

# Results

## THIRD QUARTER 2014



*An integrated energy player focused on exploration and production*

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# Key highlights

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- 3Q14 Ebitda of €379 m, up 21% YoY due to higher production in Brazil and to improved refining margins
- Production up QoQ, reaching 31.8 kboepd supported by high well productivity in Brazil
- Lula/Iracema FPSO #1 and #2 at full capacity and FPSO #3 first oil in mid-October
- Executing 2014 appraisal programme to de-risk development projects, namely Iara, Júpiter and Carcará
- Progressing on Mozambique LNG development project

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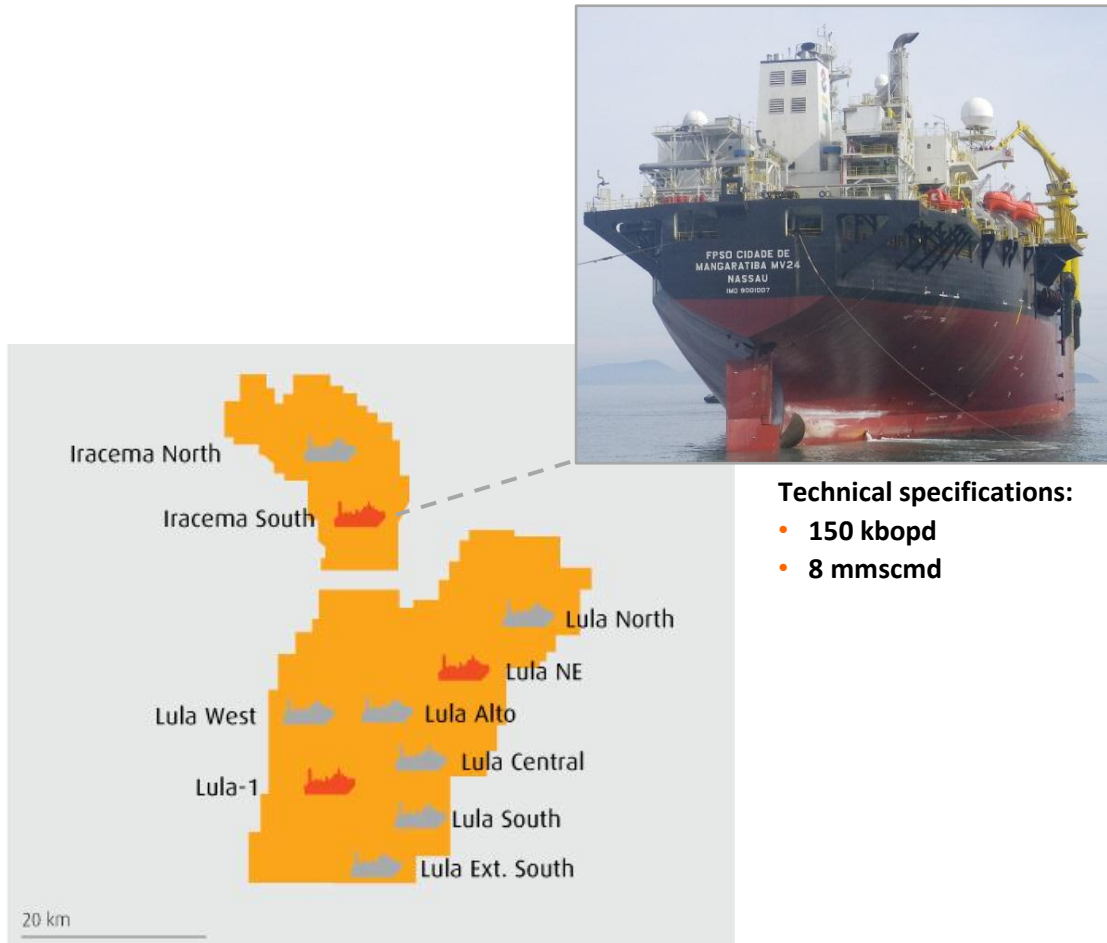
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# FPSO #2 (Paraty) reached full capacity ahead of plan

| 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 <sup>1</sup>    | 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 <sup>2</sup> | Jun-14        | ✓      |
| <b>Connection of producer well #4</b>       | <b>Aug-14</b> | ✓      |
| <b>FPSO at full capacity</b>                | <b>Sep-14</b> | ✓      |
| Connection of producer well #5              | 4Q14          |        |

- Full ramp-up achieved in 15 months vs. initial plan of 18 months
- Average flow rates of c.30 kbopd per well exceeded expectations
- Producer well #5 to be connected in 4Q14 to improve production flexibility and reservoir management

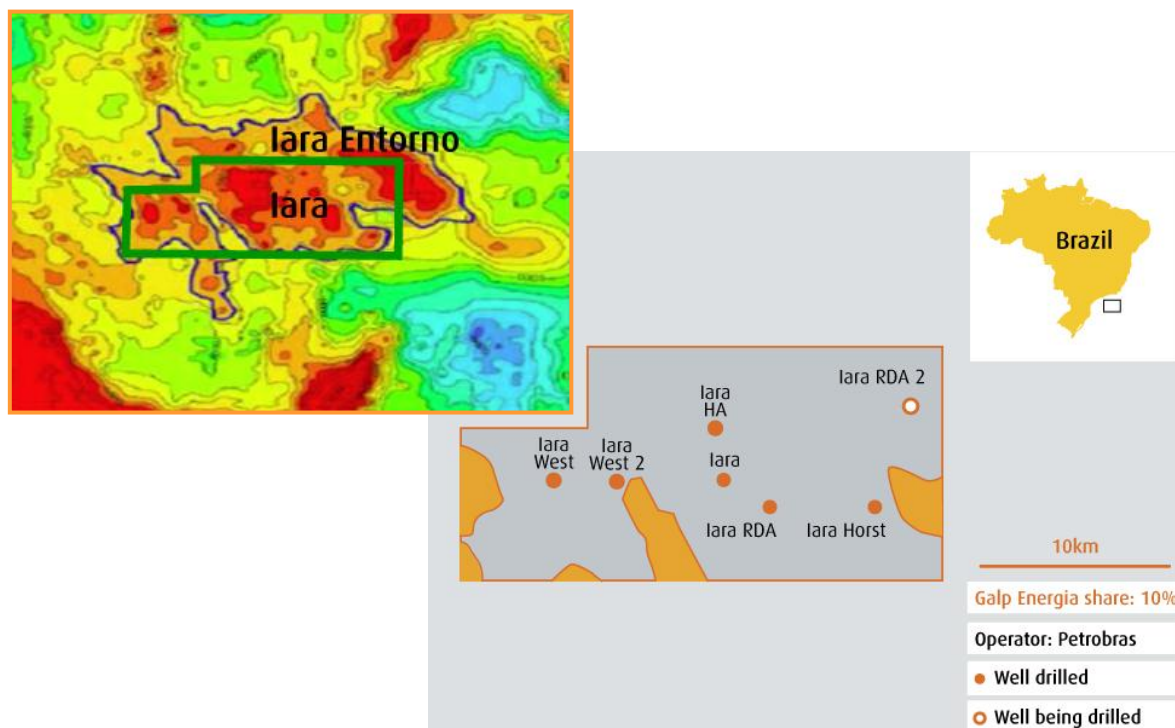
# FPSO #3 (Mangaratiba) started operations in mid October at Iracema



- 1<sup>st</sup> producer well with a potential of 30 kbopd, although restricted until injector well is connected in December
- Plateau production expected by 1H2016
- A total of eight producer and eight injector wells will be connected to the FPSO

# Performing appraisal activities in lara, ahead of DoC by YE

## Iara, Block BM-S-11

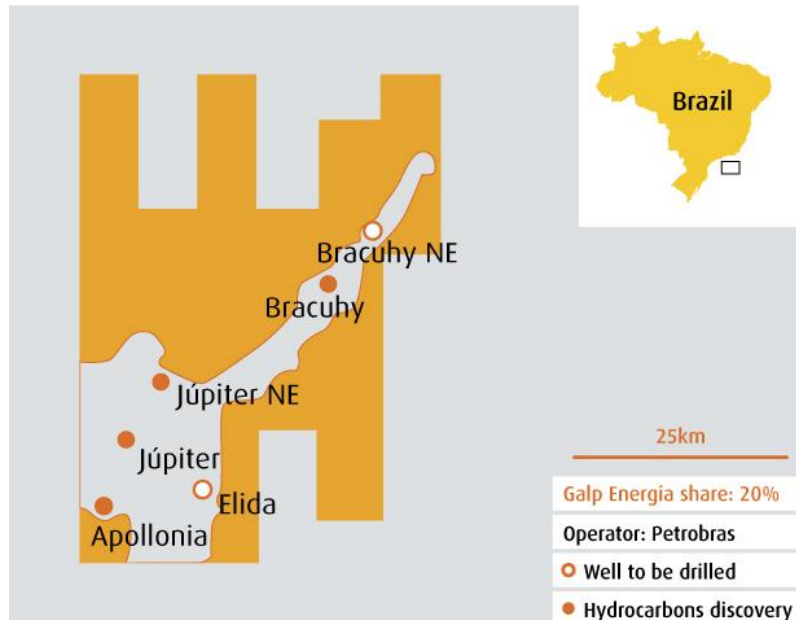


- EWT in Iara West 2 with an average flow rate of c.29 kbopd and to last until year end
- Iara RDA 2 well (close to Iara Entorno) to be concluded during 4Q14
- Unitisation discussions with Iara Entorno area have started



# Appraisal campaign in BM-S-24

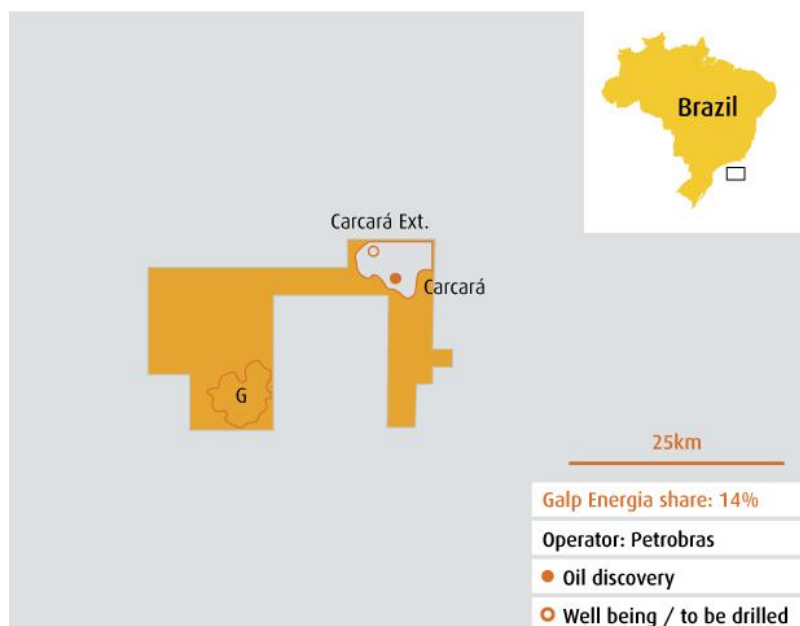
## Block BM-S-24



- Apollonia well confirmed the extension of Júpiter discovery and the same hydrocarbons mix
- DST being performed in Bracuhy
- Elida appraisal well to be spud in 4Q14

# Carcará Extension appraisal well spudded in September

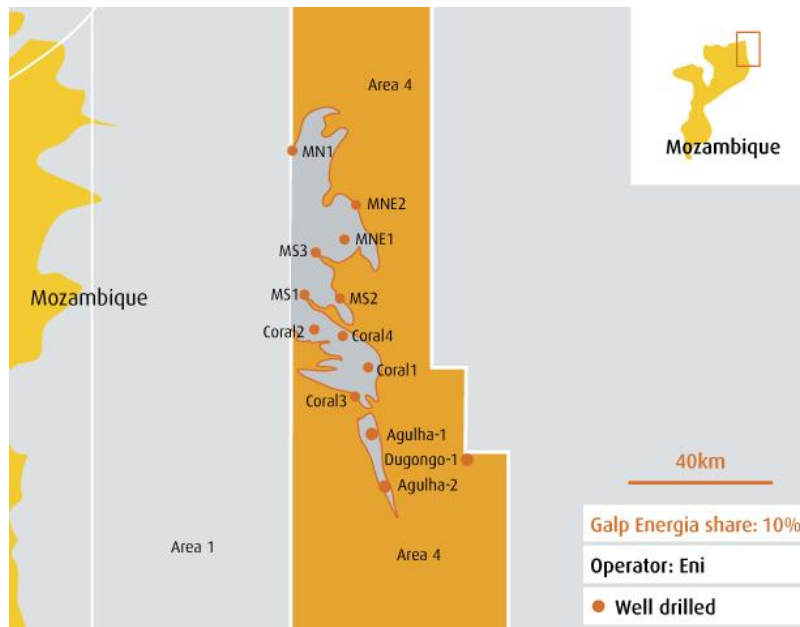
## Block BM-S-8



- Carcará Extension well being drilled in two phases
- Second phase to be drilled by a rig with MPD equipment in 2H15
- DST expected to be performed in 2015

# Mozambique: Progressing with Area 4 project development

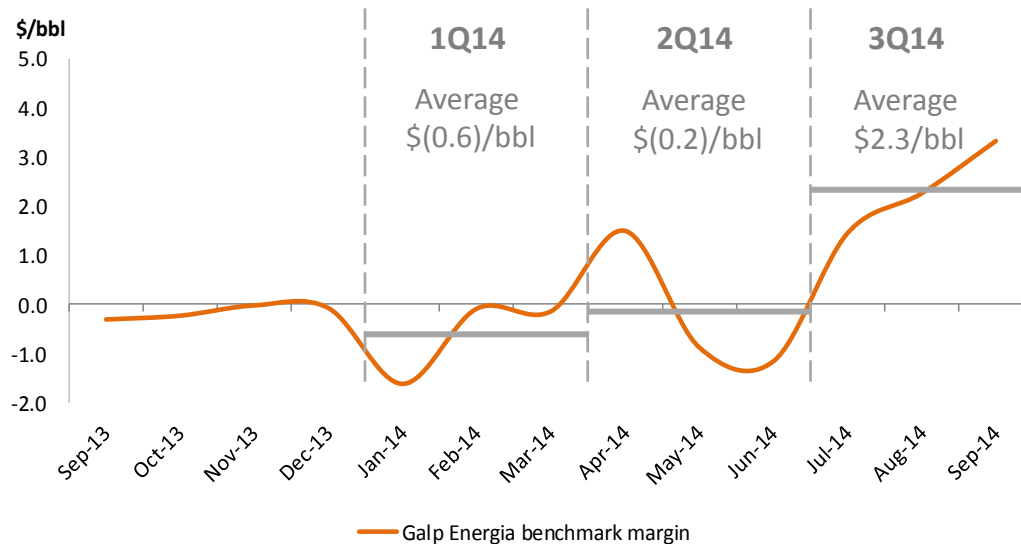
## Rovuma basin



- Appraisal campaign concluded in 3Q14 with Coral-4 well, which confirmed reservoir quality
- Enabling Law approved and Decree Law expected to be approved by year-end
- Competitive FEED plus EPC process being developed for the Coral Floating LNG Project
- EPC tender launched for the Mamba Onshore LNG Project

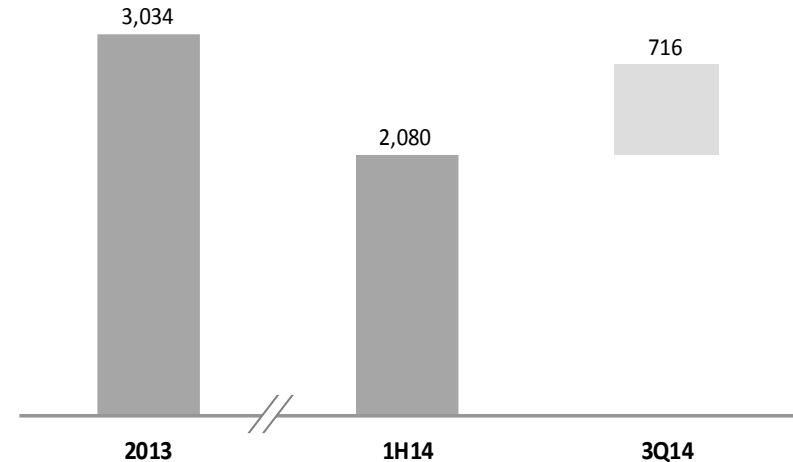
# Downstream and gas performance leveraging market dynamics

## Galp Energia benchmark margin evolution



3Q14 refining margin increased supported by gasoline and fuel oil cracks

## LNG trading volumes (mm<sup>3</sup>)



LNG trading more intensive in 1H14, benefiting from more favourable market environment

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# 3Q14 Ebitda up 21% YoY

## Profit & Loss (€ m)

|                           | 3Q14       | 3Q13       | YoY          | 9M14       | YoY         |
|---------------------------|------------|------------|--------------|------------|-------------|
| Turnover                  | 4,693      | 5,808      | (19%)        | 13,434     | (10%)       |
| <b>Ebitda</b>             | <b>379</b> | <b>312</b> | <b>+21%</b>  | <b>915</b> | <b>+5%</b>  |
| <i>E&amp;P</i>            | 131        | 110        | 19%          | 342        | +19%        |
| <i>R&amp;M</i>            | 144        | 76         | +90%         | 221        | (11%)       |
| <i>G&amp;P</i>            | 99         | 121        | (18%)        | 337        | +5%         |
| <b>Ebit</b>               | <b>243</b> | <b>142</b> | <b>+71%</b>  | <b>516</b> | <b>+17%</b> |
| Associates                | 11         | 16         | (31%)        | 46         | (3%)        |
| Financial results         | (36)       | (34)       | +7%          | (96)       | +6%         |
| Taxes                     | (76)       | (50)       | +50%         | (181)      | +32%        |
| Non-controlling interests | (21)       | (17)       | +24%         | (51)       | +20%        |
| <b>Net Profit</b>         | <b>121</b> | <b>57</b>  | <b>+113%</b> | <b>236</b> | <b>+8%</b>  |
| Net Profit (IFRS)         | 1          | 113        | (99%)        | 76         | (46%)       |

- Ebitda benefited from higher production in Brazil and improved European refining margins
- Lower DD&A, abandonment costs in Angola and provisions in marketing positively impacting Ebit
- Taxes increased mainly due to the higher contribution from E&P

# Maintaining a robust balance sheet

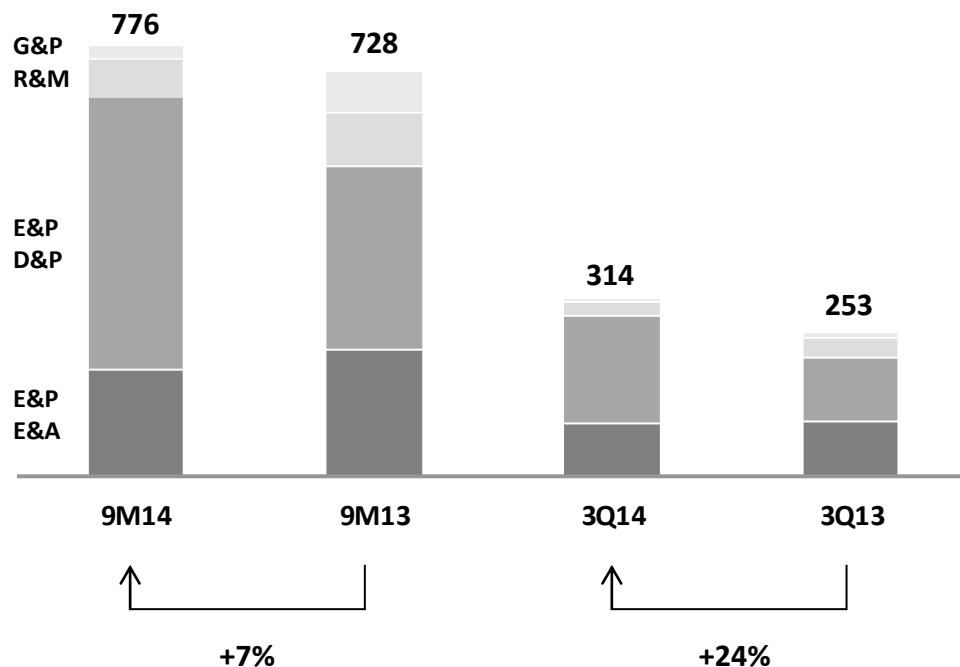
## Balance sheet (€ m)<sup>1</sup>

|                                   | Sep.2014     | Jun.2014     | Sep-Jun | Dec.2013     | Sep - Dec |
|-----------------------------------|--------------|--------------|---------|--------------|-----------|
| <b>Fixed and LT assets</b>        | <b>7,413</b> | <b>7,219</b> | +194    | <b>6,883</b> | +530      |
| <i>Work in progress</i>           | 1,767        | 1,645        | +122    | 1,303        | +464      |
| <b>Working capital</b>            | <b>1,284</b> | <b>1,459</b> | (175)   | <b>1,294</b> | (10)      |
| <b>Loan to Sinopec</b>            | <b>855</b>   | <b>807</b>   | +49     | <b>871</b>   | (16)      |
| <b>Other assets (liabilities)</b> | <b>(451)</b> | <b>(509)</b> | +58     | <b>(460)</b> | +9        |
| <b>Capital employed</b>           | <b>9,101</b> | <b>8,975</b> | +126    | <b>8,589</b> | +513      |
| <b>Net debt<sup>2</sup></b>       | <b>2,438</b> | <b>2,432</b> | +6      | <b>2,173</b> | +265      |
| <b>Equity</b>                     | <b>6,663</b> | <b>6,544</b> | +120    | <b>6,416</b> | +248      |

- Working capital normalised post increase in June
- Net debt stable at €2.4 bn, despite interim dividend payment of €143 m
- Net debt of €1.6 bn considering loan to Sinopec as cash and equivalents, with implicit net debt to Ebitda of 1.3x

# Capex mainly allocated to development of Lula/Iracema

## Capital expenditure (€ m)



- 9M14 capex of €776 m, mainly allocated to development activities in Lula/Iracema
- Activities in BM-S-11 accounted for c.70% of E&P development capex
- Exploration and appraisal capex mainly channelled to Iara, BM-S-24, Mozambique and Morocco



# Robust cash flow from operations in 3Q14

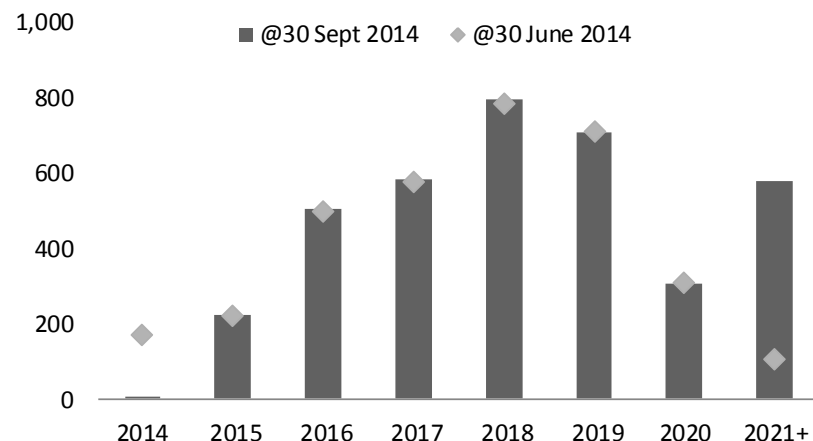
## Cash Flow (€ m)<sup>1</sup>

|                                  | 3Q14       | 3Q13        | 9M14         | 9M13         |
|----------------------------------|------------|-------------|--------------|--------------|
| Ebit IFRS                        | 115        | 166         | 346          | 285          |
| Dividends from associates        | 27         | 9           | 55           | 44           |
| DD&A                             | 189        | 164         | 451          | 448          |
| Change in working capital        | 175        | 64          | 10           | (79)         |
| <b>Cash flow from operations</b> | <b>507</b> | <b>402</b>  | <b>863</b>   | <b>697</b>   |
| Net capex <sup>2</sup>           | (314)      | (143)       | (776)        | (608)        |
| Net financial expenses           | (33)       | (33)        | (100)        | (116)        |
| Taxes paid                       | (66)       | (58)        | (120)        | (130)        |
| Dividends paid                   | (143)      | (120)       | (267)        | (223)        |
| Others <sup>3</sup>              | 44         | (121)       | 136          | (115)        |
| <b>Change in net debt</b>        | <b>(6)</b> | <b>(74)</b> | <b>(265)</b> | <b>(494)</b> |

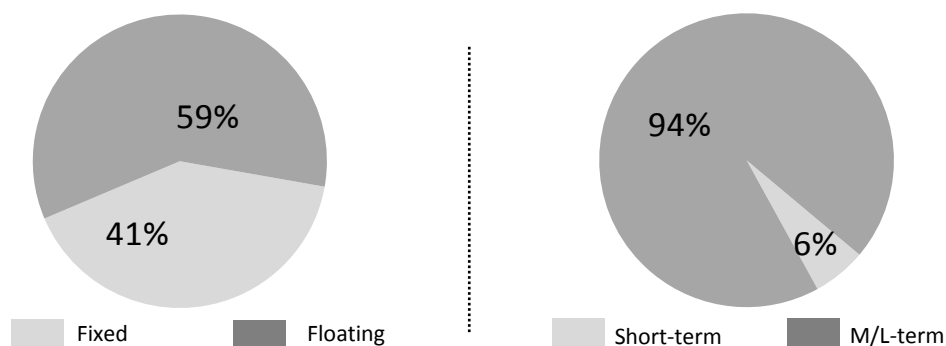
3Q14 cash flow from operations almost offset capex and payment of the interim dividend

# Average debt maturity further extended

## Debt reimbursement profile<sup>1</sup> (€ m)



## Debt structure<sup>1</sup>



- Gross debt of €3.9 bn with average maturity of 3.8 yr and average interest rate of 4.3%<sup>1</sup>
- €500 m bond issued in July (6.5 yr) placed with a YTM of 3.125%
- Liquidity of €3.4 bn<sup>1</sup>: Cash and equivalents of €1.4 bn; loan to Sinopec of €0.9 bn; available credit lines of €1.2 bn<sup>1</sup>

## 4Q14 outlook

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- 4Q14 WI production expected at c.35 kboepd, mainly supported by FPSO #2 at full capacity in Lula NE and contribution from FPSO #3
- Iberian oil products volume sales expected to remain stable YoY
- NG volumes in line QoQ, with steady LNG trading volumes

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## Concluding remarks

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- Lula/Iracema project delivering according to plan, with FPSO #1 and #2 at full capacity and FPSO #3 ramping-up
- Ongoing appraisal and pre-development activities to support the definition of Iara development plan
- De-risking development of Júpiter and Carcará
- Mozambique's appraisal campaign concluded and FEED plus EPC development processes underway
- 3Q14 results benefiting from higher E&P production and improved R&M performance



# SAVE THE DATE

**Capital Markets Day 2015**  
London, 10 March 2015



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# E&P: Production increased 23% YoY driven by Lula NE and Iara EWT

## Main E&P data

|                             |         | 3Q14 | 3Q13  | YoY   | 9M14 | YoY   |
|-----------------------------|---------|------|-------|-------|------|-------|
| Working interest production | kboepd  | 31.8 | 25.8  | +23%  | 28.5 | +18%  |
| Oil production              | kbopd   | 29.7 | 24.3  | +23%  | 27.1 | +22%  |
| Net entitlement production  | kboepd  | 28.2 | 21.9  | +29%  | 24.9 | +22%  |
| Angola                      | kbopd   | 6.9  | 8.7   | (21%) | 6.9  | (18%) |
| Brazil                      | kboepd  | 21.3 | 13.2  | +61%  | 18.0 | +50%  |
| Realised sale price         | USD/boe | 93.2 | 107.2 | (13%) | 98.8 | 1%    |
| Production cost             | USD/boe | 11.8 | 14.9  | (21%) | 14.3 | +10%  |
| Ebitda                      | € m     | 131  | 110   | +19%  | 342  | +19%  |
| Ebit                        | € m     | 90   | 52    | +75%  | 231  | +64%  |
| CAPEX                       | € m     | 285  | 211   | +35%  | 683  | +23%  |

- Higher production in Brazil, due to ramp-up of FPSO #2 to full capacity and to EWT in Iara area
- Angola NE production decreased 1.8 kbopd following decommissioning of Kuito FPSO at YE2013
- Ebitda increased 19%, supported by higher production despite lower realised sale price



# R&M: Refining margins driving Ebitda increase

## Main R&M data

|                              |         | 3Q14 | 3Q13 | YoY   | 9M14 | YoY   |
|------------------------------|---------|------|------|-------|------|-------|
| Galp Energia refining margin | USD/bbl | 5.6  | 1.7  | n.m.  | 2.4  | +4%   |
| Refining cash cost           | USD/bbl | 2.8  | 2.7  | +5%   | 3.1  | +18%  |
| Crude processed              | mbbl    | 21.2 | 22.3 | (5%)  | 55.1 | (17%) |
| Total refined product sales  | mton    | 4.5  | 4.3  | +4%   | 12.2 | (4%)  |
| Sales to direct clients      | mton    | 2.4  | 2.4  | +1%   | 6.9  | (1%)  |
| Exports <sup>1</sup>         | mton    | 1.1  | 1.0  | +16%  | 2.7  | (18%) |
| Ebitda                       | € m     | 144  | 76   | +90%  | 221  | (11%) |
| Ebit                         | € m     | 72   | (14) | n.m   | (6)  | n.m   |
| CAPEX                        | € m     | 22   | 32   | (30%) | 68   | (29%) |

- Premium to benchmark positively impacted by sourcing optimisation
- Stable sales to direct clients YoY
- Ebitda benefited from improved refining results and positive marketing contribution in Portugal, Spain and Africa

# G&P: Fewer trading opportunities driving Ebitda decrease

## Main G&P data

|                                  |                 | 3Q14  | 3Q13  | YoY   | 9M14  | YoY   |
|----------------------------------|-----------------|-------|-------|-------|-------|-------|
| NG supply total sales volumes    | mm <sup>3</sup> | 1,682 | 1,971 | (15%) | 5,586 | +8%   |
| Sales to direct clients          | mm <sup>3</sup> | 966   | 958   | +1%   | 2,791 | (5%)  |
| Electrical                       | mm <sup>3</sup> | 260   | 191   | +36%  | 537   | +1%   |
| Industrial                       | mm <sup>3</sup> | 648   | 706   | (8%)  | 1,913 | (3%)  |
| Residential                      | mm <sup>3</sup> | 52    | 54    | (4%)  | 304   | (18%) |
| Trading                          | mm <sup>3</sup> | 716   | 1,014 | (29%) | 2,796 | +26%  |
| Sales of electricity to the grid | GWh             | 389   | 500   | (22%) | 1,216 | (14%) |
| Ebitda                           | € m             | 99    | 121   | (18%) | 337   | +5%   |
| Ebit                             | € m             | 78    | 99    | (22%) | 279   | +7%   |
| CAPEX                            | € m             | 5     | 10    | (47%) | 21    | (71%) |

- LNG supply & trading activity impacted by less favourable market dynamics
- Stable sales to direct clients, with increased demand from electrical segment offsetting lower sales to industrial clients
- Stable contribution from Infrastructure and Power businesses



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