

# FULL YEAR 2007 RESULTS

Lisbon, 6 March 2008



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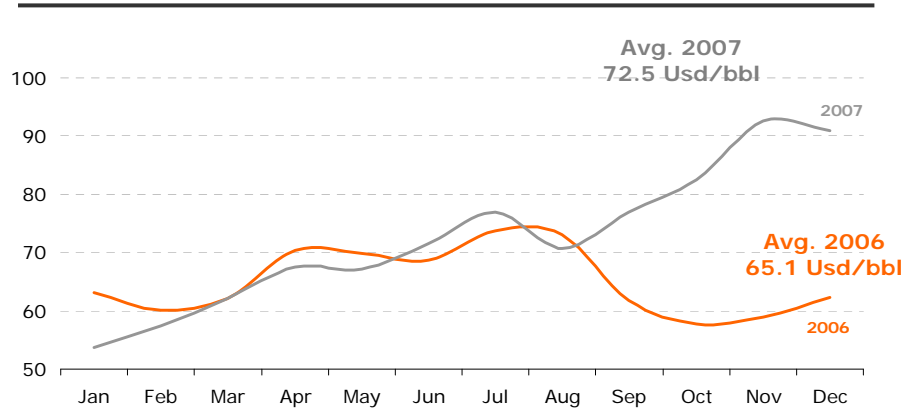
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## MARKET OVERVIEW

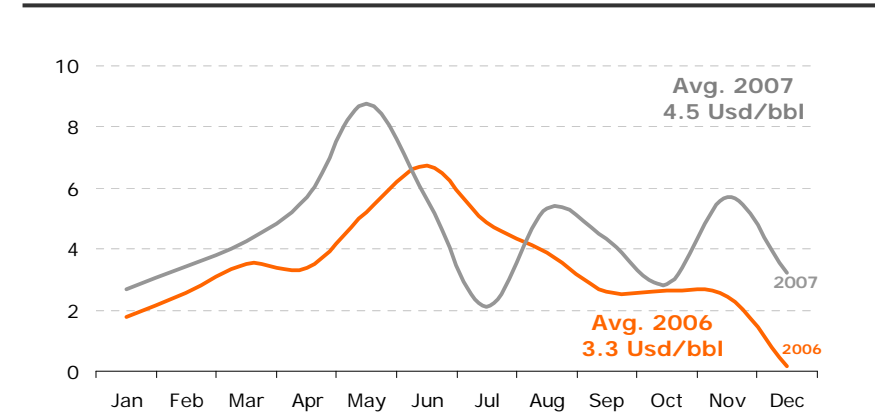


# CONSTANT UPWARD BRENT DURING 2007

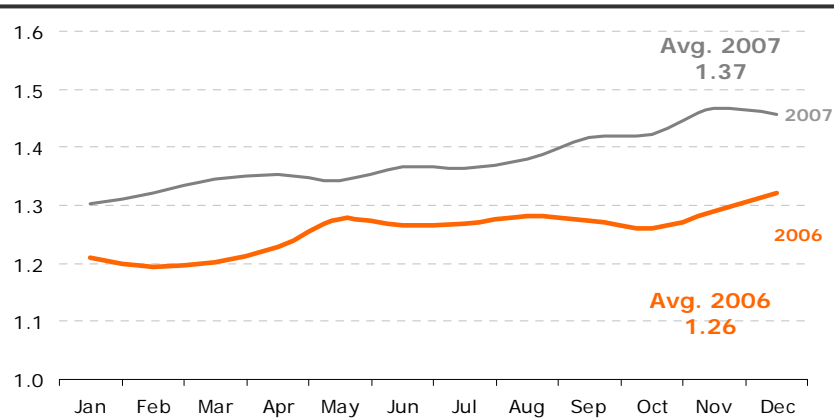
## Brent price (Usd/bbl)



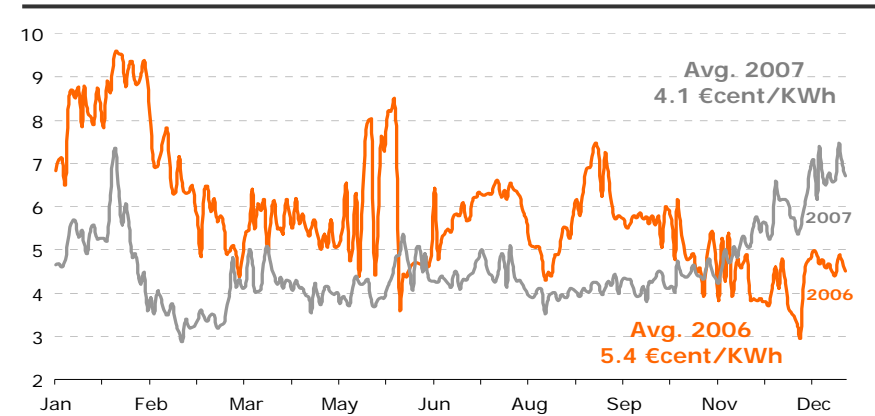
## Rotterdam Cracking (Usd/bbl)



## Eur/Usd exchange rate



## Spanish pool prices (Eurcent/KWh)



Source: Platts and BCE; Monthly averages except for Spanish Pool prices

HIGHLIGHTS



# ADJUSTED EPS OF €0.50, UP 11% ON USD AND PRO-FORMA BASIS

## IFRS

## Replacement Cost Adjusted<sup>1</sup>

€ Million

**2006<sup>2</sup> 2007 % Ch.**

**2006<sup>2</sup> 2007 % Ch.**

12,193 12,560 3.0%

**Turnover**

12,090 12,557 3.9%

928 1,289 38.9%

**EBITDA**

886 891 0.5%

643 1,011 57.4%

**EBIT**

616 621 0.7%

40 60 48.3%

**Associates**

40 60 48.3%

479 777 62.0%

**Net Profit**

413 418 1.4%

0.58 0.94 62.0%

**EPS (Eur/share)**

0.50 0.50 1.4%

0.73 1.28 76.8%

**EPS (Usd/share)**

0.62 0.69 10.7%

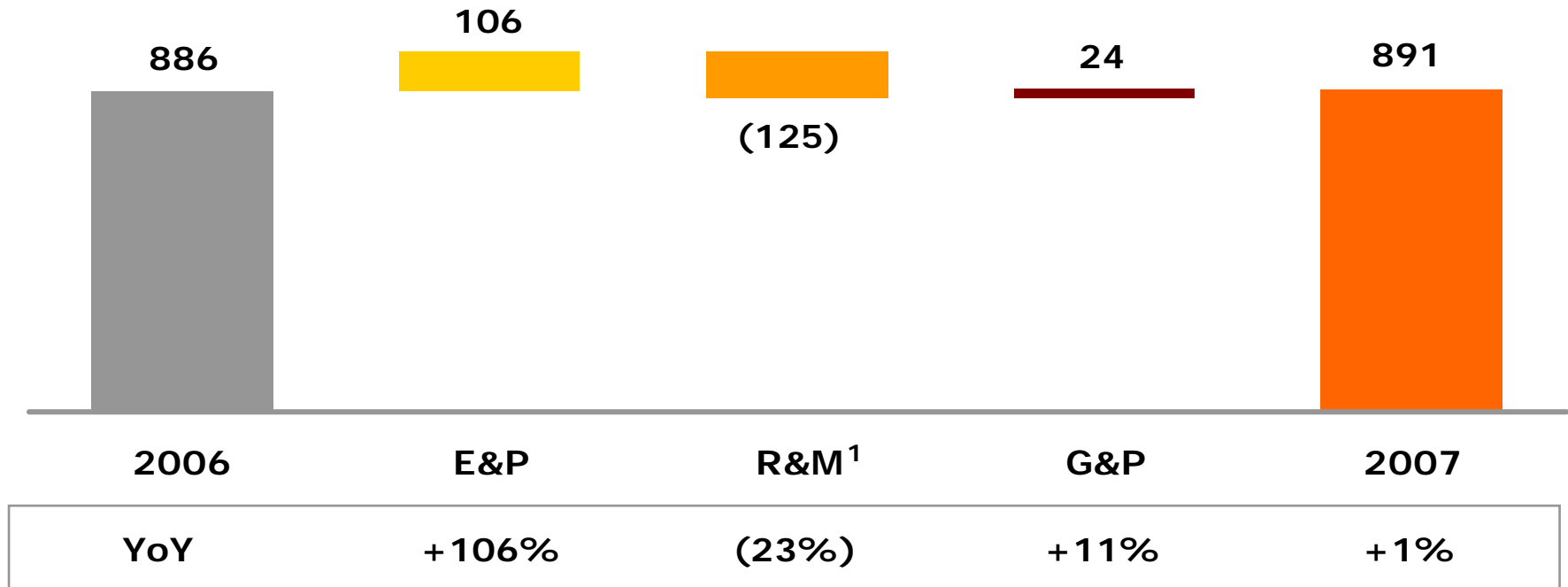
<sup>1</sup> Excludes inventory effect and non-recurrent items

<sup>2</sup> Adjusted by unbundling effect (capital gain and net costs)

## 2007 ADJUSTED EBITDA REACHED €891 MILLION

- E&P and G&P with a positive incremental contribution to EBITDA, but barely enough to compensate the negative impact of R&M division

### Pro forma replacement cost adjusted EBITDA (M€)



<sup>1</sup> R&M includes Others of (€3 M)

## BUSINESS OVERVIEW

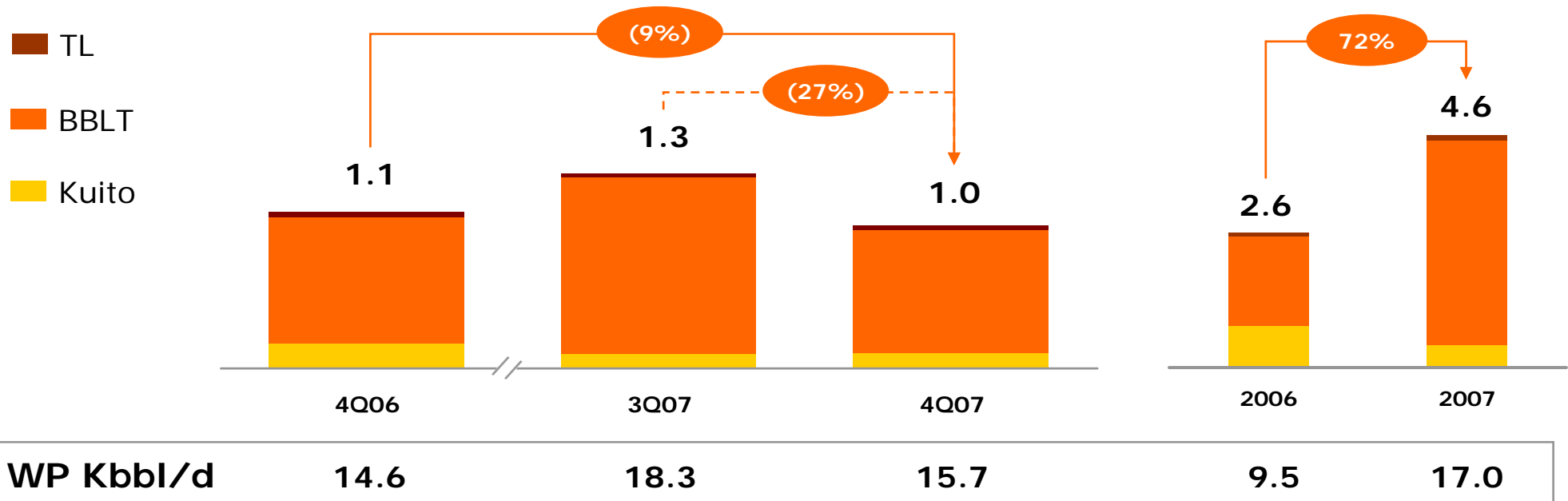




# BBLT MAIN CONTRIBUTOR TO PRODUCTION GROWTH IN 2007

- Annual net entitlement production increased 72% YoY
- Production decreased QoQ due to delays in BBLT drilling activities, expected to be solved at the end of 2Q08

## Net Entitlement Production by Field (million bbl)

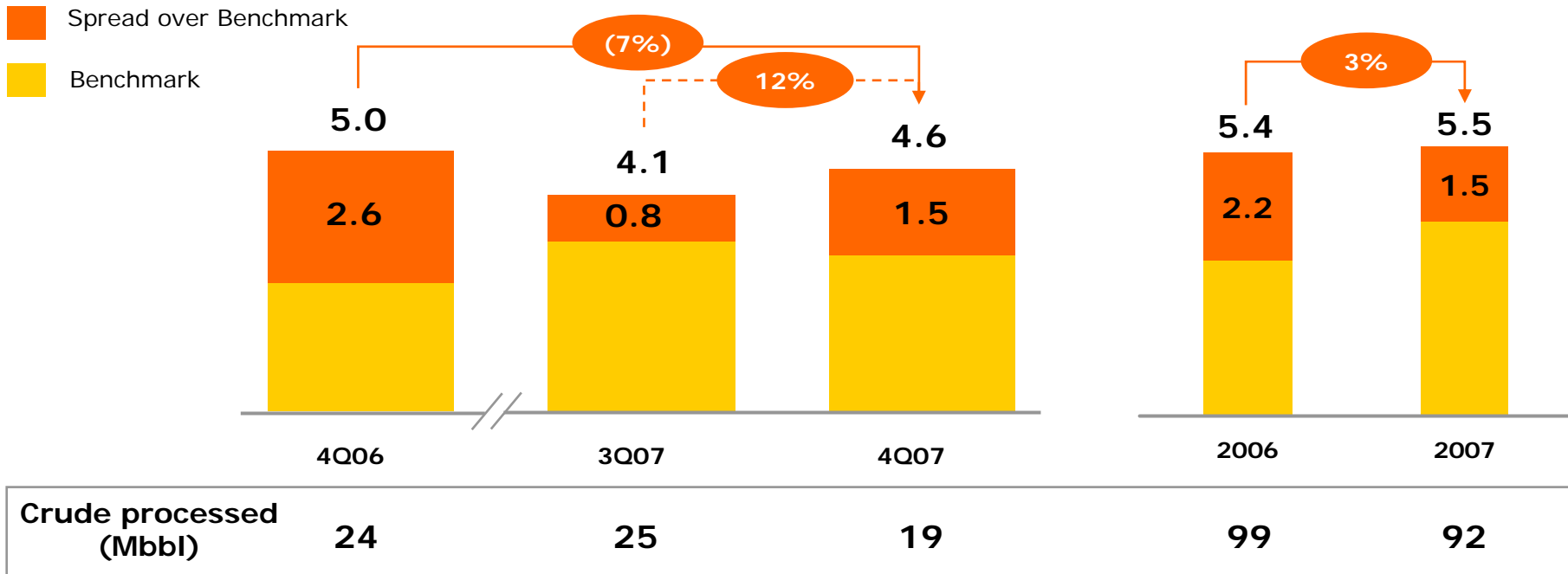


Note: Working Interest Production corresponds to the total production before deducting the concessionaire share under Production Sharing Agreements ("PSA"); Net Entitlement figures after deducting PSA effect.

# 2007 REFINING MARGIN DOWN 6% YoY ON EURO BASIS

- Refining margins impacted by Usd devaluation and high crude prices which enlarged energy costs due to consumption and losses levels
- Porto and Sines outages hurt operational performance, dragging capacity utilization rate down to 78.4%, mainly in 4Q07 (65.6%)

## Galp Energia vs Benchmark Refining Margin (Usd/bbl)



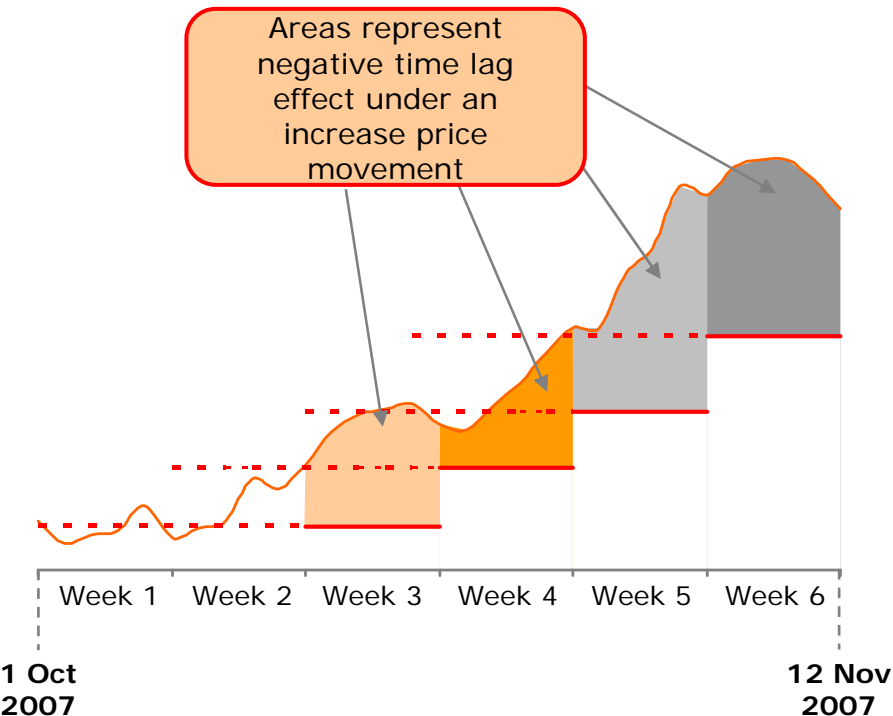
Source: Platts

Benchmark refining margin considers 75% of Rotterdam cracking and 25% of Rotterdam Hydro + Aromatics

# TIME LAG EFFECT IMPACT

## Diesel Price Example (Usd/ton)

- Market price
- Price reference (avg 2 previous weeks)
- Contractual price



## Main Considerations

- 2007 effect of 67.4 M€, and Q4 of 27.5 M€
- 2006 effect was 9.4 M€ positive, due to brent decreasing trend at year end
- Price setting changed from two to one week average backward looking

This new formula will improve alignment of results with the market

## POSITIVE CONTRIBUTION FROM GALP DIRECT CUSTOMERS

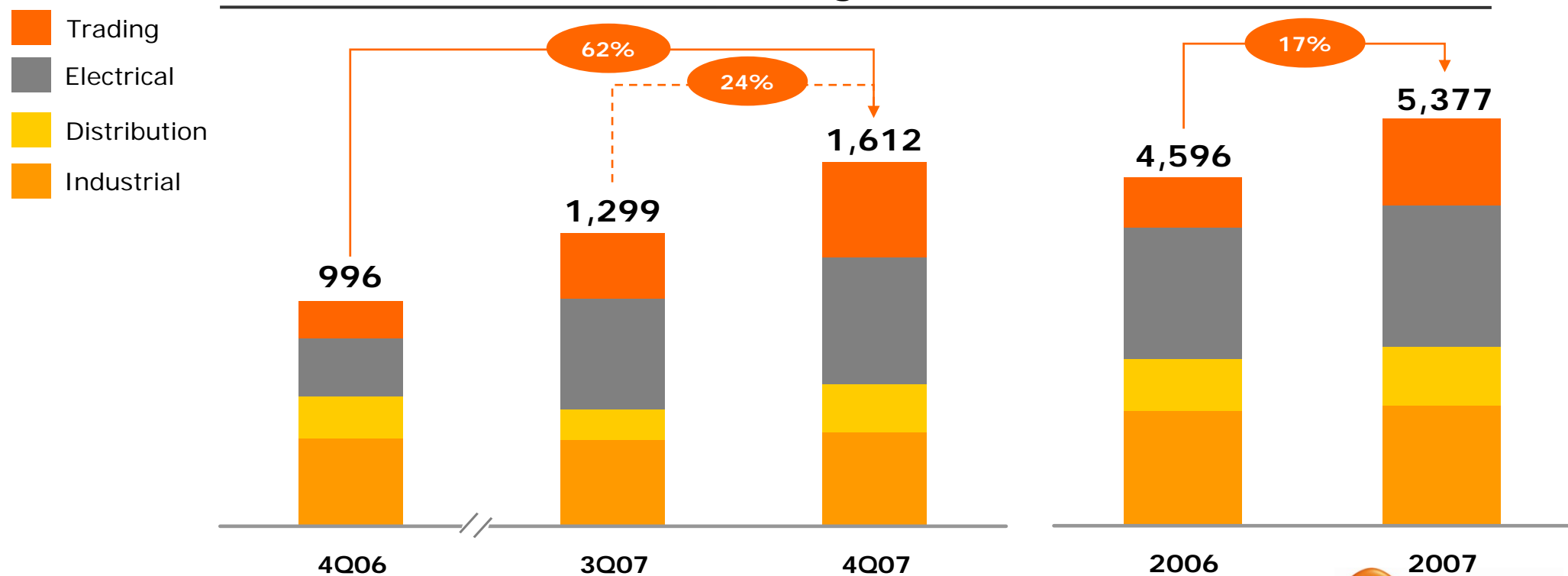
- Cover ratio of refining throughput increased from 68% to 72% in 2007
- Reduction in exports caused by a drop in production, mainly in 4Q
- Strong contribution from the wholesale segment in Portugal and Spain compensated decrease in retail volumes

Million tons	4Q07	% YoY	2007	% YoY
<b>Refining throughput</b>	<b>2.7</b>	<b>(16.3%)</b>	<b>12.5</b>	<b>(8.2%)</b>
<b>Total volumes of products sold</b>	<b>3.8</b>	<b>(5.7%)</b>	<b>16.0</b>	<b>(1.6%)</b>
Direct customers - Portugal	1.5	+2.8%	6.4	+1.4%
Direct customers - Spain	0.8	+16.6%	2.9	+10.8%
Portuguese operators	1.0	(5.0%)	4.2	+2.0%
Exports	0.4	(43.0%)	2.4	(22.8%)

# NATURAL GAS VOLUMES UP BY 17% IN 2007

- The portuguese market, excluding the electrical segment, grew by 7% in 2007
- 4Q07 volumes up 62% YoY, benefiting from lack of hydro capacity in Iberia
- Trading segment benefited from higher availability of gas volumes (end of build-up period), hence posting an YoY increase of 159% in 4Q07

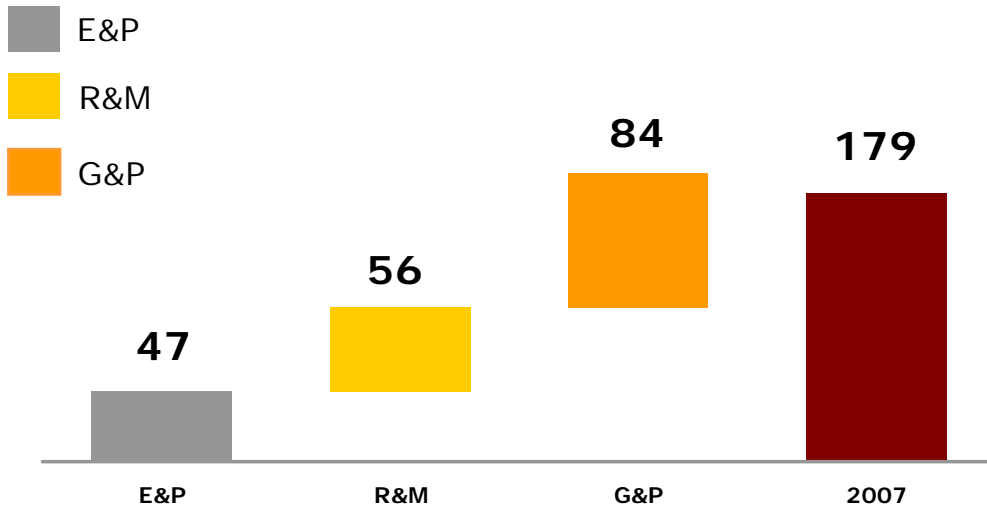
## 2007 Natural gas sales (M m<sup>3</sup>)



# ADJUSTED EBITDA REACHED €891 MILLION

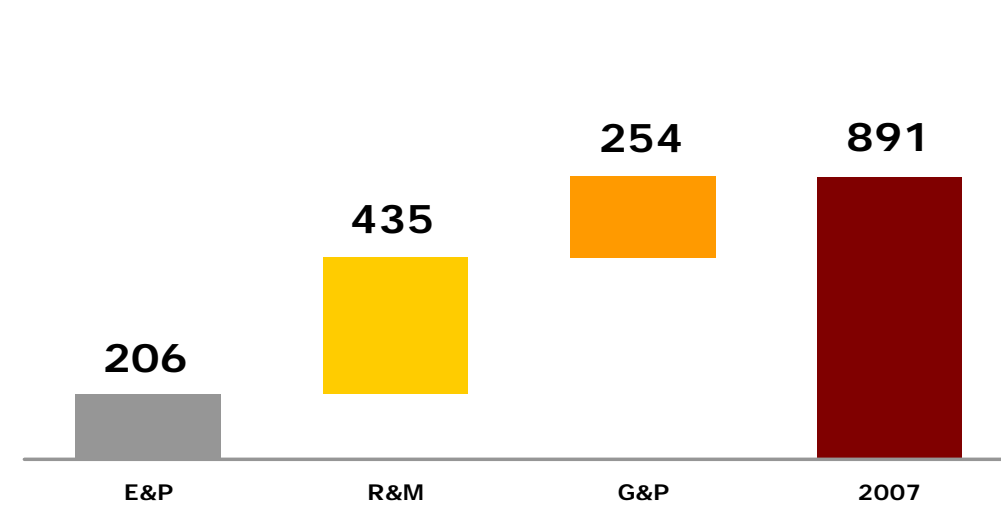
- Increase in crude prices off-sets impact of lower production in 4Q07
- Rising trend in crude prices with a negative impact on R&M performance in 4Q07 due to time-lag effect (pricing mechanism revised in January 2008). Lower level of volumes processed also contributed to poor profitability
- Lack of hydro in Iberia drove demand of gas for generation purposes, helping G&P mainly in 4Q07

## Adjusted 4Q07 EBITDA<sup>1</sup> (M€)



YoY +15%      (60%)      +54%      (22%)

## Adjusted 2007 EBITDA<sup>1</sup> (M€)



+106%      (22%)      +11%<sup>2</sup>      +1%<sup>2</sup>

<sup>1</sup>Sum of divisions do not sum up total EBITDA due to Others of (€8 M) and (€4 M) in 4Q07 and 2007, respectively; <sup>2</sup> On a proforma basis

## FINANCIAL OVERVIEW



# ADJUSTED EPS OF €0.50, UP 11% ON USD AND PRO-FORMA BASIS

## IFRS

## Replacement Cost Adjusted<sup>1</sup>

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12,193	12,560	3.0%	<b>Turnover</b>	12,090	12,557	3.9%
928	1,289	38.9%	<b>EBITDA</b>	886	891	0.5%
643	1,011	57.4%	<b>EBIT</b>	616	621	0.7%
40	60	48.3%	<b>Associates</b>	40	60	48.3%
479	777	62.0%	<b>Net Profit</b>	413	418	1.4%
0.58	0.94	62.0%	<b>EPS (Eur/share)</b>	0.50	0.50	1.4%
0.73	1.28	76.8%	<b>EPS (Usd/share)</b>	0.62	0.69	10.7%

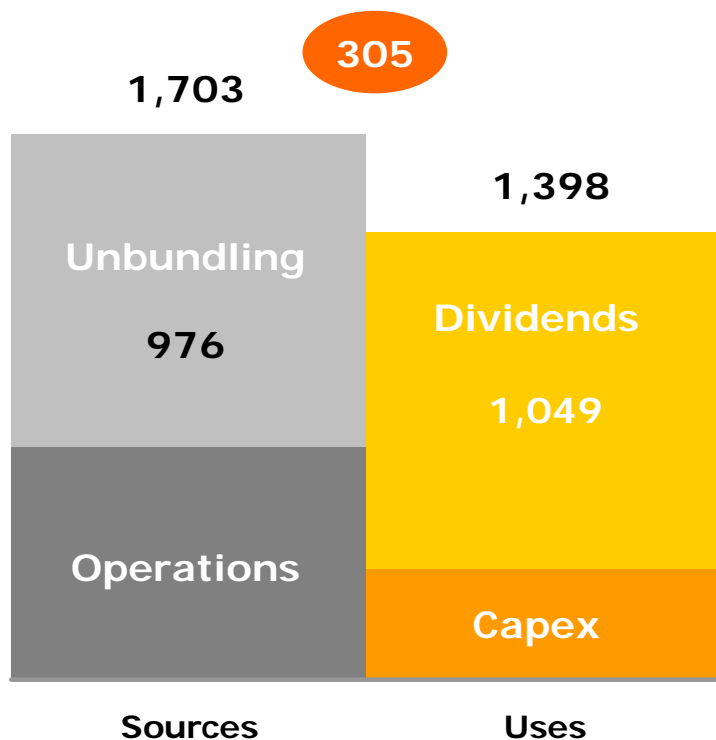
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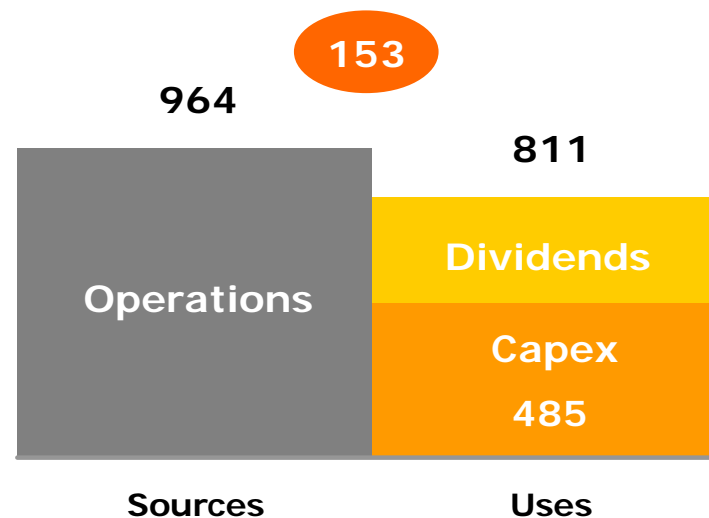


# OPERATIONAL CASHFLOW GENERATION LED TO NET DEBT REDUCTION

2006 (M€)



2007 (M€)



 Net debt reduction

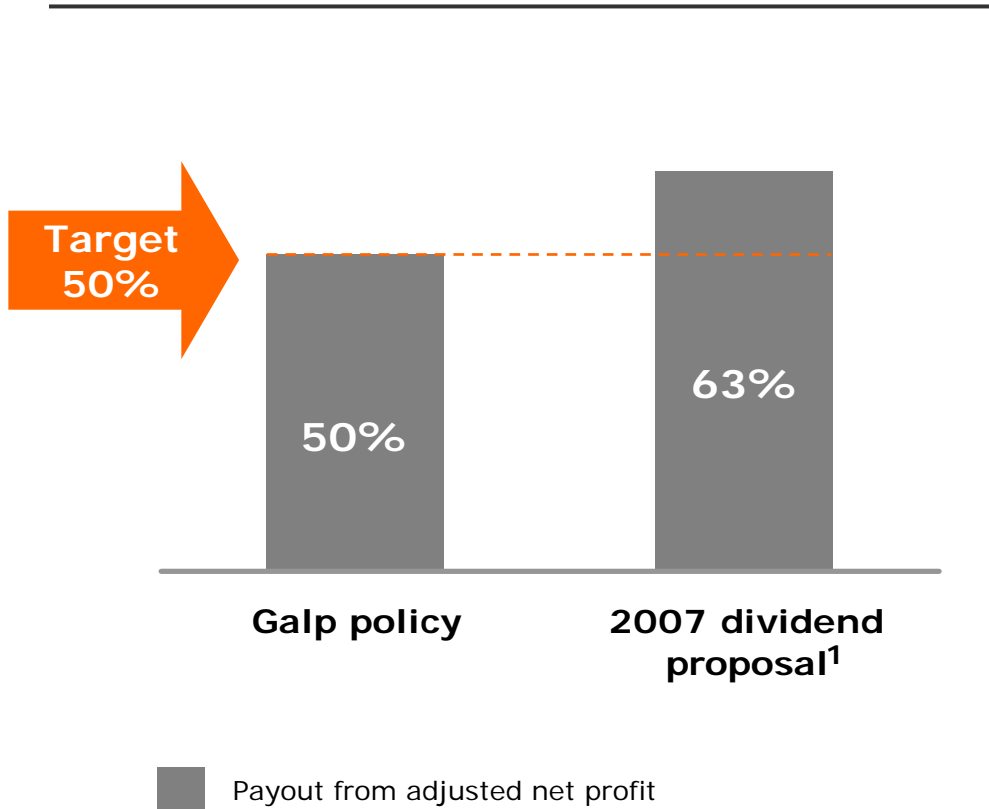
## STRONGER CAPITAL STRUCTURE

### Balance Sheet Items (M€)

	Dec. 2006	Dec. 2007	Ch.
Fixed Assets	2,413	2,584	170
Strategic Stock	453	566	114
Other assets (liabilities)	(149)	(170)	(20)
Working Capital	207	180	(27)
Net Debt	887	734	(153)
Equity	2,037	2,426	390
<b>Capital Employed</b>	<b>2,924</b>	<b>3,160</b>	<b>237</b>
Debt to Equity	44%	30%	(13 p.p.)

# DIVIDEND PROPOSAL OF €0.32 PER SHARE

## 2007 Dividend



Dividend proposal of €0.32<sup>2</sup> to be approved in next AGM, on May 6

€0.152 already paid on November 7, 2007

€0.168 to be paid before May 31

<sup>1</sup> Incorporates a YoY dividend growth of 5%

<sup>2</sup> Subject to the Board of Directors resolution after audited accounts are approved

2007 RESULTS PRESENTATION  
APPENDIX

ADDITIONAL DISCLOSURE



# NEW INFORMATION TO BE DISCLOSED FROM 1Q08 ONWARDS

## To be disclosed

## Rationale

### REFINING & MARKETING

- Refineries' operating cash costs

- Understand profitability of Refining and Marketing divisions

### GAS & POWER

- EBIT NG Wholesale and Retail
- EBIT NG Infrastructure
- EBIT Power

- Track dynamics of Gas and Power divisions

### TRADING UPDATE

- Operational guidance
- Release between end of quarter and following results' reporting date

- Manage expectations
- Better estimate results

2007 RESULTS PRESENTATION  
APPENDIX

IRP REALLOCATION



## BASIS OF PRESENTATION – RECENT CHANGES

- In the third quarter of 2007 the method of accounting for IRP, tax on oil revenues payable in Angola, was changed. In order to better specify the nature of costs, this tax – formerly accounted for under other operating costs – was entered as an income tax item
- This change will impact the calculation of consolidated operating result as well as earnings for the Exploration & Production business segment. In order to make the periods comparable, these changes have been introduced in 2006 and 2007.

# CHANGES IN 2006 PROFIT AND LOSS

M€	4Q06 Former	Change	4Q06 Actual	2006 Actual
IRP	(10)	+10	0	0
Adjusted EBIT	148	+10	158	686
Taxes	(1)	(10)	(11)	(203)
Adjusted Net income	94	0	94	468

E&P Adjusted EBIT

18



27

66

IRP reallocation





## **Investor Relations**

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