# RESULTS

## NINE MONTHS AND THIRD QUARTER OF 2011


*Delivering growth through exploration and production*

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## EXECUTIVE SUMMARY

In the first nine months of 2011, Galp Energia's replacement cost adjusted net profit of €172 million was €94 million lower than a year earlier as the Refining & Marketing business segment underperformed. Net profit of €61 million in the third quarter 2011 was €32 million lower than a year earlier.

### SUMMARY OF RESULTS – NINE MONTHS AND THIRD QUARTER OF 2011

- Net entitlement production of crude oil in the first nine months of 2011 amounted to 11.9 kbopd, of which 26% came from Brazil; in the third quarter, net entitlement production rose 28% yoy;

- Galp Energia achieved a refining margin of Usd 0.8/bbl in the first nine months of 2011; in the third quarter of the year, the refining margin was Usd 0.9/bbl, which negatively reflected softer margins in international markets;

- Although the marketing of oil products was negatively affected by the adverse economic environment in the Iberian Peninsula, volumes sold of oil products stabilised in the third quarter of 2011;

- Natural gas volumes sold rose 10% yoy in the first nine months to 3,951 million cubic metres, driven by Madrileña Gas sales and increase in trading volumes; in the third quarter of 2011, volumes sold fell 11% mainly due to the decrease of electrical segment volumes;

- RCA EBIT fell 27% yoy in the first nine months of 2011 to €285 million; in the third quarter of 2011, RCA EBIT fell 19% yoy to €111 million;

- RCA net profit of €172 million in the first nine months of 2011 equated to €0.21 per share, 35% of which was achieved in the third quarter of 2011;

- In the first nine months of 2011, around 53% of total capital expenditure of €808 million was channelled into the refinery upgrade project.

### CONFERENCE CALL

| | |
|---|---|
| **Date:** | Friday 28 October 2011 |
| **Time:** | 14:00 (15:00 CET) |
| **Hosted by:** | Manuel Ferreira De Oliveira (CEO)<br>Claudio De Marco (CFO)<br>Tiago Villas-Boas (IRO) |
| **Phones:** | UK:+44 (0) 207 750 99 08<br>Portugal: 707 785 757 |
| **Chairperson:** | Tiago Villas-Boas |

# KEY FIGURES

## FINANCIAL DATA

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 230 | 270 | 39 | 17.1% | EBITDA | 820 | 902 | 82 | 10.0% |
| 217 | 221 | 4 | 1.8% | EBITDA RC[1] | 674 | 587 | (87) | (12.9%) |
| **223** | **221** | **(2)** | **(1.0%)** | **EBITDA RCA[2]** | **677** | **585** | **(92)** | **(13.6%)** |
| 140 | 157 | 17 | 12.4% | EBIT | 512 | 578 | 66 | 12.9% |
| 127 | 109 | (18) | (14.3%) | EBIT RC[1] | 367 | 263 | (103) | (28.2%) |
| **136** | **111** | **(25)** | **(18.7%)** | **EBIT RCA[2]** | **390** | **285** | **(105)** | **(27.0%)** |
| 96 | 94 | (2) | (1.7%) | Net profit | 355 | 385 | 29 | 8.2% |
| 85 | 59 | (26) | (30.1%) | Net profit RC[1] | 248 | 159 | (89) | (35.9%) |
| **93** | **61** | **(32)** | **(34.3%)** | **Net profit RCA[2]** | **266** | **172** | **(94)** | **(35.4%)** |

[1] Replacement cost figures exclude inventory effects

[2] Replacement cost adjusted figures exclude inventory effects and non recurrent events

## MARKET INDICATORS

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 0.7 | (0.4) | (1.0) | n.m. | Rotterdam cracking refining margin[1] (Usd/bbl) | 1.5 | (0.6) | (2.1) | n.m. |
| 0.1 | (0.6) | (0.8) | n.m. | Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl) | 0.3 | (1.0) | (1.3) | n.m. |
| 43.3 | 54.2 | 10.9 | 25.1% | UK NBP natural gas price[2] (GBp/term) | 39.2 | 56.3 | 17.1 | 43.6% |
| 44.1 | 54.2 | 10.2 | 23.0% | Spanish pool price[2] (€/MWh) | 34.9 | 49.2 | 14.3 | 41.1% |
| 76.9 | 113.5 | 36.6 | 47.6% | Average dated Brent price[3] (Usd/bbl) | 77.1 | 111.9 | 34.8 | 45.1% |
| 1.29 | 1.41 | 0.1 | 9.3% | Average exChg. rate[2] (Eur/Usd) | 1.32 | 1.41 | 0.1 | 6.9% |
| 1.13 | 1.77 | *0.64 p.p.* | n.m. | Euribor - six month[2] (%) | 1.03 | 1.61 | *0.58 p.p.* | *n.m.* |

[1] Source: *Platts*. For a complete description of the method for calculating Rotterdam margins see "Definitions"

[2] Source: *Bloomberg*

[3] Source: *Platts*

## OPERATING DATA

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 19.6 | 20.8 | 1.2 | 6.3% | Average working interest production (kbopd) | 19.3 | 20.6 | 1.3 | 6.6% |
| 9.5 | 12.2 | 2.7 | 27.9% | Average net entitlement production (kbopd) | 11.0 | 11.9 | 0.8 | 7.6% |
| 2.1 | 0.9 | (1.3) | (59.7%) | Galp Energia refining margin (Usd/bbl) | 2.7 | 0.8 | (1.9) | (69.8%) |
| 3.2 | 3.0 | (0.2) | (7.3%) | Raw materials processed (million tonnes) | 9.6 | 8.1 | (1.4) | (15.1%) |
| 2.7 | 2.8 | 0.0 | 1.0% | Oil sales direct clients in Iberia (million tonnes) | 8.2 | 7.8 | (0.4) | (4.5%) |
| 1,302 | 1,159 | (143) | (11.0%) | Natural gas sales (million $m^3$) | 3,586 | 3,951 | 365 | 10.2% |
| 301 | 320 | 19 | 6.3% | Sales of electricity to the grid [1] (GWh) | 909 | 867 | (42) | (4.6%) |

[1] Includes unconsolidated companies where Galp Energia has a significant interest



galp energia

## BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the nine months ended 30 September 2011 and 2010 have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended 30 September 2011 and 2010 and the nine-month periods ended on these dates. The financial information in the consolidated financial position is reported at 30 September 2011, 30 June 2011 and 31 December 2010.

Galp Energia's financial statements are prepared in accordance with IFRS and the cost of goods sold is valued at WAC. The use of this valuation method may, when goods and commodities prices fluctuate, cause volatility in results following gains or losses in inventories which do not reflect the Company's operating performance. This effect is called the *inventory effect*.

Another factor that may affect the Company's results but is not an indicator of its true performance is the set of non recurrent events such as gains or losses on the disposal of assets, impairments or reinstatements of fixed assets and environmental or restructuring charges.

For the purpose of evaluating the operating performance of the Galp Energia businesses, RCA operating and net profit exclude non recurrent events and the inventory effect, the latter because the cost of goods sold has been calculated according to the replacement cost valuation method.

### RECENT CHANGES

In September 2011, Galp Energia began to calculate its net debt classifying marketable securities as cash equivalents. To make periods comparable, this change was reflected in the financial information reported at 30 June 2011 and 31 December 2010.

In June 2011, Galp Energia changed the method of accounting for its equity stake in Cape Verde subsidiary Enacol, which had previously been recorded according to the equity method. Enacol became fully consolidated as Galp Energia, in spite of not being a majority shareholder, took control, on an expectedly permanent basis, of its subsidiary's financial and operating policies. As this change was not reflected in the financial statements of the first nine months and the third quarter of 2010, these are not directly comparable with the financial statements of the first nine months and the third quarter of 2011.

In the fourth quarter of 2010, conversion factors for diesel, gasoline and fuel oil were revised on the basis of the updated crack spreads for these products. Therefore, factors used to convert barrels into tonnes were revised to 7.44 for diesel, 8.33 for gasoline and 6.32 for fuel oil. These new conversion factors were applied to the first nine months and the third quarter of 2010 so as to make periods comparable.

## MARKET ENVIRONMENT

### CRUDE OIL

In the first nine months of 2011, the dated Brent averaged Usd 111.9/bbl, up 45% from a year earlier. This rise followed primarily from turmoil in Northern Africa, namely Libya, production cutbacks by OPEC and discontinued North Sea production as platforms went through maintenance. In the third quarter, the dated Brent averaged Usd 113.5/bbl, down 3% qoq, as Libyan supply resumed following efforts to resolve tensions in the country.

The price spread between heavy and light crude in the first nine months of 2011 widened Usd 1.4/bbl yoy to Usd -2.6/bbl as production fell short in African countries, mainly Libya, a producer of primarily light crude. Quarter on quarter, the spread tightened Usd 1.2/bbl as demand for heavy crude from Russian refineries rose, thereby driving up its price.

### OIL PRODUCTS

In the first nine months of 2011, the gasoline crack spread averaged Usd 8.4/bbl, down 6% yoy following the fast rise in the price of dated Brent in the first nine months of 2011. In the third quarter of 2011, the gasoline crack spread averaged Usd 9.9/bbl, down Usd 0.2/bbl qoq as the driving season came to an end and refineries resumed production after maintenance operations.

In the first nine months of 2011, the diesel crack spread averaged Usd 17.4/bbl, up Usd 3.9/bbl yoy. In the third quarter of 2011, the diesel crack spread averaged Usd 17.6/bbl, up 8% quarter on quarter, as the price of the dated Brent fell, exports from Russia dropped and demand rose after inventory depletion.

In the first nine months of 2011, the fuel oil crack spread averaged Usd -11.8/bbl, down Usd 6.1/bbl yoy as the price of the dated Brent rose. In the third quarter of 2011, the fuel oil crack spread averaged Usd -10.0/bbl, up 13% qoq, as the price of dated Brent fell and demand from marine bunkers, namely in Singapore, rose strongly.

### REFINING MARGINS

In the first nine months of 2011, the average cracking margin fell Usd 2.1/bbl yoy to Usd -0.6/bbl while the average hydroskimming margin fell Usd 3.1/bbl to Usd -4.3/bbl. This development reflected the rising price of dated Brent, with the recovery in the diesel crack spread proving insufficient to offset the fall in both the gasoline and fuel oil crack spreads.

In the third quarter of 2011, the average cracking margin rose Usd 0.6/bbl qoq to Usd -0.4/bbl as the dated Brent fell. The average hydroskimming margin also rose qoq by Usd 0.9/bbl to Usd -3.9/bbl, influenced by the rising crack spreads of both fuel oil and diesel.

### EUR/USD

In the first nine months of 2011, the euro/dollar exchange rate averaged 1.41, up 7% from a year earlier. In the third quarter of 2011, the euro/dollar exchange rate averaged 1.41, implying a 2% depreciation qoq of the euro against the dollar, influenced by the unresolved sovereign debt crisis in the eurozone.

## THE IBERIAN MARKET

In the first nine months of 2011, the Portuguese market for oil products contracted 6% yoy to 7.3 million tonnes. The market for gasoline contracted 10% to one million tonnes and the market for diesel contracted 7% yoy to 3.8 million tonnes. On the other hand, the market for jet recovered 3% to 0.8 million tonnes.

In the third quarter of 2011, volumes sold in the Portuguese market for oil products fell 4% yoy to 2.6 million tonnes. This fall was most visible in the market for gasoline, which contracted 11% yoy to 0.3 million tonnes and the market for diesel, which fell 7% yoy to 1.3 million tonnes. On the other hand, the market for jet expanded 3% to 0.3 million tonnes.

In the first nine months of 2011, the Spanish market for oil products contracted 3% yoy to 42.5 million tonnes. This contraction came as a result of the 7% fall in the market for gasoline to 4.0 million tonnes and the 5% fall in the market for diesel to 22.2 million tonnes, which could not be offset by the 9% rise in demand for jet to 4.3 million tonnes.

In the third quarter of 2011, the Spanish market for oil products decreased by 3% yoy to 14 million tonnes. The 5% rise in the market for jet to 1.6 million tonnes was more than compensated by the decreases in the markets for gasoline and diesel which contracted 7% and 5% yoy to 1.5 million tonnes and 7.2 million tonnes, respectively.

In the first nine months of 2011, the Portuguese market for natural gas expanded 4% yoy to 3,801 million cubic metres, primarily driven by the 17% rise in demand from the electrical segment, with the increased consumption of the new Pego's CCGT.

In the third quarter of 2011, the Portuguese market for natural gas contracted 12% yoy to 1,134 million cubic metres mainly as a result of the 16% shortfall in demand from the residential and industrial segment. At the same time, demand from the electrical segment fell 7% yoy.

In the first nine months of 2011, the Spanish market for natural gas contracted 5% yoy to 23,742 million cubic metres as the electrical segment fell 15% to 7,386 million cubic metres.

In the third quarter of 2011, the Spanish market for natural gas contracted 8% yoy to 7,096 million cubic metres as demand from the electrical segment fell 24% to 2,608 million cubic metres.

## MARKET INDICATORS

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 76.9 | 113.5 | 36.6 | 47.6% | Average dated Brent price[1] (Usd/bbl) | 77.1 | 111.9 | 34.8 | 45.1% |
| (1.3) | (1.9) | (0.6) | (45.2%) | Average heavy-light price spread[2] (Usd/bbl) | (1.2) | (2.6) | (1.4) | s.s. |
| 14.0 | 17.6 | 3.6 | 26.0% | Diesel crack[3] (Usd/bbl) | 13.5 | 17.4 | 3.9 | 28.9% |
| 6.5 | 9.9 | 3.4 | 52.1% | Gasoline crack[4] (Usd/bbl) | 9.0 | 8.4 | (0.5) | (6.1%) |
| (5.7) | (10.0) | (4.3) | (75.4%) | Fuel oil crack[5] (Usd/bbl) | (5.7) | (11.8) | (6.1) | n.m. |
| 0.7 | (0.4) | (1.0) | n.m. | Rotterdam cracking refining margin[1] (Usd/bbl) | 1.5 | (0.6) | (2.1) | n.m. |
| (1.6) | (3.9) | (2.3) | n.m. | Rotterdam hydroskimming refining margin[1] (Usd/bl | (1.2) | (4.3) | (3.1) | n.m. |
| 2.7 | 2.6 | (0.1) | (4.3%) | Portuguese oil market[6] (million ton) | 7.7 | 7.3 | (0.4) | (5.6%) |
| 14.7 | 14.2 | (0.5) | (3.1%) | Spanish oil market[7] (million ton) | 43.9 | 42.5 | (1.4) | (3.1%) |
| 1,288 | 1,134 | (154) | (12.0%) | Portuguese natural gas market[8] (million $m^3$) | 3,666 | 3,801 | 135 | 3.7% |
| 7,742 | 7,096 | (646) | (8.3%) | Spanish natural gas market[9] (million $m^3$) | 24,962 | 23,742 | (1,220) | (4.9%) |

[1] Source: *Platts*

[2] Source: *Platts*; *Urals NWE Dated* for heavy crude*; Brent Dated* for light crude

[3] Source: *Platts*; *ULSD 10ppm NWE CIF ARA*

[4] Source: *Platts*; Unleaded gasoline, *NWE FOB Barges*

[5] Source: *Platts*; 1% LSFO, NWE FOB Cargoes

[6] Source: *DGEG*

[7] Source: *Cores*

[8] Source: *Galp Energia*

[9] Source: *Enagás*

# FINANCIAL REVIEW

## 1. INCOME STATEMENT

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 3,590 | 4,277 | 687 | 19.1% | Turnover | 10,460 | 12,429 | 1,969 | 18.8% |
| (3,375) | (4,025) | 651 | 19.3% | Operating expenses | (9,737) | (11,590) | 1,853 | 19.0% |
| 15 | 18 | 3 | 17.4% | Other operating revenues (expenses) | 97 | 64 | (33) | (34.2%) |
| **230** | **270** | **39** | **17.1%** | **EBITDA** | **820** | **902** | **82** | **10.0%** |
| (90) | (112) | 22 | 24.6% | D&A and provisions | (307) | (324) | 16 | 5.3% |
| **140** | **157** | **17** | **12.4%** | **EBIT** | **512** | **578** | **66** | **12.9%** |
| 18 | 17 | (1) | (3.6%) | Net profit from associated companies | 52 | 53 | 1 | 1.7% |
| 0 | (1) | (1) | n.m. | Net profit from investments | 0 | (0) | (1) | n.m. |
| (18) | (29) | (12) | (66.3%) | Net interest expenses | (71) | (94) | (23) | (31.9%) |
| 140 | 145 | 4 | 3.1% | Profit before tax and minority interests | 493 | 537 | 44 | 8.8% |
| (43) | (48) | 4 | 9.6% | Income tax | (135) | (144) | 9 | 7.0% |
| (1) | (3) | 2 | n.m. | Minority Interests | (3) | (8) | 5 | 150.2% |
| **96** | **94** | **(2)** | **(1.7%)** | **Net profit** | **355** | **385** | **29** | **8.2%** |
| 96 | **94** | **(2)** | **(1.7%)** | **Net profit** | **355** | **385** | **29** | **8.2%** |
| (11) | (35) | (24) | n.m. | Inventory effect | (108) | (226) | (118) | s.s. |
| **85** | **59** | **(26)** | **(30.1%)** | **Net profit RC** | **248** | **159** | **(89)** | **(35.9%)** |
| 8 | 2 | (6) | (80.2%) | Non recurrent items | 18 | 13 | (5) | (28.4%) |
| **93** | **61** | **(32)** | **(34.3%)** | **Net profit RCA** | **266** | **172** | **(94)** | **(35.4%)** |

### NINE MONTHS

RCA net profit of €172 million in the first nine months of 2011 was €94 million lower yoy mainly as a result of an underperforming Refining & Marketing business segment as lower volumes of crude processed following the technical shutdown of the Sines refinery in the first quarter of 2011, lower refining margins and lower volumes of oil products sold took their toll.

IFRS net profit of €385 million in the first nine months of 2011 included a favourable inventory effect of €226 million following the rise in the price of crude and oil products in international markets.

### THIRD QUARTER

RCA net profit of €61 million in the third quarter of 2011 was €32 million lower yoy due to the decrease in crude processed following the shutdown of some units in both Sines and Matosinhos refineries, and to the decrease in refining margins.

IFRS net profit of €94 million in the third quarter included a favourable inventory effect of €35 million following rising prices of crude and oil products in international markets.

## 2. ANALYSIS OF INCOME STATEMENT ITEMS

### SALES AND SERVICES RENDERED

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **3,590** | **4,277** | **687** | **19.1%** | **Sales and services rendered** | **10,460** | **12,429** | **1,969** | **18.8%** |
| - | - | - | - | Non recurrent items | - | - | - | - |
| **3,590** | **4,277** | **687** | **19.1%** | **Adjusted sales and services rendered** | **10,460** | **12,429** | **1,969** | **18.8%** |
| 62 | 60 | (2) | (2.9%) | Exploration & Production | 163 | 233 | 70 | 42.9% |
| 3,144 | 3,773 | 629 | 20.0% | Refining & Marketing | 9,243 | 10,920 | 1,677 | 18.1% |
| 467 | 497 | 30 | 6.5% | Gas & Power | 1,234 | 1,608 | 373 | 30.3% |
| 31 | 25 | (6) | (20.7%) | Others | 95 | 91 | (4) | (4.2%) |
| (114) | (78) | 36 | 31.8% | Consolidation adjustments | (276) | (423) | (148) | (53.5%) |

#### NINE MONTHS

In the first nine months of 2011, adjusted sales and services rendered rose 19% yoy to €12,429 million as all business segments contributed following the rise in the prices of crude, oil products and natural gas in international markets, and higher production of crude oil and larger volumes of natural gas sold.

#### THIRD QUARTER

Adjusted sales and services rendered in the third quarter of 2011 rose 19% yoy to €4,277 million, primarily following the rise in the price of oil products in international markets.

### OPERATING COSTS

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **3,375** | **4,025** | **651** | **19.3%** | **Operational costs** | **9,737** | **11,590** | **1,853** | **19.0%** |
| 13 | 49 | 36 | 269.8% | Inventory effect | 146 | 315 | 169 | 116.2% |
| **3,388** | **4,074** | **686** | **20.2%** | **Operational costs RC** | **9,883** | **11,905** | **2,023** | **20.5%** |
| (6) | (1) | 5 | 87.2% | Non recurrent items | (15) | (4) | 11 | 73.0% |
| **3,382** | **4,073** | **691** | **20.4%** | **Operational costs RCA** | **9,868** | **11,901** | **2,034** | **20.6%** |
| **3,382** | **4,073** | **691** | **20.4%** | **Operational costs RCA** | **9,868** | **11,901** | **2,034** | **20.6%** |
| 3,100 | 3,769 | 669 | 21.6% | Cost of goods sold | 9,050 | 11,003 | 1,952 | 21.6% |
| 196 | 220 | 25 | 12.6% | Supply and services | 566 | 660 | 94 | 16.6% |
| 87 | 84 | (3) | (3.7%) | Personnel costs | 251 | 238 | (13) | (5.2%) |

#### NINE MONTHS

In the first nine months of 2011, RCA operating costs rose 21% yoy to €11,901 million as the cost of goods sold went up by 22% in the wake of rising prices of crude oil and natural gas in international markets. Supply and services cost rose 17% yoy to €660 million as a result of the consolidation of Madrileña Gas from May 2010 and Enacol from the second quarter of 2011. Excluding these effects, supply and services cost rose 3% yoy following higher costs from growing production activities in Brazil.

Staff costs fell 5% yoy in the first nine months of 2011 to €238 million, mainly as a result of lower accruals in the period relating to variable remunerations.

#### THIRD QUARTER

In the third quarter of 2011, RCA operating costs rose 20% yoy to €4,073 million primarily as the cost of goods sold went up by 22% yoy following rising prices of crude oil and natural gas in international markets. Supply and services cost rose 13% yoy to €220 million, influenced by the consolidation of Madrileña Gas from May 2010 and Enacol from the second quarter of 2011. Excluding these two effects, supply and services cost rose 3% yoy as production increased in Brazil.

Staff costs fell 4% yoy in the third quarter of 2011 to €84 million, mainly as a result of lower costs with the pension fund.

## DEPRECIATION AND AMORTISATION

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **85** | **100** | **15** | **17.7%** | **Depreciation & amortisation** | **243** | **308** | **65** | **26.9%** |
| (3) | (3) | 0 | 3.9% | Non recurrent items | (12) | (26) | (14) | n.m. |
| **82** | **97** | **15** | **18.5%** | **Adjusted depreciation & amortisation** | **231** | **282** | **52** | **22.4%** |
| **82** | **97** | **15** | **18.5%** | **Adjusted depreciation & amortisation** | **231** | **282** | **52** | **22.4%** |
| 22 | 38 | 16 | 74.4% | Exploration & Production | 53 | 109 | 56 | 105.7% |
| 49 | 48 | (1) | (1.5%) | Refining & Marketing | 143 | 139 | (4) | (3.1%) |
| 11 | 11 | (0) | (1.8%) | Gas & Power | 32 | 32 | (1) | (2.0%) |
| 1 | 1 | (0) | (6.6%) | Others | 2 | 2 | 1 | n.m. |

### NINE MONTHS

In the first nine months of 2011, adjusted depreciation and amortisation rose €52 million yoy to €282 million as depreciation and amortisation in the Exploration & Production business segment increased with the faster depreciation of Angola's block 14 following the downward technical adjustment of reserves and the update of the reference crude price, which led to a rise in the rate of depreciation.

In Refining & Marketing and Gas & Power, adjusted depreciation and amortisation remained stable in comparison with a year earlier.

Non recurrent events of €26 million were primarily related to costs with dry wells in Brazil.

### THIRD QUARTER

In the third quarter of 2011, adjusted depreciation and amortisation rose €15 million yoy to €97 million by way of depreciation increase in the Exploration & Production segment as reserves were revised downward and the reference price for crude was updated which led to an increase in the depreciation rate in the period.

In the Refining & Marketing and Gas & Power business segments, depreciation was constant at €48 million and €11 million, respectively, compared with a year earlier.

## PROVISIONS

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **5** | **12** | **7** | **n.m.** | **Provisions** | **65** | **16** | **(49)** | **(75.8%)** |
| (0) | 1 | 1 | n.m. | Non recurrent items | (8) | 3 | 10 | n.m. |
| **5** | **13** | **8** | **n.m.** | **Adjusted provisions** | **57** | **18** | **(38)** | **(67.8%)** |
| **5** | **13** | **8** | **n.m.** | **Adjusted provisions** | **57** | **18** | **(38)** | **(67.8%)** |
| 7 | 6 | (1) | (12.7%) | Exploration & Production | 15 | 6 | (8) | (56.6%) |
| 2 | 6 | 4 | n.m. | Refining & Marketing | 5 | 11 | 6 | 101.7% |
| (5) | 1 | 6 | n.m. | Gas & Power | 36 | 1 | (35) | n.m. |
| - | - | - | n.m. | Others | 0 | 0 | (0) | n.m. |

### NINE MONTHS

In the first nine months of 2011, adjusted provisions of €18 million consisted primarily of impairments of accounts receivables in Refining & Marketing business segment.

In Exploration & Production, the €8 million fall in provisions reflected lower charges for abandonment and payment of tax in Angola.

In Gas & Power, the €35 million fall in provisions reflected mainly the charge made in the first half of 2010 against the renegotiation of contracts for the supply of natural gas.

### THIRD QUARTER

In the third quarter of 2011, adjusted provisions amounted to €13 million, of which €6 million in the Exploration & Production segment following the unfavourable effect of the dollar depreciation on the charges for abandonment and payment of IRP in Angola.

In Refining & Marketing, higher provisions reflected mainly charges for doubtful debtors.

## OPERATING PROFIT

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **140** | **157** | **17** | **12.4%** | **EBIT** | **512** | **578** | **66** | **12.9%** |
| (13) | (49) | (36) | n.m. | Inventory effect | (146) | (315) | (169) | n.m. |
| **127** | **109** | **(18)** | **(14.3%)** | **EBIT RC** | **367** | **263** | **(103)** | **(28.2%)** |
| 9 | 2 | (7) | (78.2%) | Non recurrent items | 23 | 21 | (2) | (7.6%) |
| **136** | **111** | **(25)** | **(18.7%)** | **EBIT RCA** | **390** | **285** | **(105)** | **(27.0%)** |
| **136** | **111** | **(25)** | **(18.7%)** | **EBIT RCA** | **390** | **285** | **(105)** | **(27.0%)** |
| 9 | 19 | 11 | 123.3% | Exploration & Production | 62 | 70 | 8 | 12.5% |
| 75 | 21 | (54) | (72.3%) | Refining & Marketing | 176 | 41 | (135) | (76.8%) |
| 50 | 68 | 17 | 34.5% | Gas & Power | 143 | 167 | 24 | 16.8% |
| 3 | 3 | 0 | 14.8% | Others | 9 | 7 | (2) | (19.5%) |

### NINE MONTHS

RCA EBIT in the first nine months of 2011 fell 27% yoy to €285 million as a result of an underperforming Refining & Marketing business segment.

RCA EBIT for the Exploration & Production segment increased €8 million as both the production and price of crude oil rose to offset higher depreciation and amortisation.

The deteriorated performance of the Refining & Marketing business followed primarily from the lower refining margin and lower crude processed in the wake of the technical shutdown of the Sines refinery in the first quarter of 2011, the negative trend in international refining margins and the lower volumes of oil products sold.

The performance of the Gas & Power business segment improved following higher contributions from the infrastructure and power businesses.

### THIRD QUARTER

RCA EBIT in the third quarter of 2011 fell €25 million yoy to €111 million as the contribution from the Refining & Marketing business segment fell.

Despite rising depreciation charges in the third quarter of 2011 compared with a year earlier, the Exploration & Production segment reported a rise of €11 million in RCA EBIT on the back of rising production and prices of crude oil.

The operating underperformance of the Refining & Marketing business in the third quarter of 2011 compared with a year earlier impacted primarily by lower refining margin and lower volumes of crude oil processed.

RCA EBIT from the Gas & Power business segment in rose €17 million yoy to €68 million as supply margins for natural gas improved.

## OTHER RESULTS

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 18 | 17 | (1) | (3.6%) | Net profit from associated companies | 52 | 53 | 1 | 1.7% |
| 0 | (1) | (1) | n.m. | Net profit from investments | 0 | (0) | (1) | n.m. |
| (18) | (29) | (12) | (66.3%) | Financial results | (71) | (94) | (23) | (31.9%) |

### NINE MONTHS

Results from associates of €53 million in the first nine months of 2011 were in line with a year earlier and international gas pipelines EMPL, Gasoducto Al Andalus and Gasoducto Extremadura made a combined contribution of €35 million.

Net financial losses rose €23 million in the first nine months of 2011 as the rising average debt drove an increase in interest charges.

### THIRD QUARTER

Results from associates of €17 million in the third quarter of 2011 included €12 million from the international gas pipelines.

Net financial losses rose €12 million yoy in the third quarter of 2011 as interest charges were impacted by the rising average debt and higher cost of debt.

## INCOME TAX

Million euros (except otherwise noted)

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **43** | **48** | **4** | **9.6%** | **Income tax[1]** | **135** | **144** | **9** | **7.0%** |
| *31%* | *33%* | *2 p.p.* | *n.m.* | *Effective income tax* | *27%* | *27%* | *(0 p.p.)* | *n.m.* |
| (2) | (14) | 12 | n.m. | Inventory effect | (38) | (89) | 51 | n.m. |
| **41** | **34** | **(7)** | **(18.0%)** | **Income tax RC[1]** | **96** | **55** | **(42)** | **(43.3%)** |
| 2 | 1 | (1) | n.m. | Non recurrent items | 4 | 9 | 4 | 91.7% |
| **43** | **35** | **(8)** | **(18.7%)** | **Income tax RCA[1]** | **101** | **63** | **(38)** | **(37.3%)** |
| *31%* | *35%* | *4 p.p.* | *n.m.* | *Effective income tax* | *27%* | *26%* | *(1 p.p.)* | *n.m.* |

[1] Includes oil tax (IRP) payable in Angola

### NINE MONTHS

RCA income tax of €63 million equated to an effective tax rate of 26 %. In the first nine months of 2011, tax payable in Angola amounted to €20 million after the reversal in the first quarter of 2011 of close to €10 million relating to an excess estimate recorded.

### THIRD QUARTER

In the third quarter of 2011, RCA income tax fell €8 million yoy to €35 million as results also fell. In spite of this, the effective tax rate hit 35% as the IRP rose to €12 million and the relative contributions of the various businesses changed.

## 3. FINANCIAL POSITION

Million euros (except otherwise noted)

| | December 31, 2010 | June 30, 2011 | September 30, 2011 | Change vs Dec 31, 2010 | Change vs Jun 30, 2011 |
|---|---|---|---|---|---|
| Fixed assets | 5,426 | 5,782 | 5,884 | 458 | 103 |
| *Strategic stock* | 792 | 1,048 | 1,060 | 268 | 12 |
| Other assets (liabilities) | (336) | (396) | (371) | (35) | 25 |
| Working capital | (333) | (344) | (231) | 103 | 113 |
| | **5,548** | **6,090** | **6,343** | **794** | **253** |
| Short term debt | 616 | 1,073 | 1,035 | 418 | (38) |
| Long term debt | 2,412 | 2,367 | 2,588 | 176 | 221 |
| **Total debt** | **3,028** | **3,440** | **3,623** | **594** | **183** |
| Cash | 191 | 232 | 244 | 53 | 12 |
| **Total net debt** | **2,837** | **3,208** | **3,378** | **541** | **170** |
| **Total shareholder's equity** | **2,711** | **2,881** | **2,964** | **253** | **83** |
| **Capital employed** | **5,548** | **6,090** | **6,343** | **794** | **253** |

Fixed assets of €5,884 million at 30 September 2011 were €103 million higher than at the end of June 2011 reflecting capital expenditure in the quarter, namely on the refinery upgrade project. In comparison with June 2011, working capital rose €113 million as debt to suppliers fell following lower crude oil prices in the period.

## DEBT

Million euros (except otherwise noted)

| | December 31, 2010 | | June 30, 2011 | | September 30, 2011 | | Change vs Dec 31, 2010 | | Change vs Jun 30, 2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Short term | Long term | Short term | Long term | Short term | Long term | Short term | Long term | Short term | Long term |
| Bonds | - | 1,000 | 280 | 720 | 280 | 905 | 280 | (95) | - | 185 |
| Bank debt | 456 | 1,162 | 583 | 1,397 | 505 | 1,433 | 48 | 271 | (78) | 36 |
| Commercial paper | 160 | 250 | 210 | 250 | 250 | 250 | 90 | - | 40 | - |
| Cash | (191) | - | (232) | - | (244) | - | (53) | - | (12) | - |
| **Net debt** | **2,837** | | **3,208** | | **3,378** | | **541** | | **170** | |
| Average life (years) | 3.10 | | 2.55 | | 2.34 | | (0.76) | | (0.21) | |
| *Net debt to equity* | 105% | | 111% | | 114% | | 9.3 p.p. | | 2.6 p.p. | |

Net debt of €3,378 million at 30 September 2011 was €170 million higher than at the end of June 2011. Net debt to equity stood at 114% at the end of the period.

At the end of September 2011, long-term debt accounted for 71% of total debt, against 69% at the end of June 2011. Fifty-one per cent of medium- and long-term debt was on fixed rate compared with 33% at the end of June 2011.

The average life of debt was 2.3 years at the end of September 2011 and 77% of medium- and long-term debt was scheduled to mature between 2012 and 2014.

The average cost of debt for the first nine months of 2011 was, at 4.3%, 88 basis points higher yoy, in line with the rising trend in benchmark interest rates and the overall rise in the cost of credit in Europe.

At 30 September 2011, net debt attributable to minority interests amounted to €22 million.

At 30 September 2011, Galp Energia had contracted credit lines for €900 million which were not utilised; of these, 40% were contracted with international banks and 60% were contract guarantee.

## 4. CASH FLOW

Million euros

| Third quarter 2010 | Third quarter 2011 | | Nine months 2010 | Nine months 2011 |
|---|---|---|---|---|
| 140 | 157 | EBIT | 512 | 578 |
| 85 | 100 | Non cash costs | 243 | 308 |
| (65) | (57) | Change in operational stock | (140) | (24) |
| (23) | (12) | Change in strategic stocks | (140) | (268) |
| **137** | **188** | **Sub total** | **475** | **594** |
| (20) | (31) | Interest expenses | (60) | (82) |
| (50) | (63) | Taxes | (70) | (121) |
| 154 | (56) | Change in working capital excluding operational stock | 32 | (79) |
| **222** | **38** | ***Cash flow from operating activities*** | **378** | **312** |
| (367) | (176) | Net capital expenditures and disposals[1] | (971) | (771) |
| (42) | 7 | Dividends paid / received | (134) | (80) |
| (23) | (39) | Others | (39) | (3) |
| **(210)** | **(170)** | **Total** | **(766)** | **(541)** |

[1] *Net capital expenditures and disposals* includes financial investments

### NINE MONTHS

Net cash outflow of €541 million in the first nine months of 2011 showed a €225 million improvement yoy on the back of reduced capital expenditure.

Additions to the strategic stock, which followed primarily from rising prices of crude and oil products in international markets, had an adverse effect of €268 million on cash flow from operating activities. The rise in taxes, namely income tax, and interest paid also had a negative effect on cash flow from operating activities.

Capital expenditure in the first nine months of 2011 was lower than a year earlier, as the refinery upgrade project approached completion, but still had a negative effect on cash flow in the period.

### THIRD QUARTER

In the third quarter of 2011, net cash outflow was €170 million, up from €210 million a year earlier.

Compared with a year earlier, the cash flow from operating activities benefited from the rundown in operating and strategic stocks. On the other hand, the €56 million increase in working capital impacted cash flow from operating activities unfavourably.

Cash flow from investing activities of €176 million was primarily channelled into the refinery upgrade project, which had a negative effect on net cash flow generation.

## 5. CAPITAL EXPENDITURE

Million euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 96 | 57 | (39) | (40.8%) | Exploration & Production | 242 | 208 | (34) | (14.2%) |
| 276 | 148 | (128) | (46.3%) | Refining & Marketing | 562 | 560 | (2) | (0.4%) |
| 12 | 12 | 0 | 1.5% | Gas & Power | 57 | 37 | (20) | (35.0%) |
| 1 | 1 | (0) | (12.6%) | Others | 3 | 3 | 0 | 4.7% |
| **385** | **218** | **(167)** | **(43.3%)** | **Investment** | **864** | **808** | **(56)** | **(6.5%)** |

### NINE MONTHS

Capital expenditure in the first nine months of 2011 amounted to €808 million, of which Refining & Marketing accounted for close to 70%.

In Exploration & Production, spending was mostly channelled into Brazil, which absorbed €153 million, from which around 70% for block BM-S-11. In Angola, capital expenditure of close to €41 million went mostly into the development activities at block 14.

In Refining & Marketing, capital expenditure in the first nine months of the year amounted to €560 million, €432 million of which were channelled into the project for upgrade of the Sines and Matosinhos refineries.

In Gas & Power, capital spending of €37 million was primarily related to the natural gas distribution network.

### THIRD QUARTER

Capital expenditure of €218 million in the third quarter of 2011 was mainly channelled into the Refining & Marketing business segment.

In Exploration & Production, capital spending of €57 million was primarily channelled into Brazil's block BM-S-11, which absorbed around €30 million.

In Refining & Marketing, spending in the third quarter of 2011 amounted to €148 million, of which €70 million were absorbed by the upgrade project.

In Gas & Power, capital spending of €12 million went into expansion of the natural gas distribution network.

# SEGMENT REVIEW

## 1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **1.8** | **1.9** | **0.1** | **6.3%** | **Total working interest production (million bbl)** | **5.3** | **5.6** | **0.3** | **6.6%** |
| **0.9** | **1.1** | **0.2** | **27.9%** | **Total net entitlement production (million bbl)** | **3.0** | **3.2** | **0.2** | **7.6%** |
| **9.5** | **12.2** | **2.7** | **27.9%** | **Average net entitlement production (kbopd)** | **11.0** | **11.9** | **0.8** | **7.6%** |
| 8.1 | 8.0 | (0.0) | (0.6%) | Angola | 9.5 | 8.8 | (0.7) | (7.4%) |
| 1.5 | 4.2 | 2.7 | 184.7% | Brazil | 1.6 | 3.1 | 1.5 | 98.7% |
| **74.5** | **106.3** | **31.7** | **42.6%** | **Average realized sale price[1] (Usd/bbl)** | **75.5** | **102.0** | **26.5** | **35.1%** |
| **15.4** | **17.4** | **2.0** | **13.1%** | **Operating cost[1] (Usd/bbl)** | **13.4** | **16.5** | **3.1** | **23.4%** |
| **37.8** | **63.4** | **25.6** | **67.8%** | **Amortisation[1] (Usd/bbl)** | **27.0** | **59.4** | **32.4** | **120.3%** |
| **0.9** | **-** | **(0.9)** | **n.m.** | **Total sales[2] (million bbl)** | **1.9** | **1.9** | **0.0** | **2.6%** |
| **1,105** | **1,261** | **156** | **14.1%** | **Net total assets** | **1,105** | **1,261** | **156** | **14.1%** |
| 62 | 60 | (2) | (2.9%) | Turnover[3] | 163 | 233 | 69.9 | 42.9% |
| **37** | **63** | **26** | **69.5%** | **EBITDA RCA** | **130** | **186** | **55.5** | **42.7%** |
| **9** | **19** | **11** | **123.3%** | **EBIT RCA** | **62** | **70** | **8** | **12.5%** |

[1] Based on net entitlement production in Angola
[2] Considers actual sales
[3] Considers sales and change in production

### ACTIVITIES

#### NINE MONTHS

In the first nine months of 2011, working interest production rose 7% yoy to 20.6 kbopd, or 5.6 million barrels, as production rose in Brazil's Lula field following the start of operations by FPSO Cidade de Angra dos Reis and the beginning of Lula NE's second extended well test (EWT). In Angola, production slid 2% yoy as production in the Kuito and BBLT fields dropped, only to be partly offset by incremental production at the CPT Tômbua-Lândana.

Net entitlement production rose 8% in the first nine months of 2011 to 11.9 kbopd, as production in Brazil rose, offsetting Angola's shortfall. The 7% fall in Angola's net entitlement production to 8.8 kbopd followed from lower cost-oil production rates related to the cost recovery mechanism in the PSA for block 14's BBLT field. Brazil's production of 3.1 kbopd accounted for 26% of total net entitlement production.

#### THIRD QUARTER

Working interest production in the third quarter of 2011 rose 6% yoy to 20.8 kbopd, or 1.9 million barrels, as Brazilian production increased and more than offset falling production in Angola, where the Kuito and BBLT fields are in natural decline.

Net entitlement production in the third quarter of 2011 rose 28% yoy to 12.2 kbopd following higher production in Brazil, which offset falling production in Angola. This country's net entitlement production dropped 1% yoy to 8.0 kbopd as working interest production fell, although this was partly offset by higher cost-oil production rates as abandonment costs for the Kuito field started to be recovered. Brazil's production of 4.2 kbopd accounted for 34% of total net entitlement production, against 15% in the third quarter of 2010, on the back of increased production by FPSO Cidade de Angra dos Reis and Lula NE, the latter after the start of the second extended well test (EWT) in April 2011.

## RESULTS

### NINE MONTHS

RCA EBIT in the first nine months of 2011 rose 13% yoy from €62 million to €70 million as net entitlement production increased 8% and the average sales price of crude oil moved higher, thereby offsetting higher depreciation charges compared with a year earlier.

Brazil's contribution to EBIT RCA rose to 62% from 29% a year earlier as production in the Lula field increased and Angola's contribution fell.

Production costs in Angola edged up to €28 million from €26 million a year earlier following well maintenance in Angola's BBLT and CPT Tômbua-Lândana fields. On a net entitlement basis, unit costs rose to Usd 16.5/bbl from Usd 13.4/bbl a year earlier.

Depreciation charges in Angola rose to €101 million from €53 million a year earlier as the rate for depreciating assets in the country was raised following the downward revision of reserves and the update of the price of crude oil used as reference for the calculation of net entitlement reserves. In unit terms, on a net entitlement basis, depreciation charges rose to Usd 59.4/bbl from Usd 27.0/bbl in the first nine months of 2010.

### THIRD QUARTER

RCA EBIT in the third quarter of 2011 rose €11 million yoy to €19 million as net entitlement production increased 28% and the average sales price of crude oil moved higher, which more than offset the rise in depreciation charges compared with a year earlier.

In the third quarter of 2011, Brazil contributed 83% to the segment's EBIT RCA, which confirmed the country's growing importance in Galp Energia's business portfolio.

Production costs in Angola rose 3% yoy to €9 million in the third quarter of 2011. On a net entitlement basis, unit costs rose to Usd 17.4/bbl from Usd 15.4/bbl a year earlier.

Depreciation charges in Angola rose to €33 million from €22 million a year earlier as Angolan assets were depreciated at a faster rate. On the basis of net entitlement production, unit depreciation costs rose to Usd 63.4/bbl from Usd 37.8/bbl a year earlier.

## 2. REFINING & MARKETING

Million euros (except otherwise noted)

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **0.7** | **(0.4)** | **(1.0)** | **n.m.** | **Rotterdam cracking refining margin[1] (Usd/bbl)** | **1.5** | **(0.6)** | **(2.1)** | **n.m.** |
| **0.1** | **(0.6)** | **(0.8)** | **n.m.** | **Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)** | **0.3** | **(1.0)** | **(1.3)** | **n.m.** |
| **2.1** | **0.9** | **(1.3)** | **(59.7%)** | **Galp Energia refining margin (Usd/bbl)** | **2.7** | **0.8** | **(1.9)** | **(69.8%)** |
| **1.9** | **2.4** | **0.5** | **25.9%** | **Refinery cash cost (Usd/bbl)** | **2.0** | **2.4** | **0.4** | **17.5%** |
| **22,972** | **20,745** | **(2,227)** | **(9.7%)** | **Crude processed (k bbl)** | **66,736** | **55,213** | **(11,524)** | **(17.3%)** |
| **3.2** | **3.0** | **(0.2)** | **(7.3%)** | **Raw material processed (million tonnes)** | **9.6** | **8.1** | **(1.4)** | **(15.1%)** |
| **4.4** | **4.3** | **(0)** | **(2.6%)** | **Total refined product sales (million tonnes)** | **13.1** | **12.1** | **(0.9)** | **(7.1%)** |
| **2.7** | **2.8** | **0.0** | **1.0%** | **Sales to direct clients (million tonnes)** | **8.2** | **7.8** | **(0.4)** | **(4.5%)** |
| 1.6 | 1.6 | 0.1 | 3.8% | Wholesale | 4.6 | 4.5 | (0.1) | (2.4%) |
| 0.9 | 0.9 | (0.1) | (7.1%) | Retail | 2.7 | 2.5 | (0.2) | (8.7%) |
| 0.1 | 0.1 | (0.0) | (1.0%) | LPG | 0.2 | 0.2 | (0.0) | (7.9%) |
| 0.2 | 0.2 | 0.0 | 14.7% | Others | 0.6 | 0.6 | (0.0) | (5.5%) |
| **0.7** | **0.7** | **(0.1)** | **(6.9%)** | **Exports[2] (million tonnes)** | **2.2** | **1.9** | **(0.4)** | **(16.8%)** |
| **1,540** | **1,515** | **(25)** | **(1.6%)** | **Number of service stations** | **1,540** | **1,515** | **(25)** | **(1.6%)** |
| **588** | **597** | **9** | **1.5%** | **Number of c-stores** | **588** | **597** | **9** | **1.5%** |
| **5,737** | **6,916** | **1,179** | **20.5%** | **Net total assets** | **5,737** | **6,916** | **1,179** | **20.5%** |
| 3,144 | 3,773 | 629 | 20.0% | Turnover | 9,243 | 10,920 | 1,677 | 18.1% |
| **126** | **74** | **(51)** | **(41.0%)** | **EBITDA RCA** | **325** | **191** | **(134)** | **(41.3%)** |
| **75** | **21** | **(54)** | **(72.3%)** | **EBIT RCA** | **176** | **41** | **(135)** | **(76.8%)** |

[1] Source: *Platts*. For a complete description of the method for calculating Rotterdam margins, see “Definitions”

[2] Galp Energia Group exports, excluding sales in the Spanish market

### ACTIVITIES

#### NINE MONTHS

In refining business, 55 million barrels of crude oil were processed in the first nine months of 2011, down from a year earlier primarily following the 40-day technical shutdown of the Sines refinery in the first quarter of 2011. Therefore, the refineries capacity utilization rate in the period stood at 61%, down from 79% a year earlier.

Crude oil accounted for 91% of raw materials processed, with light crude and condensates weighing 42%, medium crude 36% and heavy crude 22%.

In the production profile, diesel accounted for 34%, followed by gasoline with 22%. Fuel oil and jet accounted for 19% and 7%, respectively, and own consumption and losses for 7%.

Volumes sold to direct clients fell 5% yoy to 7.8 million tonnes as the Iberian market for oil products contracted. Sales of oil products in Africa rose 27% yoy to 521 thousand tonnes.

Exports outside the Iberian Peninsula in the first nine months of 2011 fell 17% yoy to 1.9 million tonnes. Fuel oil, with 39%, and gasoline, with 30%, had the largest shares of the total. The fall in exports, particularly of gasoline, was influenced by the technical shutdown of the Sines refinery in the first quarter of 2011.

#### THIRD QUARTER

In the third quarter of 2011, 21 million barrels of crude were processed as capacity utilisation rate stood at 68%, against 81% a year earlier. This lower utilisation rate was partly influenced by efforts to optimise utilisation levels given the refining margins prevailing in international markets and by the shutdown of some units, namely the aromatics and vacuum distillation plants, in the Matosinhos and Sines refineries in August and September, respectively.

Crude oil accounted for 94% of raw materials processed in the third quarter of 2011, with light crude and condensates and medium crude weighing 33% and 35% of the total, respectively. The weight of heavy crude was 32%, against 15% a year earlier, as operations started in June 2011 in the new upgraded units of Matosinhos refinery.

Diesel weighed 33% in the production profile, against 36% a year earlier. Gasoline weighed 23%, fuel oil 21% and jet 8%. Own consumption and losses accounted for 7%.

Volumes sold to direct clients in the third quarter of 2011 edged up 1% yoy to 2.8 million tonnes. In spite of a contracting market for oil products in the Iberian Peninsula, sales to direct clients held their own on the back of the contribution from wholesale clients in both Portugal and Spain. In Africa, sales rose 44% to 194 thousand tonnes, showing a favourable trend for the business in this continent.

Exports outside the Iberian Peninsula in the third quarter of 2011 fell 7% yoy to 0.7 million tonnes, as lower naphtha shipments followed cutbacks in production. Fuel oil accounted for 34% and gasoline for 45% of total exports, respectively.

## RESULTS

### NINE MONTHS

RCA EBIT tumbled in the first nine months of 2011 to €41 million from €176 million a year earlier as volumes of crude processed dropped, the refining margin fell and the Iberian market for oil products contracted.

Tracking refining margins in international markets, Galp Energia's own refining margin plummeted to Usd 0.8/bbl from Usd 2.7/bbl a year earlier. The premium of Galp Energia's refining margin over the benchmark refining margin remained unchanged year on year.

In the first nine months of 2011, the refineries' operating cash costs amounted to €92 million, from €101 million in the same period last year. In unitary terms cost increased to Usd 2.4/bbl, against Usd 2.0/bbl a year earlier. This rise followed from the lower volumes of crude processed, which limited the scope for spreading fixed costs.

The adverse economic environment, which impaired the Iberian market for oil products, impacted volumes sold negatively, which resulted in a lower contribution to earnings year on year from oil product marketing in spite of good progress in Africa.

Full consolidation of Enacol from the second quarter of 2011, previously consolidated by the equity method, had a favourable effect of close to €8 million on RCA EBIT for the first nine months of 2011.

### THIRD QUARTER

RCA EBIT in the third quarter of 2011 dropped €54 million yoy to €21 million as both the refining margin and volumes of crude processed fell and marketing of oil products reduced its contribution to earnings on the back of a contracted Iberian oil market.

Galp Energia's refining margin in the period tumbled to Usd 0.9/bbl from Usd 2.1/bbl a year earlier, following the negative trend for refining margins in international markets. The premium of Galp Energia's refining margin over the benchmark tightened in comparison with a year following the shutdown of the aromatics and vacuum distillation plants at the Sines and Matosinhos refineries, respectively. Although it was insufficient to offset the effect of the shutdowns, the widening spread between heavy and light crude had a positive effect on the refining margin in relation to the benchmark.

The refineries' operating cash costs amounted to €35 million, in line with the €34 million from the previous year. These costs equated to a unit cost of Usd

2.4/bbl, up from Usd 1.9/bbl a year earlier. This increase followed partly from the impaired ability to spread fixed costs as volumes of crude processed dropped, partly from the costs incurred by the shutdown of the Sines and Matosinhos refineries in the third quarter of 2011.

Oil products marketing performance was hit by the unfavourable economic environment in the Iberian Peninsula, which affected negatively the contribution to results by the business in spite of the rising contribution from African operations.

Full consolidation of Enacol from the second quarter of 2011 had a favourable impact of around €2 million on RCA EBIT for the third quarter of 2011.

## 3. GAS & POWER

Million euros (except otherwise noted)

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| **1,302** | **1,159** | **(143)** | **(11.0%)** | **NG supply total sales volumes (million m³)** | **3,586** | **3,951** | **365** | **10.2%** |
| 613 | 490 | (123) | (20.0%) | Electrical | 1,474 | 1,479 | 5 | 0.3% |
| 428 | 480 | 52 | 12.2% | Industrial | 1,405 | 1,495 | 90 | 6.4% |
| 64 | 88 | 24 | 37.1% | Residential | 282 | 475 | 193 | 68.6% |
| 159 | 88 | (71) | (44.7%) | Trading | 298 | 423 | 125 | 41.8% |
| 39 | 13 | (26) | (67.0%) | Other supply companies | 127 | 78 | (48) | (38.2%) |
| **1,331** | **1,309** | **(22)** | **(1.6%)** | **NG clients[1] (thousands)** | **1,331** | **1,309** | **(22)** | **(1.6%)** |
| **301** | **320** | **19** | **6.3%** | **Sales of electricity to the grid[2] (GWh)** | **909** | **867** | **(42)** | **(4.6%)** |
| **1,043** | **1,049** | **7** | **0.6%** | **Natural gas net fixed assets[3]** | **1,043** | **1,049** | **7** | **0.6%** |
| **2,052** | **2,179** | **127** | **6.2%** | **Net total assets** | **2,052** | **2,179** | **127** | **6.2%** |
| 467 | 497 | 30 | 6.4% | Turnover | 1,234 | 1,608 | 373 | 30.3% |
| **56** | **79** | **23** | **40.7%** | **EBITDA RCA** | **211** | **199** | **(12)** | **(5.7%)** |
| **50** | **68** | **17** | **34.5%** | **EBIT RCA** | **143** | **167** | **24** | **16.8%** |
| 28 | 35 | 7 | 26.9% | Supply[4] | 71 | 59 | (12) | (16.6%) |
| 21 | 26 | 4 | 20.9% | Infrastructure | 62 | 89 | 27 | 42.9% |
| 1 | 7 | 5 | n.m. | Power | 10 | 19 | 9 | 91.3% |

[1] Includes unconsolidated companies where Galp Energia has a significant interest
[2] Includes Energin, which does not consolidate but where Galp Energia has a 35% holding. This company had in the first nine months and third quarter of 2011 sales of power to the grid of 213 GWh and 80 GWh, respectively
[3] Excludes financial investments; net fixed assets are on a consolidated basis
[4] Includes liberalised and regulated supply

### ACTIVITIES

#### NINE MONTHS

Sales of natural gas in the first nine months of 2011 rose 10% yoy to 3,951 million cubic metres on the back of stronger residential and trading segments as volumes in the electrical segment remained stable.

In the industrial segment, natural gas volumes rose 6% yoy to 1,495 million cubic metres. Higher sales in the Spanish market offset lower sales in Portugal, where demand from the Sines cogeneration dropped following the refinery's technical shutdown in the first quarter of 2011.

The residential segment rose 69% yoy to 475 million cubic metres following the addition of natural gas marketing activities in the Madrid region from April 2010.

Sales of natural gas through trading rose 125 million cubic metres yoy to 423 million cubic metres as opportunities were identified to sell into the international market.

Sales of power to the grid in the first nine months of 2011 fell 42 GWh yoy to 867 GWh following the scheduled shutdowns at the Sines cogeneration and Energin in the first quarter of 2011.

#### THIRD QUARTER

Sales of natural gas in the third quarter of 2011 fell 11% yoy to 1,159 million cubic metres.

Volumes sold to the electrical segment dropped 20% yoy to 490 million cubic metres as the mild weather in Portugal affected power generation, namely through natural gas , having the use of coal increased.

In the industrial segment, volumes of natural gas sold rose 12% yoy to 480 million cubic metres on the back of higher sales in the Spanish market and the increase in the number of new clients in Portugal.

The residential segment amounted to 88 million cubic metres, of which the natural gas marketing activities in the Madrid region accounted for 20 million cubic metres.

Sales of power to the grid in the third quarter of 2011 rose 19 GWh yoy to 320 GWh as the cogeneration plants raised their operational performance.

## RESULTS

### NINE MONTHS

RCA EBIT in the first nine months of 2011 rose 17% yoy to €167 million as results from infrastructure activities and power improved and more than offset the shortfall in results from the supply activities.

In the supply business, RCA EBIT dropped €12 million to €59 million as supply margins contracted after the purchase price of natural gas rose compared with a year earlier.

The infrastructure business generated RCA EBIT of €89 million, up 43% yoy as the smoothing of allowed revenues was discontinued from July 2010 and the difference between the two calculation methods for gas years 2008/2009 and 2009/2010, recorded at the end of the first half of 2011, was partly recovered.

RCA EBIT for the power business rose to €19 million from €10 million a year earlier, as the third quarter of 2010 was negatively affected by the rise in the tariff for acquisition of natural gas for the Sines cogeneration.

### THIRD QUARTER

RCA EBIT in the third quarter of 2011 rose 35% yoy to €68 million.

RCA EBIT for the natural gas supply business rose €7 million yoy to €35 million as supply margins increased with better management of supply contracts.

The infrastructure business generated RCA EBIT of €26 million, which was in line with a year earlier, thus reinforcing steady results from this activity.

RCA EBIT for the power business rose €5 million yoy to €7 million as cogenerations performed well due to a higher tariff for the acquisition of natural gas by the Sines cogeneration a year earlier.

# SHORT-TERM OUTLOOK

The purpose of this section is to share the view that Galp Energia has on certain key variables that influence its operational performance in the short run. All these variables, however, are not directly related to Galp Energia's own performance as some of them depend on exogenous factors.

## MARKET ENVIRONMENT

For the fourth quarter of 2011, Galp Energia estimates that the price of the dated Brent should be in line with current levels. The current economic environment should maintain oil demand pressured, although the North Sea production constrains, with European refineries' crude oil stocks close to record-low levels, and the slow return of Libyan supplies should continue to support the price of dated Brent.

The Rotterdam benchmark margins are likely to remain under pressure and in negative territory in the fourth quarter of 2011. Gasoline crack spreads should decrease, while it is expected some recovery in middle distillates crack spreads.

Gasoline crack spreads are likely to be affected by the end of the U.S. driving season, with gasoline losing support on both sides of the Atlantic and demand continuing depressed. Middle East and North Africa increase in demand are at this stage seen unlikely.

The fuel oil crack spread is likely to remain under pressure due to the lack of demand on a worldwide basis.

Middle-distillate crack spreads are expected to benefit from lack of product availability from Russia due to low refinery runs and internal switch for low sulphur specifications should limit European market supply. Gasoil stocks at the the Amsterdam – Rotterdam – Antwerp hub are at their lowest level since beginning of 2009 when demand is expected to increase due to winter.

## OPERATIONAL ACTIVITY

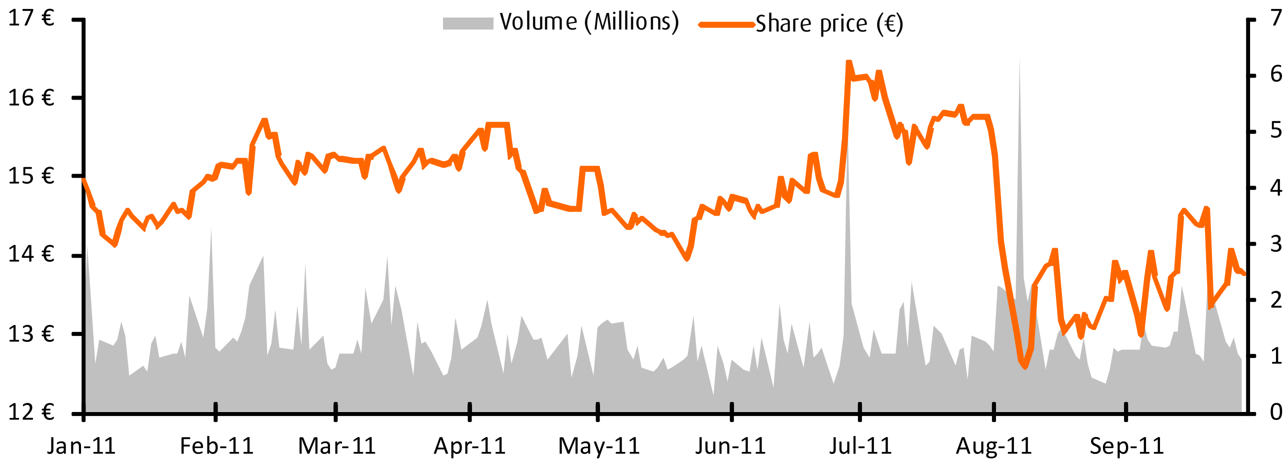
In the Exploration & Production business segment, working interest production may reach 23 kbopd in the fourth quarter of 2011. Lower production in Angola following the natural decline of the fields will be more than offset by rising production in Brazil with the connection of two additional production wells to FPSO Cidade de Angra dos Reis, scheduled before the year end.

In the Refining & Marketing business segment, the volume of crude oil processed should be in line with the second quarter of the year, with no shutdowns for programmed maintenance expected for the fourth quarter. Sales of oil products to direct clients are expected to decrease compared to the third quarter mainly due to seasonality and to the adverse Iberian macro environment context on the back of austerity measures, namely in Portugal.

In the Gas & Power business segment, natural gas volumes are expected to increase, benefiting from higher volumes in the trading segment, supported by increased demand from the Asian market. Natural gas sales to the residential and industrial segments, both in Portugal and in Spain, will be positively influenced from seasonality effect, which benefits the fourth quarter. On the other hand, volumes sold to the electrical segment should be impacted by higher hydro levels, thus impacting the use of natural gas in power generation. The infrastructure activity is likely to post a constant performance compared with the third quarter.

# THE GALP ENERGIA STOCK

## PERFORMANCE OF THE GALP ENERGIA STOCK




Source: *Euroinvestor*

### NINE MONTHS

In the first nine months of 2011, the Galp Energia stock shed 4% and closed the period at €13.74. From the initial public offering on 23 October 2006 until 30 September 2011, the stock had a favourable performance and gained 136%. The share price had a high of €16.97 and a low of €11.60 in the period, when approximately 249 million shares, or an average of 1.3 million daily, were traded.

At 30 September 2011, Galp Energia had a market capitalisation of €11,394 million.

### THIRD QUARTER

In the third quarter of 2011, the Galp Energia stock lost 16% compared with the close at the end of the first half of 2011. The volume traded in the period amounted to 88 million shares, or a daily average of 1.4 million shares.

| Share detail | |
|---|---|
| ISIN | PTGAL0AM0009 |
| Reuters | GALP.LS |
| Bloomberg | GALP PL |
| Number of shares | 829,250,635 |

| Main indicators | 2010 | 3Q 2011 | 9M 2011 |
|---|---|---|---|
| Min (€) | 10.37 | 11.60 | 11.60 |
| Max (€) | 14.86 | 16.45 | 16.97 |
| Average (€) | 12.70 | 14.40 | 14.71 |
| Close price (€) | 14.34 | 13.74 | 13.74 |
| Volume (M shares) | 428.0 | 88.4 | 249.3 |
| Average volume per day (M shares) | 1.6 | 1.4 | 1.3 |
| Market cap (M€) | 11,891 | 11,394 | 11,394 |

# EVENTS IN THE THIRD QUARTER OF 2011

## CORPORATE

### NOTES ISSUE OF €185,000,000

On August 3 Galp Energia announced the issue of Notes, through a private offering, in the amount of €185,000,000. The Notes have a term of 3 years at floating rate in which the interest rate for the first coupon is set at 5.32%.

### RESOLUTIONS OF THE GENERAL SHAREHOLDERS MEETING

On August 3 Galp Energia held a general shareholders meeting, which approved an amendment of the articles of association of the Company, namely the elimination of class A shares special rights. A consolidated and updated version of the articles of association is available on:

http://www.galpenergia.com/EN/Investidor/Governo Corporativo/Paginas/Estatutos.aspx

## EXPLORATION & PRODUCTION

### FIRST WELL IN LULA FIELD CONFIRMS HIGH PRODUCTION POTENTIAL

On July 7 Galp Energia announced that the P1 well, the first commercial production well at the pre-salt Santos Basin, in Lula field, has reached in May an average production of 28,436 barrels of oil per day (bpd), confirming the high potential of the Brazilian pre-salt reservoirs. Considering oil and natural gas, average production in May was 36,322 barrels of oil equivalent per day (boepd).

### LULA-MEXILHÃO PIPELINE STARTS OPERATIONS IN SANTOS BASIN

On September 19 Galp Energia, partner of the consortium for BM-S-11, with Petrobras and BG Group, announced that it had started the operations of the Lula-Mexilhão gas pipeline on September 16. Lula-Mexilhão gas pipeline connects the Lula field to the Mexilhão platform, located in Santos basin shallow waters, being strategic for the development of the pre-salt oil production of that basin.

# EVENTS AFTER THE CLOSE OF THE THIRD QUARTER OF 2011

## EXPLORATION & PRODUCTION

### GALP ENERGIA ANNOUNCES A GIANT GAS DISCOVERY OFFSHORE MOZAMBIQUE

On October 20 Galp Energia, partner of the consortium for Area 4 in Rovuma basin, offshore Mozambique, announced a giant natural gas discovery at the Mamba South 1 prospect, in that area. This impressive discovery can lead to at least 15 tcf of gas in place in the Mamba South Area.

### UPDATE ON MAMBA SOUTH PROSPECT IN MOZAMBIQUE

On October 27 Galp Energia, partner of the consortium for Area 4 in Rovuma basin, offshore Mozambique, the well Mamba South 1 encountered a new separated pool that contains up to 7.5 Tcf of gas in place in clean sands of Eocenic age with 90 meters of gross pay.

## EMPLOYEES

| | December 31, 2010 | June 30, 2011 | September 30, 2011 | Change vs Dec 31, 2010 | Change vs Jun 30, 2011 |
|---|---|---|---|---|---|
| Exploration & Production | 82 | 87 | 92 | 10 | 5 |
| Refining & Marketing | 6,156 | 6,175 | 6,322 | 166 | 147 |
| Gas & Power | 463 | 506 | 506 | 43 | - |
| Corporte & Others | 610 | 610 | 634 | 24 | 24 |
| **Total employees** | **7,311** | **7,378** | **7,554** | **243** | **176** |
| Service stations employees | 3,462 | 3,513 | 3,426 | (36) | (87) |
| **Total off site employees** | **3,849** | **3,865** | **4,128** | **279** | **263** |

## RESULTS FROM ASSOCIATES

Million Euros

| Third quarter | | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| 2010 | 2011 | Chg. | % Chg. | | 2010 | 2011 | Chg. | % Chg. |
| 1.8 | 2.1 | 0.3 | 15.4% | CLH | 5.0 | 6.1 | 1.1 | 21.6% |
| 2.0 | 1.3 | (0.7) | (35.4%) | CLC | 6.0 | 3.8 | (2.3) | (37.6%) |
| 12.1 | 12.0 | (0.2) | (1.5%) | *International Pipelines* | 35.9 | 35.2 | (0.6) | (1.8%) |
| 0.7 | 1.0 | 0.3 | 37.5% | Setgás - Natural Gas Distribution Company | 2.5 | 3.0 | 0.5 | 20.3% |
| 1.2 | 0.9 | (0.3) | (24.7%) | Others | 2.6 | 4.8 | 2.2 | 82.4% |
| **17.9** | **17.3** | **(0.6)** | **(3.6%)** | **Total** | **52.1** | **52.9** | **0.9** | **1.7%** |

## RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

### 1. REPLACEMENT COST ADJUSTED EBIT BY SEGMENT

Million euros

| Third quarter | | | | | 2011 | Nine months | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EBIT | Inventory effect | EBIT RC | Non recurrent items | EBIT RCA | | EBIT | Inventory effect | EBIT RC | Non recurrent items | EBIT RCA |
| **157** | **(49)** | **109** | **2** | **111** | **EBIT** | **578** | **(315)** | **263** | **21** | **285** |
| 16 | - | 16 | 3 | 19 | E&P | 43 | - | 43 | 27 | 70 |
| 69 | (47) | 22 | (1) | 21 | R&M | 353 | (308) | 45 | (4) | 41 |
| 69 | (2) | 67 | 0 | 68 | G&P | 176 | (7) | 168 | (1) | 167 |
| 3 | 0 | 3 | - | 3 | Others | 7 | - | 7 | - | 7 |

Million euros

| Third quarter | | | | | 2010 | Nine months | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EBIT | Inventory effect | EBIT RC | Non recurrent items | EBIT RCA | | EBIT | Inventory effect | EBIT RC | Non recurrent items | EBIT RCA |
| **140** | **(13)** | **127** | **9** | **136** | **EBIT** | **512** | **(146)** | **367** | **23** | **390** |
| 5 | - | 5 | 3 | 9 | E&P | 51 | - | 51 | 11 | 62 |
| 87 | (14) | 73 | 2 | 75 | R&M | 316 | (138) | 177 | (1) | 176 |
| 49 | 1 | 50 | (0) | 50 | G&P | 145 | (7) | 137 | 5 | 143 |
| (2) | 0 | (2) | 4 | 3 | Others | 1 | 0 | 1 | 8 | 9 |

### 2. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

Million euros

| Third quarter | | | | | 2011 | Nine months | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | Inventory effect | EBITDA RC | Non recurrent items | EBITDA RCA | | EBITDA | Inventory effect | EBITDA RC | Non recurrent items | EBITDA RCA |
| **270** | **(49)** | **221** | **(1)** | **221** | **EBITDA** | **902** | **(315)** | **587** | **(2)** | **585** |
| 63 | - | 63 | (0) | 63 | E&P | 186 | - | 186 | 0 | 186 |
| 121 | (47) | 75 | (0) | 74 | R&M | 502 | (308) | 194 | (3) | 191 |
| 81 | (2) | 79 | - | 79 | G&P | 206 | (7) | 198 | 1 | 199 |
| 4 | 0 | 4 | - | 4 | Others | 9 | - | 9 | - | 9 |

Million euros

| Third quarter | | | | | 2010 | Nine months | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | Inventory effect | EBITDA RC | Non recurrent items | EBITDA RCA | | EBITDA | Inventory effect | EBITDA RC | Non recurrent items | EBITDA RCA |
| **230** | **(13)** | **217** | **6** | **223** | **EBITDA** | **820** | **(146)** | **674** | **3** | **677** |
| 37 | - | 37 | 0 | 37 | E&P | 130 | - | 130 | (0) | 130 |
| 138 | (14) | 124 | 1 | 126 | R&M | 465 | (138) | 327 | (2) | 325 |
| 56 | 1 | 56 | (0) | 56 | G&P | 218 | (7) | 210 | 1 | 211 |
| (1) | 0 | (1) | 4 | 4 | Others | 6 | 0 | 6 | 4 | 11 |

## 3. NON RECURRENT ITEMS

### EXPLORATION & PRODUCTION

Million Euros

| Third quarter 2010 | Third quarter 2011 | | Nines months 2010 | Nines months 2011 |
|---|---|---|---|---|
| | | **Exclusion of non recurrent items** | | |
| (0.3) | (0.0) | Gains / losses on disposal of assets | (0.3) | (0.0) |
| 0.3 | (0.0) | *Assets write offs* | - | 0.2 |
| 3.2 | 3.4 | Assets impairments | 11.5 | 26.7 |
| **3.2** | **3.4** | **Non recurrent items of EBIT** | **11.2** | **26.8** |
| **3.2** | **3.4** | **Non recurrent items before income taxes** | **11.2** | **26.8** |
| (1.1) | (1.2) | Income taxes on non recurrent items | (3.8) | (9.1) |
| **2.1** | **2.2** | **Total non recurrent items** | **7.3** | **17.7** |

### REFINING & MARKETING

Million Euros

| Third quarter 2010 | Third quarter 2011 | | Nines months 2010 | Nines months 2011 |
|---|---|---|---|---|
| | | **Exclusion of non recurrent items** | | |
| 0.0 | 0.0 | Accidents caused by natural facts | (1.5) | (5.8) |
| (0.0) | (1.0) | Gains / losses on disposal of assets | (0.1) | (1.4) |
| 0.1 | (0.2) | *Assets write offs* | 0.1 | 0.1 |
| 1.1 | 0.7 | Employees contracts rescission | 8.4 | 4.0 |
| (0.0) | - | Sines refinery fire - accidents | - | - |
| (0.3) | (0.6) | Provisions for environmental charges and others | 0.1 | (0.2) |
| 0.7 | (0.4) | Assets impairments | 0.7 | (0.9) |
| - | - | Margin in the sale of $CO_2$ emission licenses | (8.9) | - |
| **1.6** | **(1.4)** | **Non recurrent items of EBIT** | **(1.3)** | **(4.2)** |
| - | 0.5 | Capital gains / losses on disposal of financial investments | - | 0.5 |
| **1.6** | **(0.9)** | **Non recurrent items before income taxes** | **(1.3)** | **(3.7)** |
| (0.5) | 0.2 | Income taxes on non recurrent items | 0.3 | 0.9 |
| **1.1** | **(0.8)** | **Total non recurrent items** | **(1.0)** | **(2.8)** |

## GAS & POWER

Million Euros

| Third quarter | | | Nines months | |
|---|---|---|---|---|
| 2010 | 2011 | | 2010 | 2011 |
| | | **Exclusion of non recurrent items** | | |
| (0.0) | - | Gains / losses on disposal of assets | (0.0) | (0.0) |
| - | - | *Assets Write offs* | - | 1.2 |
| - | - | Employees contracts rescission | 1.9 | - |
| (0.0) | 0.0 | Provisions for environmental charges and others | 4.5 | (2.5) |
| - | - | Margin in the sale of $CO_2$ emission licenses | (0.9) | - |
| **(0.0)** | **0.0** | **Non recurrent items of EBIT** | **5.5** | **(1.3)** |
| 0.0 | - | Capital gains / losses on disposal of financial investments | (0.0) | - |
| **(0.0)** | **0.0** | **Non recurrent items before income taxes** | **5.4** | **(1.3)** |
| 0.0 | (0.0) | Income taxes on non recurrent items | (1.0) | (0.4) |
| **(0.0)** | **0.0** | **Total non recurrent items** | **4.4** | **(1.7)** |

## OTHER

Million Euros

| Third quarter | | | Nines months | |
|---|---|---|---|---|
| 2010 | 2011 | | 2010 | 2011 |
| | | **Exclusion of non recurrent items** | | |
| - | - | Gains / losses on disposal of assets | - | - |
| - | - | Sines refinery fire - accidents | 4.5 | - |
| - | - | *Assets write-offs* | - | - |
| - | - | Provisions for environmental charges and others | 3.2 | - |
| **4.5** | - | **Non recurrent items of EBIT** | **7.7** | - |
| (0.0) | (0.0) | Capital gains / losses on disposal of financial investments | (0.0) | (0.0) |
| **4.4** | **(0.0)** | **Non recurrent items before income taxes** | **7.7** | **(0.0)** |
| 0.0 | 0.0 | Income taxes on non recurrent items | 0.0 | 0.0 |
| **4.4** | **(0.0)** | **Total non recurrent items** | **7.7** | **(0.0)** |

## CONSOLIDATED SUMMARY

Million Euros

| Third quarter | | | Nines months | |
|---|---|---|---|---|
| 2010 | 2011 | | 2010 | 2011 |
| | | **Exclusion of non recurrent items** | | |
| - | - | Sale of strategic stock | - | - |
| - | - | Sale of strategic stock cost | - | - |
| 0.0 | 0.0 | Accidents caused by natural facts | (1.5) | (5.8) |
| (0.3) | (1.1) | Gains / losses on disposal of assets | (0.4) | (1.4) |
| 0.4 | (0.2) | *Assets write off* | 0.1 | 1.5 |
| - | - | Margin in the sale of $CO_2$ emission licenses | (9.8) | - |
| 1.1 | 0.7 | Employees contracts rescission | 10.3 | 4.0 |
| 4.5 | - | Sines refinery fire - accidents | 4.5 | - |
| (0.3) | (0.5) | Provisions for environmental charges and others | 7.8 | (2.7) |
| 3.9 | 3.1 | Assets impairments | 12.1 | 25.7 |
| - | (0.8) | Claim paid to OnlyProperties (Lands in Cabo Ruivo) | - | - |
| - | 0.8 | Claims paid to EDP (Lands in Cabo Ruivo) | - | - |
| - | - | Others | - | - |
| **9.3** | **2.0** | **Non recurrent items of EBIT** | **23.0** | **21.3** |
| 0.0 | 0.5 | Capital gains / losses on disposal of financial investments | (0.0) | 0.5 |
| - | - | Other financial results | - | - |
| **9.3** | **2.5** | **Non recurrent items before income taxes** | **23.0** | **21.8** |
| (1.6) | (1.0) | Income taxes on non recurrent items | (4.5) | (8.6) |
| **7.7** | **1.5** | **Total non recurrent items** | **18.5** | **13.2** |

# CONSOLIDATED FINANCIAL STATEMENTS

## 1. CONSOLIDATED INCOME STATEMENT

Million euros

| Third quarter | | | Nines months | |
|---|---|---|---|---|
| 2010 | 2011 | | 2010 | 2011 |
| | | **Operating income** | | |
| 3,502 | 4,154 | Sales | 10,236 | 12,109 |
| 88 | 123 | Services rendered | 224 | 320 |
| 35 | 38 | Other operating income | 160 | 129 |
| **3,625** | **4,315** | **Total operating income** | **10,619** | **12,557** |
| | | **Operating costs** | | |
| (3,087) | (3,721) | Inventories consumed and sold | (8,904) | (10,687) |
| (200) | (220) | Material and services consumed | (571) | (660) |
| (88) | (84) | Personnel costs | (262) | (242) |
| (85) | (100) | Amortisation and depreciation cost | (243) | (308) |
| (5) | (12) | Provision and impairment of receivables | (65) | (16) |
| (20) | (20) | Other operating costs | (63) | (65) |
| **(3,485)** | **(4,158)** | **Total operating costs** | **(10,107)** | **(11,979)** |
| **140** | **157** | **EBIT** | **512** | **578** |
| 18 | 17 | Net profit from associated companies | 52 | 53 |
| 0 | (1) | Net profit from investments | 0 | (0) |
| | | **Financial results** | | |
| 6 | 4 | Financial profit | 18 | 17 |
| (25) | (35) | Financial costs | (77) | (100) |
| 3 | 1 | Exchange gain (loss) | (12) | (10) |
| (1) | 1 | Profit and cost on financial instruments | 1 | (1) |
| (0) | (0) | Other gains and losses | (1) | (1) |
| **140** | **145** | **Profit before taxes** | **493** | **537** |
| (43) | (48) | Income tax expense | (135) | (144) |
| **97** | **97** | **Profit before minority interest** | **359** | **393** |
| (1) | (3) | Profit attributable to minority interest | (3) | (8) |
| **96** | **94** | **Net profit for the period** | **355** | **385** |
| **0.12** | **0.11** | **Earnings per share (in Euros)** | **0.43** | **0.46** |

## 2. CONSOLIDATED FINANCIAL POSITION

Million euros

| | December 31, 2010 | June 30, 2011 | September 30, 2011 |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Tangible fixed assets | 3,589 | 3,978 | 4,054 |
| *Goodwill* | 243 | 247 | 247 |
| Other intangible fixed assets | 1,308 | 1,288 | 1,283 |
| Investments in associates | 283 | 265 | 297 |
| Investments in other participated companies | 3 | 3 | 3 |
| Other receivables | 112 | 102 | 94 |
| Deferred tax assets | 216 | 190 | 182 |
| Other financial investments | 1 | 1 | 1 |
| **Total non current assets** | **5,755** | **6,075** | **6,162** |
| **Current assets** | | | |
| Inventories | 1,570 | 1,793 | 1,862 |
| Trade receivables | 1,082 | 1,222 | 1,071 |
| Other receivables | 562 | 581 | 635 |
| Other financial investments | 5 | 19 | 6 |
| Current Income tax recoverable | - | - | - |
| Cash and cash equivalents | 188 | 216 | 241 |
| **Total current assets** | **3,407** | **3,831** | **3,815** |
| **Total assets** | **9,162** | **9,906** | **9,977** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 829 | 829 | 829 |
| Share premium | 82 | 82 | 82 |
| Translation reserve | 28 | 2 | (13) |
| Other reserves | 193 | 193 | 193 |
| Hedging reserves | (4) | (2) | (1) |
| Retained earnings | 1,109 | 1,434 | 1,434 |
| Profit attributable to equity holders of the parent | 441 | 290 | 385 |
| **Equity attributable to equity holders of the parent** | **2,679** | **2,830** | **2,909** |
| Minority interest | 32 | 52 | 55 |
| **Total equity** | **2,711** | **2,881** | **2,964** |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Bank loans and overdrafts | 1,412 | 1,647 | 1,683 |
| Bonds | 1,000 | 720 | 905 |
| Other payables | 321 | 308 | 363 |
| Retirement and other benefit obligations | 285 | 288 | 290 |
| Deferred tax liabilities | 84 | 81 | 84 |
| Other financial instruments | 0 | 0 | 0 |
| Provisions | 156 | 112 | 105 |
| **Total non current liabilities** | **3,258** | **3,156** | **3,431** |
| **Current liabilities** | | | |
| Bank loans and overdrafts | 616 | 793 | 755 |
| Bonds | - | 280 | 280 |
| Trade payables | 1,490 | 1,735 | 1,542 |
| Other payables | 1,034 | 978 | 966 |
| Other financial instruments | 8 | 4 | 1 |
| Income tax | 45 | 78 | 38 |
| **Total current liabilities** | **3,193** | **3,868** | **3,582** |
| **Total liabilities** | **6,451** | **7,024** | **7,012** |
| **Total equity and liabilities** | **9,162** | **9,906** | **9,977** |

# ADDITIONAL INFORMATION

## DEFINITIONS

### EBIT

Operating profit

### EBITDA

Operating profit plus depreciation, amortisation and provisions. EBITDA is not a direct measure of liquidity and should be analysed jointly with the actual cash flows from operating activities and taking into account existing financial commitments

### Galp Energia, Company or Group

Galp Energia, SGPS, S.A. and associates

### IRP

Income tax on oil sales in Angola

### Rotterdam cracking margin

The Rotterdam cracking margin has the following profile: -100% dated Brent, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg, +7.4% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 50 ppm NWE CIF Cg and +15,3% LSFO 1% FOB Cg.; C&Q: 7.7%; Terminal rate: 1$/ton; Ocean loss: 0.15% over dated Brent; Freight 2010: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 5.22 $/ton (Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 6.04 $/ton). Yields in % of weight.

### Hydroskimming margin+ Aromatics + Rotterdam base oils

Rotterdam hydroskimming margin: -100% dated Brent, +2.1% LPG FOB Seagoing (50% Butane+ 50% Propane), +15.1% PM UL NWE FOB Bg, +4,0% Naphtha NWE FOB Bg., +9% Jet NWE CIF Cg, +32.0% ULSD 10 ppm NWE CIF Cg. and +33.8% LSFO 1% NWE FOB Cg.; C&Q: 4.0%; Terminal rate: 1$/ton; Ocean loss: 0.15% over dated Brent; Freight 2010: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 5.22 $/ton (Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 6.04 $/ton).

Rotterdam aromatics margin: -60% PM UL NWE FOB Bg, -40.0% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.5% PM UL NWE FOB Bg, +6.5% Benzene Rotterdam FOB Bg, +18.5% Toluene Rotterdam FOB Bg, +16.6% Paraxylene Rotterdam FOB Bg, +4.9% Ortoxylene Rotterdam FOB Bg.; Consumptions: -18% LSFO 1% CIF NEW. Yields in % of weight.

Base oils refining margin: -100% Arabian Light, +3.5% LPG FOB Seagoing (50% Butane+ 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, +34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB cg, +14.0% Base oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% NWE FOB Cg.; Losses: 0.6%; Terminal rate: 1$/ton; Ocean losses: 0.15% over dated Brent; Freight 2010: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 5.22 $/ton (Freight 2009: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat 6.04 $/ton). Yields in % of weight.

Hydroskimming Margin+ Aromatics + Rotterdam base oils = 65% Rotterdam hydroskimming margin + 15% Rotterdam aromatics margin + 20% Base oils refining margin.

### Replacement Cost ("RC")

According to this method of valuing inventories, the cost of goods sold is valued at the cost of replacement, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.

### ABBREVIATIONS:

bbl: barrels;

BBLT: Benguela, Belize, Lobito and Tomboco;

bbl/d: barrels per day;

Bg: Barges;

CCGT: Combined cycle gas turbine;

Cg: Cargoes;

CIF: Costs, Insurance and Freight;

CLC: Companhia Logística de Combustíveis;

CLH: Companhia Logística de Hidrocarburos, S.A.;

CPT: Compliant Piled Tower;

DGEG: *Direcção Geral de Energia e Geologia*;

E&P: Exploration & Production;

€: Euro;

FIFO: First In First Out;

FOB: Free on Board;

G&P: Gas & Power;

IAS: International Accounting Standards;

IFRS: International Financial Reporting Standards;

kbopd: thousand barrels of oil per day;

LIFO: Last In First Out;

LSFO: Low sulphur fuel oil;

$m^3$: cubic metres;

N.M.: not meaningful;

OPEC: Organisation of Petroleum-Exporting Countries

PM UL: Premium unleaded;

PSA: Production Sharing Agreement;

qoq: quarter on quarter;

R&D: Refining & Marketing;

RCA: Replacement cost adjusted;

RC: Replacement cost;

SXEP: DJ Europe Oil & Gas stock index;

TL: Tômbua-Lândana;

ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes;

Usd: dollar of the United States;

US or USA: United States of America;

WAC: Weighted-average cost;

yoy: year on year.

**DISCLAIMER:**

This report contains forward-looking statements about the activities and results of Galp Energia as well as some Company plans and objectives. The terms “anticipates”, “believes”, “estimates”, “expects”, “predicts”, “aims”, “plans” and other similar ones aim to identify such forward-looking statements.

As a result of their nature, forward-looking statements involve risks and uncertainties as they are associated with events and circumstances that may occur in the future. Real outcomes and developments may as a result of several factors differ significantly from outcomes, either express or implicit, in the statements. These include but are not limited to changes in costs, economic conditions or regulatory framework.

Forward-looking statements only refer to the date when they were made and Galp Energia has no obligation to update them in the light of new data or future developments or otherwise explain the reasons actual outcomes are possibly different.

Galp Energia, SGPS, S.A.

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