# FOURTH QUARTER & FULL YEAR 2008 RESULTS

Lisbon, 5 March 2009

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# FULL YEAR 2008 HIGHLIGHTS

# FULL YEAR 2008 NET PROFIT RCA OF €478 MILLION, UP 14% YoY [1]

| IFRS [2] | | | | Replacement Cost Adjusted | | |
|---|---|---|---|---|---|---|
| 2007 | 2008 | % Ch. | € Mln | 2007 | 2008 | % Ch. |
| 12,560 | 15,086 | +20% | **Turnover** | 12,556 | 15,062 | +20% |
| 1,213 | 449 | (63%) | **EBITDA** | 891 | 975 | +9% |
| 936 | 167 | (82%) | **EBIT** | 620 | 693 | +12% |
| 60 | 48 | (19%) | **Associates** | 60 | 48 | (19%) |
| 720 | 117 | (84%) | **Net Profit** | 418 | 478 | +14% |
| | | | | | | |
| 0.87 | 0.14 | (84%) | **EPS (Eur/share)** | 0.50 | 0.58 | +14% |
| 1.19 | 0.21 | (83%) | **EPS (Usd/share)** | 0.69 | 0.85 | +23% |

[1] For further information on full year 2008 results, please see appendix
[2] Inventory cost method changed from FIFO to weighted average cost



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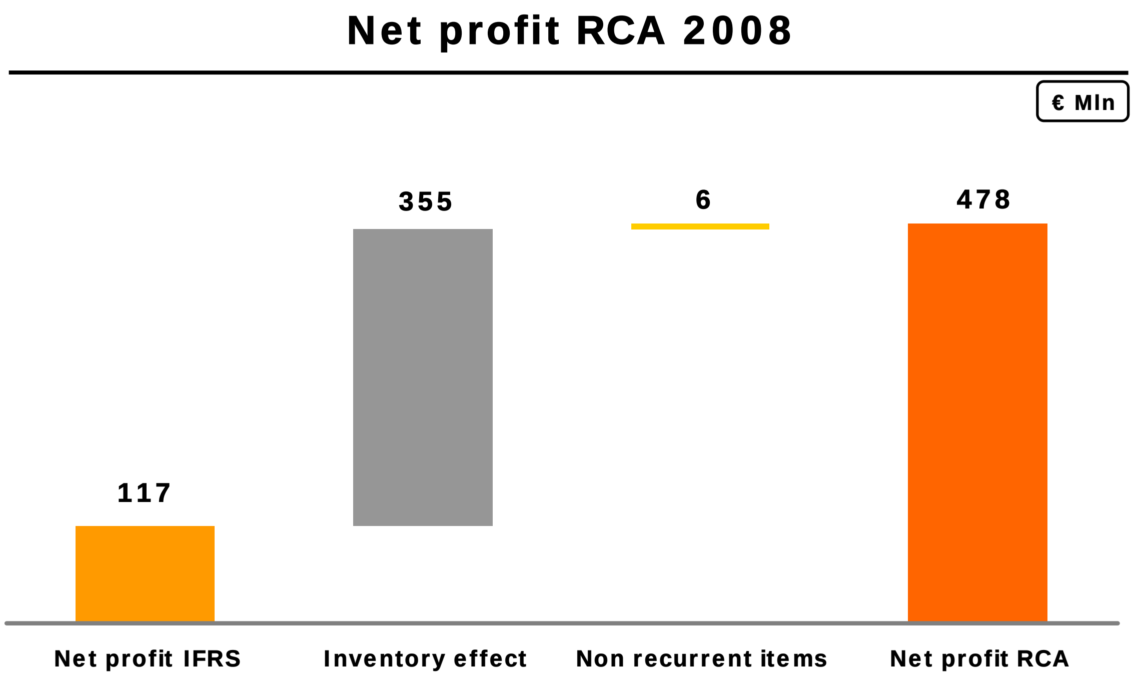
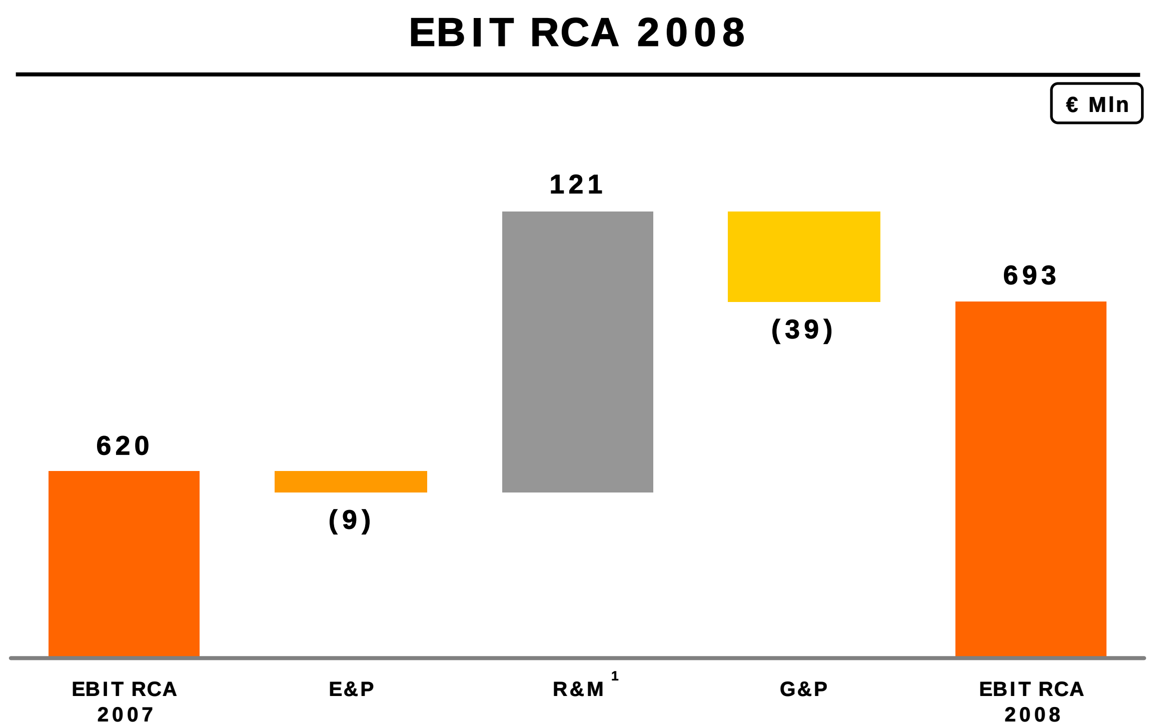
# INVENTORY EFFECT IMPACTED BY STEEP DECLINE IN CRUDE PRICE



# R&M POSTING A STRONG PERFORMANCE IN 2008

- EBIT RCA in 2008 was up 12% YoY, fuelled by the R&M division, which more than offset the weaker results in G&P

- R&M operating result was up 47% YoY, helped by a positive time lag effect of €78 Mln and by the good performance of the marketing division




1 R&M includes others of €8.0 Mln



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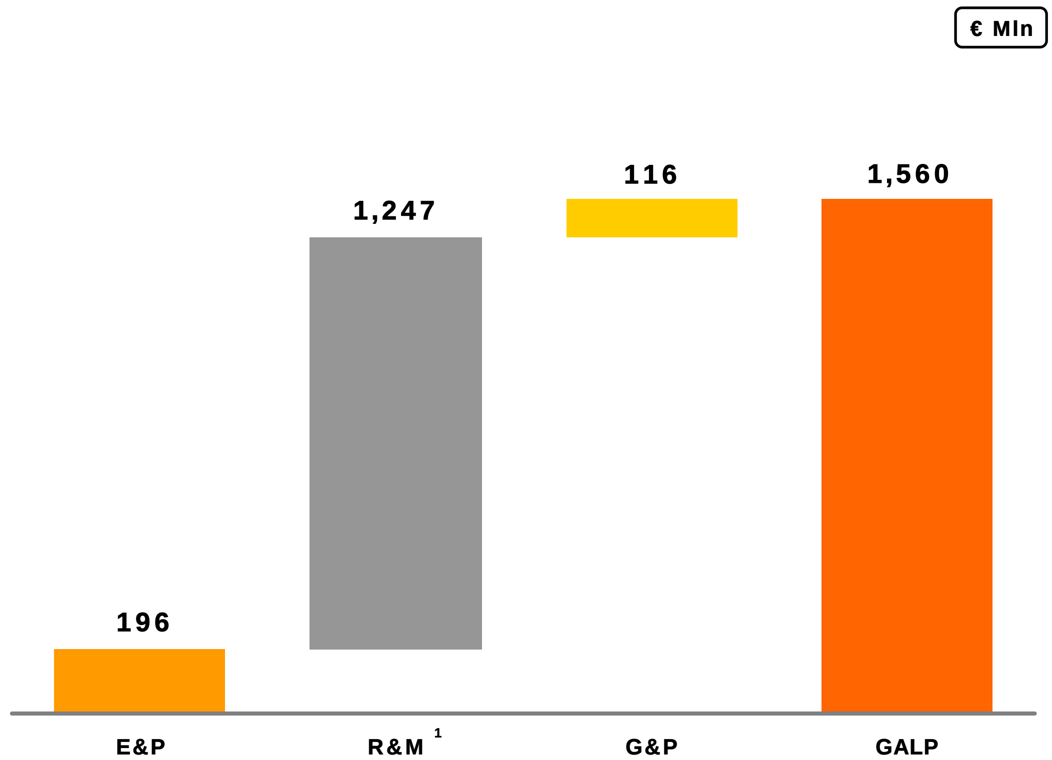
# CAPEX MOSTLY FUELLED BY THE R&M SEGMENT

- The majority of E&P investment programme channelled to development activities in Block 14 and exploration works in offshore Brazil
- R&M responsible for 80% of total capex, due to Iberian acquisitions
- Investment in G&P focused on NG distribution network and connection of more than 50 thousand new clients

## 2008 Capex




| YoY | +2% | +639% | +13% | +235% |
|---|---|---|---|---|

[1] R&M includes others of €2.0 Mln

# NET DEBT INCREASE DRIVEN BY IBERIAN ACQUISITIONS

## Balance Sheet items

€ Mln

| | Dec. 2007 | Dec. 2008 | Change |
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| Fixed Assets | 2,584 | 3,881 | 1,297 |
| Strategic Stock | 582 | 480 | (103) |
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| Working Capital | 89 | (249) | (338) |
| Net Debt | 734 | 1,864 | 1,129 |
| Equity | 2,370 | 2,219 | (151) |
| **Capital Employed** | **3,104** | **4,082** | **978** |
| Net debt to Equity | 31% | 84% | 53.0 p.p. |



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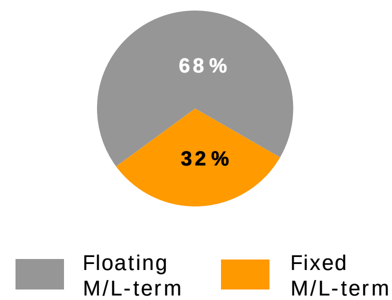
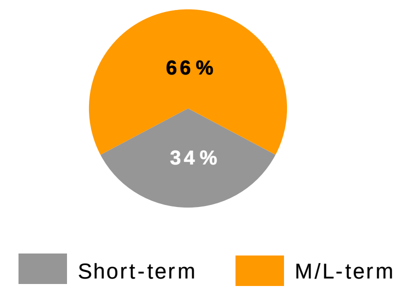
# FIXED DEBT HEDGES AGAINST VOLATILE ENVIRONMENT

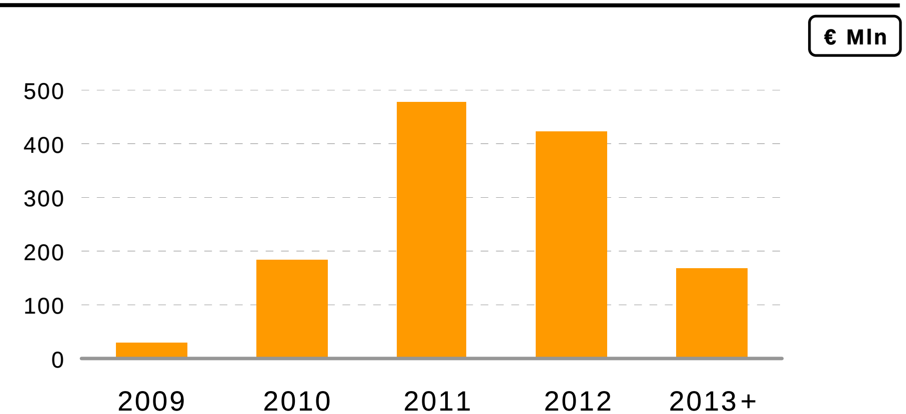
- Net debt totals €1,864 Mln
- Average debt maturity of M/L-term debt of 3.7 years
- M/L-term debt accounts for 66% of total, up from 53% in 3Q08
- Fixed debt represents 32% of total, up from 13% in 3Q08
- Average interest rate of 5.10%
- Liquidity of €0.6 Bln, of which 65% from committed bank lines
- EIB €500 Mln LT loan approved

## Debt structure as of December 2008




## M/L-term debt reimbursement profile



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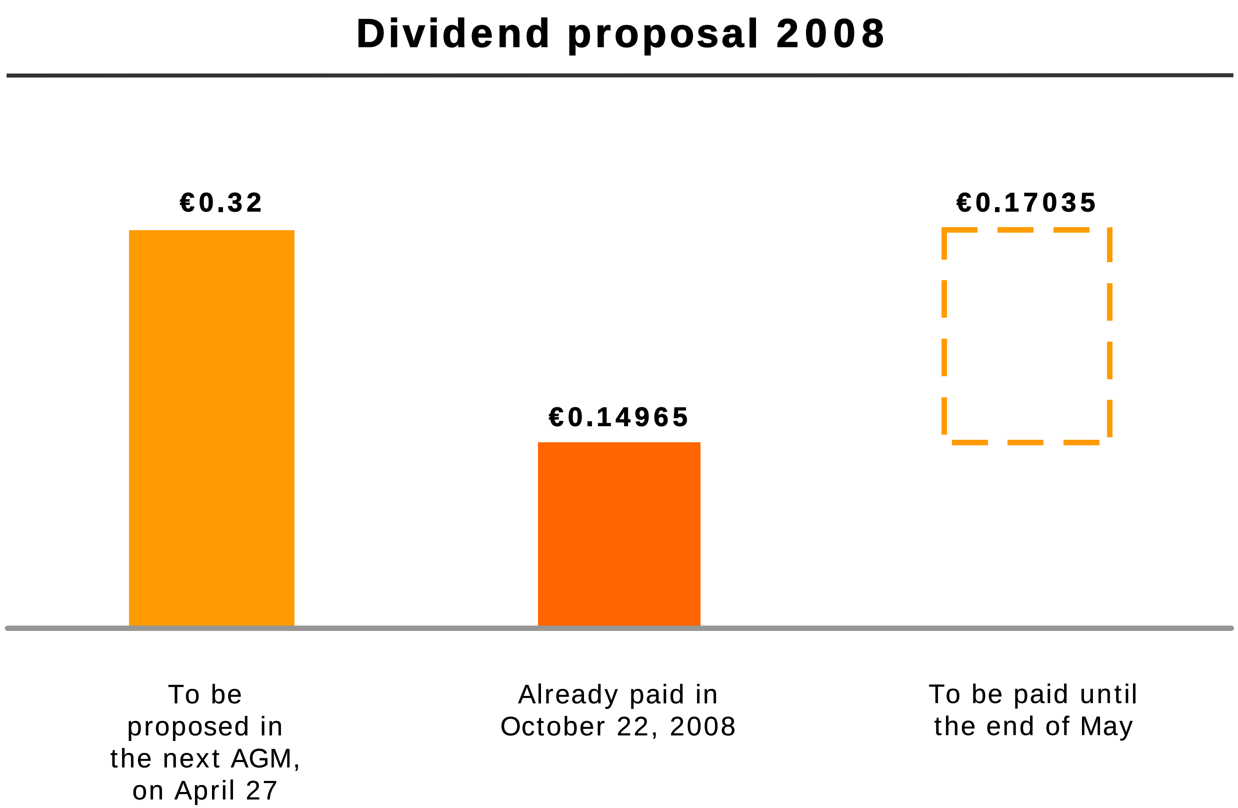
# DIVIDEND PROPOSAL OF €0.32[1] PER SHARE




[1] Based on a payout of 56% on net profit RC and subject to the Board of Directors resolution after audited accounts are approved

# FULL YEAR 2008 HIGHLIGHTS

**EXPLORATION & PRODUCTION**

- EBIT RCA in 2008 reached €141 Mln
- Net entitlement production down 20% YoY

**REFINING & MARKETING**

- R&M posted a great performance, reaching €373 Mln in 2008
- Refining margin decreased 19% YoY, impacted by fuel margins

**GAS & POWER**

- Natural gas volumes increased 5% YoY to 5.6 Bcm
- Volume growth was mainly driven by the electrical segment

**FINANCIALS**

- Net profit RCA reached €478 Mln, up 14% YoY
- A dividend per share of €0.32 to be proposed in next AGM



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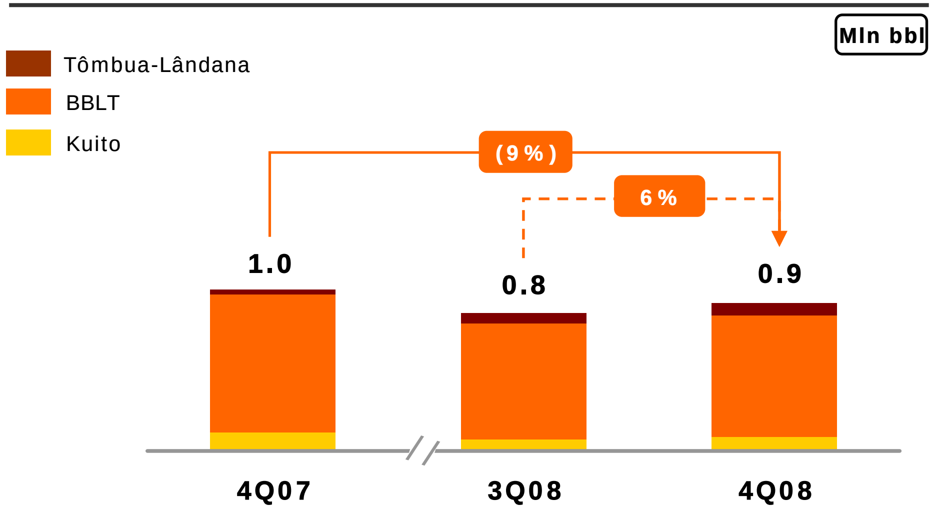
# FOURTH QUARTER 2008 BUSINESS OVERVIEW

# REBOUND OF NET ENTITLEMENT PRODUCTION IN 4Q08, UP 6% QoQ

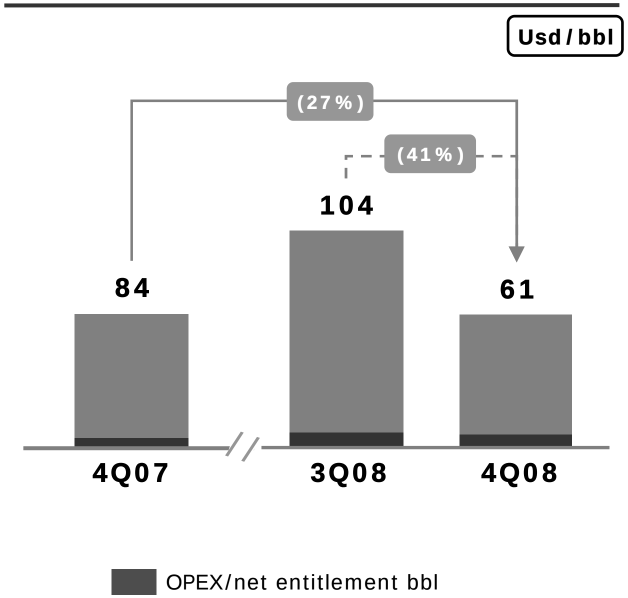
- BBLT's operational delays solved and Tômbua-Lândana gradual increase more than offset Kuito's natural decline
- 4Q08 net entitlement production benefited due to PSA effect

## Net Entitlement Production by Field




| | | | |
|---|---|---|---|
| **WIP** (Kbbl/d) | 15.7 | 15.5 | 15.5 |

## Realized Sale Price




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



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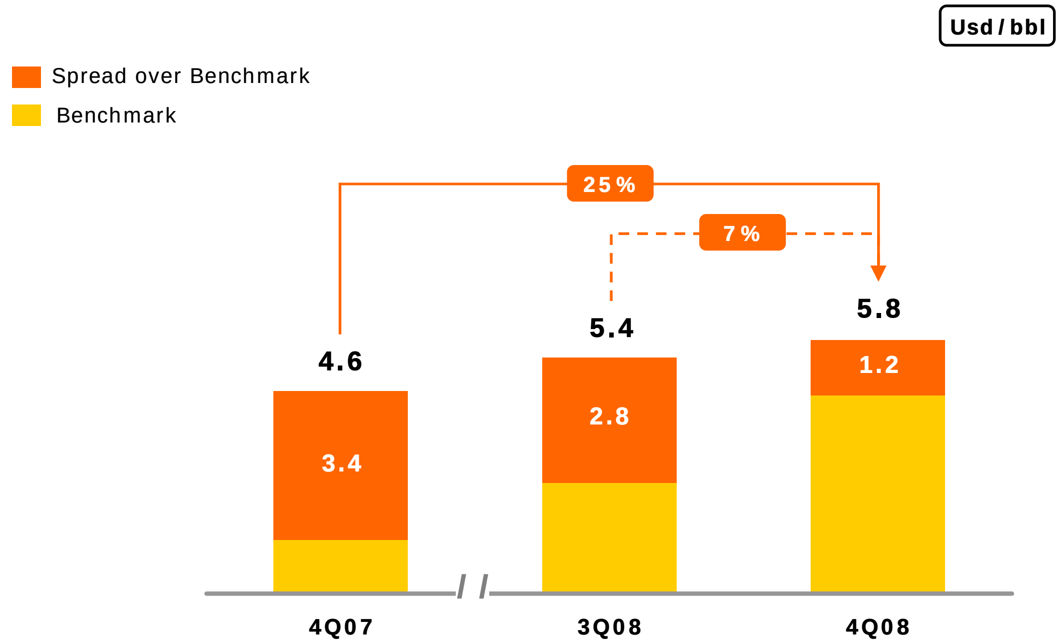
# FAVOURABLE TREND FROM SIMPLE REFINING MARGINS

- Fuel oil margin posted a 52% QoQ, or +16.5 Usd/bbl (4Q08 fuel oil's yield of 18%)

- Base oils margin continued favourable in 4Q08

- 4Q08 volumes processed bouncing back after Sines' programmed outage, though the spread over benchmark was impacted by a delay in the start up of the fluid catalytic cracking unit

## Galp Energia vs Benchmark Refining Margin




| Crude processed (Mln bbl) | 4Q07 | 3Q08 | 4Q08 |
|---|---|---|---|
| | 19 | 20 | 21 |

Source: Platts
Benchmark refining margin considers 70% of Rotterdam cracking and 30% of Rotterdam Hydro + Aromatics + Base Oils
4Q08 benchmark refining margin considers Diesel 10ppm, in opposition to Diesel 50ppm for the remaining periods



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# VOLUMES TO DIRECT CUSTOMERS INCREASED BY 17% YoY

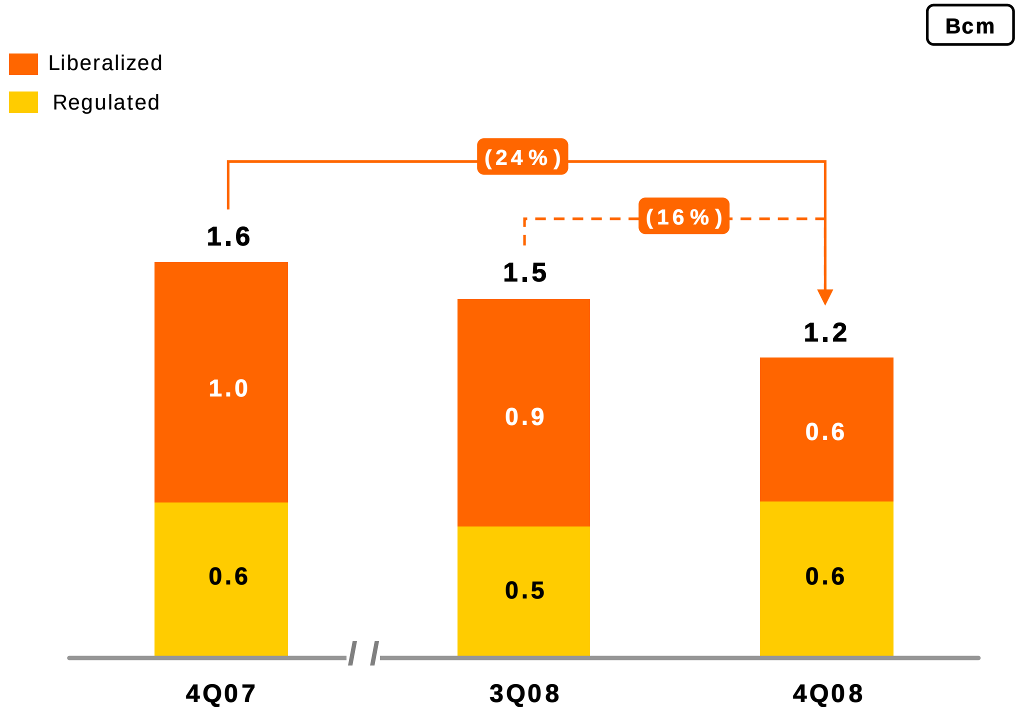
- The recent Iberian Agip acquisition, consolidated from October 1st 2008, had a positive contribution of 0.6 Mln ton on volumes sold to direct customers
- Positive contribution from exports demonstrated resilience to unfavourable overall market conditions

| Mln ton | 4Q08 | % QoQ | % YoY |
|---|---|---|---|
| **Refining throughput** | **3.0** | **(1.1%)** | **(2.0%)** |
| **Total volumes of products sold** | **4.3** | **+12.4%** | **+12.9%** |
| Direct customers – Portugal | 1.4 | (9.4%) | (7.5%) |
| Direct customers - Spain | 1.3 | +99.6% | +65.8% |
| Other Portuguese operators | 0.9 | (16.1%) | (11.2%) |
| Exports | 0.6 | +27.0% | +44.1% |

# NATURAL GAS VOLUMES AFFECTED BY INTER FUEL COMPETITION

- Volumes in the regulated market posted a growth of 19% QoQ, due to a steady increase in the number of new clients
- 4Q08 liberalized volumes impacted by both electrical and trading segments as fuel oil and coal were more price competitive than natural gas, mainly for electrical generation

**Liberalized & Regulated markets**

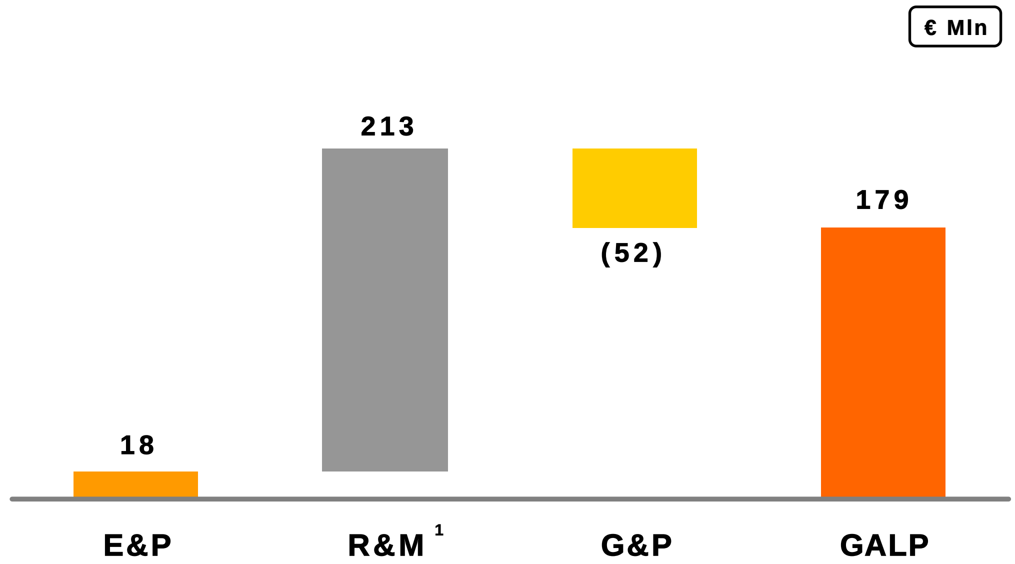


# FOURTH QUARTER 2008 FINANCIAL OVERVIEW

# 4Q08 EBIT RCA UP 89% YoY BACKED BY STRONG R&M

- Operating performance of E&P hit by lower crude realization price
- Favourable refining margin contribution and a positive time lag effect of €105 Mln, more than offset Sines' programmed outage impact of €10 Mln cost and inherent absence of results
- The G&P negative net impact of €103 Mln related to the arbitrage process, was accounted in 4Q08

## EBIT RCA 4Q 2008




| | | | | |
|---|---|---|---|---|
| **YoY** | (39%) | n.m. | n.m. | +89% |

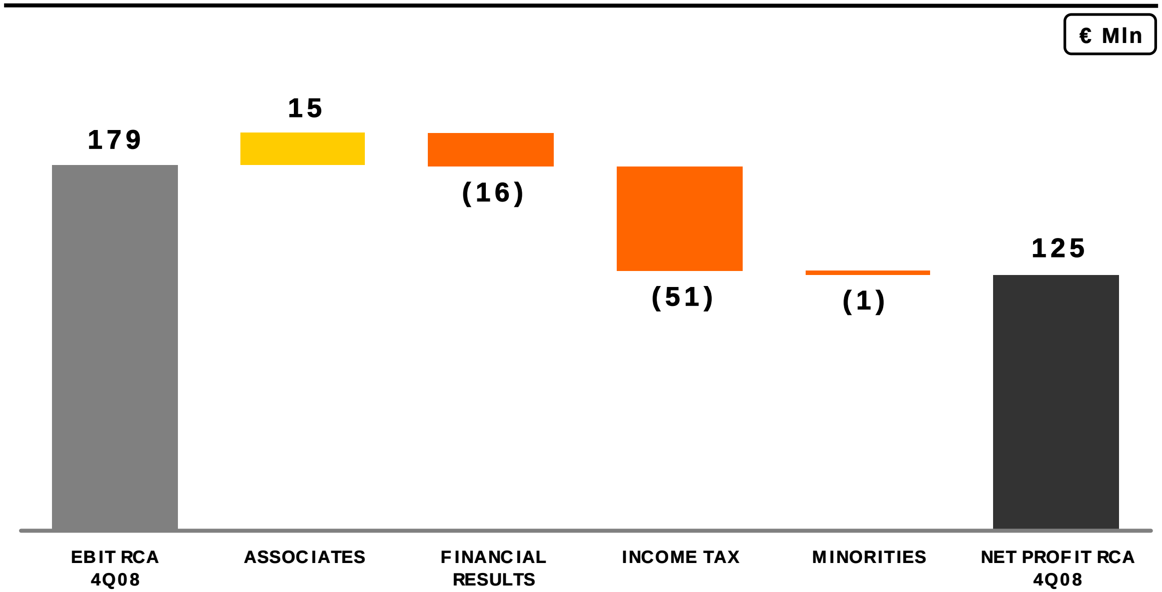
[1] R&M includes others of (€3.0) Mln in 4Q08

# 4Q08 NET PROFIT RCA HIT BY HIGHER INTEREST COST

- Higher level of interest costs due to increase in total debt

- Effective tax rate of 29%, was lower than last year's level due to lower IRP paid in Angola

## Net Profit RCA 4Q 2008




| | | | | | | |
|---|---|---|---|---|---|---|
| **4Q07** | 95 | 14 | (11) | (54) | (1) | 42 |

# 4Q08 RCA RESULTS POSTING POSITIVE VARIATIONS YoY IN ALL LAYERS

| IFRS[1] | | | | Replacement Cost Adjusted | | |
|---|---|---|---|---|---|---|
| **4Q07** | **4Q08** | **% Ch.** | **€ Mln** | **4Q07** | **4Q08** | **% Ch.** |
| 3,437 | 3,579 | +4% | **Turnover** | 3,437 | 3,579 | +4% |
| 289 | (557) | n.m. | **EBITDA** | 179 | 244 | +36% |
| 206 | (628) | n.m. | **EBIT** | 95 | 179 | +89% |
| 14 | 15 | +12% | **Associates** | 14 | 15 | +12% |
| 134 | (451) | n.m. | **Net Profit** | 42 | 125 | +199% |
| 0.16 | (0.54) | n.m. | **EPS (Eur/share)** | 0.05 | 0.15 | +199% |
| 0.23 | (0.72) | n.m. | **EPS (Usd/share)** | 0.07 | 0.20 | +172% |

[1] Inventory cost method changed from FIFO to weighted average cost



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# FOURTH QUARTER 2008 HIGHLIGHTS

**EXPLORATION & PRODUCTION**

- Stable average working interest production QoQ
- Operating result hit by lower realization crude price

**REFINING & MARKETING**

- Refining margin up 24.8% YoY to $5.8/bbl
- Positive contribution of time lag effect with €105 Mln

**GAS & POWER**

- Arbitrage process conclusion with net negative impact of €103 Mln
- Competitive pressure from coal and fuel oil with impact in NG volumes

**FINANCIALS**

- Acquisitions with impact on capex levels drove net debt to €1,864 Mln, thus increasing gearing to 84%[1]
- Capex in 4Q08 reached €1.1 Bln, driven by the R&M segment

[1] Gearing = net debt / equity

# APPENDIX

# FOURTH QUARTER 2008

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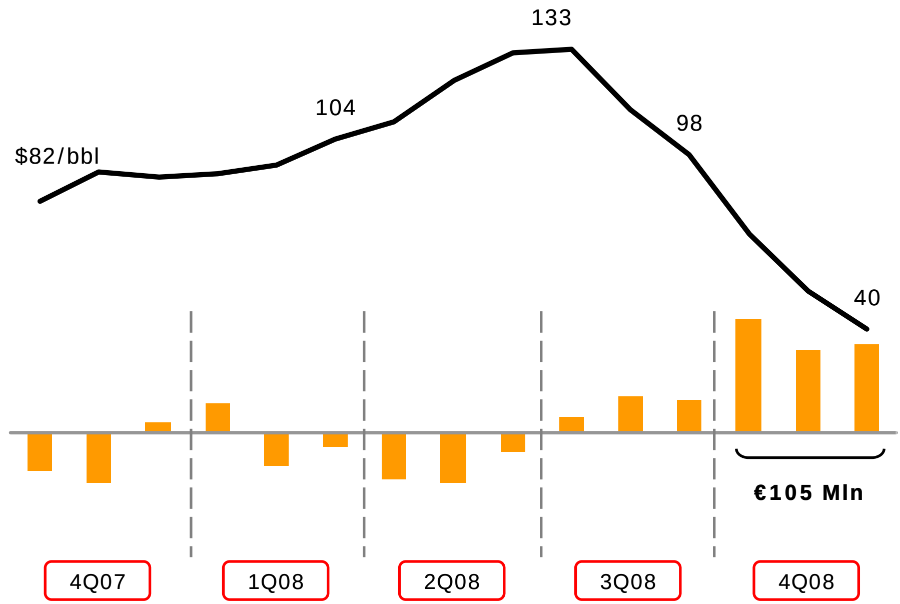
# VOLATILITY IN CRUDE PRICES LED TO REVERSED IMPACTS FROM TIME LAG

- The volatility of prices and the steepness of the trend impact the amount of the time lag effect
- A positive trend in prices leads to a negative time lag effect and a negative trend leads to a positive time lag effect, while its delta depends on the steepness of that trend
- The 4Q08 had a positive contribution of €105 Mln

**Time lag effect vs crude price**



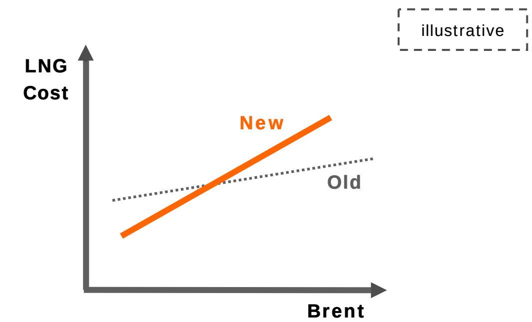
# NET IMPACT OF €103 MLN RELATED TO GAS SOURCING

## Galp Energia sourcing base

| Contracts | Product | Country | Quantities contracted (Mm³/year) | Duration (years) | Start | Renegotiation |
|---|---|---|---|---|---|---|
| Sonatrach | NG | Algery | 2,300 | 23 | 1997 | 1Q11 |
| NLNG I | LNG | Nigeria | 420 | 20 | 2000 | 3Q11 |
| NLNG II | LNG | Nigeria | 1,000 | 20 | 2003 | 3Q11 |
| NLNG+ | LNG | Nigeria | 2,000 | 20 | 2006 | 4Q12 |

## NLNG+

- Change of pricing formula to a more energetic LNG-cost to Brent price curve




- LNG cost passed to regulated market
- Impact of €112 Mln due to sales dated back to May 2007, which will not be recovered, of which €9 Mln already provisioned

## NLNG II

- Contract under negotiation
- Provision of €30 Mln established



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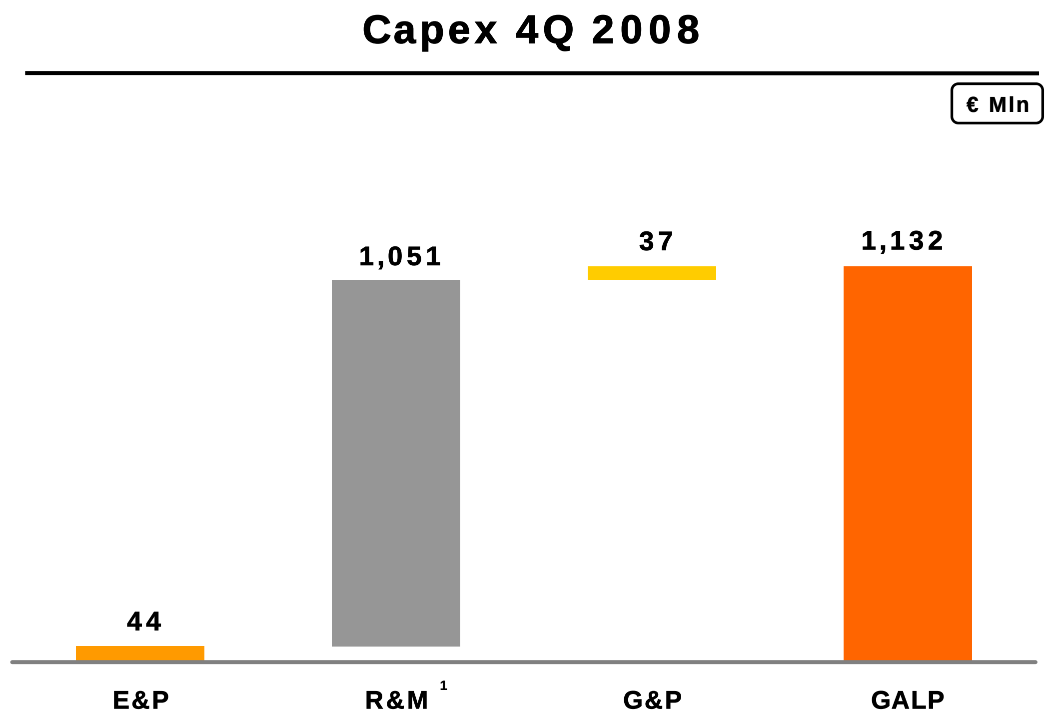
# 4Q08 CAPEX DRIVEN BY IBERIAN ACQUISITIONS

- E&P investment was focused to operations not only in Angola but also in Brazil
- Sines' refinery had relevant maintenance and upgrade works in 4Q08
- AGIP and ESSO iberian downstream acquisitions dictate 4Q08 capex growth.
- The new cogeneration in Sines was responsible for the majority of G&P capex in 4Q08




| | | | | |
|---|---|---|---|---|
| YoY | (34%) | n.m. | (8%) | n.m. |

[1] R&M includes others of €2.0 Mln



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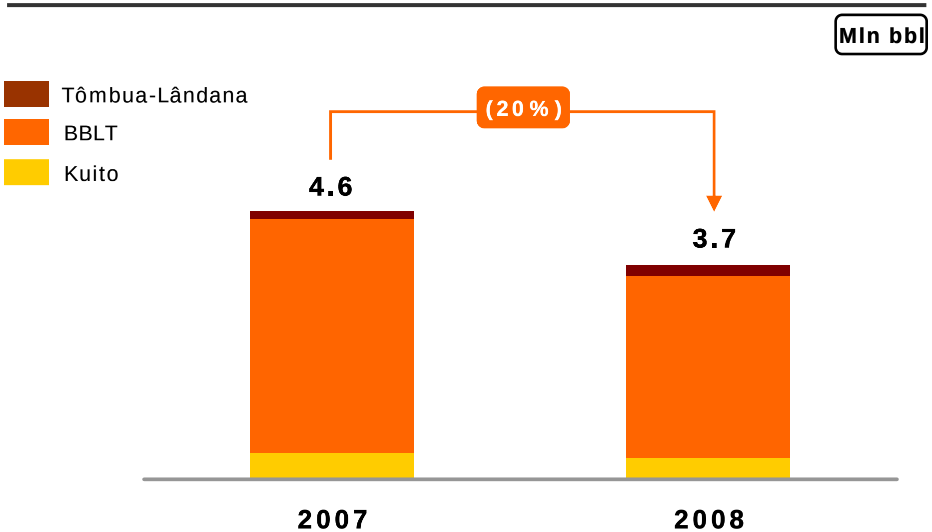
# FULL YEAR 2008 OVERVIEW

# NET ENTITLEMENT PRODUCTION HIT BY INCREASE IN BRENT PRICE

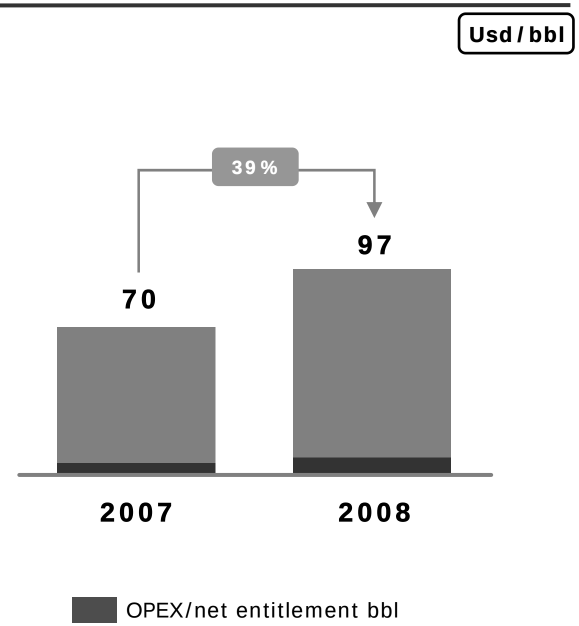
- BBLT's operational delays in the beginning of the year impacted working interest production
- Increase in average brent price, up 34% YoY, drove net entitlement production down

## Net Entitlement Production by Field




| WIP (Kbbl/d) | 17.0 | 15.1 |
|---|---|---|

## Realized Sale Price

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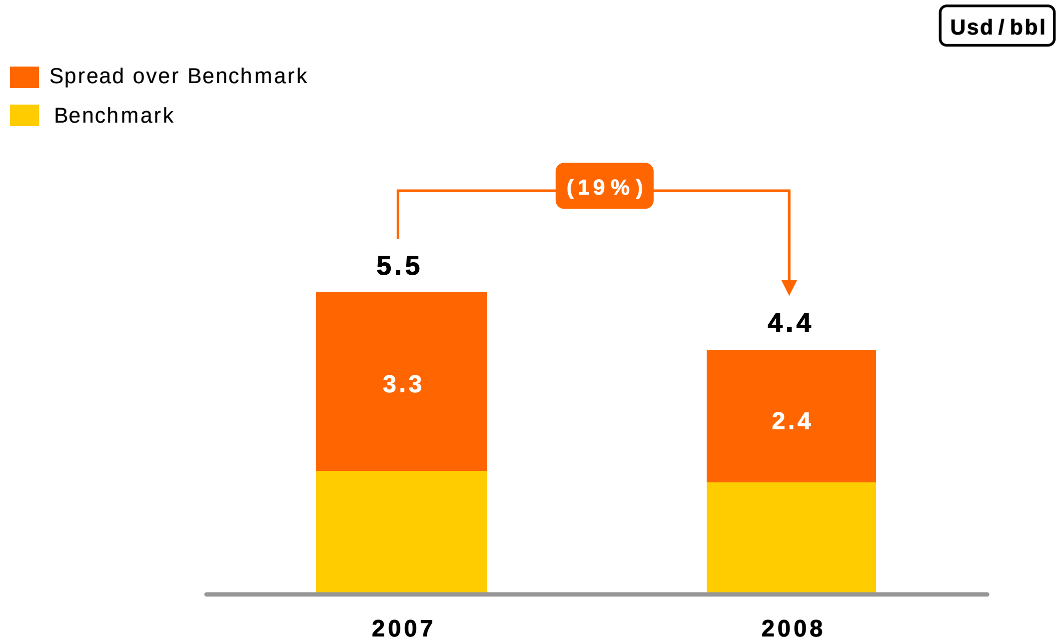
# FUEL CRACKS IMPACTED REFINING MARGIN MOST OF THE YEAR

- Fuel oil cracks with unfavourable trend and devaluation of Usd/Eur impacted Galp Energia refining margin

- Volumes processed slightly impacted by Sines' refinery programmed outage

## Galp Energia vs Benchmark Refining Margin

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| Crude processed | (Mln bbl) | 92 | 90 |

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Benchmark refining margin considers 70% of Rotterdam cracking and 30% of Rotterdam Hydro + Aromatics + Base Oils
2008 benchmark refining margin considers Diesel 10ppm in 4Q08, in opposition to Diesel 50ppm for the remaining periods

# VOLUMES SOLD TO DIRECT CLIENTS INCREASED 3%

- Volumes benefited from integration of Iberian Agip operations, with a 0.6 Mln ton added to direct customers

- Exports increased due to a domestic decrease in fuel oil demand and higher naphtha volumes to U.K. and Netherlands

| Mln ton | 2008 | % YoY |
|---|---|---|
| **Refining throughput** | **13.1** | **(5.1%)** |
| **Total volumes of products sold** | **16.0** | **+0.5%** |
| Direct customers – Portugal | 6.2 | (3.7%) |
| Direct customers - Spain | 3.4 | +16.1% |
| Other Portuguese operators | 3.9 | (6.0%) |
| Exports | 2.5 | +4.1% |



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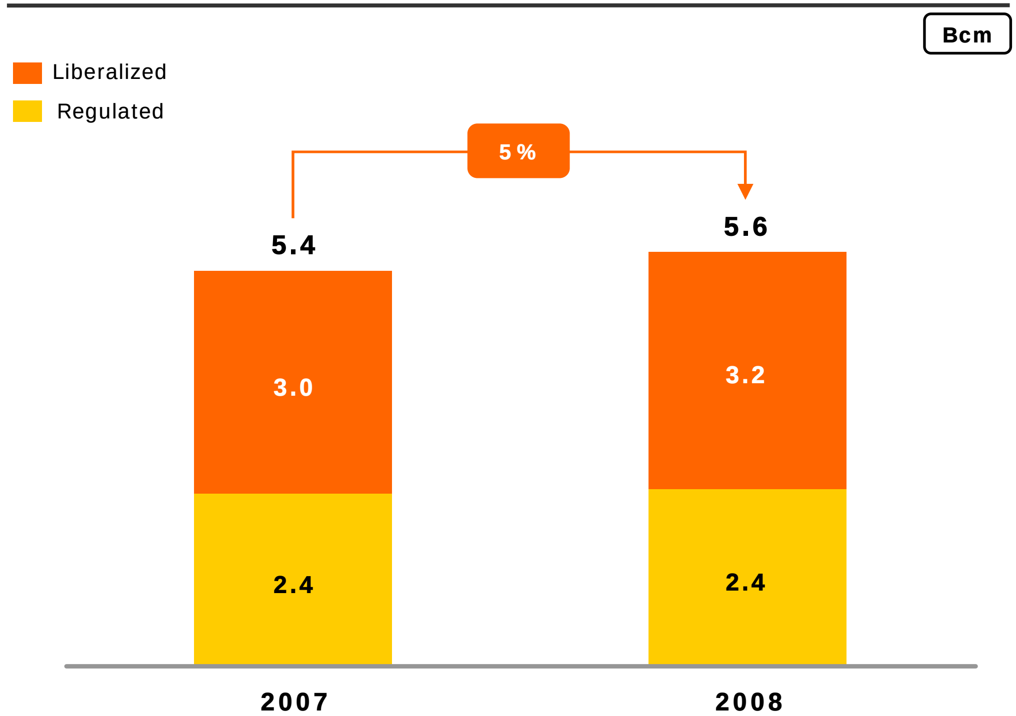
# BEST YEAR EVER IN TERMS OF NATURAL GAS VOLUMES

- NG volumes increase with important contribution from electrical segment and industrial sales in Spain

- Liberalized market accounts for 57% of total volumes

## Liberalized & Regulated markets



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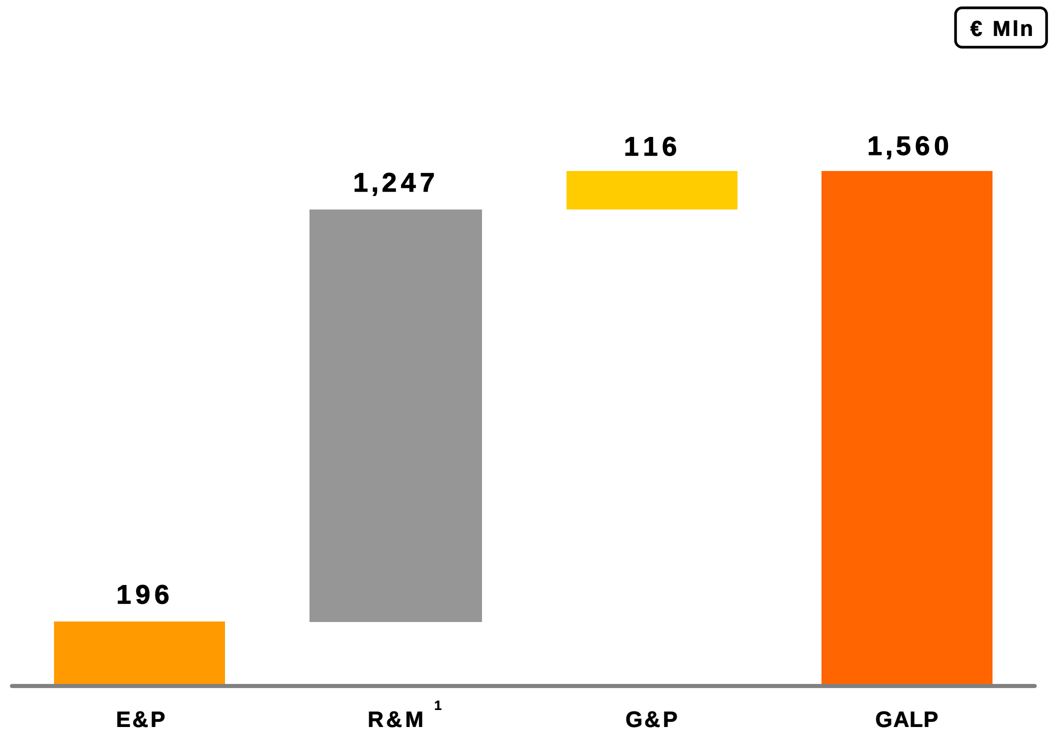
**2008 Capex**




| YoY | E&P | R&M | G&P | GALP |
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# BASIS OF PRESENTATION

- In 2008 the inventory cost method has changed from FIFO to Average Cost. Since First Time Adoption of IAS/IFRS in 2004, Galp Energia had been using FIFO method as LIFO was not accepted by the International Accounting Standards Board. Due to Galp Energia's diversity of stocks and respective geographical location, Average Cost was considered to be more suitable to the company context, and is already widely used by the oil & gas sector. This change which will impact the income statement, as been restated in 4Q07 and 2007 financial statements as to make periods comparable.

- The acquisition of Iberian subsidiaries of Agip and ExxonMobil, which were officially concluded on the 1st of October 2008 and 1st of December 2008, respectively, impacted the comparability of results throughout current and past financial statements. Agip operation has been fully consolidated since 1st of October 2008. ExxonMobil's consolidation started in December with the Portuguese affiliate being accounted as a financial investment and the Spanish affiliate fully integrated in respect of its assets and liabilities.



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