galp energia

RESULTS

FIRST QUARTER 2011

Extending success into new challenges

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In the first quarter of 2011, Galp Energia's replacement cost adjusted net profit fell 36% year on year (yoy) to €41 million as the improved operating performance in Gas & Power could not offset the unfavourable performance in both Exploration & Production and Refining & Marketing.

SUMMARY OF RESULTS – FIRST QUARTER OF 2011

- The net entitlement production of crude in the first quarter of 2011 fell 24% yoy to 9.6 thousand barrels per day following the adverse effect of the production-sharing agreement in Angola;
- Galp Energia's refining margin of Usd 1.3/bbl fell below the Usd 2.7/bbl of a year earlier, in line with the trend for refining margins in international markets; the performance of refining activities was also affected by the technical outage in the Sines refinery, which lasted for about 40 days;
- The economic environment in the Iberian Peninsula had a negative effect on the marketing of oil products and contributed to sales to direct clients falling 12% yoy to 2.4 million tonnes;
- Natural gas sold in the quarter rose 36% yoy to 1,605 million cubic metres on the back of Madrileña Gas' marketing activities and the sales to the electrical segment;
- RCA EBITDA fell to €135 million from €177 million a year earlier following the adverse results in Refining & Marketing;
- The RCA net profit of €41 million equated to €0.05 per share;
- 70% of the quarter's capital spending of €302 million was channelled to the refinery upgrade project.

CONFERENCE CALL

Date:	Friday, 29 April
Time:	14:00 UK time (15:00 CET)
Hosted by:	Manuel Ferreira De Oliveira (CEO) Claudio De Marco (CFO)
	Tiago Villas-Boas (IRO)
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Chairperson:	Tiago Villas-Boas

KEY FIGURES

FINANCIAL DATA

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
233	EBITDA	221	356	134	60.7%
168	EBITDA RC[1]	172	134	(38)	(21.9%)
177	**EBITDA RCA[2]**	**177**	**135**	**(43)**	**(24.1%)**
126	EBIT	139	259	120	86.1%
60	EBIT RC[1]	90	37	(52)	(58.2%)
64	**EBIT RCA[2]**	**95**	**53**	**(42)**	**(44.4%)**
86	Net profit	98	191	93	94.9%
37	Net profit RC[1]	61	32	(29)	(47.3%)
40	**Net profit RCA[2]**	**65**	**41**	**(23)**	**(36.1%)**

[1] Replacement cost figures exclude inventory effects

[2] Adjusted figures exclude inventory effects and non recurrent events

MARKET INDICATORS

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
1.6	Rotterdam cracking refining margin[1] (Usd/bbl)	1.9	(0.5)	(2.5)	n.m.
0.5	Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)	0.3	(0.4)	(0.7)	n.m.
52.7	UK NBP natural gas price[2] (GBp/term)	35.8	57.1	21.3	59.4%
43.2	Spanish pool price[2] (€/MWh)	25.4	45.2	19.8	77.9%
86.5	Average Brent dated price[3] (Usd/bbl)	76.2	105.0	28.7	37.7%
1.36	Average exChg. rate[2] (Eur/Usd)	1.38	1.37	(0.0)	(1.1%)
1.25	Euribor - six month[2] (%)	0.96	1.37	*0.40 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

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
20.1	Average working interest production (kbbl/day)	18.5	19.0	0.5	2.7%
14.3	Average net entitlement production (kbbl/day)	12.7	9.6	(3.1)	(24.3%)
2.3	Galp Energia refining margin (Usd/bbl)	2.7	1.3	(1.4)	(51.1%)
2.7	Raw materials processed (million tonnes)	3.1	2.1	(1.1)	(33.8%)
2.8	Oil sales direct clients in Iberia (million tonnes)	2.9	2.4	(0.5)	(15.6%)
1,340	Natural gas sales (million m^3)	1,178	1,605	426	36.2%
292	Sales of electricity to the grid [1] (Gwh)	296	224	(72)	(24.3%)

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

BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the three months ended 31 March 2011 and 2010 have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended 31 March 2011 and 2010. The financial information in the consolidated financial position is reported at 31 March 2011 and 31 December 2010.

Galp Energia's audited consolidated financial statements for the three months ended 31 December 2010, which have been prepared in accordance with IFRS, differ from those released to the market on 25 February 2011 as some items in the income statement have been restated.

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 business, RCA operating and net profit exclude non recurrent events and the inventory effect because the cost of goods sold has been calculated according to the replacement cost (RC) valuation method.

RECENT CHANGES

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, conversion 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 quarter of 2010 to make periods comparable.

MARKET ENVIRONMENT

BRENT

The dated Brent averaged Usd 105.0/bbl in the first three months of 2011, up 38% from a year earlier and 21% ahead of the fourth quarter of 2010. This rise was closely linked to the rebellion in Egypt and fears that political instability might spread to other Arab countries, thereby interrupting oil exports through the Suez Canal or the Sumed pipeline. Turmoil did eventually spread, with revolts erupting in Libya in February and in other Middle Eastern and Northern African countries in March.

OIL PRODUCTS

The gasoline crack spread averaged Usd 5.3/bbl in the first quarter of 2011, down 50% yoy and 35% quarter on quarter (qoq). This decline was prompted by the adverse impact of cold weather on US demand and the limited prospects for exporting to either Eastern Africa or the US east coast.

The diesel crack spread averaged Usd 18.4/bbl in the first three months of 2011, up 13% qoq, primarily on the back of cold weather conditions. Year on year, the average diesel crack spread surged 58%.

The fuel oil crack spread averaged Usd -14.0/bbl in the first quarter of 2011, down Usd 9.1/bbl yoy and Usd 2.5/bbl qoq. This decline reflected lower imports into Europe and, more importantly, the steep rise in the price of Brent in the first quarter of 2011.

REFINING MARGINS

The hydroskimming margin averaged Usd -4.3/bbl in the first quarter of 2011 and the cracking margin averaged Usd -0.5/bbl in the same period, both falling Usd -2.1/bbl qoq. These declines resulted primarily from the quick rise in the price of Brent in the quarter and the hydroskimming margin was also negatively affected by the falling fuel oil crack spread.

Year on year, both margins also fell, the hydroskimming margin by Usd 3.3/bbl and the cracking margin by Usd 2.5/bbl, which again reflected the steep rise in the price of Brent in the quarter.

EUR/USD

In the first three months of 2011, the euro/dollar exchange rate averaged 1.37, down 1.1% yoy, as the economies of a few Eurozone countries showed instability. Quarter on quarter, the euro was stable against the dollar.

THE IBERIAN MARKET

In the first quarter of 2011, the Portuguese market for oil products contracted 7% yoy to 2.3 million tonnes. This contraction reflected the adverse economic conditions that continued to negatively affect the sales of most products. The market for gasoline contracted 9% to 0.3 million tonnes and the market for diesel contracted 7% to 1.2 million tonnes yoy, whereas the market for jet grew 2% to 0.2 million tonnes.

The Spanish market for oil products also evidenced a negative trend in the first quarter of 2011 as volumes sold edged 2% lower yoy to 14 million tonnes. This decline reflected lower volumes sold of both gasoline and diesel, which was only partly offset by higher demand for jet and fuel oil. Year on year, gasoline fell 7% to 1.6 million tonnes and diesel fell 4% to 9.3 million tonnes. On the other hand, jet rose 7% to 1.5 million tonnes and fuel oil rose 6% to 2.1 million tonnes.

In the first quarter of 2011, the Portuguese market for natural gas grew 2% yoy to 1,104 million cubic metres as volumes sold to the electrical segment rose 41% yoy to 502 million cubic metres. This increase reflected higher thermal generation, namely through the combustion of natural gas, relative to a year earlier, when wind and mainly hydro sources played a significant role.

The Spanish market for natural gas in the first quarter of 2011 was, at 9.5 million cubic metres, in line with a year earlier. Volumes sold to the residential/commercial and industrial segments were in line with the first quarter of 2010 as a result of cold weather in the quarter. Volumes sold to the electrical segment fell 3% as wind and hydro based power generation rose.

MARKET INDICATORS

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
86.5	Average Brent dated price[1] (Usd/bbl)	76.2	105.0	28.7	37.7%
16.2	Diesel crack[2] (Usd/bbl)	11.6	18.4	6.8	58.3%
8.1	Gasoline[3] crack (Usd/bbl)	10.7	5.3	(5.4)	(50.2%)
(11.5)	Fuel oil crack[4] (Usd/bbl)	(4.9)	(14.0)	(9.1)	n.m.
1.6	Rotterdam cracking refining margin[1] (Usd/bbl)	1.9	(0.5)	(2.5)	n.m.
(2.2)	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(1.0)	(4.3)	(3.3)	n.m.
2.6	Portuguese oil market[5] (million ton)	2.5	2.3	(0.2)	(6.9%)
15.0	Spanish oil market[6] (million ton)	14.7	14.3	(0.3)	(2.2%)
1,056	Portuguese natural gas market[7] (million m^3)	1,086	1,104	18	1.6%
9,385	Spanish natural gas market[8] (million m^3)	9,602	9,491	(111)	(1.2%)

[1] Source: *Platts*
[2] Source: *Platts*; *ULSD 10ppm NWE CIF ARA*.
[3] Source: *Platts*; Unleaded gasoline, *NWE FOB Barges*
[4] Source: *Platts*; 1% LSFO, NWE FOB Cargoes
[5] Source: DGEG
[6] Source: Cores. Data for March is estimated
[7] Source: Galp Energia
[8] Source: Enagás

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
3,604	Turnover	3,290	3,796	506	15.4%
(3,396)	Operating expenses	(3,082)	(3,462)	380	12.3%
25	Other operating revenues (expenses)	14	22	8	61.0%
233	**EBITDA**	**221**	**356**	**134**	**60.7%**
(107)	D&A and provisions	(82)	(97)	15	17.7%
126	**EBIT**	**139**	**259**	**120**	**86.1%**
22	Net profit from associated companies	17	20	4	23.0%
(0)	Net profit from investments	0	(0)	(0)	n.m.
(27)	Net interest expenses	(23)	(29)	(6)	(24.6%)
121	Profit before tax and minority interests	133	250	118	89.0%
(32)	Income tax	(33)	(58)	25	74.2%
(3)	Minority Interests	(1)	(2)	0	29.9%
86	**Net profit**	**98**	**191**	**93**	**94.9%**
86	**Net profit**	**98**	**191**	**93**	**94.9%**
(49)	Inventory effect	(37)	(159)	122	n.m.
37	**Net profit RC**	**61**	**32**	**(29)**	**(47.3%)**
2	Non recurrent items	4	9	5	128.6%
40	**Net profit RCA**	**65**	**41**	**(23)**	**(36.1%)**

RCA net profit of €41 million in the first quarter of 2011 was lower than a year earlier primarily following lower volumes of crude processed, a lower refining margin and lower sales of oil products, which all had an adverse impact on the operating performance in the Refining & Marketing business segment, and lower production of crude in Exploration & Production.

The rise in volumes of natural gas sold, which had a favourable effect on Gas & Power, could not offset the unfavourable results in the other two business segments.

IFRS net profit of €191 million included a favourable inventory effect of €159 million following the rise in the price of crude and oil products in international markets in the first quarter of 2011.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
3,604	**Sales and services rendered**	**3,290**	**3,796**	**506**	**15.4%**
(66)	Non recurrent items	-	-	-	n.m.
3,538	**Adjusted sales and services rendered**	**3,290**	**3,796**	**506**	**15.4%**
51	Exploration & Production	37	60	24	64.1%
3,079	Refining & Marketing	2,898	3,250	351	12.1%
526	Gas & Power	397	618	221	55.7%
36	Others	31	36	5	15.5%
(155)	Consolidation adjustments	(73)	(168)	(94)	(129.1%)

Adjusted sales and services rendered rose 15% yoy to €3,796 million as all business segments contributed following the rise in the prices of crude, oil products and natural gas in international markets, coupled with higher volumes of natural gas sold.

OPERATING COSTS

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
3,396	**Operational costs**	**3,082**	**3,462**	**380**	**12.3%**
66	Inventory effect	50	222	172	347.1%
3,462	**Operational costs RC**	**3,131**	**3,684**	**552**	**17.6%**
(76)	Non recurrent items	(6)	(1)	5	75.8%
3,385	**Operational costs RCA**	**3,125**	**3,682**	**557**	**17.8%**
3,385	**Operational costs RCA**	**3,125**	**3,682**	**557**	**17.8%**
3,092	Cost of goods sold	2,860	3,373	512	17.9%
210	Supply and services	176	226	50	28.4%
83	Personnel costs	89	83	(5)	(6.2%)

In the first quarter of 2011, RCA operating costs rose 18% yoy to €3,682 million as the cost of goods sold went up by 18% after the prices of crude and natural gas rose in international markets and supply and services cost increased. The latter cost item rose 28% to €226 million in the first quarter as the Madrileña Gas acquisition was consolidated from May 2010, costs linked to higher production in Brazil rose and the tariff borne by the Gas & Power segment for the use of networks for the transmission and distribution of natural gas increased. Excluding these three effects, supply and services cost would have remained unchanged.

Staff costs fell 6% yoy to €83 million, mainly as a result of lower variable pay in the period.

EMPLOYEES

	December 31, 2010	March 31, 2011	Change vs Dec 31, 2010
Exploration & Production	82	85	3
Refining & Marketing	6,156	6,073	(83)
Gas & Power	463	505	42
Corporte & Others	610	607	(3)
Total employees	**7,311**	**7,270**	**(41)**
Service stations employees	3,462	3,405	(57)
Total off site employees	**3,849**	**3,865**	**16**

At the end of March 2011, Galp Energia had a total of 7,270 employees, 41 less than at the end of 2010. This reduction reflected the lower number of employees in Refining & Marketing, namely those assigned to service stations, both in Portugal and Spain.

DEPRECIATION AND AMORTISATION

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
88	**Depreciation & amortisation**	**70**	**98**	**28**	**39.3%**
6	Non recurrent items	(0)	(18)	(17)	n.m.
94	**Adjusted depreciation & amortisation**	**70**	**80**	**10**	**14.7%**
94	**Adjusted depreciation & amortisation**	**70**	**80**	**10**	**14.7%**
43	Exploration & Production	14	25	11	79.1%
41	Refining & Marketing	45	44	(1)	(2.7%)
9	Gas & Power	11	10	(0)	(3.0%)
1	Others	0	1	0	n.m.

In the first quarter of 2011, adjusted depreciation and amortisation rose to €80 million, or €10 million up yoy.

In Exploration & Production, the €11 million increase came primarily from incremental depreciation of Angola’s block 14, namely the Tômbua-Lândana and BBLT fields, as reserves in the country were revised downward at the end of 2010, which had a direct impact on the amortisation rate.

In Refining & Marketing, adjusted depreciation and amortisation remained stable at €44 million.

In Gas & Power, adjusted depreciation and amortisation also was stable at €10 million.

Non recurrent events of €18 million were primarily related to costs of dry wells in shallow-water blocks in Brazil’s Santos Basin.

PROVISIONS

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
19	**Provisions**	**12**	**(2)**	**(13)**	**n.m.**
(0)	Non recurrent items	0	3	3	n.m.
18	**Adjusted provisions**	**12**	**1**	**(11)**	**(90.3%)**
18	**Adjusted provisions**	**12**	**1**	**(11)**	**(90.3%)**
14	Exploration & Production	2	(0)	(2)	n.m.
3	Refining & Marketing	1	2	1	67.4%
2	Gas & Power	9	(1)	(10)	n.m.
(0)	Others	(0)	0	0	n.m.

In the first quarter of 2011, adjusted provisions amounted to one million euros, down €11 million yoy.

In Exploration & Production, provisions fell €2 million as the euro appreciated against the dollar, which had a favourable effect on provisions for abandonment of block 14 and on IRP payable in Angola.

In Refining & Marketing, provisions of €2 million were in line with a year earlier.

In Gas & Power, the €10 million decline in provisions reflected primarily the charge made in the first quarter of 2010 on account of the renegotiation of contracts for the supply of natural gas.

OPERATING PROFIT

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
126	**EBIT**	**139**	**259**	**120**	**86.1%**
(66)	Inventory effect	(50)	(222)	(172)	n.m.
60	**EBIT RC**	**90**	**37**	**(52)**	**(58.2%)**
4	Non recurrent items	6	16	10	167.9%
64	**EBIT RCA**	**95**	**53**	**(42)**	**(44.4%)**
64	**EBIT RCA**	**95**	**53**	**(42)**	**(44.4%)**
(1)	Exploration & Production	33	23	(10)	(31.4%)
25	Refining & Marketing	19	(24)	(43)	n.m.
39	Gas & Power	42	52	10	22.7%
(0)	Others	1	4	2	n.m.

RCA EBIT in the first quarter of 2011 fell 44% yoy to €53 million, which resulted primarily from the unfavourable performance of the Exploration & Production and Refining & Marketing business segments.

The performance shortfall in Exploration & Production stemmed both from lower production and higher amortisation in the quarter.

The unfavourable performance of the Refining & Marketing business was influenced by the lower volume of crude processed and lower refining margin due to Sines refinery technical outage, and the negative trend of international margins, respectively, and as well by lower volumes of oil products sold.

The Gas & Power business segment improved its performance on the back of increased volumes sold and the effect of a provision made in the first quarter of 2010 in respect of the renegotiation of contracts for the supply of natural gas.

OTHER RESULTS

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
22	Net profit from associated companies	17	20	4	23.0%
(27)	Financial results	(23)	(29)	(6)	(24.6%)

Results from associates of €20 million in the first quarter of 2011 were €4 million higher yoy, with international gas pipelines EMPL, Gasoducto Al Andalus and Gasoducto Extremadura contributing €12 million to results.

Net financial losses of €29 million were €6 million larger yoy reflecting the rise in both average debt and benchmark interest rates between periods.

INCOME TAX

Million euros (except otherwise noted)

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
32	**Income tax**[1]	**33**	**58**	**25**	**74.2%**
26%	*Effective income tax*	*25%*	*23%*	*(2 p.p.)*	*n.m.*
(17)	Inventory effect	(12)	(63)	51	n.m.
15	**Income tax RC**[1]	**21**	**(5)**	**(26)**	**(124.1%)**
1	Non recurrent items	2	6	4	n.m.
16	**Income tax RCA**[1]	**23**	**1**	**(21)**	**(94.9%)**
27%	*Effective income tax*	*25%*	*3%*	*(23 p.p.)*	*n.m.*

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

In the first quarter of 2011, RCA income tax of one million euros was €21 million lower than a year earlier, which stemmed primarily from better results from associates and the reversal in the quarter of close to €10 million in IRP. Therefore, the recorded amount of IRP payable in Angola in the first quarter was minus €2 million, which lowered to 3% the effective RCA tax rate in the period, against 25% in the first quarter of 2010. Excluding this one off item, the effective RCA tax rate in the first quarter of 2011 would have been 25%.

3. FINANCIAL POSITION

Million euros (except otherwise noted)

	December 31, 2010	March 31, 2011	Change vs Dec 31, 2010
Fixed assets	5,426	5,621	195
Strategic stock	792	1,149	358
Other assets (liabilities)	(336)	(383)	(47)
Working capital	(330)	(431)	(101)
	5,552	**5,956**	**404**
Short term debt	616	930	314
Long term debt	2,412	2,498	86
Total debt	**3,028**	**3,428**	**400**
Cash	188	349	161
Total net debt	**2,840**	**3,080**	**239**
Total shareholder's equity	**2,711**	**2,876**	**165**
Capital employed	**5,552**	**5,956**	**404**

Fixed assets of €5,621 million at 31 March 2011 were €195 million higher than at the end of December 2010 on the back of capital expenditure in the quarter, primarily on the refinery upgrade project. The €358 million rise in strategic stock came mainly as a result of rising prices of crude and oil products in the quarter. Strict management of working capital led to a €101 million reduction in working capital compared with the end of December of 2010.

DEBT

Million euros (except otherwise noted)

	December 31, 2010		March 31, 2011		Change vs Dec 31, 2010	
	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	1,000	-	1,000	-	-
Bank debt	456	1,162	930	1,248	474	86
Commercial paper	160	250	-	250	(160)	-
Cash	(188)	-	(349)	-	(161)	-
Net debt	**2,840**		**3,080**		**239**	
Average life (years)	3.10		2.59		(0.51)	
Net debt to equity	105%		107%		2.3 p.p.	

Net debt of €3,080 million at 31 March 2011 was €239 million higher than at the end of December 2010. Net debt to equity was 107% at the end of the quarter.

At the end of March 2011, long-term debt accounted for 73% of total debt, against 80% at the end of December 2010. Thirty-six per cent of medium- and long-term debt was on fixed rate.

At the end of March 2011, the average life of debt was 2.59 years.

The average cost of debt for the first quarter of 2011 was, at 3.70%, 51 basis points higher yoy, which reflected the rising trend in benchmark interest rates between periods.

At 31 March 2011, net debt attributable to minority interests amounted to €25 million.

4. CASH FLOW

Million euros

Fourth quarter		First Quarter	
2010		2010	2011
118	EBIT	139	259
97	Non cash costs	70	98
16	Change in operational stock	46	(31)
(77)	Change in strategic stocks	(44)	(358)
153	**Sub total**	**212**	**(32)**
(27)	Interest expenses	(18)	(21)
(38)	Taxes	(3)	(27)
122	Change in working capital excluding operational stock	(252)	132
210	***Cash flow from operating activities***	**(61)**	**52**
(400)	Net capital expenditures and disposals[1]	(243)	(295)
27	Dividends paid / received	1	-
18	Others	9	4
(146)	**Total**	**(295)**	**(239)**

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

Net cash outflow of €239 million in the first quarter of 2011 reflected a €56 million improvement in comparison with a year earlier. Additions to both operating and strategic stock as the prices of crude and oil products rose in international markets had an adverse effect of €389 million on cash flow from operating activities. The rise in taxes paid, namely Angola's IRP, also had a negative impact on cash flow from operating activities. On the other hand, improved working capital management contributed with €132 million to cash flow for the quarter. Capital spending in the first quarter of 2011, primarily on the refinery upgrade project, impacted cash flow negatively. Without capital spending, there would have been a net cash inflow for the quarter.

5. CAPITAL EXPENDITURE

Million euros

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
99	Exploration & Production	78	59	(18)	(23.3%)
238	Refining & Marketing	96	230	134	138.9%
30	Gas & Power	16	12	(4)	(24.5%)
2	Others	2	0	(1)	(80.3%)
369	**Investment**	**192**	**302**	**110**	**57.6%**

Capital expenditure in the first quarter of 2011 amounted to €302 million, of which Refining & Marketing accounted for close to 76%.

In Exploration & Production, spending was mostly channelled to Brazil, mainly to offshore fields, in particular the BM-S-11 block, which absorbed €20 million. In Angola, capital expenditure of around €20 million was mostly allocated to Block 14.

In Refining & Marketing, capital expenditure in the first quarter of the year amounted to €230 million, of which €210 million were channelled to the refinery upgrade project.

Capital spending of €12 million in Gas & Power was earmarked for expansion of the natural gas distribution network in Portugal.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
1.8	**Total working interest production (million bbl)**	**1.7**	**1.7**	**0.0**	**2.7%**
1.3	**Total net entitlement production (million bbl)**	**1.1**	**0.9**	**(0.3)**	**(24.3%)**
14.3	**Average net entitlement production (kbbl/day)**	**12.7**	**9.6**	**(3.1)**	**(24.3%)**
12.1	Angola	10.9	8.2	(2.7)	(24.5%)
2.2	Brazil	1.8	1.4	(0.4)	(22.8%)
80.0	**Average realized sale price[1] (Usd/bbl)**	**70.9**	**93.3**	**22.3**	**31.5%**
9.0	**Operating cost[1] (Usd/bbl)**	**12.7**	**18.7**	**5.9**	**46.4%**
52.7	**Amortisation[1] (Usd/bbl)**	**19.5**	**44.4**	**24.9**	**127.5%**
1.0	**Total sales[2] (million bbl)**	**-**	**0.9**	**0.9**	**n.m.**
1,219	**Net total assets**	**1,039**	**1,234**	**195**	**18.7%**
74	Turnover[3]	58	64	5.9	10.1%
56	**EBITDA RCA**	**48**	**48**	**(0.8)**	**(1.7%)**
(1)	**EBIT RCA**	**33**	**23**	**(10)**	**(31.4%)**

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

ACTIVITIES

In the first quarter of 2011, working interest production rose 3% yoy to 19 thousand barrels per day, mainly on the back of increasing production in Angola's Tômbua-Lândana and BBLT fields. Working interest production in Angola was 17.5 thousand barrels per day and production in Brazil was 1.4 thousand barrels per day, the latter following the first full quarter of operations by FPSO Cidade de Angra dos Reis. Production of this FPSO unit in the first quarter was hampered by legal constraints on the evacuation of natural gas.

Net entitlement production fell 24% yoy to 9.6 thousand barrels per day following lower production in Kuito and BBLT fields, as cost-oil production rates were curtailed under the PSA's cost recovery mechanism. A correction of 1.4 thousand barrels per day was made in the quarter on account of excessive cost-oil estimates between 2005 and 2007. On the other hand, the costs of abandonment of Kuito started to be recovered in the quarter through cost oil. The combined production of fields Tômbua-Lândana and Lula was 5.1 thousand barrels per day, or 53% of total production.

RESULTS

RCA EBIT of €23 million in the first quarter of 2011 was lower than the €33 million of a year earlier in spite of an increase in the average sales price after net entitlement production fell 24% and amortisation rose in Angola.

Production costs in Angola rose to €10 million from €9 million a year earlier as a result of well maintenance works in the quarter in BBLT and Tômbua-Lândana fields. On a net-entitlement basis, unit costs rose from Usd 12.7/bbl to Usd 18.7/bbl, reflecting a widening gap between working interest and net entitlement production that led to lower dilution of production costs.

Amortisation in Angola rose to €24 million from €14 million a year earlier due to the increase in amortisation rate following the downward revision of reserves in late 2010. In unit terms, on the basis of net entitlement production, amortisation was Usd 44.4/bbl, up from Usd 19.5/bbl a year earlier.

Provisions made for abandonment of Block 14 and the payment of IRP in Angola for past years benefited from favourable currency exchange differences, which cancelled the effect of the first quarter provisions on quarterly results.

2. REFINING & MARKETING

Million euros (except otherwise noted)

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
1.6	**Rotterdam cracking refining margin[1] (Usd/bbl)**	**1.9**	**(0.5)**	**(2.5)**	**n.m.**
0.5	**Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)**	**0.3**	**(0.4)**	**(0.7)**	**n.m.**
2.3	**Galp Energia refining margin (Usd/bbl)**	**2.7**	**1.3**	**(1.4)**	**(51.1%)**
2.6	**Refinery cash cost (Usd/bbl)**	**2.3**	**3.3**	**1.0**	**44.4%**
17,984	**Crude processed (k bbl)**	**22,204**	**13,572**	**(8,631)**	**(38.9%)**
2.7	**Raw material processed (million tonnes)**	**3.1**	**2.1**	**(1.1)**	**(33.8%)**
4.2	**Total refined product sales (million tonnes)**	**4.5**	**3.7**	**(0.8)**	**(18.7%)**
2.8	**Sales to direct clients (million tonnes)**	**2.9**	**2.4**	**(0.5)**	**(15.6%)**
1.6	Wholesale	1.7	1.4	(0.3)	(16.4%)
0.9	Retail	0.9	0.8	(0.1)	(10.1%)
0.1	LPG	0.1	0.1	(0.0)	(8.7%)
0.2	Others	0.2	0.2	(0.1)	(33.2%)
0.5	**Exports (million tonnes)**	**0.8**	**0.4**	**(0.4)**	**(48.5%)**
1,539	**Number of service stations**	**1,534**	**1,531**	**(3)**	**(0.2%)**
589	**Number of c-stores**	**529**	**590**	**61**	**11.5%**
6,139	**Net total assets**	**6,158**	**6,924**	**766**	**12.4%**
3,145	Turnover	2,898	3,250	351	12.1%
69	**EBITDA RCA**	**66**	**22**	**(44)**	**(66.2%)**
17	**EBIT RCA**	**19**	**(24)**	**(43)**	**n.m.**

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

ACTIVITIES

Crude processed in the first quarter of 2011 amounted to 14 million barrels, down 9 million barrels yoy as the Sines refinery had a technical outage of around 40 days whose primary aim was to perform maintenance work and establish interconnections related to the upgrade project. Therefore, refinery capacity utilisation was 49%, down from 80% a year earlier.

In the first quarter of 2011, crude oil accounted for 87% of raw materials processed, down from 94% a year earlier. Light crude and condensates accounted for 49% of the total, against 36% in the first quarter of 2010. Medium and heavy crude weighed 40% and 10%, respectively, against 46% and 17% a year earlier. The rise in the share of light crude and condensates came as a result of the technical outage at Sines refinery.

The outage also had an impact on the production profile as the share of diesel stayed at 34%, followed by gasoline’s 21%. Fuel oil and jet accounted for 17% and 7% of total production, respectively, and own consumption and losses stood at 8%.

The volume of refined products sold in the quarter fell 0.8 million tonnes yoy to 3.7 million tonnes as lower refinery capacity utilisation impaired production available for sale. The lower volume also stemmed from a 16% fall yoy in sales to direct clients, to 2.4 million tonnes. Volumes sold to direct clients were affected by a contracting market for oil products, both in Portugal and Spain, as a result of the adverse economic climate in both countries. The Spanish market accounted for 45% of total sales to direct clients, up from 42% a year earlier. Total sales to direct clients included 158 thousand tonnes of oil products sold in Africa, up 4% yoy.

Exports of 0.4 million tonnes in the first quarter of 2011 were 0.4 million tonnes lower yoy as the technical outage in the Sines refinery reduced production available for export. Fuel oil accounted for 50% of exports in the quarter.

In the first quarter of 2011, the cover of refining by marketing of oil products, measured on the basis of average production in the last three years, was 103% as production was impaired by the incident in the Sines utilities factory and the refinery technical outage in the first quarters of 2009 and 2011, respectively.

At the end of March 2011, Galp Energia had 1,531 service stations, 104 of which were located in Africa. Close to 44% of service stations in the Iberian Peninsula were located in Spain.

The number of convenience stores in the Iberian Peninsula at the end of the first quarter of 2011 was 509, half of which was located in Spain. Africa had on this date 81 convenience stores.

RESULTS

In the first quarter of 2011, RCA EBIT was minus €24 million, down €43 million from plus €19 million a year earlier. This outcome resulted partly from lower volumes of crude processed and a shrinking refining margin and partly from a contracting market for oil products in the Iberian Peninsula.

Galp Energia's refining margin in the quarter was Usd 1.3/bbl down from Usd 2.7/bbl a year earlier as refining margins dropped in international markets. However, the premium of Galp Energia's refining margin over the benchmark refining margin developed favourably as the price gap between light and heavy crudes widened in the quarter.

In the first quarter of 2011, the refineries' operating cash costs fell to €33 million from €37 million a year earlier. Unit costs of Usd 3.3/bbl were, however, above Usd 2.3/bbl from a year earlier as lower volumes of crude processed following the technical outage at Sines impaired fixed cost spreading.

The economic climate in the Iberian Peninsula restrained the performance of oil product marketing activities by adversely affecting volumes sold, thereby lowering the contribution to results of this business.

3. GAS & POWER

Million euros (except otherwise noted)

Fourth Quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
1,340	**NG supply total sales volumes (million m^3)**	**1,178**	**1,605**	**426**	**36.2%**
465	Electrical	355	502	146	41.2%
468	Industrial	529	483	(46)	(8.7%)
152	Residential and Commercial	125	284	159	127.2%
195	Trading	113	289	176	155.3%
59	Other supply companies	56	47	(9)	(16.4%)
1,327	**NG clients[1] (thousands)**	**926**	**1,322**	**396**	**42.8%**
292	**Sales of electricity to the grid[2]**	**296**	**224**	**(72)**	**(24.3%)**
1,045	**Natural gas net fixed assets[3]**	**1,038**	**1,047**	**8**	**0.8%**
2,051	**Net total assets**	**1,967**	**2,060**	**93**	**4.7%**
526	Turnover	397	618	221	55.7%
50	**EBITDA RCA**	**61**	**61**	**(0)**	**(0.6%)**
39	**EBIT RCA**	**42**	**52**	**10**	**22.7%**
8	Supply[4]	12	15	3	23.3%
29	Infrastructure	26	32	7	26.9%
1	Power	4	4	(0)	(4.7%)

[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 quarter of 2011 sales of electricity to the grid of 48 GWh

[3] Excludes financial investments. Net fixed assets are on a consolidated basis

[4] Includes liberalised and regulated supply

ACTIVITIES

In the first quarter of 2011, sales of natural gas rose 36% yoy to 1,605 million cubic metres.

Volumes sold to the electrical segment rose 41% yoy to 502 million cubic metres and accounted for 31% of total natural gas sold. This rise followed from lower rainfall and wind in the quarter compared with a year earlier, when hydro and wind sources made a larger contribution to power generation.

In the industrial segment, natural gas volumes dropped 9% yoy to 483 million cubic metres, of which the liberalised market accounted for more than 90% of the volumes sold in this segment. Despite higher demand from the Spanish industrial segment as new clients were acquired, total demand from the industrial segment was affected by the fall in demand from the cogeneration at Sines, which closed during the refinery's technical outage.

The residential and commercial segment rose 127% yoy to 284 million cubic metres on the back of the acquisition of gas marketing activities in the Madrid region in April 2010, which contributed 144 million cubic metres in the first quarter of 2011. The strong seasonality of the Spanish residential market is reflected in higher demand for natural gas in the colder months of the year. Without the effect of this acquisition, volumes in this segment would have been stable.

In the first quarter of 2011, Galp Energia benefited from better trading opportunities and sales of natural gas into this segment rose to 289 million cubic metres, up 176 million cubic metres yoy.

Natural gas flowing through the networks owned by Galp Energia's distribution companies amounted to 0.4 billion cubic metres.

Electrical sales to the grid in the first quarter of 2011 dropped 72 GWh yoy to 224 GWh. Both the Sines cogeneration and Energin had scheduled stops, which negatively impacted sales to the grid.

RESULTS

In the first quarter of 2011, RCA EBIT rose 23% yoy to €52 million.

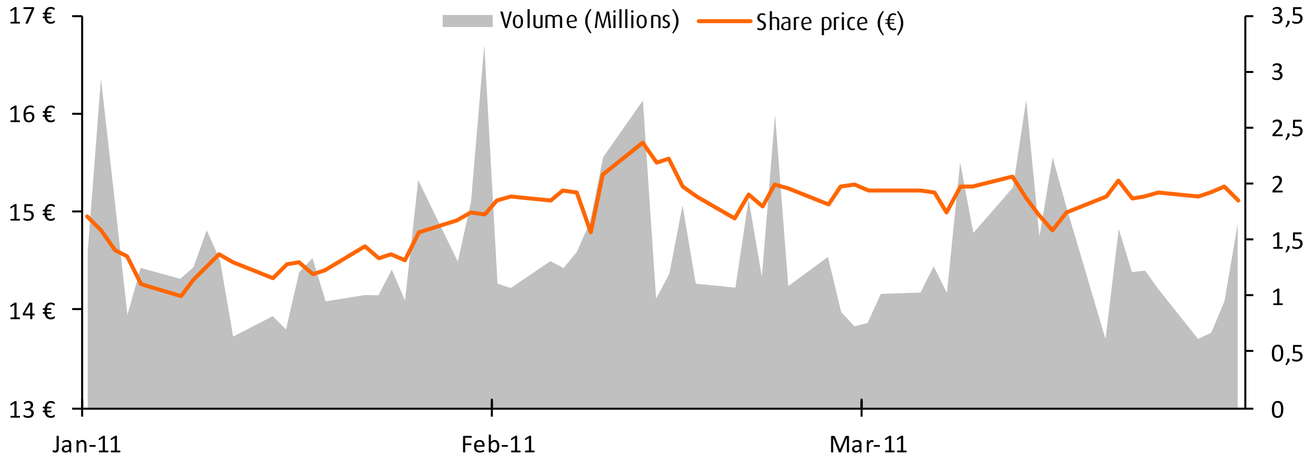
RCA EBIT for the natural gas supply business rose €3 million yoy primarily on the back of larger volumes sold and due to the fact that results in 2010 were negatively affected by a provision for the renegotiation of contracts for the supply of natural gas.

The infrastructure business achieved RCA EBIT of €32 million, up 27% yoy. This increase benefited from the extinction of the smoothing effect in allowed revenues from July 2010.

RCA EBIT for the Power business was, at €4 million, in line with a year earlier.

THE GALP ENERGIA STOCK

PERFORMANCE OF THE GALP ENERGIA STOCK



Source: *Euroinvestor*

In the first quarter of 2011, the Galp Energia stock gained 5.3% and closed at €15.11 in the end of the period. From the initial public offering on 23 October 2006 until 31 March 2011, the stock gained 160%. The share price had a high of €15.89 and a low of €13.99 in the quarter, when approximately 89 million shares, or an average daily volume of 1.4 million, were traded.

At 31 March 2011, Galp Energia had a market capitalisation of €12,526 million.

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

Main indicators		
	2010	1Q11
Min (€)	10.37	13.99
Max (€)	14.86	15.89
Average (€)	12.70	14.96
Close price (€)	14.34	15.11
Volume (M shares)	428.0	89.0
Average volume per day (M shares)	1.6	1.4
Market cap (M€)	11,891	12,526

EVENTS IN THE FIRST QUARTER OF 2011

CORPORATE

CAPITAL MARKETS DAY

On March 14, during its Capital Markets Day in Rio de Janeiro, Brazil, Galp Energia presented the strategy of the Company and information regarding the business plan for the period 2011-2015, from which the following information is highlighted:

- The capex planned for the year 2011 is expected to range between €1.2 billion and €1.5 billion; meanwhile, capex for the period 2012-2015 is expected to be approximately €3.5 billion;

- Capex in 2011 will be mainly allocated to the conclusion of the upgrade project in Sines and Matosinhos refineries and to the development of Lula and Cernambi fields, in the pre-salt Santos basin, in Brazil, and Block 14 in Angola;

- Upstream activities will be increasingly relevant in Galp Energia's future, accounting for circa 70% of total capex between 2012 and 2015;

- Regarding upstream activities growth, Galp Energia announces today the new working interest production target of approximately 200 thousand barrels of oil equivalent per day to be achieved in 2020, which represents a ten times increase from the production registered in 2010, when the working interest production was 19.5 thousand barrels of oil per day. Galp Energia also establishes a new ambition: to achieve a working interest production of 300 thousand barrels of oil equivalent per day before 2025;

- Driven by Lula and Cernambi fields development, in Santos basin, Brazil, and by the positive impact of the upgrade project in Sines and Matosinhos refineries, Galp Energia's EBITDA CAGR should be of circa 15% for the period 2010-2015;

- In order to strengthen its capital structure, Galp Energia announces that it started a process for a capital increase at its subsidiary in Brazil, which holds the Company's Exploration & Production assets in that country, that should be concluded in the second half of 2011;

- The execution of such operation aims at a cash in of around €2 billion, which will allow Galp Energia to achieve a net debt to equity below 50%.

RESOLUTIONS BY THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING

On March 28, Galp Energia informed about the resolutions of the extraordinary general shareholders meeting, which were as follows:

1. It was approved the ratification of the appointment of Mr Luca Bertelli as member of Galp Energia SGPS, S.A. board of directors, at the board of directors meeting of December 15, 2010;

2. It was not approved the amendment of the articles of association.

EXPLORATION & PRODUCTION

NEW FPSO LEASE FOR BLOCK BM-S-11

On January 7, Galp Energia announced that the consortium for BM-S-11 decided on the lease of a new Floating, Production, Storage and Offloading (FPSO) vessel. This new unit is part of the first development phase of the pre-salt Santos Basin and will be allocated to the Southern part of Cernambi field (former Iracema). This new unit will have a production capacity of 150,000 barrels of oil per day (bopd) and 6 to 8 million of cubic meters of gas compression. The unit should start producing in 2014.

AWARDS

In March, Institutional Investor's 2011 survey, *European Investor Relations Perception Study*, awarded Galp Energia the second place within the European Oil &Gas/Exploration & Production sector. This award assesses the performance of companies in their relation with the capital markets, thus distinguishing the best practices and professionals in this area. According to the same survey, Galp Energia's Chief Executive Officer, Manuel Ferreira De Oliveira, was appointed the best CEO within European Continental Oil & Gas/Exploration & Production sector. Tiago-Villas Boas was ranked the best Investor Relations Officer in the European Oil & Gas/Exploration & Production sector.

ASSOCIATES

1. MAIN ASSOCIATES

Company	Country	Business Segment	Equity Share	Consolidation method
Petróleos de Portugal, Petrogal, S.A.	Portugal	R&M	100%	Full
Galp Energia España, S.A.	Spain	R&M	100%	Full
Galp Exploração e Produção Petrolífera, S.A.	Portugal	E&P	100%	Full
CLCM - Companhia Logística da Madeira, S.A.	Portugal	R&M	75%	Full
CLC - Companhia Logística de Combustíveis, S.A.	Portugal	R&M	65%	Equity
CLH - Compañia Logística de Hidrocarburos, S.A.	Spain	R&M	5%	Equity
GDP, Gás de Portugal, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Gás Natural, S.A.	Portugal	G&P	100%	Full
Transgás, S.A.	Portugal	G&P	100%	Full
Transgás, Armazenagem, S.A.	Portugal	G&P	100%	Full
EMPL - Europe MaghrebPipeline, Ltd	Spain	G&P	27%	Equity
Gasoduto Al-Andaluz, S.A.	Spain	G&P	33%	Equity
Gasoduto Extremadura, S.A.	Spain	G&P	49%	Equity
GDP Distribuição, SGPS, S.A.	Portugal	G&P	100%	Full
Lisboagas, S.A.	Portugal	G&P	100%	Full
Lusitaniagás, S.A.	Portugal	G&P	85%	Full
Setgás, S.A.	Portugal	G&P	45%	Equity
Beiragás, S.A.	Portugal	G&P	59%	Full
Duriensegás, S.A.	Portugal	G&P	100%	Full
Tagusgás, S.A.	Portugal	G&P	41%	Equity
Galp Power, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Energia, S.A.	Portugal	Others	100%	Full

2. RESULTS FROM ASSOCIATES

Million Euros

Fourth quarter		First Quarter			
2010		2010	2011	Chg.	% Chg.
2.1	CLH	1.7	2.0	0.4	22.8%
2.3	CLC	2.0	1.2	(0.9)	(42.1%)
14.4	*International Pipelines*	11.7	12.4	0.7	6.0%
1.4	Setgás - Natural Gas Distribution Company	1.0	1.3	0.3	28.9%
6.8	Others	0.2	3.5	3.3	n.m.
27.0	**Total**	**16.6**	**20.4**	**3.8**	**23.0%**

RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED EBIT BY SEGMENT

Million euros

2010					First Quarter	2011				
EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA		EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA
139	**(50)**	**90**	**6**	**95**	**EBIT**	**259**	**(222)**	**37**	**16**	**53**
33	-	33	(0)	33	E&P	5	-	5	18	23
59	(46)	13	6	19	R&M	197	(221)	(23)	(1)	(24)
46	(4)	42	(0)	42	G&P	54	(1)	53	(1)	52
1	0	1	-	1	Others	3	(0)	3	-	3

2. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

Million euros

2010					First Quarter	2011				
EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA		EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA
221	**(50)**	**172**	**5**	**177**	**EBITDA**	**356**	**(222)**	**134**	**0**	**135**
49	-	49	(0)	48	E&P	48	-	48	(0)	48
106	(46)	60	6	66	R&M	243	(221)	23	(1)	22
65	(4)	61	(0)	61	G&P	61	(1)	60	1	61
2	0	2	-	2	Others	4	(0)	4	-	4

3. NON RECURRENT ITEMS

EXPLORATION & PRODUCTION

Million Euros

Fourth quarter		First Quarter	
2010		2010	2011
	Exclusion of non recurrent items		
(0.0)	Gains / losses on disposal of assets	(0.0)	(0.0)
0.0	*Assets write offs*	(0.4)	0.0
1.0	Assets impairments	0.3	18.0
1.0	**Non recurrent items of EBIT**	**(0.2)**	**18.0**
1.0	**Non recurrent items before income taxes**	**(0.2)**	**18.0**
(0.3)	Income taxes on non recurrent items	0.1	(6.1)
0.6	**Total non recurrent items**	**(0.1)**	**11.9**

REFINING & MARKETING

Million Euros

Fourth quarter		First Quarter	
2010		2010	2011
	Exclusion of non recurrent items		
(65.9)	Sale of strategic stock	-	-
65.9	Sale of strategic stock cost	-	-
(1.5)	Accidents caused by natural facts	0.0	(2.1)
(2.4)	Gains / losses on disposal of assets	(0.1)	(0.0)
3.3	*Assets write offs*	0.0	0.1
11.3	Employees contracts rescission	5.9	1.4
0.3	Provisions for environmental charges and others	(0.1)	(0.1)
(6.8)	Assets impairments	0.1	(0.2)
4.2	**Non recurrent items of EBIT**	**6.0**	**(0.9)**
-	Capital gains / losses on disposal of financial investments	-	0.0
4.2	**Non recurrent items before income taxes**	**6.0**	**(0.9)**
(1.5)	Income taxes on non recurrent items	(1.8)	0.3
2.7	**Total non recurrent items**	**4.2**	**(0.7)**

GAS & POWER

Million Euros

Fourth quarter 2010		First Quarter 2010	First Quarter 2011
	Exclusion of non recurrent items		
0.0	Gains / losses on disposal of assets	(0.0)	(0.0)
0.1	*Assets Write offs*	-	1.1
(1.0)	Employees contracts rescission	-	-
-	Provisions for environmental charges and others	0.0	(2.6)
(0.6)	Margin in the sale of CO_2 emission licenses	-	-
(0.8)	Claim paid to OnlyProperties (Lands in Cabo Ruivo)	-	-
0.8	Claims paid to EDP (Lands in Cabo Ruivo)	-	-
(1.4)	**Non recurrent items of EBIT**	**(0.0)**	**(1.5)**
(1.4)	**Non recurrent items before income taxes**	**(0.0)**	**(1.5)**
0.4	Income taxes on non recurrent items	0.0	(0.3)
(1.0)	**Total non recurrent items**	**(0.0)**	**(1.8)**

CONSOLIDATED SUMMARY

Million Euros

Fourth quarter 2010		First Quarter 2010	First Quarter 2011
	Exclusion of non recurrent items		
(65.9)	Sale of strategic stock	-	-
65.9	Sale of strategic stock cost	-	-
(1.5)	Accidents caused by natural facts	0.0	(2.1)
(2.4)	Gains / losses on disposal of assets	(0.1)	(0.1)
3.4	*Assets write off*	(0.4)	1.2
(0.6)	Margin in the sale of CO_2 emission licenses	-	-
10.3	Employees contracts rescission	5.9	1.4
0.3	Provisions for environmental charges and others	(0.1)	(2.7)
(5.8)	Assets impairments	0.4	17.8
(0.8)	Claim paid to OnlyProperties (Lands in Cabo Ruivo)	-	-
0.8	Claims paid to EDP (Lands in Cabo Ruivo)	-	-
3.7	**Non recurrent items of EBIT**	**5.8**	**15.6**
-	Capital gains / losses on disposal of financial investments	-	0.0
3.7	**Non recurrent items before income taxes**	**5.8**	**15.6**
(1.4)	Income taxes on non recurrent items	(1.7)	(6.2)
2.3	**Total non recurrent items**	**4.1**	**9.4**

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros

Fourth quarter		First Quarter	
2010		2010	2011
	Operating income		
3,511	Sales	3,223	3,695
92	Services rendered	66	101
35	Other operating income	37	42
3,639	**Total operating income**	**3,326**	**3,838**
	Operating costs		
(3,092)	Inventories consumed and sold	(2,811)	(3,151)
(210)	Material and services consumed	(176)	(226)
(93)	Personnel costs	(95)	(85)
(88)	Amortisation and depreciation cost	(70)	(98)
(19)	Provision and impairment of receivables	(12)	2
(10)	Other operating costs	(23)	(20)
(3,513)	**Total operating costs**	**(3,187)**	**(3,579)**
126	**EBIT**	**139**	**259**
22	Net profit from associated companies	17	20
(0)	Net profit from investments	0	(0)
	Financial results		
10	Financial profit	5	8
(37)	Financial costs	(23)	(30)
1	Exchange gain (loss)	(5)	(5)
(0)	Profit and cost on financial instruments	0	(3)
(0)	Other gains and losses	(0)	(0)
121	**Profit before taxes**	**133**	**250**
(32)	Income tax expense	(33)	(58)
89	**Profit before minority interest**	**99**	**192**
(3)	Profit attributable to minority interest	(1)	(2)
86	**Net profit for the period**	**98**	**191**
0.10	**Earnings per share (in Euros)**	**0.12**	**0.23**

2. CONSOLIDATED FINANCIAL POSITION

Million euros

	December 31, 2010	March 31, 2011
Assets		
Non current assets		
Tangible fixed assets	3,589	3,787
Goodwill	243	243
Other intangible fixed assets	1,308	1,295
Investments in associates	283	255
Investments in other participated companies	3	41
Other receivables	112	105
Deferred tax assets	216	211
Other financial investments	1	1
Total non current assets	**5,755**	**5,938**
Current assets		
Inventories	1,570	1,959
Trade receivables	1,082	1,124
Other receivables	562	664
Other financial investments	5	5
Current Income tax recoverable	-	-
Cash and cash equivalents	188	349
Total current assets	**3,407**	**4,101**
Total assets	**9,162**	**10,039**
Equity and liabilities		
Equity		
Share capital	829	829
Share premium	82	82
Translation reserve	28	(1)
Other reserves	193	193
Hedging reserves	(4)	(2)
Retained earnings	1,109	1,550
Profit attributable to equity holders of the parent	441	191
Equity attributable to equity holders of the parent	**2,679**	**2,842**
Minority interest	32	34
Total equity	**2,711**	**2,876**
Liabilities		
Non current liabilities		
Bank loans and overdrafts	1,412	1,498
Bonds	1,000	1,000
Other payables	321	319
Retirement and other benefit obligations	285	288
Deferred tax liabilities	84	86
Other financial instruments	0	0
Provisions	156	122
Total non current liabilities	**3,258**	**3,312**
Current liabilities		
Bank loans and overdrafts	616	930
Bonds	-	-
Trade payables	1,490	1,681
Other payables	1,034	1,152
Other financial instruments	8	6
Income tax	45	81
Total current liabilities	**3,193**	**3,851**
Total liabilities	**6,451**	**7,163**
Total equity and liabilities	**9,162**	**10,039**

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.

ACRONYMS:

ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (Brazil's energy regulator);

bbl: barrels;

BBLT: Benguela, Belize, Lobito and Tomboco;

bbl/d: barrels per day;

Bg: Barges;

Cg: Cargoes;

CIF: Costs, Insurance and Freights;

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;

FCC: Fluid Catalytic Cracking;

FIFO: First In First Out;

FOB: Free on Board;

G&P: Gas & Power;

IAS: International Accounting Standards;

IFRS: International Financial Reporting Standards;

LIFO: Last In First Out;

LNG: Liquefied Natural Gas;

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;

R&D: Refining & Marketing;

RCA: Replacement cost adjusted;

SXEP: DJ Europe Oil & Gas stock index;

TL: Tômbua-Lândana;

ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes;

Usd: United states dollar

WAC: Weighted-average cost.

Galp Energia, SGPS, S.A.

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