galp energia

RESULTS

TWELVE MONTHS AND FOURTH QUARTER OF 2011

Delivering growth through exploration and production

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EXECUTIVE SUMMARY

In 2011, Galp Energia's replacement cost adjusted net profit of €251 million was €55 million lower than in 2010 as the Refining & Marketing business segment underperformed. Net profit of €79 million in the fourth quarter of 2011 was €40 million higher yoy.

SUMMARY OF RESULTS – TWELVE MONTHS AND FOURTH QUARTER OF 2011

- Net entitlement production of crude oil and natural gas in 2011 was 12.1 kboepd, of which 33% from Brazil; in the fourth quarter, 50% of net entitlement production of 13.0 kboepd came from Brazil;

- Galp Energia achieved a refining margin of Usd 0.6/bbl in 2011 compared with Usd 2.6/bbl in 2010; in the fourth quarter of 2011, the refining margin was close to zero, influenced by the negative trend of refining margins in international markets;

- In 2011 the oil marketing business was negatively impacted by the adverse Iberian economic context, with the fourth quarter volumes continuing to present a decreasing trend;

- Natural gas sold in 2011 rose 9% compared with 2010 to 5,365 million cubic metres, driven by sales in Spain and by the trading segment; in the fourth quarter of 2011, volumes sold rose 6% due to higher volumes in the trading segment;

- RCA EBIT fell 13% in 2011 compared with 2010 to €394 million; in the fourth quarter of 2011, RCA EBIT of €110 million was up €46 million compared to fourth quarter of 2010;

- RCA net profit of €251 million in 2011 equated to €0.30 per share, 32% of which was achieved in the fourth quarter of 2011;

- In 2011, around 45% of total capital expenditure of €1,000 million was allocated into the refinery upgrade project.

CONFERENCE CALL

Date:	Friday 10 February 2012
Time:	14:00 (15:00 CET)
Hosted by:	Manuel Ferreira De Oliveira (CEO)
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KEY FIGURES

FINANCIAL DATA

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
233	187	(46)	(19.8%)	EBITDA	1,053	1,089	36	3.4%
168	217	50	29.7%	EBITDA RC[1]	842	804	(37)	(4.4%)
177	**212**	**35**	**19.7%**	**EBITDA RCA[2]**	**854**	**797**	**(57)**	**(6.7%)**
126	63	(63)	(50.0%)	EBIT	639	641	3	0.4%
60	93	33	54.1%	EBIT RC[1]	427	356	(71)	(16.5%)
64	**110**	**46**	**71.3%**	**EBIT RCA[2]**	**454**	**394**	**(59)**	**(13.1%)**
86	48	(38)	(44.1%)	Net profit	441	433	(9)	(2.0%)
37	69	32	86.5%	Net profit RC[1]	285	228	(57)	(19.9%)
40	**79**	**40**	**100.3%**	**Net profit RCA[2]**	**306**	**251**	**(55)**	**(17.9%)**

[1] Replacement cost figures exclude inventory effects

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

MARKET INDICATORS

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
1.6	(0.4)	(2.0)	n.m.	Rotterdam cracking refining margin[1] (Usd/bbl)	1.5	(0.6)	(2.1)	n.m.
0.5	(1.2)	(1.7)	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)	0.4	(1.0)	(1.4)	n.m.
52.5	56.8	4.3	8.2%	UK NBP natural gas price[2] (GBp/term)	42.6	56.4	13.8	32.4%
43.2	52.0	8.8	20.5%	Spanish pool price[2] (€/MWh)	37.0	49.9	13.0	35.0%
86.5	109.3	22.8	26.4%	Average dated Brent price[3] (Usd/bbl)	79.5	111.3	31.8	40.0%
1.36	1.35	(0.0)	(0.7%)	Average exChg. rate[2] (Eur/Usd)	1.33	1.39	0.1	5.0%
1.25	1.72	*0.47 p.p.*	n.m.	Euribor - six month[2] (%)	1.08	1.64	*0.55 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					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
20.1	21.6	1.5	7.5%	Average working interest production (kboepd)	19.5	20.8	1.3	6.8%
14.3	13.0	(1.3)	(8.9%)	Average net entitlement production (kboepd)	11.8	12.1	0.3	2.5%
2.3	(0.0)	(2.3)	(101.7%)	Galp Energia refining margin (Usd/bbl)	2.6	0.6	(2.0)	(77.7%)
2.7	3.0	0.4	13.3%	Raw materials processed (million tonnes)	12.3	11.2	(1.1)	(8.9%)
2.8	2.6	(0.1)	(5.3%)	Oil sales direct clients[1] (million tonnes)	11.0	10.5	(0.6)	(5.0%)
1,340	1,414	75	5.6%	Natural gas sales (million m^3)	4,926	5,365	440	8.9%
292	334	41	14.2%	Sales of electricity to the grid [1] (GWh)	1,202	1,201	(1)	(0.0%)

[1] Includes sales in Africa

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

BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the twelve months ended 31 December 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 December 2011 and 2010 and the twelve-month periods ended on these dates. The financial information in the consolidated financial position is reported at 31 December 2011, 30 September 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 (RC) valuation method.

RECENT CHANGES

In 2011 Galp Energia changed the method of accounting the pension funds liabilities, which were accounted according to the "corridor method" in accordance with the IAS 19, which was revised in June 2011. Galp Energia started accounting all the actuarial profits and losses for the period in the equity item, with impact in its financial statements. As this change was not reflected in the financial statements of the fourth and twelve months 2010, nor in the nine months 2011, these are not directly comparable with the financial statements of the fourth quarter and twelve months of 2011.

In December, Galp Energia started including the natural gas volumes sold from Brazil's Lula field in total production, after the gas pipeline Lula-Mexilhão started operations at the end of the third quarter of 2011.

In September 2011, Galp Energia began to calculate its net debt classing marketable securities as cash equivalents. To make periods comparable, this change was reflected in the financial information reported at 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 twelve months and the fourth quarter of 2010, these are not directly comparable with the financial statements of the twelve months and the fourth quarter of 2011.

MARKET ENVIRONMENT

CRUDE OIL

The dated Brent averaged Usd 111.3/bbl in 2011, up 40% from 2010. This rise followed primarily from unrest in northern Africa, namely Libya, from production cutbacks by OPEC and from discontinued North Sea production as platforms went through maintenance. In the fourth quarter, the dated Brent averaged Usd 109.3/bbl, down 4% quarter on quarter (qoq), as the eurozone crisis took its toll on demand, supply from Libya resumed after efforts to resolve the conflict in the country and North Sea production resumed.

The price spread between heavy and light crude oil widened Usd 0.9/bbl in 2011 compared with 2010 to Usd -2.1/bbl as production in African countries, namely Libya, which produces mainly light crude, met with difficulties. In the fourth quarter of 2011 the spread tightened Usd 1.2/bbl qoq as the price of the dated Brent fell and demand for heavy crude rose from refineries located in the BRICS (Brazil, Russia, India, China and South Africa), thereby driving up the price of this grade of crude.

OIL PRODUCTS

In 2011 the gasoline crack spread averaged Usd 7.0/bbl, down 20% from a year earlier following the rise in the price of the dated Brent and the drop in demand for gasoline in the year. In the fourth quarter of 2011 the gasoline crack spread averaged Usd 2.7/bbl, down Usd 7.2/bbl qoq as US production resumed after the refinery maintenance season ended, which prompted a rise in inventories, and US demand for gasoline fell as a result of higher prices paid for this product by consumers.

The diesel crack spread averaged Usd 18.6/bbl in 2011, up Usd 4.5/bbl from 2010. In the fourth quarter of 2011, the diesel crack spread averaged Usd 22.3/bbl, up 27% qoq, as the price of the dated Brent and the supply of diesel from Russia and Asia fell.

The fuel oil crack spread averaged Usd -10.6/bbl, down Usd 3.5/bbl from 2010 as the price of the dated Brent increased. In the fourth quarter of 2011, the fuel oil crack spread averaged Usd -7.0/bbl, up 30% qoq. This rise stemmed primarily from strong Asian demand, namely from Japan and Singapore's marine bunkers, and rising purchases from European utilities.

REFINING MARGINS

In 2011 the average cracking refining margin fell Usd 2.1/bbl compared with 2010 to Usd -0.6/bbl while the average hydroskimming refining margin fell Usd 2.4/bbl to Usd -3.9/bbl. In the fourth quarter of 2011 the average cracking refining margin was Usd -0.4/bbl, slightly down from the previous quarter, as the rises in the diesel and fuel oil crack spreads could not offset the fall in the gasoline and naphtha crack spreads. The average hydroskimming refining margin rose Usd 1.4/bbl qoq to Usd -2.5/bbl, driven by the rises in the fuel oil and diesel crack spreads.

EUR/USD

In 2011 the euro/dollar exchange rate averaged 1.39, up 5% from 2010. In the fourth quarter of 2011, the euro/dollar exchange rate averaged 1.35, implying a 5% depreciation qoq of the euro against the dollar, influenced by the unresolved sovereign debt crisis in the eurozone.

THE IBERIAN MARKET

In 2011 the Portuguese market for oil products contracted 7% compared with 2010 to 9.6 million tonnes, which reflected the particularly adverse economic conditions. The market for gasoline contracted 11% to 1.2 million tonnes and the market for diesel contracted 8% yoy to 5.0 million tonnes while the market for jet recovered slightly to 1.0 million tonnes.

In the fourth quarter of 2011, volumes sold in the Portuguese market for oil products fell 11% yoy to 2.3 million tonnes, which reflected the impact of government's austerity measures. 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 contracted 12% yoy to 1.2 million tonnes. Similarly, the market for jet declined 3% to 0.2 million tonnes.

In the twelve months of 2011, the Spanish market for oil products contracted 4% compared with 2010 to 56.7 million tonnes, which was still a reflection of the economic slowdown. This contraction followed from a 7% fall in the market for gasoline to 5.3 million tonnes and a 6% fall in the market for diesel to 29.7 million tonnes, which could not be offset by the 6% rise in demand for jet to 5.6 million tonnes.

In the fourth quarter of 2011, the Spanish market for oil products shrank 6% yoy to 14.1 million tonnes as the economy contracted in the year. The market for jet declined 5% to 1.2 million tonnes while the markets for gasoline and diesel contracted 7% to 1.3 million tonnes and 10% to 7.5 million tonnes yoy, respectively.

In the twelve months of 2011, the Portuguese market for natural gas remained stable yoy at 4,886 million cubic metres. This was primarily driven by the 10% rise in demand from the electrical segment, as demand rose from the CCGT at Pego, which offset the negative impact from the lower residential and industrial segment consumption.

In the fourth quarter of 2011, the Portuguese market for natural gas contracted 12% yoy to 1,085 million cubic metres mainly as a result of the 13% drop in demand from the residential and industrial segment. In the same period, demand from the electrical segment fell 11% yoy following mild weather conditions and the rising use of coal in power generation.

In the twelve months of 2011, the Spanish market for natural gas contracted 7% yoy to 31,952 million cubic metres as the electrical segment fell 19% to 9,415 million cubic metres following milder air temperatures in 2011 and the increased use of coal in power generation.

In the fourth quarter of 2011, the Spanish market for natural gas contracted 13% yoy to 8,210 million cubic metres as demand from the electrical segment collapsed by 30% to 2,029 million cubic metres following milder weather in the period.

MARKET INDICATORS

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
86.5	109.3	22.8	26.4%	Dated Brent price[1] (Usd/bbl)	79.5	111.3	31.8	40.0%
(1.3)	(0.7)	0.6	44.7%	Heavy-light crude price spread[2] (Usd/bbl)	(1.2)	(2.1)	(0.9)	(76.7%)
16.2	22.3	6.1	37.5%	Diesel crack[3] (Usd/bbl)	14.2	18.6	4.5	31.4%
8.1	2.7	(5.5)	(67.2%)	Gasoline crack[4] (Usd/bbl)	8.8	7.0	(1.8)	(20.3%)
(11.5)	(7.0)	4.5	39.2%	Fuel oil crack[5] (Usd/bbl)	(7.1)	(10.6)	(3.5)	(48.4%)
1.6	(0.4)	(2.0)	n.m.	Rotterdam cracking refining margin[1] (Usd/bbl)	1.5	(0.6)	(2.1)	n.m.
(2.2)	(2.5)	(0.3)	(13.6%)	Rotterdam hydroskimming refining margin[1] (Usd/bl	(1.5)	(3.9)	(2.4)	n.m.
2.6	2.3	(0.3)	(11.1%)	Portuguese oil market[6] (million ton)	10.3	9.6	(0.7)	(7.0%)
15.0	14.1	(0.9)	(6.0%)	Spanish oil market[7] (million ton)	58.8	56.7	(2.2)	(3.7%)
1,236	1,085	(152)	(12.3%)	Portuguese natural gas market[8] (million m^3)	4,902	4,886	(16)	(0.3%)
9,385	8,210	(1,175)	(12.5%)	Spanish natural gas market[9] (million m^3)	34,347	31,952	(2,395)	(7.0%)

[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*. Includes December estimate

[8] Source: *Galp Energia*

[9] Source: *Enagás*

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
3,604	4,375	771	21.4%	Turnover	14,064	16,804	2,740	19.5%
(3,396)	(4,220)	825	24.3%	Operating expenses	(13,132)	(15,811)	2,678	20.4%
25	32	7	28.7%	Other operating revenues (expenses)	122	96	(26)	(21.2%)
233	**187**	**(46)**	**(19.8%)**	**EBITDA**	**1,053**	**1,089**	**36**	**3.4%**
(107)	(124)	17	16.0%	D&A and provisions	(414)	(448)	33	8.1%
126	**63**	**(63)**	**(50.0%)**	**EBIT**	**639**	**641**	**3**	**0.4%**
22	20	(2)	(7.0%)	Net profit from associated companies	74	73	(1)	(0.9%)
(0)	(0)	(0)	n.m.	Net profit from investments	0	(1)	(1)	n.m.
(27)	(29)	(2)	(6.3%)	Net interest expenses	(98)	(123)	(24)	(24.8%)
121	54	(67)	(55.1%)	Profit before tax and minority interests	614	591	(23)	(3.8%)
(32)	(5)	(27)	(83.7%)	Income tax	(166)	(149)	(17)	(10.4%)
(3)	(1)	(2)	n.m.	Minority Interests	(6)	(9)	3	46.7%
86	**48**	**(38)**	**(44.1%)**	**Net profit**	**441**	**433**	**(9)**	**(2.0%)**
86	**48**	**(38)**	**(44.1%)**	**Net profit**	**441**	**433**	**(9)**	**(2.0%)**
(49)	21	70	n.m.	Inventory effect	(156)	(204)	(48)	(30.8%)
37	**69**	**32**	**86.5%**	**Net profit RC**	**285**	**228**	**(57)**	**(19.9%)**
2	10	7	n.m.	Non recurrent items	21	23	2	10.6%
40	**79**	**40**	**100.3%**	**Net profit RCA**	**306**	**251**	**(55)**	**(17.9%)**

TWELVE MONTHS

RCA net profit of €251 million in 2011 was €55 million lower than in 2010 as the Refining & Marketing business segment underperformed following lower refining margins and lower volumes of oil products sold in the Iberian Peninsula.

IFRS net profit of €433 million in 2011 included a favourable inventory effect of €204 million as the prices of crude and oil products rose in international markets.

FOURTH QUARTER

RCA net profit of €79 million in the fourth quarter of 2011 was €40 million higher yoy as both the Exploration & Production and the Gas & Power business segments had a stronger contribution to results following rises in the price of crude oil and the price and volumes sold of natural gas.

IFRS net profit of €48 million in the fourth quarter of 2011 included an unfavourable inventory effect of €21 million after the prices of crude and oil products fell in international markets.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
3,604	**4,375**	**771**	**21.4%**	**Sales and services rendered**	**14,064**	**16,804**	**2,740**	**19.5%**
(66)	-	66	n.m.	Non recurrent items	(66)	-	66	n.m.
3,538	**4,375**	**837**	**23.7%**	**Adjusted sales and services rendered**	**13,998**	**16,804**	**2,806**	**20.0%**
51	163	112	n.m.	Exploration & Production	214	396	182	84.9%
3,079	3,771	692	22.5%	Refining & Marketing	12,322	14,692	2,369	19.2%
502	668	166	33.1%	Gas & Power	1,736	2,275	539	31.1%
36	33	(4)	(10.0%)	Others	131	124	(8)	(5.8%)
(130)	(259)	(129)	(99.3%)	Consolidation adjustments	(406)	(683)	(277)	(68.2%)

TWELVE MONTHS

In 2011 adjusted sales and services rendered rose 19% compared with 2010 to €16,804 million following the contribution of all business segments as the prices of crude, oil products and natural gas rose in international markets while volumes sold of crude oil and natural gas expanded.

FOURTH QUARTER

Adjusted sales and services rendered in the fourth quarter of 2011 rose 24% yoy to €4,375 million, primarily after the prices of oil products, crude and natural gas rose in international markets and volumes sold of natural gas increased.

OPERATING COSTS

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
3,396	**4,220**	**825**	**24.3%**	**Operational costs**	**13,132**	**15,811**	**2,678**	**20.4%**
66	(30)	(96)	n.m.	Inventory effect	212	285	73	34.7%
3,462	**4,190**	**729**	**21.1%**	**Operational costs RC**	**13,344**	**16,096**	**2,752**	**20.6%**
(76)	(3)	74	96.4%	Non recurrent items	(91)	(7)	84	92.6%
3,385	**4,188**	**802**	**23.7%**	**Operational costs RCA**	**13,253**	**16,089**	**2,836**	**21.4%**
3,385	**4,188**	**802**	**23.7%**	**Operational costs RCA**	**13,253**	**16,089**	**2,836**	**21.4%**
3,092	3,852	760	24.6%	Cost of goods sold	12,142	14,855	2,712	22.3%
210	254	43	20.7%	Supply and services	777	914	138	17.7%
83	82	(1)	(1.4%)	Personnel costs	334	320	(14)	(4.2%)

TWELVE MONTHS

In 2011 RCA operating costs rose 21% yoy to €16,089 million as the cost of goods sold soared 22% in the wake of rising prices of crude oil and natural gas in international markets. Supply and services cost rose 18% in 2011 to €914 million as Madrileña Gas was consolidated from May 2010 and Enacol from the second quarter of 2011. Excluding these effects, supply and services cost rose 5% yoy following higher costs related to growing production in Brazil, the production activities in Angola and the new units of the upgrade project of the Matosinhos refinery.

Personnel costs fell 4% yoy in 2011 compared with 2010 to €320 million, mainly as a result of lower accruals in the period in respect of variable pay.

FOURTH QUARTER

In the fourth quarter of 2011, RCA operating costs rose 24% yoy to €4,188 million primarily as the cost of goods sold went up by 25% yoy following rising prices of crude oil and natural gas in international markets. Supply and services cost rose 21% yoy to €254 million, influenced by the change of criteria to account for gas transportation costs in Spain, which have been included in this item. Excluding this effect, supply and services cost rose 9% yoy as production increased in Brazil and operating costs of production activities in Angola rose.

At €82 million, personnel costs remained stable in the fourth quarter of 2011 compared with a year earlier.

DEPRECIATION AND AMORTISATION

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
88	**96**	**8**	**8.5%**	**Depreciation & amortisation**	**331**	**404**	**73**	**22.0%**
6	(20)	(26)	n.m.	Non recurrent items	(6)	(46)	(39)	n.m.
94	**76**	**(18)**	**(19.5%)**	**Adjusted depreciation & amortisation**	**325**	**358**	**33**	**10.2%**
94	**76**	**(18)**	**(19.5%)**	**Adjusted depreciation & amortisation**	**325**	**358**	**33**	**10.2%**
43	(1)	(44)	n.m.	Exploration & Production	96	109	12	12.6%
41	57	16	38.7%	Refining & Marketing	185	196	12	6.3%
9	18	9	n.m.	Gas & Power	41	50	9	21.4%
1	1	0	27.6%	Others	2	3	1	32.1%

TWELVE MONTHS

In 2011, adjusted depreciation and amortisation rose €33 million compared with 2010 to €358 million.

In the Exploration & Production business segment higher amortization was mainly due to 2011 being the first year when Brazil's Lula field assets were depreciated.

In the Refining & Marketing business segment the rise of €12 million was primarily related to the starting depreciation of the new units of the upgrade project of the Matosinhos refinery.

In the Gas & Power business segment, higher depreciation and amortisation was mainly related to the amortization of intangible assets related with the acquisition of Madrileña Gas in Spain.

Non recurrent events of €46 million were primarily related to costs with dry wells in Brazil.

FOURTH QUARTER

In the fourth quarter of 2011, adjusted depreciation and amortisation fell €18 million yoy to €76 million after the decrease in the Exploration & Production segment as the rate for amortization assets in Angola was adjusted downwards, after an upward revision of reserves at the end of 2011. This followed the Company's estimate of reserves in the second quarter of 2011, which proved to be conservative.

In the Refining & Marketing business segment the increase in depreciation and amortisation reflected the first depreciation charges for the new units of the upgrade project of the Matosinhos refinery.

In the Gas & Power business segment the increase in depreciation and amortisation of €9 million was mainly related to the amortization of intangible assets in respect of the acquisition of Spain's Madrileña Gas.

PROVISIONS

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
19	**28**	**10**	**51.1%**	**Provisions**	**83**	**44**	**(39)**	**(47.3%)**
(0)	(2)	(2)	n.m.	Non recurrent items	(8)	0	8	n.m.
18	**26**	**8**	**40.8%**	**Adjusted provisions**	**75**	**44**	**(31)**	**(41.2%)**
18	**26**	**8**	**40.8%**	**Adjusted provisions**	**75**	**44**	**(31)**	**(41.2%)**
14	7	(7)	(51.1%)	Exploration & Production	29	13	(15)	(53.9%)
3	14	11	n.m.	Refining & Marketing	8	25	16	n.m.
2	6	4	n.m.	Gas & Power	38	6	(32)	(83.1%)
(0)	(0)	0	n.m.	Others	0	(0)	(0)	n.m.

TWELVE MONTHS

In 2011, adjusted provisions of €44 million were €31 million lower than in 2010.

In the Exploration & Production business segment, the €15 million fall in provisions reflected lower charges for abandonment of Angola's Block 14 on the back of a devaluation of the US dollar against the euro.

In the Refining & Marketing business segment provisions were primarily related to doubtful debtors.

In the Gas & Power business segment the €32 million fall in provisions reflected the charge made in 2010 for the renegotiation of contracts for the supply of natural gas.

FOURTH QUARTER

In the fourth quarter of 2011, adjusted provisions of €26 million were mainly driven by the Refining & Marketing business segment, whose provisions of €14 million were mostly related to doubtful debtors.

In the Exploration & Production segment lower provisions reflected the effect of the euro/dollar update, based on the exchange rate at the year end, on the charges for abandonment of Angola's Block 14.

In the Gas & Power segment provisions of €6 million were primarily associated with doubtful debtors in the Spanish natural gas business.

OPERATING PROFIT

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
126	**63**	**(63)**	**(50.0%)**	**EBIT**	**639**	**641**	**3**	**0.4%**
(66)	30	96	n.m.	Inventory effect	(212)	(285)	(73)	(34.7%)
60	**93**	**33**	**54.1%**	**EBIT RC**	**427**	**356**	**(71)**	**(16.5%)**
4	17	13	n.m.	Non recurrent items	27	38	11	42.3%
64	**110**	**46**	**71.3%**	**EBIT RCA**	**454**	**394**	**(59)**	**(13.1%)**
64	**110**	**46**	**71.3%**	**EBIT RCA**	**454**	**394**	**(59)**	**(13.1%)**
(1)	60	61	n.m.	Exploration & Production	61	130	69	112.6%
25	(18)	(43)	n.m.	Refining & Marketing	201	23	(178)	(88.5%)
39	63	24	61.0%	Gas & Power	182	230	48	26.3%
1	5	4	n.m.	Others	10	11	2	20.0%

TWELVE MONTHS

RCA EBIT in 2011 fell 13% compared with 2010 to €394 million as the Refining & Marketing business segment underperformed.

RCA EBIT for the Exploration & Production segment rose €69 million as both the production and price of crude oil increased.

The Refining & Marketing business reported RCA EBIT of €23 million against €201 million in 2010 as the refining margin, the volume of crude processed and the volume of oil products sold in the Iberian Peninsula fell.

The Gas & Power business segment improved its performance following higher volumes sold and supply margins in natural gas, coupled with better results from the infrastructure and power businesses.

FOURTH QUARTER

RCA EBIT in the fourth quarter of 2011 rose €46 million yoy to €110 million on the back of better results from the Exploration & Production and Gas & Power business segments, which more than offset the lower contribution from the Refining & Marketing business segment.

RCA EBIT for the Exploration & Production segment amounted increased to €60 million from one million euros negative in the fourth quarter 2010, as both the production and price of crude oil rose while depreciation charges fell.

The weaker operating performance of the Refining & Marketing business in the fourth quarter of 2011 compared with a year earlier followed primarily from the negative trend in the refining margin.

RCA EBIT for the Gas & Power business segment in the fourth quarter of 2011 rose €24 million yoy to €63 million as volumes sold and natural gas supply margins improved while the power business increased its contribution to earnings.

OTHER RESULTS

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
22	20	(2)	(7.0%)	Net profit from associated companies	74	73	(1)	(0.9%)
(0)	(0)	(0)	n.m.	Net profit from investments	0	(1)	(1)	n.m.
(27)	(29)	(2)	(6.3%)	Financial results	(98)	(123)	(24)	(24.8%)

TWELVE MONTHS

Results from associates amounted in 2011 to €73 million and included €51 million from international gas pipelines EMPL, Gasoducto Al Andalus and Gasoducto Extremadura.

Net financial losses increased €24 million as interest charges rose following the increase in both average debt and the average cost of debt.

FOURTH QUARTER

Results from associates amounted in the fourth quarter of 2011 to €20 million and included €15 million from the international gas pipelines.

Despite the favourable effect of exchange gains on financial results, net financial losses increased €2 million yoy as interest charges rose following the rise in average debt and in the average cost of debt.

INCOME TAX

Million euros (except otherwise noted)

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
32	**5**	**(27)**	**(83.7%)**	**Income tax[1]**	**166**	**149**	**(17)**	**(10.4%)**
26%	*10%*	*(17 p.p.)*	*n.m.*	*Effective income tax*	*27%*	*25%*	*(2 p.p.)*	*n.m.*
(17)	9	(26)	n.m.	Inventory effect	(55)	(81)	25	45.6%
15	**14**	**(1)**	**(5.8%)**	**Income tax RC[1]**	**111**	**69**	**(43)**	**(38.3%)**
1	7	6	n.m.	Non recurrent items	6	16	10	n.m.
16	**21**	**5**	**29.3%**	**Income tax RCA[1]**	**117**	**84**	**(33)**	**(28.1%)**
27%	*21%*	*(7 p.p.)*	*n.m.*	*Effective income tax*	*27%*	*24%*	*(3 p.p.)*	*n.m.*

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

TWELVE MONTHS

RCA income tax of €84 million equated to an effective tax rate of 24%. In 2011 tax payable in Angola amounted to €35 million after a reversal of close to €10 million for the excess estimate recorded in the first quarter of 2011.

FOURTH QUARTER

In the fourth quarter of 2011, RCA income tax rose €5 million yoy to €21 million. The effective tax rate was 21% due to the decrease in the IRP to €5 million from €16 million a year earlier and due to the adjustment of depreciation charges for the Exploration & Production business segment.

3. FINANCIAL POSITION

Million euros (except otherwise noted)

	December 31, 2010	September 30, 2011	December 31, 2011	Change vs Dec 31, 2010	Change vs Sep 30, 2011
Fixed assets	5,426	5,884	5,999	573	115
Strategic stock	792	1,060	996	205	(64)
Other assets (liabilities)	(336)	(371)	(407)	(71)	(35)
Working capital	(333)	(231)	(143)	190	88
	5,548	**6,343**	**6,446**	**897**	**103**
Short term debt	616	1,035	1,528	912	494
Long term debt	2,412	2,588	2,274	(138)	(314)
Total debt	**3,028**	**3,623**	**3,803**	**774**	**180**
Cash	191	244	298	107	54
Total net debt	**2,837**	**3,378**	**3,504**	**667**	**126**
Total shareholder's equity	**2,711**	**2,964**	**2,941**	**230**	**(23)**
Capital employed	**5,548**	**6,343**	**6,446**	**897**	**103**

Fixed assets of €5,999 million at 31 December 2011 were €115 million higher than at the end of September 2011, which reflected capital expenditure in the quarter, namely on the refineries upgrade project. Working capital requirements rose €87 in the fourth quarter of 2011 as the average time of accounts payable shortened.

DEBT

Million euros (except otherwise noted)

	December 31, 2010		September 30, 2011		December 31, 2011		Change vs Dec 31, 2010		Change vs Sep 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	905	280	905	280	(95)	-	-
Bank debt	456	1,162	505	1,433	863	1,119	407	(43)	359	(314)
Commercial paper	160	250	250	250	385	250	225	-	135	-
Cash	(191)	-	(244)	-	(298)	-	(107)	-	(54)	-
Net debt	**2,837**		**3,378**		**3,504**		**667**		**126**	
Average life (years)	3.10		2.34		2.13		(0.97)		(0.21)	
Net debt to equity	105%		114%		119%		14.5 p.p.		5.1 p.p.	

Net debt of €3,504 million at 31 December 2011 was €126 million higher than at the end of September 2011. Net debt to equity stood at 119% at the end of the period.

At the end of December 2011, long-term debt accounted for 60% of total debt, against 71% at the end of September 2011. 42% of medium and long-term debt was on fixed rate compared with 51% at the end of September 2011.

The average life of debt was 2.1 years at the end of December 2011 and 79% of medium- and long-term debt is scheduled to mature between 2012 and 2014.

The average cost of debt for 2011 was 4.3%, or 80 basis points higher than in 2010, and was in line with the rising trend in benchmark interest rates and the rise in the credit cost in Europe.

At 31 December 2011, net debt attributable to minority interests amounted to €22 million.

At the end of 2011, Galp Energia had contracted, but not utilised credit lines for €900 million of which 40% signed with international banks and 60% contracted guaranteed.

4. CASH FLOW

Million euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
118	63	EBIT	639	641
97	96	Non cash costs	331	404
16	(76)	Change in operational stock	(125)	(100)
(77)	64	Change in strategic stocks	(217)	(205)
153	**146**	**Sub total**	**629**	**741**
(27)	(38)	Interest expenses	(87)	(119)
(38)	(66)	Taxes	(108)	(187)
119	(11)	Change in working capital excluding operational stock	151	(90)
207	**32**	***Cash flow from operating activities***	**585**	**344**
(400)	(208)	Net capital expenditures and disposals[1]	(1,371)	(979)
27	27	Dividends paid / received	(107)	(53)
20	24	Others	(19)	22
(146)	**(126)**	**Total**	**(912)**	**(667)**

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

TWELVE MONTHS

The cash outflow of €667 million in 2011 represented an improvement of €245 million from 2010 that followed primarily from lower capital expenditure in the year.

Investment in strategic and operating stocks in 2011, which resulted primarily from higher prices of crude and oil products in international markets, had an adverse effect of €305 million on cash flow from operating activities. The rise in interest charges and taxes paid in the period also had a negative effect on cash flow in 2011.

Capital expenditure in 2011 was lower than in 2010 as the refinery upgrade project approached completion although, this decrease had a negative effect on working capital requirements as the average time of asset suppliers' accounts payables became shorter and the amount of liabilities decreased. In fact, in 2011 the capital expenditure and working capital requirements items had a less negative impact in cash flow compared to 2010.

The cash outflow from dividend payments was lower in 2011 than in 2010 as the first dividend from 2011 results was not paid.

FOURTH QUARTER

In the fourth quarter of 2011 net cash outflow was €126 million, an improvement compared with the €146 million outflow a year earlier.

Despite this improvement, cash flow for the period was hampered by the additions to operating stocks and working capital.

The cash outflow of €208 million from investing activities was positively influenced by lower capital expenditure and was significantly below the €400 million of a year earlier as the investment on the refineries upgrade project decreased. The lower investment in the fourth quarter of 2011 more than offset the respective higher working capital requirements that resulted from lower average time of assets supplier's accounts payables and respective debt amounts.

5. CAPITAL EXPENDITURE

Million euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
99	91	(8)	(7.7%)	Exploration & Production	341	299	(42)	(12.3%)
238	81	(157)	(66.0%)	Refining & Marketing	800	641	(159)	(19.9%)
30	18	(12)	(40.2%)	Gas & Power	87	55	(32)	(36.8%)
2	2	0	11.7%	Others	5	5	0	7.3%
369	**192**	**(177)**	**(47.9%)**	**Investment**	**1,233**	**1,000**	**(233)**	**(18.9%)**

TWELVE MONTHS

Capital expenditure in 2011 amounted to €1,000 million, of which the Refining & Marketing business segment accounted for around 64%.

In the Exploration & Production business segment investment was mostly channelled into Brazil, which absorbed around €212 million, mainly to block BM-S-11 with around €144 million. In Angola, capital expenditure of close to €54 million was primarily allocated to the development of Block 14.

In the Refining & Marketing business segment, capital expenditure in 2011 amounted to €641 million, €452 million of which were channelled into the upgrade project of the Sines and Matosinhos refineries.

In the Gas & Power business segment, capital spending of €55 million was primarily related to the natural gas distribution network.

FOURTH QUARTER

Capital expenditure of €192 million in the fourth quarter of 2011 was mainly channelled into the Exploration & Production business segment, which accounted for 48% of the total.

In Exploration & Production, investment was mostly channelled to Brazil's block BM-S-11, which absorbed close to €34 million.

In the Refining & Marketing segment spending in the fourth quarter of 2011 amounted to €81 million, of which €19 million was allocated to the upgrade project where spending is at its final stage.

In Gas & Power capital expenditure of €18 million was earmarked for extension of the natural gas distribution network.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
1.8	**2.0**	**0.1**	**7.5%**	**Total working interest production (million boe)**	**7.1**	**7.6**	**0.5**	**6.8%**
1.3	**1.2**	**(0.1)**	**(8.9%)**	**Total net entitlement production (million boe)**	**4.3**	**4.4**	**0.1**	**2.5%**
14.3	**13.0**	**(1.3)**	**(8.9%)**	**Average net entitlement production (kboepd)**	**11.8**	**12.1**	**0.3**	**2.5%**
12.1	6.5	(5.5)	(45.9%)	Angola	10.1	8.2	(1.9)	(19.1%)
2.2	6.4	4.3	n.m.	Brazil	1.7	4.0	2.2	129.8%
80.0	**122.8**	**42.7**	**53.4%**	**Average realized sale price[1] (Usd/bbl)**	**76.7**	**106.3**	**29.5**	**38.5%**
9.0	**21.1**	**12.1**	**134.0%**	**Operating cost[1] (Usd/bbl)**	**12.1**	**17.4**	**5.4**	**44.5%**
52.7	**(22.6)**	**(75.3)**	**n.m.**	**Amortisation[1] (Usd/bbl)**	**34.5**	**42.3**	**7.8**	**22.6%**
1.0	**1.8**	**0.8**	**n.m.**	**Total sales[2] (million bbl)**	**2.8**	**3.7**	**0.9**	**30.5%**
1,219	**1,411**	**193**	**15.8%**	**Net total assets**	**1,219**	**1,411**	**193**	**15.8%**
74	97	24	n.m.	Turnover[3]	245	340	95.9	39.2%
56	**66**	**10**	**17.4%**	**EBITDA RCA**	**186**	**251**	**65.3**	**35.1%**
(1)	**60**	**61**	**n.m.**	**EBIT RCA**	**61**	**130**	**69**	**112.6%**

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

ACTIVITIES

TWELVE MONTHS

In 2011 working interest production rose 7% compared with 2010 to 20.8 kboepd, or 7.6 million barrels of oil equivalent for the whole year. This rise came primarily as production increased in Brazil's Lula field after the first full year of operation of FPSO Cidade de Angra dos Reis, and an extended well test (EWT) was performed at Lula NE between April and November. In Angola, production fell 5% compared with 2010 as the output of the Kuito and BBLT fields declined as a result of their advanced maturity.

Net entitlement production rose 3% in 2011 compared with 2010 to 12.1 kboepd, from which 33% came from Brazil compared to 15% in 2010. The increase in production in Brazil more than offset declining production in Angola. Net entitlement production in this country tumbled 19% compared with 2010 to 8.2 kbopd due to lower cost-oil production rates, which followed a higher oil price during the year, and that are related to the cost recovery mechanism in the production sharing agreement (PSA) for Block 14.

FOURTH QUARTER

In the fourth quarter of 2011 working interest production rose 8% yoy to 21.6 kboepd as Brazil's rising production more than offset falling production in Angola, where fields under production are at a more advanced stage of maturity. During the fourth quarter of 2011, two additional producing wells were connected to the FPSO Cidade de Angra dos Reis.

At the end of the third quarter 2011, natural gas produced from Brazil's Lula field through the Lula-Mexilhão gas pipeline started to be commercialized and contributed to an average volume of 1 kboepd in the period.

Net entitlement production in the fourth quarter of 2011 fell 9% yoy to 13.0 kboepd following lower cost-oil production rates in Angola.

Brazil's production of 6.4 kboepd accounted for 50% of total net entitlement production in the quarter.

RESULTS

TWELVE MONTHS

RCA EBIT of €130 million in 2011 increased €69 million from €61 million in 2010 as both net entitlement production and the average sale price of crude oil moved higher.

Brazil’s contribution to the segment’s RCA EBIT rose to 47% from 32% in 2010 on the back of the first results of project Lula-1 in 2011, which confirmed the country’s growing role in Galp Energia’s portfolio of activities.

Production costs in Angola rose to €37 million from €34 million in 2010 following well maintenance works in the BBLT and CPT Tômbua-Lândana fields. On a net entitlement basis, unit costs rose to Usd 17.4/bbl from Usd 12.1/bbl in 2010.

Depreciation charges in Angola fell €5 million in 2011 compared with 2010 to €91 million as the appreciation of the euro against the US dollar offset the downward revision of net entitlement reserves compared to 2010. In unit terms, on a net entitlement basis, depreciation charges rose to Usd 42.3/bbl from Usd 34.5/bbl in 2010.

FOURTH QUARTER

RCA EBIT in the fourth quarter of 2011 rose €61 million yoy to €60 million as depreciation charges in Angola fell and the contribution from Brazilian production increased.

Production costs in Angola rose €2 million yoy to €9 million in the fourth quarter of 2011. On a net entitlement basis, unit costs increased to Usd 21.1/bbl from Usd 9.0/bbl a year earlier.

Depreciation charges in Angola generated accounting revenues of €10 million compared with a cost of €43 million a year earlier, after the downwards revision of the rate for depreciating assets in Angola, following reserves updated at the end of 2011. This follows the Company’s own estimate of reserves in the second quarter of 2011, which proved conservative, being revised upward in the fourth quarter with impact on the depreciation rate. The reduction in the depreciation rate led to lower depreciation charges in 2011 which also affected the fourth quarter. On a net entitlement basis and excluding the adjustment in the fourth quarter, depreciation charges in unit terms would had increased to Usd 60.6/bbl from Usd 52.7/bbl a year earlier.

2. REFINING & MARKETING

Million euros (except otherwise noted)

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
1.6	**(0.4)**	**(2.0)**	**n.m.**	**Rotterdam cracking refining margin[1] (Usd/bbl)**	**1.5**	**(0.6)**	**(2.1)**	**n.m.**
0.5	**(1.2)**	**(1.7)**	**n.m.**	**Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)**	**0.4**	**(1.0)**	**(1.4)**	**n.m.**
2.3	**(0.0)**	**(2.3)**	**n.m.**	**Galp Energia refining margin (Usd/bbl)**	**2.6**	**0.6**	**(2.0)**	**(77.7%)**
2.6	**2.2**	**(0.4)**	**(15.8%)**	**Refinery cash cost (Usd/bbl)**	**2.1**	**2.3**	**0.2**	**9.1%**
17,984	**20,973**	**2,989**	**16.6%**	**Crude processed (k bbl)**	**84,720**	**76,186**	**(8,535)**	**(10.1%)**
2.7	**3.0**	**0.4**	**13.3%**	**Raw material processed (million tonnes)**	**12.3**	**11.2**	**(1.1)**	**(8.9%)**
4.2	**4.2**	**(0.0)**	**(0.8%)**	**Total refined product sales (million tonnes)**	**17.3**	**16.3**	**(1.0)**	**(5.6%)**
2.8	**2.6**	**(0.1)**	**(5.3%)**	**Sales to direct clients[2] (million tonnes)**	**11.0**	**10.5**	**(0.6)**	**(5.0%)**
1.6	1.6	(0.1)	(4.9%)	Wholesale	6.3	6.1	(0.2)	(3.1%)
0.9	0.8	(0.1)	(9.0%)	Retail	3.6	3.3	(0.3)	(8.8%)
0.1	0.1	(0.0)	(16.2%)	LPG	0.3	0.3	(0.0)	(10.2%)
0.2	0.2	0.0	15.0%	Others	0.8	0.8	(0.0)	(1.0%)
0.5	**0.8**	**0.3**	**47.6%**	**Exports[3] (million tonnes)**	**2.8**	**2.7**	**(0.1)**	**(4.2%)**
1,539	**1,502**	**(37)**	**(2.4%)**	**Number of service stations**	**1,539**	**1,502**	**(37)**	**(2.4%)**
589	**595**	**6**	**1.0%**	**Number of c-stores**	**589**	**595**	**6**	**1.0%**
6,160	**6,325**	**165**	**2.7%**	**Net total assets**	**6,160**	**6,325**	**165**	**2.7%**
3,145	3,771	626	19.9%	Turnover	12,388	14,692	2,303	18.6%
69	**53**	**(16)**	**(22.9%)**	**EBITDA RCA**	**394**	**244**	**(150)**	**(38.0%)**
25	**(18)**	**(43)**	**n.m.**	**EBIT RCA**	**201**	**23**	**(178)**	**(88.5%)**

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

[2] Includes sales in Africa

[3] Galp Energia exports excluding sales in the Spanish market

ACTIVITIES

TWELVE MONTHS

In the refining business, 76 million barrels of crude oil were processed in 2011, down 9 million barrels compared with 2010, primarily following the 40-day technical outage of the Sines refinery in the first quarter of 2011, which aimed at performing maintenance works and establishing interconnections, both related to the upgrade project. The refineries utilisation rate stood at 63%, down from 75% in 2010.

Crude oil accounted for 92% of raw materials processed, with light crude and condensates weighing 37%, medium crude 40% and heavy crude 23%.

In the production profile, diesel accounted for 34%, followed by gasoline with 22%. Fuel oil and jet accounted for 20% and 7%, respectively, of total production and own consumption and losses for 7%.

Volumes sold to direct clients in 2011 fell 5% compared with 2010 to 10 million tonnes as the Iberian market for oil products contracted. Sales of oil products in Africa rose 19% in 2011 compared with 2010 to 712 thousand tonnes mainly on the back of higher volumes sold in Cape Verde.

Exports from the Iberian Peninsula fell 4% in 2011 compared with 2010 to 2.7 million tonnes. Fuel oil, with 39%, and gasoline, with 29%, were the products with higher weight. The fall in exports, particularly of gasoline and naphtha, was influenced by the technical shutdown of the Sines refinery in the first quarter of 2011, which lowered production.

FOURTH QUARTER

In the fourth quarter of 2011, 21 million barrels of crude were processed with a capacity utilisation rate of 69%, compared with 63% a year earlier, when there was a technical outage at Matosinhos refinery, so to perform maintenance works an establish new interconnections related with the upgrade project.

Crude oil accounted for 95% of raw materials processed in the fourth quarter of 2011, with medium crude accounting for 51% and heavy crude for 26% of the total. The weight of light crude and condensates fell to 23% from 36% a year earlier as operations started in June 2011 in the new units of the Matosinhos refinery, which process heavier crude.

Diesel weighed 33% in the production yield against 35% a year earlier. Gasoline weighed 23%, fuel oil 22% and jet 6%. Own consumption and losses accounted for 7%.

Volumes sold to direct clients in the fourth quarter of 2011 fell 5% yoy to 2.6 million tonnes, due to the Iberian economic context and, particularly, to the austerity measures in place, both in Portugal and in Spain. In Africa, sales rose 21% to 191 thousand tonnes, showing the favourable progress of this business in the continent.

Exports from the Iberian Peninsula in the fourth quarter of 2011 rose 48% yoy to 0.8 million tonnes as exports of fuel oil and naphtha increased. Fuel oil, gasoline and naphtha accounted for 38%, 28% and 11% of total exports, respectively.

RESULTS

TWELVE MONTHS

RCA EBIT decreased in 2011 to €23 million from €201 million in 2010 due to the negative evolution of both the refining margin and oil product volumes sold in the Iberian Peninsula.

Galp Energia's refining margin was Usd 0.6/bbl in the year, down from Usd 2.6/bbl in 2010, reflecting the conditions prevailing in the international refining sector. Galp Energia's premium to benchmark was Usd 1.3/bbl in 2011, compared with Usd 1.5/bbl in 2010. This was due to the premium decrease in the fourth quarter of the year, following a lower heavy-light crude price spread and lower aromatics margins performance, compared with the same quarter in 2010, which have a higher impact on Galp Energia margin than on the benchmark.

In 2011, the refineries' operating cash costs amounted to €126 million, which equated to unit costs of Usd 2.3/bbl, or above the 2010 level following lower volumes of crude processed in 2011, which narrowed the base for spreading fixed costs.

The austerity measures applied in Iberia and, in general, the adverse economic environment impacted the Iberian market for oil products, which showed lower volumes sold, leading to a reduced contribution from the oil marketing business in 2011 compared with 2010, notwithstanding the improved performance 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 €9 million on RCA EBIT for 2011.

FOURTH QUARTER

RCA EBIT in the fourth quarter of 2011 was negative in €18 million, down €43 million yoy as the refining margin fell and marketing of oil products had a lower contribution to results following the context of the Iberian oil products market.

Galp Energia's refining margin was close to zero in the fourth quarter of 2011 as it was affected by the negative trend of refining margins on international markets. The Usd 0.6/bbl premium of Galp Energia's refining margin over the benchmark was 42% lower yoy. This fall was related to the narrower spread between the prices of heavy and light crude between periods, which impaired the Company's refining margin compared with the benchmark. In addition, the margins of aromatics, to which Galp Energia is more exposed than the benchmark, also underperformed.

The refineries' operating cash costs amounted to €34 million, which equated to a unit cost of Usd 2.2/bbl, down from Usd 2.6/bbl a year earlier as higher volumes of crude processed broadened the base for spreading fixed costs.

The marketing of oil products in the Iberian Peninsula underperformed in the fourth quarter of 2011 and had a lower contribution to results despite the rising contribution from operations in Africa.

3. GAS & POWER

Million euros (except otherwise noted)

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
1,340	**1,414**	**75**	**5.6%**	**NG supply total sales volumes (million m^3)**	**4,926**	**5,365**	**440**	**8.9%**
465	387	(77)	(16.7%)	Electrical	1,939	1,866	(73)	(3.7%)
469	506	37	7.9%	Industrial	1,874	2,001	127	6.8%
151	160	10	6.3%	Residential	432	635	203	46.9%
195	314	119	61.1%	Trading	494	738	244	49.5%
61	46	(15)	(24.0%)	Other supply companies	187	124	(63)	(33.6%)
1,327	**1,301**	**(26)**	**(2.0%)**	**NG clients[1] (thousands)**	**1,327**	**1,301**	**(26)**	**(2.0%)**
292	**334**	**41**	**14.2%**	**Sales of electricity to the grid[2] (GWh)**	**1,202**	**1,201**	**(1)**	**(0.0%)**
1,045	**1,063**	**18**	**1.7%**	**Natural gas net fixed assets[3]**	**1,045**	**1,063**	**18**	**1.7%**
2,051	**2,327**	**276**	**13.4%**	**Net total assets**	**2,051**	**2,327**	**276**	**13.4%**
502	668	166	33.1%	Turnover	1,736	2,275	539	31.1%
50	**87**	**37**	**74.1%**	**EBITDA RCA**	**262**	**287**	**25**	**9.6%**
39	**63**	**24**	**61.0%**	**EBIT RCA**	**182**	**230**	**48**	**26.3%**
8	27	19	221.2%	Supply[4]	79	86	7	8.5%
30	27	(4)	(11.7%)	Infrastructure	92	116	23	25.0%
1	10	9	n.m.	Power	11	29	18	171.0%

[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 twelve months and fourth quarter of 2011 sales of power to the grid of 294 GWh and 81 GWh, respectively

[3] Excludes financial investments; net fixed assets are on a consolidated basis

[4] Includes liberalised and regulated supply

ACTIVITIES

TWELVE MONTHS

Sales of natural gas in the twelve months of 2011 rose 9% yoy to 5,365 million cubic metres following stronger sales in the residential and trading segments.

In the industrial segment, volumes of natural gas sold rose 7% yoy to 2,001 million cubic metres mainly on the back of higher sales in the Spanish market.

The residential segment contributed to a volume of 635 million cubic metres, up 47% yoy following the incorporation of natural gas supply activities in the Madrid region from April 2010.

Sales of natural gas in the trading segment rose 244 million cubic metres yoy to 738 million cubic metres, following new opportunities to sell liquefied natural gas into the international market.

Sales of electricity to the grid in the twelve months of 2011 were at 1,201 GWh, in line with a year earlier.

FOURTH QUARTER

Sales of natural gas in the fourth quarter of 2011 rose 6% yoy to 1,414 million cubic metres on the back of higher trading volumes as opportunities increased to sell liquefied natural gas, particularly to the Asian market.

Volumes sold to the electrical sector decreased 17% yoy to 387 million cubic metres as power generation fell in Portugal, particularly through the combustion of natural gas, following mild weather conditions in the quarter and the increased use of coal in power generation.

In the industrial segment, volumes of natural gas sold rose 8% yoy to 506 million cubic metres as sales rose in the Spanish market.

The residential segment accounted for 160 million cubic metres, an increase of 6% yoy due to the natural gas supply activities in the Madrid region, which contributed with 82 million cubic metres.

Sales of electricity to the grid in the fourth quarter of 2011 rose 41 GWh yoy to 334 GWh, as cogeneration plants installed capacity was partially offline in the fourth quarter of 2010.

RESULTS

TWELVE MONTHS

RCA EBIT in the twelve months of 2011 climbed 26% yoy to €230 million as all activities, particularly infrastructure and power, achieved better results.

In the natural gas supply segment, RCA EBIT rose €7 million to €86 million following higher volumes sold and improved supply margins from optimised natural gas purchases.

The infrastructure business generated RCA EBIT of €116 million, up 25% yoy. This increase was affected by the extinction of the smoothing effect of allowed revenues in July 2010 and by the partially recovery, accounted in 2011 of the difference between the two calculation methods for gas years 2008/2009 and 2009/2010, was partly recovered.

RCA EBIT for the power business rose to €29 million, above the €11 million from a year earlier.

FOURTH QUARTER

RCA EBIT in the fourth quarter of 2011 increased 61% yoy to €63 million.

RCA EBIT for the natural gas supply business rose €19 million yoy to €27 million as supply margins improved on the back of optimised natural gas purchases.

The infrastructure business achieved a RCA EBIT of €27 million and maintained its stable contribution to the Gas & Power business segment’s profit.

RCA EBIT for the power business rose €9 million yoy to €10 million, benefiting from cogeneration plants normal operations in the fourth quarter of 2011, comparing with the same period in the previous year.

SHORT-TERM OUTLOOK

This chapter aims to disclose Galp Energia's view on a range of key variables that influence its short-run operational performance. However, all these variables are not controlled by Galp Energia as some of them are exogenous.

MARKET ENVIRONMENT

Galp Energia estimates that the price of the dated Brent will remain above Usd 100/bbl in the first quarter of 2012. If, on the one hand, current economic conditions will exert downward pressure on the demand for oil, on the other hand, tensions in the Persian Gulf may condition supply from the region, which should support oil prices in the coming months.

Rotterdam benchmark margins may show some improvement relative to the fourth quarter of 2011, on the back of increased gasoline and fuel oil crack spreads.

The gasoline crack spread is expected to benefit from stronger demand from the Middle East and the North Africa.

The fuel oil crack spread should be supported in north-western Europe by stronger demand from utilities and in the Mediterranean and Asia by the marine bunker business.

The middle distillate crack spread is expected to suffer from the large inventories in the Amsterdam-Rotterdam-Antwerp region, namely higher product exports from USA, Russia and Asia.

OPERATING ACTIVITY

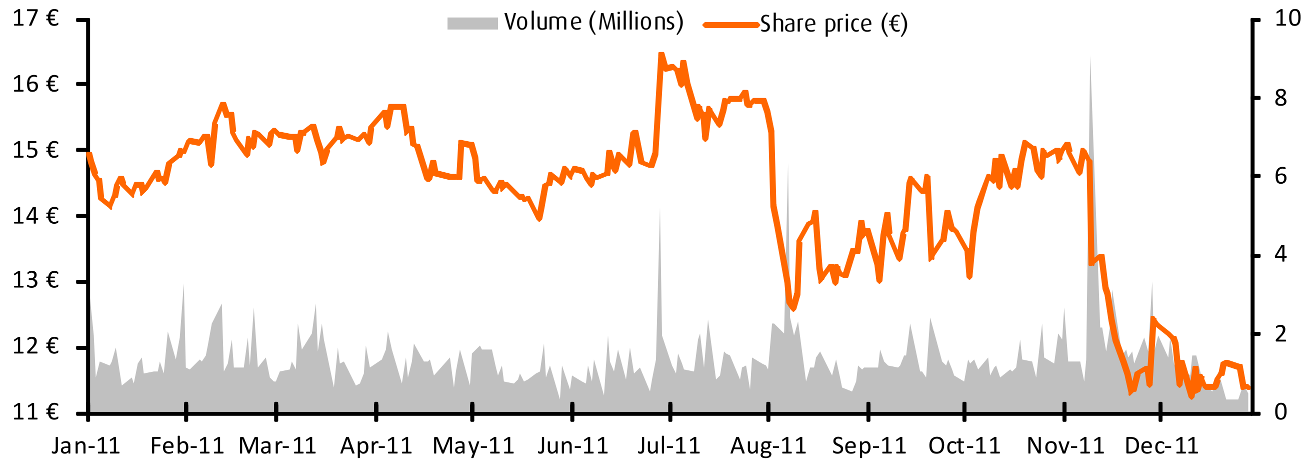
In the Exploration & Production business segment, working interest production should reach c.22 kboepd in the first quarter of 2012. Lower production in Angola as a result of the advanced maturity of the fields will be more than offset by rising production in Brazil with the connection of a fourth producing well to the FPSO Cidade de Angra dos Reis scheduled for March 2012.

In the Refining & Marketing business segment, the volume of crude oil processed is expected to slightly exceed the volume processed in the fourth quarter of 2011. The volume of oil products sold to direct clients is expected to be lower than in the fourth quarter of 2011, influenced by seasonal factors and the adverse economic conditions in the Iberian Peninsula following austerity policies, namely in Portugal.

In the Gas & Power business segment, volumes sold of natural gas are expected to rise in the first quarter of 2012 supported by higher sales in trading as Asian demand increases. Volumes sold to the electrical sector will continue to suffer from the competition of coal. Volumes sold in the residential and industrial segments are likely to benefit from colder weather conditions in the first quarter of 2012 both in Portugal and in Spain. The infrastructure activity is expected to show a stable performance compared with the fourth quarter of 2011.

THE GALP ENERGIA STOCK

PERFORMANCE OF THE GALP ENERGIA STOCK



Source: *Euroinvestor*

TWELVE MONTHS

In 2011, the Galp Energia stock lost 21% and closed the year at €11.38. From the initial public offering on 23 October 2006 until 31 December 2011, the stock had a favourable performance and gained 96%. The share price hit a peak of €16.97 and a low of €11.26 in the year, when approximately 341 million shares, or a daily average of 1.3 million, were traded. At 31 December 2011, Galp Energia had a market capitalisation of €9,437 million.

FOURTH QUARTER

In the fourth quarter of 2011, Galp Energia stock lost 17% compared with the close of the third quarter of 2011. The volume traded in the period amounted to 92 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	4Q2011	2011
Min (€)	10.37	11.26	11.26
Max (€)	14.86	15.28	16.97
Average (€)	12.70	13.11	14.31
Close price (€)	14.34	11.38	11.38
Volume (M shares)	428.0	91.9	341.2
Average volume per day (M shares)	1.6	1.4	1.3
Market cap (M€)	11,891	9,437	9,437

EVENTS IN THE FOURTH QUARTER OF 2011

CORPORATE

PARTNERSHIP WITH SINOPEC IN BRAZIL

On 11 November 2011, Galp Energia announced an agreement with Sinopec for the capital increase in Galp Energia's Brazilian subsidiary, Petrogal Brasil. Under the terms of the agreement, Sinopec will subscribe a $4.8 billion capital increase in Petrogal Brasil, and other related operational subsidiaries, valuing the existing Galp Energia's Brazilian assets at an enterprise value of $12.5 billion at closing. In addition, Sinopec will make a shareholder loan to Petrogal Brasil in the estimated amount of $390 million, which will be used to reimburse 30% of the loans to Galp Energia. Upon completion of the transaction, Galp Energia will retain 70% ownership, remaining the controlling shareholder of that company, and thus continuing to full consolidate those assets, while Sinopec will hold the remaining 30% interest and, through board representation, will have an adequate involvement in Petrogal Brasil.

EXPLORATION & PRODUCTION

DISCOVERY OF NATURAL GAS IN MOZAMBIQUE'S OFFSHORE

On 20 October 2011, Galp Energia announced a giant natural gas discovery at the Mamba South prospect, in Rovuma basin, offshore Mozambique. The discovery well encountered a total of 212 meters of continuous gas pay in high-quality Oligocene sands. The consortium considered that this impressive discovery can lead to at least 15 tcf of gas in place in the Mamba South Area, where the potential of the Tertiary Play that exists in Area 4 will be further assessed.

UPDATE ON THE MAMBA SOUTH PROSPECT IN MOZAMBIQUE

On 27 October 2011, Galp Energia, partner of the consortium for Area 4 in Rovuma basin, offshore Mozambique, provided an update on the gas discovery at the Mamba South prospect. During its deepening, the well encountered a new separated pool that contains up to 7.5 tcf of gas in place in clean sands of Eocenic age. The new sequence has about 90 meters of gross pay and has also been successfully cored.

NEW WELL CONFIRMS PRESENCE OF OIL IN BLOCK BM-S-8

Galp Energia informed, on the 29 November, about the conclusion of the drilling of the well 4-BRSA-946C-SPS, informally known as Biguá, which is located in block BM-S-8, in ultra-deep waters of pre-salt Santos Basin, 270 km off the coast of São Paulo state. This new well was drilled at a water depth of 2,180 meters and confirmed the presence of high quality oil, proved by oil samples with 25º API, through cable testing in reservoirs located at around 5,380 meters of depth. New studies to be performed from the well data will allow for a better evaluation of the discovery extension.

EMPLOYEES

	December 31, 2010	September 30, 2011	December 31, 2011	Change vs Dec 31, 2010	Change vs Sep 30, 2011
Exploration & Production	82	92	95	13	3
Refining & Marketing	6,156	6,322	6,131	(25)	(191)
Gas & Power	463	506	509	46	3
Corporte & Others	610	634	646	36	12
Total employees	**7,311**	**7,554**	**7,381**	**70**	**(173)**
Service stations employees	3,462	3,426	3,240	(222)	(186)
Total off site employees	**3,849**	**4,128**	**4,141**	**292**	**13**

RESULTS FROM ASSOCIATES

Million Euros

Fourth quarter					Twelve months			
2010	2011	Chg.	% Chg.		2010	2011	Chg.	% Chg.
2.1	1.8	(0.3)	(13.5%)	CLH	7.1	7.9	0.8	11.4%
2.3	1.0	(1.2)	(55.0%)	CLC	8.3	4.8	(3.5)	(42.3%)
14.4	15.4	1.0	6.7%	*International Pipelines*	50.3	50.7	0.3	0.7%
1.4	1.0	(0.4)	(30.7%)	Setgás - Natural Gas Distribution Company	3.9	4.0	0.1	2.0%
6.8	1.0	(5.9)	(86.0%)	Others	4.2	5.8	1.6	39.1%
27.0	**20.1**	**(6.9)**	**(25.4%)**	**Total**	**73.8**	**73.1**	**(0.7)**	**(0.9%)**

RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED EBIT BY SEGMENT

Million euros

Fourth quarter					2011	Twelve months				
EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA		EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA
63	**30**	**93**	**17**	**110**	**EBIT**	**641**	**(285)**	**356**	**38**	**394**
42	-	42	18	60	E&P	85	-	85	45	130
(52)	35	(16)	(2)	(18)	R&M	301	(272)	29	(6)	23
68	(5)	63	0	63	G&P	244	(13)	231	(1)	230
5	-	5	-	5	Others	11	-	11	-	11

Million euros

Fourth quarter					2010	Twelve months				
EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA		EBIT	Inventory effect	EBIT RC	Non recurrent items	EBIT RCA
126	**(66)**	**60**	**4**	**64**	**EBIT**	**639**	**(212)**	**427**	**27**	**454**
(2)	-	(2)	1	(1)	E&P	49	-	49	12	61
83	(62)	21	4	25	R&M	399	(201)	198	3	201
44	(3)	41	(1)	39	G&P	189	(11)	178	4	182
1	(0)	1	-	1	Others	2	(0)	2	8	10

2. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

Million euros

Fourth quarter					2011	Twelve months				
EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA		EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA
187	**30**	**217**	**(6)**	**212**	**EBITDA**	**1,089**	**(285)**	**804**	**(7)**	**797**
67	-	67	(1)	66	E&P	252	-	252	(1)	251
23	35	58	(5)	53	R&M	525	(272)	252	(8)	244
92	(5)	87	0	87	G&P	298	(13)	285	2	287
5	-	5	-	5	Others	15	-	15	-	15

Million euros

Fourth quarter					2010	Twelve months				
EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA		EBITDA	Inventory effect	EBITDA RC	Non recurrent items	EBITDA RCA
233	**(66)**	**168**	**9**	**177**	**EBITDA**	**1,053**	**(212)**	**842**	**12**	**854**
56	-	56	(0)	56	E&P	186	-	186	(0)	186
121	(62)	58	11	69	R&M	586	(201)	386	9	394
55	(3)	52	(1)	50	G&P	273	(11)	262	(0)	262
2	(0)	2	-	2	Others	8	(0)	8	4	12

galp energia

3. NON RECURRENT ITEMS

EXPLORATION & PRODUCTION

Million Euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Exclusion of non recurrent items		
(0.0)	(0.7)	Gains / losses on disposal of assets	(0.3)	(0.8)
0.0	(0.2)	*Assets write offs*	0.0	(0.0)
1.0	18.4	Assets impairments	12.5	45.1
1.0	**17.9**	**Non recurrent items of EBIT**	**12.1**	**44.7**
-	0.0	Other financial results	-	-
1.0	**17.9**	**Non recurrent items before income taxes**	**12.1**	**44.7**
(0.3)	(5.6)	Income taxes on non recurrent items	(4.2)	(14.7)
0.6	**12.4**	**Total non recurrent items**	**8.0**	**30.1**

REFINING & MARKETING

Million Euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Exclusion of non recurrent items		
(65.9)	-	Sale of strategic stock	(65.9)	-
65.9	-	Sale of strategic stock cost	65.9	-
(1.5)	5.2	Accidents caused by natural facts and insurance compensation	(3.0)	(0.6)
(2.4)	(12.3)	Gains / losses on disposal of assets	(2.5)	(13.7)
3.3	0.3	*Assets write offs*	3.3	0.4
11.3	1.7	Employees contracts rescission	19.7	5.7
-	-	Sines refinery fire - accidents	-	-
0.3	1.9	Provisions for environmental charges and others	0.4	1.7
(6.8)	1.6	Assets impairments	(6.2)	0.7
-	-	Margin in the sale of CO_2 emission licenses	(8.9)	-
4.2	**(1.5)**	**Non recurrent items of EBIT**	**2.9**	**(5.7)**
-	0.0	Capital gains / losses on disposal of financial investments	-	0.5
4.2	**(1.5)**	**Non recurrent items before income taxes**	**2.9**	**(5.2)**
(1.5)	(1.3)	Income taxes on non recurrent items	(1.1)	(0.4)
2.7	**(2.8)**	**Total non recurrent items**	**1.7**	**(5.6)**

GAS & POWER

Million Euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Exclusion of non recurrent items		
0.0	(0.0)	Gains / losses on disposal of assets	0.0	(0.0)
0.1	0.1	*Assets Write offs*	0.1	1.3
-	(0.7)	Accidents caused by natural facts	-	(0.7)
(1.0)	1.0	Employees contracts rescission	0.9	1.0
-	(0.0)	Provisions for environmental charges and others	4.5	(2.6)
(0.6)	-	Margin in the sale of CO_2 emission licenses	(1.5)	-
(0.8)	-	Claim paid to OnlyProperties (Lands in Cabo Ruivo)	(0.8)	-
0.8	-	Claims paid to EDP (Lands in Cabo Ruivo)	0.8	-
(1.4)	**0.4**	**Non recurrent items of EBIT**	**4.0**	**(1.0)**
-	-	Capital gains / losses on disposal of financial investments	(0.0)	-
(1.4)	**0.4**	**Non recurrent items before income taxes**	**4.0**	**(1.0)**
0.4	(0.1)	Income taxes on non recurrent items	(0.6)	(0.5)
(1.0)	**0.3**	**Total non recurrent items**	**3.4**	**(1.4)**

OTHER

Million Euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Exclusion of non recurrent items		
-	-	Sines refinery fire - accidents	4.5	-
-	-	Provisions for environmental charges and others	3.2	-
-	**-**	**Non recurrent items of EBIT**	**7.7**	**-**
-	-	Capital gains / losses on disposal of financial investments	(0.0)	(0.0)
-	**-**	**Non recurrent items before income taxes**	**7.7**	**(0.0)**
-	-	Income taxes on non recurrent items	0.0	0.0
-	**-**	**Total non recurrent items**	**7.7**	**(0.0)**

CONSOLIDATED SUMMARY

Million Euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Exclusion of non recurrent items		
(65.9)	-	Sale of strategic stock	(65.9)	-
65.9	-	Sale of strategic stock cost	65.9	-
(1.5)	4.5	Accidents caused by natural facts and insurance compensation	(3.0)	(1.3)
(2.4)	(13.1)	Gains / losses on disposal of assets	(2.8)	(14.5)
3.4	0.2	*Assets write off*	3.5	1.7
(0.6)	-	Margin in the sale of CO_2 emission licenses	(10.4)	-
10.3	2.7	Employees contracts rescission	20.6	6.7
-	-	Sines refinery fire - accidents	4.5	-
0.3	2.4	Provisions for environmental charges and others	8.0	(0.3)
(5.8)	20.0	Assets impairments	6.3	45.8
-	(0.8)	Claim paid to OnlyProperties (Lands in Cabo Ruivo)	-	-
-	0.8	Claims paid to EDP (Lands in Cabo Ruivo)	-	-
3.7	**16.8**	**Non recurrent items of EBIT**	**26.7**	**38.0**
(0.0)	0.0	Capital gains / losses on disposal of financial investments	(0.1)	0.5
3.7	**16.8**	**Non recurrent items before income taxes**	**26.6**	**38.5**
(1.4)	(6.9)	Income taxes on non recurrent items	(5.9)	(15.5)
2.3	**9.8**	**Total non recurrent items**	**20.8**	**23.0**

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros

Fourth quarter			Twelve months	
2010	2011		2010	2011
		Operating income		
3,511	4,254	Sales	13,747	16,363
92	121	Services rendered	316	441
46	55	Other operating income	206	183
3,650	**4,430**	**Total operating income**	**14,270**	**16,987**
		Operating costs		
(3,092)	(3,882)	Inventories consumed and sold	(11,997)	(14,570)
(210)	(254)	Material and services consumed	(781)	(914)
(93)	(84)	Personnel costs	(355)	(327)
(88)	(96)	Amortisation and depreciation cost	(331)	(404)
(19)	(28)	Provision and impairment of receivables	(83)	(44)
(21)	(22)	Other operating costs	(84)	(87)
(3,524)	**(4,367)**	**Total operating costs**	**(13,631)**	**(16,346)**
126	**63**	**EBIT**	**639**	**641**
22	20	Net profit from associated companies	74	73
(0)	(0)	Net profit from investments	0	(1)
		Financial results		
10	3	Financial profit	27	20
(37)	(41)	Financial costs	(114)	(141)
1	9	Exchange gain (loss)	(11)	(0)
(0)	(0)	Profit and cost on financial instruments	1	(1)
(0)	(0)	Other gains and losses	(1)	(2)
121	**54**	**Profit before taxes**	**614**	**591**
(32)	(5)	Income tax expense	(166)	(149)
89	**49**	**Profit before minority interest**	**448**	**442**
(3)	(1)	Profit attributable to minority interest	(6)	(9)
86	**48**	**Net profit for the period**	**441**	**433**
0.10	**0.06**	**Earnings per share (in Euros)**	**0.53**	**0.52**

2. CONSOLIDATED FINANCIAL POSITION

Million euros

	December 31, 2010	September 30, 2011	December 31, 2011
Assets			
Non current assets			
Tangible fixed assets	3,589	4,054	4,160
Goodwill	243	247	232
Other intangible fixed assets	1,308	1,283	1,298
Investments in associates	283	297	296
Investments in other participated companies	3	3	10
Other receivables	112	94	171
Deferred tax assets	216	182	198
Other financial investments	1	1	3
Total non current assets	**5,755**	**6,162**	**6,370**
Current assets			
Inventories	1,570	1,862	1,875
Trade receivables	1,082	1,071	1,066
Other receivables	562	635	541
Other financial investments	5	6	2
Current Income tax recoverable	-	-	(0)
Cash and cash equivalents	188	241	298
Total current assets	**3,407**	**3,815**	**3,782**
Total assets	**9,162**	**9,977**	**10,152**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	28	(13)	11
Other reserves	193	193	193
Hedging reserves	(4)	(1)	(1)
Retained earnings	1,109	1,434	1,338
Profit attributable to equity holders of the parent	441	385	433
Equity attributable to equity holders of the parent	**2,679**	**2,909**	**2,885**
Minority interest	32	55	56
Total equity	**2,711**	**2,964**	**2,941**
Liabilities			
Non current liabilities			
Bank loans and overdrafts	1,412	1,683	1,369
Bonds	1,000	905	905
Other payables	321	363	357
Retirement and other benefit obligations	285	290	366
Deferred tax liabilities	84	84	85
Other financial instruments	0	0	2
Provisions	156	105	111
Total non current liabilities	**3,258**	**3,431**	**3,194**
Current liabilities			
Bank loans and overdrafts	616	755	1,248
Bonds	-	280	280
Trade payables	1,490	1,542	1,365
Other payables	1,034	966	1,033
Liabilities from financial lease	-	-	0
Other financial instruments	8	1	90
Income tax	45	38	0
Total current liabilities	**3,193**	**3,582**	**4,016**
Total liabilities	**6,451**	**7,012**	**7,210**
Total equity and liabilities	**9,162**	**9,977**	**10,152**

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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