3.4**	+30%
Crude processed	mbbl	**17.3**	**22.3**	(23%)	**33.9**	(23%)
Total refined product sales	mton	**4.1**	**4.5**	(8%)	**7.8**	(8%)
Sales to direct clients	mton	**2.3**	**2.5**	(6%)	**4.6**	(4%)
Exports [1]	mton	**0.9**	**1.1**	(22%)	**1.5**	(31%)
Ebitda	€ m	**41**	**114**	(64%)	**76**	(55%)
Ebit	€ m	**(33)**	**39**	n.m	**(78)**	n.m
CAPEX	€ m	**36**	**32**	+10%	**46**	(29%)

- Sines refinery general outage impacted both crude processed and cash costs
- Sales to direct clients impacted by credit restrictions and product availability on the back of Sines planned maintenance
- Ebitda decreased YoY due to lower refining margins despite sustained contribution from marketing activity

[1] Exports outside Iberia.

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G&P: Higher traded LNG volumes leading Ebitda increase

Main G&P data

		2Q14	2Q13	YoY	1H14	YoY
NG supply total sales volumes	mm^3	**1,826**	**1,457**	+25%	**3,904**	+23%
Sales to direct clients	mm^3	**814**	**892**	(9%)	**1,825**	(7%)
Electrical	mm^3	**120**	**142**	(15%)	**278**	(19%)
Industrial	mm^3	**616**	**639**	(4%)	**1,265**	+1%
Residential	mm^3	**72**	**94**	(23%)	**252**	(20%)
Trading	mm^3	**1,013**	**565**	+79%	**2,080**	+72%
Sales of electricity to the grid	GWh	**398**	**449**	(11%)	**826**	(10%)
Ebitda	€ m	**116**	**94**	+23%	**238**	+20%
Ebit	€ m	**97**	**74**	+31%	**201**	+24%
CAPEX	€ m	**9**	**62**	(86%)	**16**	(74%)

- Sustaining LNG supply & trading activity, with 12 cargoes traded in the international markets, vs 6 in 2Q13
- Decreased sales to direct clients as a result of lower demand across all sub-segments
- Stable contribution from Infrastructure and Power businesses, with combined Ebitda of €44 m in 2Q14

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