29 July 2011

Results

SECOND QUARTER AND FIRST HALF 2011




Delivering growth through exploration and production

Key highlights

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Key highlights

- EBIT growth QoQ driven by higher contribution from oil marketing
- Net profit in 2Q11 reached €70 Mln, up 68% QoQ
- Upgrade project at Matosinhos refinery onstream since the end of June
- Brazilian production positively impacted by the first gas injection well connected to the FPSO Cidade de Angra dos Reis
- 300 kboepd is the new production target for 2020

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Operational activity showing signs of recovery QoQ

Key operating data

		2Q11	2Q10	YoY	QoQ	1H11	YoY
Average realized sale price	$/bbl	**106.7**	81.6	+31%	+14%	100.3	+32%
Net entitlement production	kbbl/d	**13.8**	10.9	+26%	+43%	11.7	(1%)
Galp Energia refining margin	$/bbl	**0.6**	3.4	(82%)	(52%)	0.8	(74%)
Crude processed	M bbl	**20.9**	21.6	(3%)	+54%	34.5	(21%)
Oil sales direct clients	M ton	**2.6**	2.7	(3%)	+7%	5.1	(8%)
Natural gas sales	M m3	**1,187**	1,105	+7%	(26%)	2,792	+22%
Sales of electricity to the grid	GWh	**323**	311	+4%	+44%	547	(10%)

- Net entitlement production increasing with higher contribution from Brazil
- Refining margin following international benchmark trend
- Marketing volumes recovering QoQ, although still impacted by economic environment
- Higher natural gas volumes due to residential and industrial segments

Net profit RCA in 2Q11 of €70 Mln, up 68% QoQ

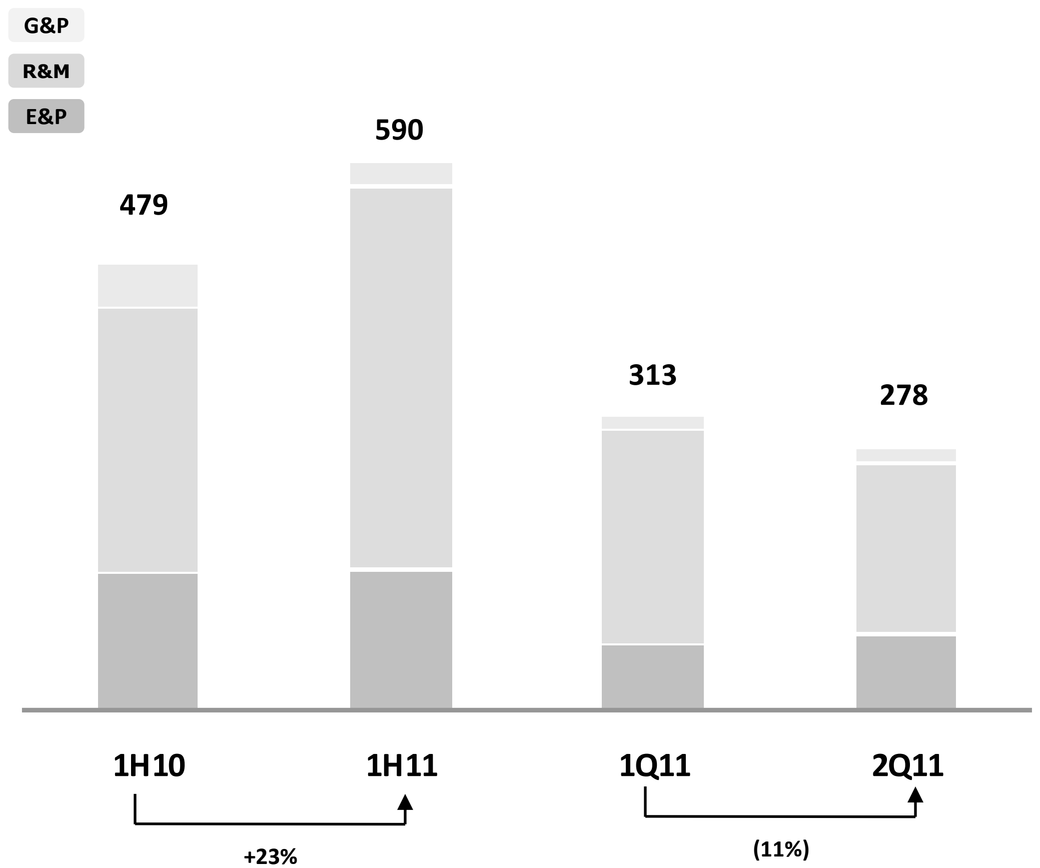
Profit & Loss (€Mln)

	2Q11	2Q10	YoY	QoQ	1H11	YoY
Turnover	**4,356**	3,580	+22%	+15%	8,151	+19%
EBITDA	**230**	277	(17%)	+71%	365	(20%)
E&P	**75**	44	+69%	+57%	122	+32%
R&M	**95**	134	(29%)	n.m.	117	(41%)
G&P	**59**	94	(37%)	(4%)	120	(23%)
Others	**2**	5	(71%)	(57%)	5	(25%)
EBIT	**121**	158	(24%)	+128%	174	(31%)
Associates	**15**	18	(13%)	(25%)	36	+4%
Financial results	**(35)**	(30)	+17%	+21%	(64)	+20%
Taxes	**(27)**	(36)	(23%)	n.m.	(28)	(51%)
Net Profit	**70**	109	(36%)	+68%	111	(36%)
Net Profit (IFRS)	**100**	162	(38%)	(48%)	290	+12%

- EBITDA increase QoQ driven by higher E&P and R&M contribution
- DD&A in Angola increased due to the downward revision of net entitlement reserves
- Higher financial costs due to net debt increase, with cost of debt at 4.1%

Capex mainly channeled to the conclusion of the upgrade project

Capital expenditure (€Mln)



- Development activities in Brazil responsible for most of E&P capex
- Upgrade refining project accounting for c.90% of R&M capex
- G&P capex channelled to natural gas infrastructure expansion

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Net debt increase driven by transformational capex execution

Balance sheet (€Mln)

	Jun.2011	Mar.2011	Jun - Mar	Dec.2010	Jun - Dec
Fixed assets	**5,782**	5,621	+161	5,426	+356
Work in progress	**2,350**	2,115	+235	1,981	+369
Strategic stock	**1,048**	1,149	(101)	792	+256
Other assets (liabilities)	**(396)**	(383)	(13)	(336)	(60)
Working capital	**(328)**	(431)	+103	(330)	+2
Net debt	**3,224**	3,080	+145	2,840	+384
Equity	**2,881**	2,876	+5	2,711	+170
Capital employed	**6,106**	5,956	+150	5,552	+554
Net debt to equity	112%	107%	4.8 p.p.	105%	7.1 p.p.

- Working capital impacted by decrease in payables
- Dividend payment of €116 Mln in 2Q11
- Additional liquidity facilities of €1[1] Bln, 40% contracted with international banks

[1] Liquidity position as of end June 2011

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Short term outlook

- 3Q11 working interest production targeted at c.19 kbopd
- Benchmark refining margins to remain under pressure in 3Q11
- Marketing volumes recovery QoQ, but still affected by current macro environment in Iberia
- 3Q11 natural gas volumes down QoQ due to seasonality
- Transformational capex execution on track

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Continuing working to a solid capital structure

	NG infrastructure	E&P Brazil
Transaction	Sale of up to 49% of a holding company with a RAB[1] of c. €900Mln	Capital increase at subsidiary level of a minimum of €2Bln
Status	Process impacted by current macro environment	Process ongoing
	Binding offers still being received	Several parties demonstrated interest in the deal
	Final decision to be taken after receiving all offers	Final decision scheduled for end 3Q11

[1] Regulatory Asset Base (proportional basis)

Upgrade project at Matosinhos refinery running since June

Matosinhos refinery

- New Matosinhos crude distillation capacity of 110 kbbl/d
- Project execution on cost with Matosinhos refinery upgrade already completed
- Upgrade project at Sines refinery to be concluded before YE2011

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Intensive drilling activity expected for 2H11

Country	Area	2011 1Q	2011 2Q	2011 3Q	2011 4Q
Brazil	Lula			1A	1A
	Cernambi		1A		
	Iara	1A ✓			
	BM-S-8		1E		1E
	BM-S-24				1A
	Potiguar				1E
Angola	Block 32	1A ✓			
Mozambique	Rovuma			1E	1E

E – Exploration well **A** – Appraisal well

- Formation tests concluded on Iara Horst, with positive results
- Biguá well in BM-S-8 already being drilled with results expected by 4Q11
- First exploration well in Mozambique to start by 3Q11

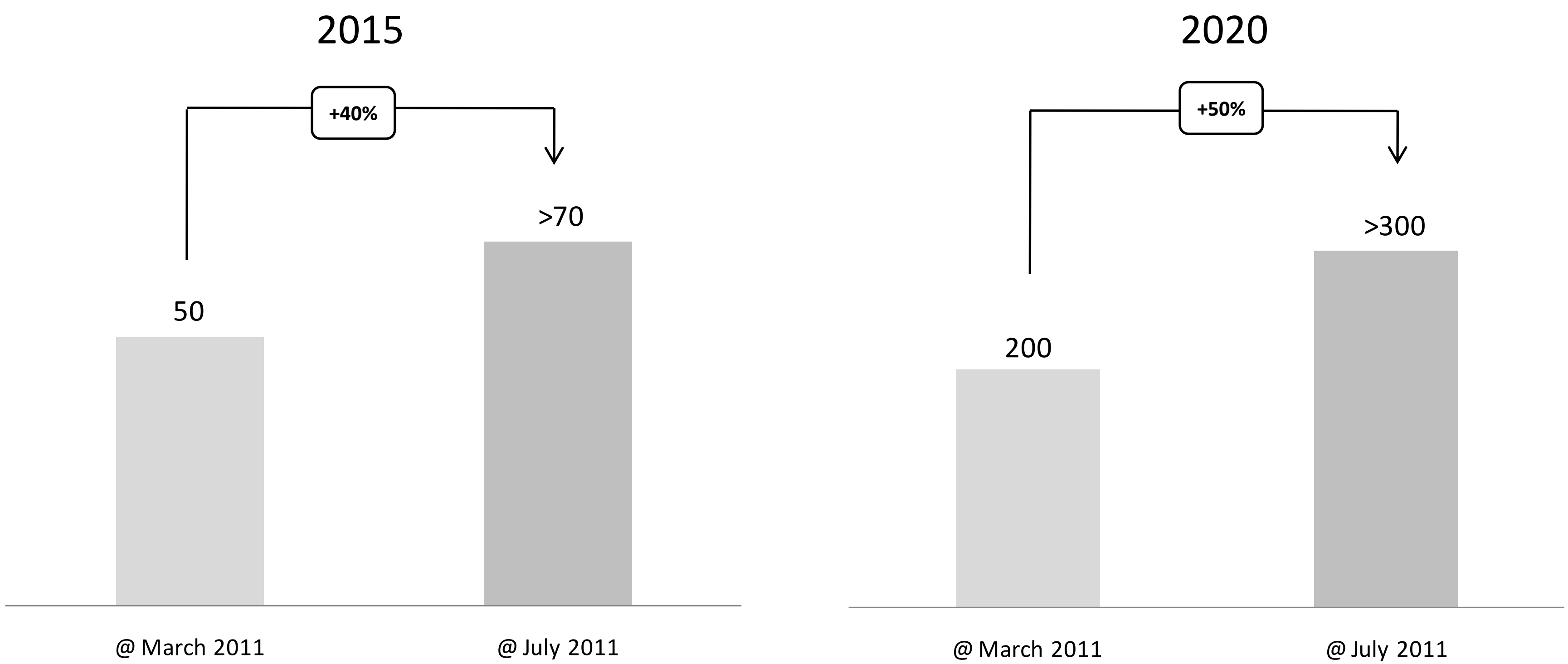
Lula production gaining relevance in Galp Energia production

FPSO Cidade de Angra dos Reis

- 2nd and 3rd production wells to be connected by August and October respectively
- Expected production from FPSO Cidade de Angra dos Reis at c.70 kbbl/d by YE2011
- FPSO Cidade de São Vicente in Lula NE performing the EWT until October and moving to Cernambi Sul to start EWT by December 2011

Exceptional progress in Brazil drives new production targets

Production target [1] (kboepd)



Better reservoir characteristics reduces time to market of resources

[1] Working interest production

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- Focus on optimitization activities to support resilience of Galp Energia downstream business in Iberia
- Funding solutions being executed to reach a sustainable and solid capital structure
- Upgrade project to be concluded before YE2011, supporting cash flow generation going forward
- Continuous focus on exploration and development activities to support sustained upstream growth

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EBITDA increase YoY, benefiting from higher contribution of Brazil

Main E&P data

		2Q11	2Q10	YoY	QoQ	1H11	YoY
Working interest production	kbbl/d	**21.8**	19.8	+10%	+15%	20.4	+7%
Net entitlement production	kbbl/d	**13.8**	10.9	+26%	+43%	11.7	(1%)
Angola	kbbl/d	**10.1**	9.5	+6%	+23%	9.1	(10%)
Brazil	kbbl/d	**3.7**	1.4	+164%	+160%	2.6	+58%
Realized sale price	$/bbl	**106.7**	81.6	+31%	+14%	100.3	+32%
OPEX/net entitlement production	$/bbl	**13.9**	12.3	+13%	(25%)	16.1	+28%
EBITDA	M €	**75**	44	+69%	+57%	122	+32%
EBIT	M €	**28**	21	+37%	+24%	51	(5%)
CAPEX	M €	**81**	69	+18%	+16%	151	+3%

- Lula and CPT Tômbua-Lândana projects drove working interest production growth
- Brazil production accounting for 3.7 kbbl/d in 2Q11, 27% of total net entitlement production
- Business segment performance supported by higher crude price

EBITDA improved QoQ supported by recovery in oil marketing

Main R&M data

		2Q11	2Q10	YoY	QoQ	1H11	YoY
Galp Energia refining margin	$/bbl	**0.6**	3.4	(82%)	(52%)	0.8	(74%)
Spread over benchmark	$/bbl	**1.9**	1.9	(1%)	+3%	1.7	+7%
Crude processed	M bbl	**20.9**	21.6	(3%)	+54%	34.5	(21%)
Refining throughput	M ton	**3.1**	3.2	(5%)	+47%	5.1	(19%)
Refined product sales	M ton	**4.2**	4.3	(2%)	+15%	7.9	(9%)
Sales to direct clients	M ton	**2.6**	2.7	(3%)	+7%	5.1	(8%)
Portugal	M ton	**1.4**	1.5	(4%)	+11%	2.7	(9%)
Spain	M ton	**1.1**	1.1	(4%)	+3%	2.1	(8%)
Africa	M ton	**0.2**	0.1	+14%	+7%	0.3	+9%
Operators	M ton	**0.8**	0.9	(8%)	+1%	1.6	(4%)
Exports	M ton	**0.8**	0.7	+9%	+88%	1.2	(22%)
EBITDA	M €	**95**	134	(29%)	n.m.	117	(41%)
EBIT	M €	**44**	82	(46%)	n.m.	20	(80%)
CAPEX	M €	**182**	190	(4%)	(21%)	412	+44%

- Premium over benchmark of $1.9/bbl, in line with 1Q11
- Crude processed increased 54% QoQ after Sines outage in 1Q11
- Recovery of oil distribution volumes QoQ but still affected by current economic environment in Iberia

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EBITDA stable YoY, excluding one-off events in 2Q10

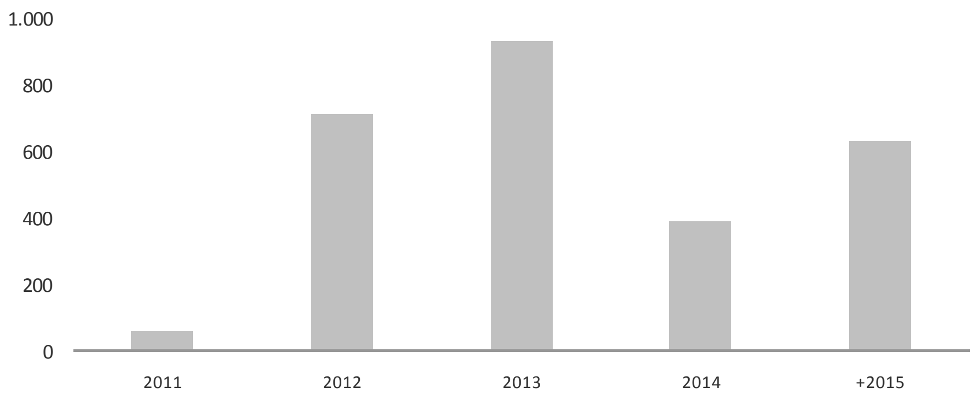
Main G&P data

		2Q11	2Q10	YoY	QoQ	1H11	YoY
NG supply total sales volumes	M m3	**1,187**	1,105	+7%	(26%)	2,792	+22%
Electrical	M m3	**487**	506	(4%)	(3%)	989	+15%
Industrial	M m3	**532**	448	+19%	+10%	1,015	+4%
Residential and Commercial	M m3	**103**	93	+11%	(64%)	387	+78%
Others	M m3	**65**	58	+12%	(81%)	401	+76%
Sales of electricity to the grid	GWh	**323**	311	+4%	+44%	547	(10%)
EBITDA	M €	**59**	94	(37%)	(4%)	120	(23%)
EBIT	M €	**48**	50	(6%)	(8%)	99	+7%
CAPEX	M €	**12**	28	(57%)	+2%	24	(45%)

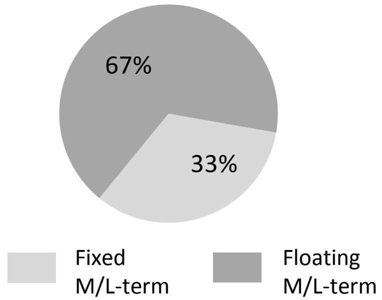
- Recovery of NG volumes, driven by higher industrial and residential consumption
- Higher contribution of NG infrastructure benefiting from smoothing effect extinction
- Power activity positively impacted by Sines cogeneration performance

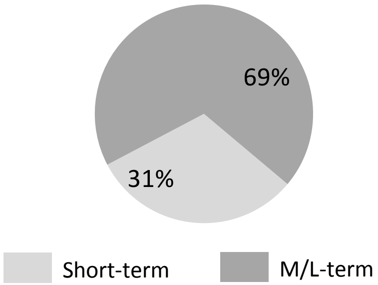
Additional facilities of €1[1] Bln

M/L-term debt reimbursement profile (€Mln)



Debt structure as of June 2011





- No major debt reimbursement scheduled for 2011
- Total net debt of €3.2 Bln, with an average life of 2.6 years
- Average interest rate of 4.1%, up 60 b.p. YoY
- 60% of current additional facilities already contract guaranteed

[1] Liquidity position as of end June 2011

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