galp energia

TWELVE MONTHS 2007
RESULTS

Your positive energy

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EXECUTIVE SUMMARY

Adjusted net income in 2007 was €418 million, an annual pro forma increase of 1.4% in euros and 10.7% in US dollars.

The increased activity in both the Exploration & Production segment, benefiting from a rise in production, and the Gas & Power on a comparable basis, driven by stepped-up sold volumes, offset lower results from the Refining & Marketing segment, which was negatively impacted by a depreciating US dollar and steeply rising crude prices.

SUMMARY OF RESULTS – 12 MONTHS 2007

- Crude working production of 17,000 barrels a day, up 80% on the 9,500 barrels a day in 2006;
- 3% rise in Galp Energia's refining margin to 5.5 Usd/bbl, although the sharp US dollar depreciation caused a 6% fall in euro terms to 4.0 Eur/bbl;
- Rise from 68% to 72% in the marketing/refining cover ratio;
- 17% rise in natural gas sales to 5,377 million cubic metres, with increases across all sub-segments;
- Adjusted EBITDA of €891 million, up 1% on 2006 on a pro forma basis;
- Net income of €777 million or €0.94 per share and adjusted net income of €418 million or €0.50 per share;
- 33% increase in capital expenditure to €466 million, with 41% allocated to the Exploration & Production segment;
- Proven and probable reserves of 31 million barrels on Block 14 and 742 million barrels of contingent resources on Blocks 14, 14K and 32 in Angola and Tupi in Brazil;
- Proposed dividend of €0.32 per share implying a payout ratio of 63.4%, using adjusted net income.

EARNINGS RELEASE

PRESS-CONFERENCE

Date: Wednesday, March 5, 05:00 pm GMT (06:00 pm CET)

Local: Galp Energia Head Office – Tower A – Auditorium 1

CONFERENCE CALL AND WEBCAST

Hosted by: Manuel Ferreira De Oliveira (CEO)
Francesco Antonietti (CFO)
Tiago Villas-Boas (IR)

Date: Thursday, March 6

Time: 09:00 am GMT (10:00 am CET)

Phones: UK: +44 (0) 203 14 74 600
Portugal: 707 785 662

Link: http://gaia.unit.net/galp/20080306/trunc

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros

Fourth quarter					Twelve months				
2006	2007	Change	% Ch.		2006	2006 P[2]	2007	Change	% Ch.
2,796	3,421	624	22.3%	Sales and services rendered	12,193	12,193	12,560	367	3.0%
110	359	249	227.6%	EBITDA	1,260	928	1,289	361	38.9%
240	175	(65)	(27.2%)	EBITDA replacement cost	1,263	931	896	(35)	(3.8%)
230	179	(51)	(22.1%)	Adjusted EBITDA[1]	977	886	891	5	0.5%
32	276	244	765.6%	Operating result	968	643	1,011	369	57.4%
163	92	(71)	(43.6%)	Operating result replacement cost	972	646	618	(28)	(4.3%)
158	95	(63)	(39.9%)	Adjusted operating result[1]	686	616	621	5	0.7%
32	188	156	490.7%	Net income	755	479	777	297	62.0%
108	40	(68)	(63.1%)	Net income replacement cost	724	449	440	(9)	(1.9%)
94	42	(52)	(55.5%)	Adjusted net income[1]	468	413	418	6	1.4%

[1] Adjusted figures exclude inventory effects and other non recurrent items.
[2] Adjusted by unbundling effect (capital gain and net costs).

Market indicators

Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
1.7	3.9	2.2	126.1%	Rotterdam cracking refining margin[1] (Usd/bbl)	3.3	4.5	1.2	35.7%
4.1	0.7	(3.4)	(82.3%)	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	2.9	2.7	(0.2)	(5.7%)
6.6	7.0	0.3	5.0%	Henry hub natural gas price[2] (Usd/MMbtu)	6.7	7.0	0.2	3.6%
59.7	88.7	29.0	48.6%	Average brent dated price[3] (Usd/bbl)	65.1	72.5	7.4	11.3%
1.29	1.45	0.2	12.4%	Average exchange rate[4] (Eur/Usd)	1.26	1.37	0.1	9.1%
3.7	4.7	1.0	26.4%	Euribor - six month[4] (%)	3.2	4.4	1.1	34.6%

[1] Source: Platts. For a complete description of the calculation methodology of Rotterdam margins, see "Definitions".
[2] Source: Reuters.
[3] Source: Platts.
[4] Source: European Central Bank. Euribor 360.

Operating data

Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
14.6	15.7	1.1	7.6%	Average working production (kbbl/day)	9.5	17.0	7.6	79.8%
11.6	10.6	(1.0)	(8.7%)	Average net entitlement production (kbbl/day)	7.2	12.5	5.3	72.5%
5.0	4.6	(0.4)	(7.1%)	Galp Energia refining margin (Usd/bbl)	5.4	5.5	0.1	2.5%
3.6	3.1	(0.5)	(13.6%)	Raw materials processed (million tonnes)	14.7	13.8	(0.9)	(6.3%)
2.2	2.3	0.2	7.1%	Oil sales direct clients (million tonnes)	9.0	9.4	0.4	4.2%
996	1,612	617	62.0%	Natural gas sales (million m^3)	4,596	5,377	781	17.0%
392	423	31	8%	Power generation[1] (GWh)	1,561	1,610	49	3.2%

[1] 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 on 31 December 2007 and 2006 have been prepared in accordance with IFRS. Financial information regarding the consolidated profit and loss account is presented for the quarters ended on 31 December 2007 and 31 December 2006 and the twelve months ended on those dates. The financial information regarding the consolidated balance sheet is presented at 31 December 2007, 30 September 2007 and 31 December 2006.

As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at FIFO. This may, however, lead to substantial volatility in results when commodities and goods prices fluctuate sharply leading to gains or losses in inventory which may not reflect operational performance. In this document, we call this impact the inventory effect.

Certain non-recurrent events, such as gains or losses on the disposal of assets, the impairment or reinstatement of fixed assets and environmental or restructuring charges, are another factor that may affect results without being an indicator of operational performance.

For the purpose of evaluating Galp Energia's true business performance, operating results and adjusted net results do not include either non-recurrent events or the inventory effect as they have been calculated by using the method of inventory replacement cost.

RECENT CHANGES

In the third quarter of 2007 the method of accounting for oil tax payable in Angola was changed. In order to better specify the nature of costs, this tax, which was formerly entered under other operating costs, is now accounted for under income tax, a change that has impacted both consolidated and the Exploration & Production segment's operating results. In order to make the periods comparable, these changes have been applied to the results of the first nine months of 2006 and 2007, the twelve months of 2006 and 2007 and the third and fourth quarters of 2006.

MARKET ENVIRONMENT

THE BRENT

Generally speaking, 2007 will be remembered for the steep rise in the price of crude, with dated Brent going up by 29.2% in the year and ending 2007 at 93,9 Usd/bbl. A number of factors put upward pressure on the price of dated Brent: (i) the rise in demand compared to 2006, driven by transport needs, particularly in Asia, (ii) geopolitical strife, (iii) supply restrictions by OPEC, with daily production failing to outstrip 2006 levels until October and (iv) the sharp fall in oil inventories in OECD from July 2007, which brought the cover ratio of demand close to 50 days.

In the first and second quarters, dated Brent reached levels around 60 Usd/bbl and 70 Usd/bbl, respectively. Whereas heightened geopolitical tensions in Lebanon, Palestine and Iran as well as severe weather conditions in the USA were the main drivers in the first quarter, stronger demand for final products and unchanged geopolitics drove dated Brent in the second quarter. In the second half, price movements reflected restricted supply and rising demand, a combination that ultimately led to dated Brent climbing up to 80 Usd/bbl.

The fourth quarter of 2007 featured a sharp rise in dated Brent, with the psychological barrier of 100 Usd/bbl close to be broken. Global demand of 87.2 million bbl/d raised the annual average to 85.8 million bbl/d, around one million bbl/d ahead of 2006. On the supply side, OPEC contributed its largest quarterly volume in 2007 by producing an average 31.5 million bbl/d in the fourth quarter.

In spite of OPEC's rising production in October, namely in Angola and Iraq, the fall in inventories that resulted from European refineries stopping above their historical average led the price higher to 90.3 Usd/bbl. In November, this trend continued and the price reached 95.8 Usd/bbl. Nevertheless, a signalled rise in production knocked the price down to levels under 90 Usd/bbl. The high price volatility in November extended into December, with dated Brent closing the year at 93.9 Usd/bbl. This trend was fed by such factors as geopolitical tension in the Middle East and Nigeria, the continued fall in inventories in OECD countries from July 2007 and turmoil in financial markets. In December, demand reached higher-than-expected levels which, combined with rising investment in products where Brent was the underlying asset, led to the rise in dated Brent.

OIL PRODUCTS

The diesel crack spread was more volatile in 2007 than in the year before. On the other hand, gasoline and fuel oil crack spreads fluctuated less than in 2006. In annual average terms, the gasoline and diesel crack spreads rose 16% and 5%, respectively, whereas the fuel oil crack spread declined 2%. A product-by-product analysis brings out the following: (i) the gasoline crack spread rose significantly in the first half, reaching levels close to 40 Usd/bbl, but showed a falling trend in the second half, reaching 18.5 Usd/bbl at the end of the year, (ii) the middle distillate crack spread had the same pattern as in 2006, a rising trend, and in the last months of the year, the diesel crack spread peaked for the year at 28.3 Usd/bbl on 23 November and (iii) the fuel oil crack spread showed a similar pattern to 2006 and had two peaks – one in the beginning of May, at -19.2 Usd/bbl, and the other in the beginning of August, at -19.5 Usd/bbl.

A closer look at the fourth quarter 2007 reveals that the middle distillate crack spread rose sharply in October due to (i) the approach of winter, (ii) lower-than-average inventories in the OECD and (iii) lower-than-usual capacity utilisation rates in Europe. Generally speaking, gasoline crack spreads remained stable in October as a consequence of curbed Chinese exports and lower production in Europe in spite of structural excess supply. Fuel oil prices showed an upward trend due to rising demand, mainly from Japan, and lower exports from Iran.

In November, the demand for heating oil rose as diesel and jet fuel crack spreads showed a widespread increase. This rise was especially felt in Europe, where refinery output stayed below average due to protracted stops for maintenance. In addition, stronger demand following lower temperatures depleted distillate inventories to five-year lows, although gasoline crack spreads were virtually unchanged.

Despite a steep fall in temperatures and the sharp rise in gasoline demand from the United States, crack spreads of refined products fell broadly in December. The middle distillate crack spread had the steepest fall in the wake of production increases at the main refining hubs. With rising production in the United States, the gasoline crack spread came under downward pressure and reached a monthly average of 16.5 Usd/bbl. The falling trend in the fuel oil crack spread was primarily driven by rising inventories in Europe and weaker demand from China.

REFINING MARGINS

In 2007, the cracking and hydroskimming refining margins showed a favourable trend. Whereas the former gained 19.6% to reach 3.2 Usd/bbl, the latter rose by 34.2% after having fluctuated between positive and negative values. In average annual terms, both margins improved in comparison with 2006 – the hydroskimming margin rose from -1.0 Usd/bbl to -0.1 Usd/bbl and the cracking margin advanced from 3.3 Usd/bbl to 4.5 Usd/bbl.

The fall in refining margins which had started in September extended into the fourth quarter in the wake of a new rise in the price of crude in October which was not followed by a rise in the price of gasoline or diesel.

This trend was reversed in November, with the cracking margin doubling in comparison with October and reaching 5.7 Usd/bbl on the back of rising middle distillate crack spreads. The hydroskimming margin also recovered considerably and reached a positive level of 1.6 Usd/bbl. In both cases, the rise in demand, coupled with reduced supply due to the refinery stops, contributed decisively to the pronounced gains in the middle distillate crack spread – particularly in diesel – in Europe.

Nevertheless, the rises in November were more than cancelled in December when the diesel crack spread in Europe and crack spreads virtually across the board in the United States fell. With refineries resuming production after the stops, cracking and hydroskimming margins declined to 3.21 and -0.7 Usd/bbl, respectively.

THE IBERIAN MARKET

In Portugal, the market for oil products fell 2.0% in 2007, which was largely due to a 5% shortfall in the demand for gasoline, in contrast to the 2% rise in the demand for diesel. Demand fluctuated significantly over the year, with growth of 1.2% in the fourth quarter pointing to a recovery compared to the 3% decrease in annual terms in the first nine months of the year. In Spain, the market for oil products performed favourably and rose by 1.8%, driven by a good fourth quarter with a 3.8% increase in comparison with the 1.5% increase in the first nine months of the year. Like in Portugal, the substitution effect of diesel for gasoline continued, with the demand for diesel rising by 5% and the demand for gasoline falling by 4%.

In 2007, the demand for natural gas increased by 7.3% in Portugal despite the accumulated 2.3% fall in the first nine months of the year. The outstanding performance in the fourth quarter was instrumental in this recovery, with a 43.1% growth in demand compared to the fourth quarter of 2006 which was due to low rainfall levels, which prompted the electricity sector to use more gas. Even excluding this sector, the Portuguese market grew 6.7% in 2007 and 9.2% in the fourth quarter compared to the same periods of 2006.

Market indicators

Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
59.7	88.7	29.0	48.6%	Average brent dated price[1] (Usd/bbl)	65.1	72.5	7.4	11.3%
16.1	21.4	5.2	32.3%	Diesel crack[2] (USD/bbl)	15.9	16.8	0.9	5.7%
11.9	16.9	5.0	41.9%	Gasoline[3] crack (Usd/bbl)	18.3	21.2	2.9	15.9%
(24.6)	(26.5)	(1.9)	7.7%	Fuel oil crack[4] (Usd/bbl)	(24.5)	(24.9)	(0.3)	1.4%
1.7	3.9	2.2	126.1%	Rotterdam cracking refining margin[1] (Usd/bbl)	3.3	4.5	1.2	35.7%
(2.0)	(0.1)	2.0	(97.3%)	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(1.0)	(0.1)	0.9	(88.0%)
2.8	2.8	0.0	1.2%	Portuguese oil market[5] (million ton)	11.3	11.0	(0.2)	(2.0%)
12.9	13.4	0.5	3.8%	Spanish oil market[6] (million ton)	50.9	51.8	0.9	1.8%
834	1,193	359	43.1%	Portuguese natural gas market[7] (million m^3)	3,943	4,232	289	7.3%

[1] Source: Platts.
[2] Source: Platts; ULSD NWE CIF ARA.
[3] Source: Platts; Premium Unleaded NWE CIF ARA.
[4] Source: Platts; 1% LSFO, NWE CIF ARA.
[5] Source: Apetro.
[6] Source: Cores.
[7] Source: Galp Energia.

FINANCIAL REVIEW

1. PROFIT AND LOSS ACCOUNT

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2,796	3,421	624	22.3%	Sales and services rendered	12,193	12,560	367	3.0%
(2,713)	(3,081)	(368)	13.6%	Operating expenses	(11,262)	(11,341)	(80)	0.7%
27	20	(7)	(26.3%)	Other operating revenues (expenses)	329	70	(259)	(78.7%)
110	**359**	**249**	**227.6%**	**EBITDA**	**1,260**	**1,289**	**29**	**2.3%**
(78)	(83)	(6)	7.1%	Depreciations and provisions	(291)	(278)	14	(4.8%)
32	**276**	**244**	**765.6%**	**Operating result**	**968**	**1,011**	**43**	**4.4%**
11	14	3	25.4%	Net income from associated companies	40	60	20	48.3%
1	(1)	(2)	n.m.	Net income from investments	(19)	21	40	n.m.
(0)	(11)	(11)	n.m.	Net interest expenses	(28)	(43)	(15)	54.0%
43	278	234	539.5%	Income before tax and minority interests	962	1,049	88	9.1%
(11)	(89)	(78)	716.8%	Income tax	(203)	(268)	(65)	32.1%
(1)	(1)	(0)	40.8%	Minority Interests	(4)	(5)	(1)	18.1%
32	**188**	**156**	**490.7%**	**Net income**	**755**	**777**	**22**	**2.9%**
32	**188**	**156**	**490.7%**	**Net income**	**755**	**777**	**22**	**2.9%**
76	(148)	(224)	n.m.	Inventory effect	(30)	(336)	(306)	n.m.
108	**40**	**(68)**	**(63.1%)**	**Net income replacement cost**	**724**	**440**	**(284)**	**(39.2%)**
(14)	2	16	n.m.	Non recurrent items	(257)	(22)	235	(91.5%)
94	**42**	**(52)**	**(55.5%)**	**Adjusted net income**	**468**	**418**	**(49)**	**(10.6%)**

TWELVE MONTHS

Net income rose 2.9% in 2007 to €777million, which was in line with the company's operating performance. Excluding the stock effect and non-recurrent events, adjusted net income was €418 million. On a *pro forma* basis, which adjusts for the effect of the sale of natural gas assets, net income increased 1.4% compared to €413 million in 2006. The increase reflected improved results in the Exploration & Production and Gas & Power segments, which offset lower results for the Refining & Marketing segment.

FOURTH QUARTER

Net income for the fourth quarter was €188 million. Adjusted net income was €42 million or 55.5% down on the fourth quarter of 2006. The Gas & Power segment had a positive contribution as it benefited from low hydro capacity to increase sales to the electricity and trading sub-segments; however, its performance was cancelled by an underperforming Refining & Marketing segment, which was affected by (i) refinery maintenance operations and poor refining margin environment that impacted utilisation rates negatively, (ii) the dollar depreciation against the euro, which impaired refining margins and (iii) the rising trend in the price of crude over the quarter which led to a negative time lag effect.

OPERATING RESULTS

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
27	28	0	0.9%	Exploration & Production	66	146	80	120.1%
(61)	179	241	n.m.	Refining & Marketing	365	656	291	79.6%
76	77	1	1.2%	Gas & Power	547	214	(333)	(60.9%)
(11)	(9)	2	(21.7%)	Others	(10)	(5)	5	(47.1%)
32	**276**	**244**	**765.6%**	**Operating result**	**968**	**1,011**	**43**	**4.4%**
32	**276**	**244**	**765.6%**	**Operating result**	**968**	**1,011**	**43**	**4.4%**
131	(184)	(315)	n.m.	Inventory effect	4	(393)	(396)	n.m.
163	**92**	**(71)**	**(43.6%)**	**Operating result replacement cost**	**972**	**618**	**(353)**	**(36.4%)**
(5)	3	8	n.m.	Non recurrent items	(286)	2	288	n.m.
158	**95**	**(63)**	**(39.9%)**	**Adjusted operating result**	**686**	**621**	**(65)**	**(9.5%)**

TWELVE MONTHS

Operating result rose 4.4% to €1,011 million compared to 2006. In adjusted terms, i.e. excluding non-recurrent events and the inventory effect, operating result was €621 million. Increased production in the Exploration & Production business segment had an important role in this performance. Excluding the effect of the sale of natural gas activities in 2006, adjusted operating result rose 0.7% in 2007 compared to the €616 million in 2006.

FOURTH QUARTER

In the fourth quarter of the year, operating result was €276 million, mainly due to a large inventory effect in the Refining & Marketing segment. However, adjusted operating result was €95 million, 39.9% down on the same period of 2006 as the Refining & Marketing segment was affected by lower processed volumes, the depreciation of the US dollar against the euro and a sharp rise in product prices following the rise in the price of Brent, which was not passed on to clients in adherence to contractual obligations.

The last quarter of 2007 was unique in the sense that it was the only one which was comparable with the same period of 2006 as the Gas & Power segment had the same business portfolio in both periods.

2. ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
68	87	19	28.1%	Exploration & Production	141	233	92	65.5%
2,512	2,974	461	18.4%	Refining & Marketing	10,838	11,115	278	2.6%
324	447	124	38.2%	Gas & Power	1,396	1,455	59	4.3%
11	12	0	1.8%	Others	102	104	1	1.3%
(119)	(99)	20	(16.9%)	Consolidation adjustments	(284)	(347)	(63)	22.2%
2,796	**3,421**	**624**	**22.3%**		**12,193**	**12,560**	**367**	**3.0%**

Sales and services provided increased 3% to €12,560 million compared to 2006. This rise was primarily due to the Refining & Marketing segment which contributed €278 million in the wake of an escalating Brent, which gained 11.3% in US dollars and 2% in euros.

OTHER NET OPERATING REVENUES

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
27	**20**	**(7)**	**(26.3%)**	**Other net operating revenues**	**329**	**70**	**(259)**	**(78.7%)**
(3)	1	4	n.m.	Non recurrent items	(282)	(11)	272	(96.3%)
24	**21**	**(3)**	**(12.2%)**	**Adjusted other net oper. revenues**	**46**	**59**	**13**	**28.4%**

In 2007 other net operating revenues was €70 million, 78.7% lower than in 2006. This decline was due to 2006 including non-recurrent events related to (i) the €241.2 million capital gain on the sale of natural gas assets to REN and (ii) the reinstatement of the monobuoy in the Oporto refinery for €38.9 million.

Non-recurrent events in 2007 were primarily (i) a capital gain on the sale of a ship by Sacor Marítima, Galp Energia's shipping subsidiary, (ii) an adjustment to the price of the natural gas assets spun off to REN and (iii) the recovery of costs incurred in clearing crude through Customs in Angola as these are now recoverable under the PSA in force.

Excluding non-recurrent effects, other net operating revenue was €59 million in 2007, 28.4% up on the year before. This change was mainly due to revenue from the lease of optical fibre and services provided under mandatory natural gas reserve arrangements against which full provisions were, however, made following an event of default.

OPERATING COSTS

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2,476	2,837	361	14.6%	Cost of goods sold	10,405	10,430	25	0.2%
156	160	5	3.2%	Supply and services	550	630	80	14.5%
82	84	2	2.4%	Personnel costs	307	281	(25)	(8.3%)
2,713	**3,081**	**368**	**13.6%**		**11,262**	**11,341**	**80**	**0.7%**

TWELVE MONTHS

Operating costs of €11,341 million were in line with those in 2006.

At €10,430 million, the cost of goods sold was virtually unchanged relative to 2006 and accounted for 92% of total costs. Using the replacement cost method, however, the cost of goods sold was €10,823 million, up on €10,401 million in 2006, an increase which was mainly due to changes in the price of oil and derivatives.

As a result of the sale of regulated natural gas assets, costs of €35.9 million were incurred for the regasification of liquefied natural gas, €26.8 million of which were related to the first nine months of 2007. This amount is, however, not comparable to the year before as, in the first nine months of 2006, regasification was not a cost for Galp Energia in consolidated terms.

Supply and services increased €80 million to €630 million between 2006 and 2007. Nevertheless, this increase included costs of €70 million, inexistent in 2006, due to the separation of the natural gas activities that occurred on the third quarter of that same year. Excluding these effects, supply and services went up by 1.6%.

Despite the minor change between the two periods, the main variance consisted of a €8.2 million rise in production costs in the Exploration & Production segment as production levels were stepped up.

Personnel costs declined by €25 million to €281 million compared to 2006 as €7 million were saved following the unbundling transaction. After adjustment for non-recurrent costs from restructurings in 2007 and 2006 and the unbundling costs, the cost reduction in 2007 amounted to 7%. This cut is explained by (i) lower costs of post-employment benefits after the reduction in unitary health insurance premiums, (ii) the reduction in personnel restructuring costs and (iii) the sale of 80% in Gasfomento, a company with 35 employees.

FOURTH QUARTER

Operating costs in the fourth quarter amounted to €3,081 million, up €368 million on the fourth quarter of 2006. Close to 98.1% of this change was due to the €361 million increase in the cost of goods sold, primarily as a result of the considerable rise in the cost of crude and other commodities in international markets from mid-October. The other €7 million are broken down into supply and services - €5 million – and personnel costs - €2 million.

Using the replacement cost method, the cost of goods sold showed an additional increase of 29% when compared with the fourth quarter of 2006. This increment largely reflected the change in dated Brent, whose average price of 88.7 Usd/bbl in the last quarter of 2007 reflected a 48.6% gain in US dollars and 32.2% in euros relative to the last quarter of 2006.

In the fourth quarter of 2007, no additional unbundling impact was felt as the transaction was completed by the same period of 2006. Therefore, supply and services and personnel costs increased only by 3.2% and 2.4%, respectively.

The main increase in current costs was related to maintenance and repair for €5.6 million, primarily an effect of the large stop for maintenance at the Oporto refinery.

EMPLOYEES

	December 31, 2006	September 30, 2007	December 31, 2007	Change vs Dec 31, 2006	Change vs Sept 30, 2007
Exploration & Production	48	59	62	14	3
Refining & Marketing	4,790	4,807	4,747	(43)	(60)
Gas & Power	491	460	462	(29)	2
Corporte & Others	540	527	527	(13)	-
Total on site employees	**5,869**	**5,853**	**5,798**	**(71)**	**(55)**
Service stations employees	2,245	2,277	2,243	(2)	(34)
Total off site employees	**3,624**	**3,576**	**3,555**	**(69)**	**(21)**

Galp Energia employed 5,798 staff by the end of 2007, 3,555 of which off site. The bulk of the change in comparison with the end of September is related to the Refining & Marketing business segment, where the number of staff at service stations and Sacor Marítima's own shipping fleet was reduced by 60 and 20, respectively. In the Gas & Power business segment, the number of staff was cut by 35 as Galp Energia started to consolidate Gasfomento according to the equity method after it sold 80% of its subsidiary.

DEPRECIATION

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
9	15	6	72.2%	Exploration & Production	24	55	31	128.8%
52	52	(0)	(0.2%)	Refining & Marketing	194	168	(27)	(13.8%)
7	10	3	36.9%	Gas & Power	37	33	(4)	(10.5%)
0	0	(0)	(17.2%)	Others	1	1	0	0.2%
68	**77**	**9**	**13.1%**		**257**	**257**	**0**	**0.1%**
68	**77**	**9**	**13.1%**	**Depreciations**	**257**	**257**	**0**	**0.1%**
1	2	1	104.5%	Non recurrent items	6	(1)	(8)	n.m.
70	**80**	**10**	**14.7%**	**Adjusted depreciations**	**263**	**256**	**(7)**	**(2.8%)**

Depreciation charges in 2007 were unchanged at €257 million and were the result of (i) lower depreciation in the Refining & Marketing segment as some assets approached the end of their economic life and (ii) higher depreciation in the Exploration & Production segment following changes in depreciation policy. According to these changes, depreciation charges from the fourth quarter onwards were calculated on the basis of working production and working proven reserves as recommended by the study performed by Demac as of 31 December 2007 (see note under the Exploration & Production business segment).

Adjusted depreciation was €256 million, 2.8% down on 2006. Non-recurrent events in 2007 included costs arising from the impairment of assets in the Exploration & Production business segment in connection with the drilling of dry wells, two on Block 32 in Angola and seven on the Potiguar basin in Brazil.

In the fourth quarter depreciation charges amounted to €77 million, €52 million of which in the Refining & Marketing segment. This amount was related to work during the turnaround at the Oporto refinery in the last quarter – whose depreciation charges could not, according to IAS/IFRS, be borne by earlier quarters – and the close of projects and the coming into operation of certain assets such as service stations, which had a similar impact.

PROVISIONS

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
5	1	(4)	(86.5%)	Exploration & Production	10	4	(6)	(60.0%)
7	0	(6)	(94.0%)	Refining & Marketing	24	8	(17)	(68.8%)
(6)	5	10	n.m.	Gas & Power	(3)	9	12	n.m.
3	-	(3)	n.m.	Others	3	-	(3)	n.m.
9	**6**	**(3)**	**(37.3%)**		**35**	**21**	**(14)**	**(40.7%)**
9	**6**	**(3)**	**(37.3%)**	**Provisions**	**35**	**21**	**(14)**	**(40.7%)**
(6)	(1)	5	(83.7%)	Non recurrent items	(7)	(6)	1	(17.2%)
3	**5**	**2**	**59.4%**	**Adjusted provisions**	**28**	**15**	**(13)**	**(46.5%)**

Provisions in 2007 amounted to €21 million including non-recurrent events for €5.7 million in respect of environmental charges in the Refining & Marketing and Gas & Power segments.

In adjusted terms, provisions declined by €13 million and reflected a decrease, compared to 2006, in charges for doubtful debtors.

The start in the fourth quarter of negotiations for the supply of natural gas generated, for prudential reasons, a €14 million provision which was partly offset by the cancellation of €10 million in provisions against the payment of subsoil levies.

RESULTS FROM ASSOCIATES

The annual results of associates amounted to €60 million in 2007, up €20 million on 2006. The main contributions came from the equity holdings in international gas pipelines (*EMPL*, *Metragaz*, *Gasoducto Al Andalus* and *Gasoducto Extremadura*) - €37.4 million – and the 5% holding in CLH - €8.1 million. Out of the remaining €5.8 million, *Setgás*, *Energin Azóia* and *Sonangalp* contributed €4.7 million.

In the fourth quarter, results from associates increased by €2.7 million compared to the same period of 2006 and reached €13.6 million, primarily due to the €1.3 million increase in contribution from CLH.

RESULTS FROM INVESTMENTS

In 2007, results from investments amounted to €21 million and were primarily related to a non-recurrent event linked to the settlement of the price of the natural gas assets sold to REN. In 2006, results from investments had been unfavourable by €19 million also due to a non-recurrent effect related to the same disposal of regulated assets.

NET FINANCIAL INCOME

In 2007 the net financial loss of €43 million was €15.1 million larger than in 2006. The change was entirely due to a non-recurrent income item of €15.3 million in respect of the lease of optical fibre to Onitelecom – Infocomunicações, S.A. In addition, new exchange differences of €10.9 million and a €11.7 million reduction in financial expenses were recognised. The decrease in financial charges was a result of the €153 million decline in net debt.

The net financial loss in the fourth quarter amounted to €11.0 million against virtually no loss in the same period of 2006. Excluding the €15.3 million item referred to above, the quarter-on-quarter change would have been favourable by €4.5 million. Like in the full year, financial charges declined by €3.4 million in the last quarter of the year.

INCOME TAX

In 2007, income tax payable was calculated at €268 million, up 32.1% on 2006. Excluding non-recurrent events, the tax charge rose 51.8% and reflected primarily (i) the €41.7 million increase in oil tax in the Exploration & Production business segment, compared to €22.9 million in 2006, (ii) the increase of results in Spain and (iii) the increase in profit before tax according to Portuguese GAAP for most group companies except for the natural gas business due to the unbundling effect.

The oil tax borne by the Exploration & Production business in Angola in 2007 amounted to €64.6 million. This was the result of increased production and cost reallocation following changes in tax accrual rates, *cost oil*, under the PSA in force, which resulted in increased production allocated to profit oil on which oil tax is payable.

The effective tax rate in 2007 was 25.5% or 4.4 percentage points higher than in 2006. Excluding oil tax payable in Angola, the tax rate remained almost unchanged around 20.7%, reflecting the set-off of reduced natural gas tax against increased results in Exploration & Production, which are exempt from corporate income tax.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)	December 31, 2006	September 30, 2007	December 31, 2007	Change vs Dec 31, 2006	Change vs Sept 30, 2007
Fixed assets	2,413	2,514	2,584	170	70
Strategic stock	453	505	566	114	62
Other assets (liabilities)	(149)	(131)	(170)	(20)	(38)
Working capital	207	202	180	(27)	(22)
	2,924	**3,089**	**3,160**	**237**	**71**
Short term debt	587	358	334	(253)	(24)
Long term debt	513	492	506	(7)	14
Total debt	**1,099**	**850**	**840**	**(260)**	**(10)**
Cash	212	132	106	(107)	(27)
Total net debt	**887**	**718**	**734**	**(153)**	**16**
Total shareholder's equity	**2,037**	**2,371**	**2,426**	**390**	**55**
Capital employed	**2,924**	**3,089**	**3,160**	**237**	**71**
Debt to equity	44%	30%	30%	(13 p.p.)	(0 p.p.)

In 2007, fixed assets increased by €170 million to €2,584 million due to capital expenditure in the year, particularly in the Exploration & Production and Refining & Marketing segments.

Strategic inventories at 31 December 2007 were valued at €566 million, up €114 million on the end of 2006, with the last quarter of the year accounting for 54% of the annual change. The increase resulted from the unitary valuation of strategic obligations as volume declined by 5%, reflecting price rises during 2007.

Working capital amounted to €180 million at the end of the year, down €27 million on the end of 2006. This was primarily due to growth in amounts owed to capital goods suppliers as investments progressed.

The increase in fixed assets between September and December accounted for 41.1% of the change in 2007 as 44.4% of total investment took place in the fourth quarter of the year.

DEBT

Million euros (except otherwise noted)	December 31, 2006		December 31, 2007		Change vs Dec 31, 2006	
	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	20	226	-	226	(20)	-
Bank debt	291	287	169	280	(122)	(7)
Commercial paper	275	-	165	-	(110)	-
Cash	(212)	-	(106)	-	107	-
Net debt	**887**		**734**		**(153)**	
Average life (years)	2.39		2.75		0.36	
Debt to equity	44%		30%		(13 p.p.)	

At the end of 2007 net debt amounted to €734 million or €153 million less than at 31 December 2006. This decrease lowered the debt-to-equity ratio to 30% from 44% at the end of 2006.

At the end of the year, 60.2% of debt was long term of which 73.5% was on floating rate.

At 31 December, the average life of group debt was 2.75 years.

Debt attributable to minority interests at the end of 2007 was €32.4 million.

The average cost of debt in 2007 was 4.6%, which compared to 3.4% in 2006 and was due to the rise in European benchmark rates.

4. CASH FLOW

Million euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
32	276	Operating Result	968	1,011
68	77	Non cash costs	257	257
44	22	Change in working capital	(92)	27
145	**375**	**Cash flow from operating activities**	**1,133**	**1,295**
(106)	(226)	Net capital expenditures and disposals	398	(485)
111	(62)	Change in strategic stocks holdings	72	(114)
5	**(288)**	**Cash flow from investing activities**	**469**	**(599)**
1	(9)	Financial Investments	12	(7)
2	(9)	Interest expenses	(30)	(34)
(40)	(33)	Taxes	(198)	(270)
3	56	Subsidies	19	63
28	(95)	Dividends paid / received	(1,049)	(326)
(9)	(14)	Others	(51)	30
(15)	**(103)**	**Cash flow from financing activities**	**(1,297)**	**(543)**
134	**(16)**	**Total**	**305**	**153**

TWELVE MONTHS

Operating cash flow for the year was €1,295 million, up €162 million or 14.3% on 2006. This change was mainly due to (i) the increase in IAS/IFRS-based net operating income in the Exploration & Production and Refining & Marketing segments and (ii) the €27 million reduction in the change in working capital.

Cash flow from investing activities reflected primarily capital expenditure in the year and reversed the trend in 2006, when the natural gas assets were sold to REN. The value of strategic inventories increased €114 million, compared to a €72 million reduction in 2006 due to lower prices in the fourth quarter of 2006.

Cash outflow from financing activities amounted to €543 million against €1,297 million in 2006 which included a payment of €1,093 million in dividends and distributable reserves.

FOURTH QUARTER

Operating cash flow in the fourth quarter increased by €230 million due to a €22 million decrease in working capital coupled with an increase in net operating income to €276 million, accounting for the inventory effect.

Cash outflow from investing activities amounted to €288 million in the fourth quarter as payments for investments in the Exploration & Production and Refining & Marketing activities accumulated towards the end of the year.

Cash flow from financing activities had as important components (i) the payment of an interim dividend in November and the receipt of €49.8 million from the Portuguese state in respect of a subsidy provided for in the shareholder agreement of December 1998 between the Portuguese state and Petrocontrol on the compensation payable to Petrogal for the desulphuring of diesel at the Sines and Oporto refineries and (ii) the rise in taxes paid including the €42 million increase in oil tax payable for crude production in Angola.

5. CAPITAL EXPENDITURE

Million euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
44	68	23	53.2%	Exploration & Production	106	193	87	82.0%
73	98	26	35.1%	Refining & Marketing	131	168	38	28.7%
31	40	10	31.8%	Gas & Power	112	103	(8)	(7.3%)
1	0	(1)	(56.5%)	Others	1	1	(0)	(16.2%)
148	**207**	**58**	**39.2%**		**349**	**466**	**116**	**33.2%**

Capital expenditure in 2007 amounted to €466 million, €116 million or 33% up on 2006. Investment spending in the Exploration & Production business segment increased most and amounted to €193 million or 41% of the total.

Expenditure in the Exploration & Production business segment was mainly channelled to Blocks 14 and 32 in Angola. On Block 14 spending focused on development work on the Tombua-Landana field, where three pre-development wells were drilled, and on the BBLT field, where nine development wells were drilled. Exploration activities on Block 14 consisted of two wells being drilled which led to two commercial finds, Malange-1 and Lucapa-1. On Block 32, investment spending was mainly directed at drilling seven exploration wells and two appraisal wells.

In Brazil, on the blocks operated by Galp Energia, capital spending was mainly centred on the drilling of twelve exploration wells, five of which resulted in the notification of finds, which implied a success rate of 42%. On blocks operated by third parties, spending was primarily channelled to the Santos basin, where two exploration wells – Caramba and Júpiter - were drilled on blocks BM-S-21 e BM-S-24 and an appraisal well – Tupi Sul - was drilled on block BM-S-11.

In this segment, 40% was spent on exploration activities and the rest on development activities.

The Refining & Marketing business segment spent a total of €168 million on investment. In refining, spending focused primarily on (i) general-purpose investment in the refineries, namely for energy efficiency purposes, environmental licensing and the adoption of new regulations, (ii) the upgrade of the Leixões Oil Terminal, (iii) the general stop of the Oporto refinery, (iv) the acquisition of a barge for the local transportation of products, (v) the build-up of strategic storage space and (vi) the project for conversion of the two refineries. In marketing, spending centred particularly on the construction and refurbishment of service stations, the acquisition of new *Pluma* LPG bottles and the expansion of the piped-LPG business.

In the Refining & Marketing business, 61% of total investment was channelled to compliance and maintenance.

In the Gas & Power business segment, capital expenditure amounted to €103 million. In natural gas distribution, new investment allowed a secondary network of 793 km to be completed for the connection of 68,000 new and converted clients. In Power, the construction of a cogeneration plant at the Sines refinery was the most significant investment. In this segment all investment spending was channelled to regulated activities.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
68	87	19	28.1%	Sales and services rendered	141	233	92	65.5%
27	**28**	**0**	**0.9%**	**Operating result**	**66**	**146**	**80**	**120.1%**
(0)	1	1	n.m.	Non recurrent items	(0)	4	4	n.m.
27	**29**	**2**	**5.5%**	**Adjusted operating result**	**66**	**150**	**83**	**125.5%**
14.6	**15.7**	**1.1**	**7.6%**	**Average working production (kbbl/day)**	**9.5**	**17.0**	**7.6**	**79.8%**
11.6	**10.6**	**(1.0)**	**(8.7%)**	**Average net entitlement production (kbbl/day)**	**7.2**	**12.5**	**5.3**	**72.5%**
1.1	**1.0**	**(0.1)**	**(8.7%)**	**Total equity production (million bbl)**	**2.6**	**4.6**	**1.9**	**72.5%**
0.2	0.1	(0.1)	(39.4%)	Kuito (million bbl)	0.8	0.4	(0.4)	(46.1%)
0.9	0.8	(0.0)	(1.5%)	BBLT (million bbl)	1.7	4.0	2.3	131.0%
0.0	0.0	(0.0)	(25.5%)	TL (million bbl)	0.1	0.1	0.0	47.3%
61.4	83.6	22.3	36.3%	Average realized sale price[1] (Usd/bbl)	57.6	70.0	12.3	21.4%
2.0	**1.9**	**(0.1)**	**(4.8%)**	**Total sales[2] (million bbl)**	**2.9**	**4.8**	**1.8**	**63.2%**
-	-	-	-	**Net total assets**	**435**	**570**	**135**	**31.0%**

[1] Considers the effective sales and the loans granted and received.
[2] Considers effective sales.

EXPLORATION & PRODUCTION OPERATIONS

INTRODUCTORY NOTE

Net operating income for the third and fourth quarters includes a reallocation of costs following changes in the *cost oil* accrual rates as agreed for the Kuito and BBLT fields in 2007. The faster accrual of costs resulting from higher crude prices led to the decrease in *cost oil* rates under the PSA in force and the increase in production allocated to *profit oil* in the same proportion. As *profit oil* is shared between the concession holder and the consortium and *cost oil* is fully attributed to the consortium, the change in rates led to reduced *net entitlement* production for 2007. This reduction had a direct impact of €21.7 million on net operating income, €9.5 million of which in the third quarter and €12.2 million in the fourth quarter. On the other hand, the change in rates induced an increase in Angolan oil tax (IRP) since it is payable only on *profit oil*. The total increase in IRP was €16.6 million, €8 million in the third quarter and €8.6 million in the fourth quarter.

TWELVE MONTHS

In 2007, production on a working-interest basis was 17,000 barrels a day, i.e. an 80% increase relative to 2006. The BBLT field was the largest contributor with 13,800 barrels or 81% of total production.

Annual *net entitlement* production was 4.6 million barrels or 73% higher than in 2006, with BBLT playing the largest role. In 2007 this field achieved net entitlement production of 4 million barrels and accounted for 87% of total production. The overwhelming weight of BBLT results from Kuito's lower rates of available production because it is at an earlier stage.

Crude sales of 4.8 million barrels were 0.2 million barrels above net entitlement production. This difference was the result of overlifting, i.e. borrowings from the consortium, which is standard industry practice.

Considering both actual sales and overlifting, the average sales price was 70.0 Usd/bbl. The premium to Brent of actual sales was -2.2 Usd/bbl whereas it had been -4.9 Usd/bbl in 2006. This improvement resulted from the increasing weight of production from BBLT whose crude has higher API density than the crude from Kuito – 39º e 21º, respectively.

FOURTH QUARTER

Working production in the fourth quarter was 15,700 barrels a day, a decline relative to the third quarter despite the 8% increase compared to 2006. This decrease reflected operational difficulties arising partly from delayed probing and, consequently, a lower number of development wells and partly from restrictions on well completion. These setbacks led to lower production levels, a situation that is likely to extend into the first half of 2008.

Net entitlement production declined by 9% compared to the fourth quarter of 2006 for the reasons set out in the introductory note above and consisting of faster *cost oil* accrual as the price of crude, namely Brent, increased by 49%.

RESERVES AND CONTINGENT RESOURCES

At the end of December 2007, Galp Energia's proven and probable reserves on Block 14 were, according to a report by Degolyer Macnaughton ("Demac"), 31 million barrels a decrease from the 50.4 million barrel at the end of 2006. The increase from 65.0 Usd/bbl at the end of 2006 to 72.3 Usd/bbl at the end of 2007 in the benchmark price of crude used for the calculation of reserves on a net entitlement basis led to lower reserves under the production-sharing agreements. According to the report, Galp Energia's contingent resources were 742 million barrels, 242 million of which on Blocks 14, 14K and 32 in Angola and the remainder in Tupi, on Block BM-S-11 in Brazil. At the end of 2006 Galp Energia's contingent resources were only 68.1 million barrels.

OPERATING RESULT

TWELVE MONTHS

The Exploration & Production business segment changed its accounting policy for IRP significantly in the third quarter of 2007. The tax has since been considered as an income tax item and no longer affects net operating income. All relevant quarters have been restated to make results for the business segment comparable across periods.

Adjusted net operating income amounted to €150 million, more than double the €66 million for 2006. This excluded non-recurrent events primarily related to the €3.6 million write-off of seven dry wells in Brazil and the impairment of assets linked to the drilling of two dry wells on Block 32 in Angola.

Increases in both production and the sales price of crude were, however, absorbed by higher variable costs, particularly production costs, which rose by €8.2 million to €19.7 million as production levels were stepped up. Unit production costs increased from 5.6 Usd/bbl to 5.9 Usd/bbl, or 6%. Depreciation charges excluding impaired assets increased by €28.7 million to €52.7 million, equivalent to 15.8 Usd/bbl after production levels rose in 2007.

Net operating income for 2007 was also affected by the reallocation referred to in the introductory note, which had an overall impact of €21.7 million on net operating income.

FOURTH QUARTER

Adjusted net operating income amounted to €29 million, up 6% on the fourth quarter of 2006. The increase of over 36% in the sales price, which followed the path of international oil prices, offset lower net entitlement production between the fourth quarters of 2006 and 2007.

Operating costs weighing most in the quarter included production costs of €6.2 million or 9.22 Usd/bbl and depreciation charges of €17.8 million or 26.43 Usd/bbl.

Compared with the first and second quarters of the year, the €12.2 million reallocation referred to in the introductory note as well as the reduction in production that followed from operational problems at the end of the year led to lower net operating income in the fourth quarter.

Depreciation policy was changed in the fourth quarter. Depreciation charges have since been calculated on the basis of working production and proven reserves following the review by Demac at 31 December 2007.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2,512	2,974	461	18.4%	Sales and services rendered	10,838	11,115	278	2.6%
(61)	**179**	**241**	**n.m.**	**Operating result**	**365**	**656**	**291**	**79.6%**
138	(177)	(315)	n.m.	Inventory holding effect	9	(397)	(406)	n.m.
13	2	(12)	(88.3%)	Non recurrent items	(18)	2	20	n.m.
90	**4**	**(86)**	**(95.7%)**	**Adjusted operating result**	**356**	**261**	**(95)**	**(26.7%)**
1.7	3.9	2.2	126.1%	Rotterdam cracking refining margin[1] (Usd/bbl)	3.3	4.5	1.2	35.7%
4.1	0.7	(3.4)	(82.3%)	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	2.9	2.7	(0.2)	(5.7%)
5.0	4.6	(0.4)	(7.1%)	Galp Energia refining margin (Usd/bbl)	5.4	5.5	0.1	2.5%
24,056	19,154	(4,903)	(20.4%)	Crude processed (k bbl)	98,502	91,976	(6,526)	(6.6%)
3.6	3.1	(0.5)	(13.6%)	Raw material processed (million tonnes)	14.7	13.8	(0.9)	(6.3%)
4.0	**3.8**	**(0.2)**	**(5.7%)**	**Total refined product sales (million tonnes)**	**16.2**	**16.0**	**(0.3)**	**(1.6%)**
2.2	**2.3**	**0.2**	**7.1%**	**Sales to direct clients (million tonnes)**	**9.0**	**9.4**	**0.4**	**4.2%**
1.1	1.2	0.1	7.9%	Wholesale	4.6	4.7	0.1	2.8%
0.6	0.6	(0.0)	(2.5%)	Retail	2.4	2.3	(0.1)	(3.5%)
0.1	0.1	0.0	3.1%	LPG	0.4	0.4	(0.0)	(2.2%)
0.4	0.4	0.1	20.6%	Others	1.7	2.0	0.3	20.3%
0.8	**0.4**	**(0.3)**	**(43.0%)**	**Exports (million tonnes)**	**3.1**	**2.4**	**(0.7)**	**(22.8%)**
-	-	-	-	**Number of service stations**	**1,045**	**1,038**	**(7)**	**(0.7%)**
-	-	-	-	**Number of c-stores**	**201**	**210**	**9**	**4.5%**
-	-	-	-	**Net total assets**	**3,539**	**4,060**	**521**	**14.7%**

[1] Source: Platts. For a complete description of the calculation methodology of Rotterdam margins, see "Definitions".

REFINING & MARKETING OPERATIONS

TWELVE MONTHS

In 2007, 13.8 million tonnes of raw materials were processed, a 6% reduction compared to 2006, which reflects the impact of the stops for maintenance at the Sines and Oporto refineries. Despite their effect on output, these stops are necessary for lengthening the life cycle of machinery, resetting efficiency levels depressed by wear and tear and overhauling and repairing equipment. As a consequence of these actions, utilisation rates for crude distillation units declined between 2006 and 2007 by 5.6 percentage points to 78.4%.

Crude accounted for 89% of processed raw materials, with light and condensed crudes accounting for 51%, heavy crudes for 26% and medium crudes for 24%. Between 2006 and 2007 processed crude volumes fell 7%.

The production structure including consumption and losses remained unchanged, with middle distillates accounting for 40% and gasoline for 23%.

Total sales reached 16 million tonnes, 12.5 million of which came from Galp Energia's own production and 3.4 million tonnes from the purchase of products. The weight of purchased products is larger in Spain as production is swapped with other operators. Main products purchased were jet fuel, diesel and propane.

Fifty-nine per cent of total sales went to direct clients, 26% to other operators and 15% to exports. The relative weight of direct sales has been increasing to the detriment of exports, a trend that has benefited the company's results given the fact that direct sales typically add more value. Sales to direct clients increased 4% to 9.4 million tonnes, with the Spanish market growing fastest, at 11%. In contrast to the trend in the overall domestic market, sales in Portugal also increased by close to 1%, supported by growth in the wholesale sub-segment, which offset lower activity in retail and LPG.

In 2007, Galp Energia raised the marketing/refining cover ratio. Using average production figures for the last three years, the cover ratio in 2007 was 72% against 68% in 2006.

At the end of 2007, Galp Energia had 1,038 service stations, seven less than at the end of 2006 and two less than at the end of the third quarter of 2007. This was the result of the efforts in 2007 to streamline the service station network in Portugal.

The number of non-fuel stores increased in 2007 to 210, which evidenced Galp Energia's drive to expand the non-fuel business. In 2007 the weight of the business increased in the overall results of the segment.

Exports reached 2.4 million tonnes, a 23% reduction compared to 2006 which came as a consequence of reduced production volumes. Gasoline played a growing role and advanced from 40% in 2006 to 44% in 2007 of total exports. Over the same period, chemical products also increased its weight in exports from 11% to 15%. Fuel oil kept its position as the second most exported product, with 30% of the total, despite the decline in its relative weight compared to 2006 as the Oporto refinery stopped.

FOURTH QUARTER

The scheduled stop of the Oporto refinery for maintenance took place in the fourth quarter of the year. The stop lasted for over one month, starting on 29 September.

In the last quarter of the year, 3.1 million tonnes of raw materials were processed, 14% less than in the fourth quarter of 2006. Processed crude declined by 20%, implying an utilisation rate of 65.6%. Due to the stop at the Oporto refinery, the other raw materials accounted for close to 16% of the total, double the usual share. Given the operational integration of the two refineries and the consequent transfer of components with a view to maximising total production, the general stop at the Oporto refinery had a direct impact on the increased acquisition of diesel and fuel oil by the Sines refinery.

Sales in the fourth quarter reached 3.8 million tonnes compared to 4 million tonnes in the fourth quarter of 2006. In spite of this decrease and because of the stop at the Oporto refinery, Galp Energia was forced to buy products in both Portugal and Spain. In Portugal alone, fourth-quarter purchases increased 145% to 0.3 million tonnes.

Despite lower total sales, the direct-client sub-segment increased by 7% and accounted for 62% of the total.

Exports declined by 43%, particularly of products usually produced at the Oporto refinery such as fuel oil, which decreased by 66%, and chemical naphta, which did not contribute at all.

After slowing down considerably in the third quarter of the year, exports to the United States resumed growth and outstripped the fourth quarter of 2006 by 7%.

OPERATING RESULT

TWELVE MONTHS

Net operating income in 2007 amounted to €656 million against €365 million in 2006. Adjusted net operating income was €261 million against €356 million in 2006. The sharp rise over the year in the prices of crude and main products led to gains of €397 million as inventories rose in value.

Lower adjusted net operating income reflected, on the one hand, lower refining activity leading to a 6% decline in processed volumes, on the other hand, the sharp depreciation of the dollar against the euro.

Although Galp Energia followed the rising trend in international refining margins – with the unit refining margin increasing 3% to 5.5 Usd/bbl – the adverse exchange effect caused by the dollar depreciation set euro margins at 4.0 Eur/bbl or 6% below 2006 levels.

The role played by consumption and losses of the refineries was another aspect that impacted this segment's net operating income negatively. Accounting approximately for 8% of processed raw materials – and against a background of rising crude prices – consumption and losses drove a rise in energy costs linked to refinery production, thus impairing refining margins.

Improved results in the marketing of oil products, through higher sales volumes under stable margins, partly mitigated this effect, although the sales mix deteriorated as the weight of retail in total sales decreased.

The results of the Refining & Marketing segment also suffered from the time lag between the sharp rise in the prices of purchased products over the year and the adjustment of sales prices with an effect of €67.4 million in 2007. Pricing terms in existing contracts do not provide for changes in international market prices to be promptly passed on to clients. However, the method for price calculation has been reviewed and changes are scheduled for roll-out in early 2008.

FOURTH QUARTER

Net operating income in the last quarter was €179 million, compared to a net operating loss of €61 million in the last quarter of 2006. The difference was due to the inventory effect, which is excluded from the calculations for adjusted income purposes. Whereas the falling price of crude in late 2006 impaired the value of inventories, the sharp rise in the price of crude in late 2007 led to substantial gains in inventories.

In adjusted terms, the difference between net operating income in the fourth quarters of 2006 and 2007 is the result of two crucial effects: the shortfall in both unit and gross refining margins and the rise in operating costs. Galp Energia's refining margin in euros declined 17% to 3.2 Eur/bbl while the reduction in dollar terms was 7%, to 4.6 Usd/bbl. Volumes processed – particularly of crude – were affected by the scheduled stop of the Oporto refinery and poor refining margin environment which led to a decline of 14%. On the other hand, the company had higher-than-usual costs which resulted from work performed in the last quarter of the year – such as the stop of the Oporto refinery – whose costs may not, under IAS/IFRS, be reallocated to earlier quarters. In the same way, project completion and the coming into operation of certain assets such as service stations had a similar unfavourable impact on depreciation.

Net operating income for the quarter also suffered from the time lag in pricing with an impact of €27.5 million. Whereas in the last quarter of 2006 product prices in international markets fell sharply leading to a favourable effect, in the fourth quarter of 2007 that situation was reversed.

3. GAS & POWER

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
324	447	124	38.2%	Sales and services rendered	1,396	1,455	59	4.3%
76	**77**	**1**	**1.2%**	**Operating result**	**547**	**214**	**(333)**	**(60.9%)**
(8)	(7)	1	(7.3%)	Inventory holding effect	(5)	4	9	n.m.
(21)	0	22	n.m.	Non recurrent items	(276)	(3)	273	(98.9%)
48	**71**	**23**	**48.5%**	**Adjusted operating result**	**266**	**215**	**(51)**	**(19.1%)**
996	**1,612**	**617**	**62.0%**	**NG supply sales volumes (million m^3)**	**4,596**	**5,377**	**781**	**17.0%**
255	561	306	120.2%	Electrical	1,737	1,878	142	8.2%
388	416	28	7.2%	Industrial	1,512	1,600	89	5.9%
191	216	25	13.1%	Local distribution companies	694	753	59	8.5%
162	419	257	159.2%	Trading	654	1,145	492	75.2%
132	**144**	**12**	**8.9%**	**NG distribution sales volumes[1] (million m^3)**	**498**	**530**	**32**	**6.4%**
75	83	8	10.9%	Industrial	277	293	16	5.9%
13	12	(1)	(4.6%)	Commercial	47	48	2	3.7%
45	49	4	9.6%	Residential	174	188	14	7.9%
-	-	-	-	**NG distribution clients[1] (thousands)**	**790**	**835**	**45**	**5.7%**
392	**423**	**31**	**7.8%**	**Power generation[2] (GWh)**	**1,561**	**1,610**	**49**	**3.2%**
148	**148**	**0**	**0.1%**	**Sales of electricity to the grid[2]**	**566**	**578**	**13**	**2.3%**
-	-	-	-	**Natural gas net fixed assets[3]**	**725**	**727**	**2**	**0.3%**
-	-	-	-	**Net total assets**	**1,801**	**1,488**	**(313)**	**(17.4%)**

[1] Includes unconsolidated companies where Galp Energia holds a significant interest.
[2] Includes Energin, a company consolidated under the equity method, where Galp Energia holds 35%. In 2007 Energin power generation and sales to grid were 912 GWh and 317 GWh, respectively.
[3] Excludes financial investment.

GAS & POWER OPERATIONS

TWELVE MONTHS

2007 was the first full year of the third contract for liquefied natural gas with Nigeria LNG. Accordingly, sales of natural gas reached 5,377 million cubic metres, up 17% on 2006. By sub-segment, the largest increase was in trading, where favourable conditions existed, particularly in Spain, with low hydro levels in the last months in the year inducing the use of natural gas for the production of electricity. This effect was also felt in Portugal where demand for natural gas by the electricity sector increased by close to 8%.

In the industrial sub-segment sales increased by 6% compared to 2006 and set a new annual record for the industry at 1.6 billion cubic metres with the connection of ten new industrial clients.

Sales of 753 million cubic metres to natural gas distributors delivered the second largest percentage increase next to trading.

The distribution of natural gas continued to expand and the number of clients reached 835,000 as 45,000 new clients were acquired in the year. Demand for natural gas in this sub-segment increased 6% to 530 million cubic metres, with the largest increases coming from the residential and industrial sectors – 8% and 6%, respectively.

The cogeneration plants where Galp Energia has an equity stake produced 1,610 GWh, up 3% on the year before. In order to achieve that level of production, 175 million cubic metres of natural gas, or 10% of the Portuguese industrial market, were used.

FOURTH QUARTER

In the fourth quarter of the year 1,612 million cubic metres of natural gas were sold, or 62% more than in the fourth quarter of 2006 and 24% more than in the third quarter of 2007. Reduced hydro capacity needed to produce electricity in the Iberian Peninsula, in the wake of dry climatic conditions in the fourth quarter of 2007, benefited the demand for natural gas by electricity plants. In Portugal, the increase compared to the unusually rainy fourth quarter of 2006 was 120%. Rising demand for natural gas in Iberia had, for the reasons mentioned, a positive impact on trading activities as larger volumes of natural gas could be sold to Spain.

The fourth quarter of 2007 was also favourable for cogeneration activities, with energy production at 423 GWh, 8% ahead of both the fourth quarter of 2006 and the third quarter of 2007.

OPERATING RESULT

TWELVE MONTHS

The Gas & Power business segment achieved adjusted operating income of €215 million, 19% down on the €266 million achieved in 2006.

The disposal of natural gas assets was the cause for this reduction. If the net effect of the unbundling transaction in the first nine months of 2007 - for an amount of €70 million - were to be excluded so as to make results comparable, adjusted net operating income would increase by 10%.

This increase was partly due to growing natural gas sales, although the sharp depreciation of the dollar against the euro contributed to reduce margins in some segments.

The operational performance of natural gas distribution continued to improve as sold volumes increased by 6% and some operational costs decreased.

The Power business also improved its contribution to the segment's results following the 5% increase in the unit margin to 14.01 Eur/MWh. Sales of 578 GWh of electricity to the grid were achieved at a price of 89.9 Eur/MWh.

FOURTH QUARTER

In the fourth quarter, adjusted net operating income amounted to €71 million, up 49% on the last quarter of 2006. This quarter was the first one when results were directly comparable to those in the same quarter of the preceding year, i.e. including in both quarters the net cost of the unbundling transaction in respect of the regasification, transportation and storage of natural gas.

The main driver of net operating income was the volume of natural gas sold, which increased by 62%, although the quarters evidenced a very similar pattern in unit margin terms.

Net operating income doubled compared to the preceding quarter as a result of increased sold volumes, following the seasonal pattern. Indeed, summer months negatively affect these activities because of the curbing effect of high temperatures and the holiday period on the specific and generic demand for natural gas, respectively. In margin terms, the rising demand for natural gas in the fourth quarter led to higher unit margins, which doubled in comparison with the preceding quarter, particularly in the trading segment.

In the fourth quarter of 2007, as provided for in the contracts, negotiations started for the supply of natural gas from the main sources. This generated a €14 million provision for prudential reasons, which was partly offset by the cancellation of €10 million worth of provisions for the payment of subsoil levies.

In the last quarter of 2007, the Power business increased its unit margin by 3% compared to the fourth quarter of 2006, to 13.66 Eur/MWh. The 148 GWh of energy supplied to the grid were sold for 92.3 Eur/MWh.

GALP ENERGIA SHARE

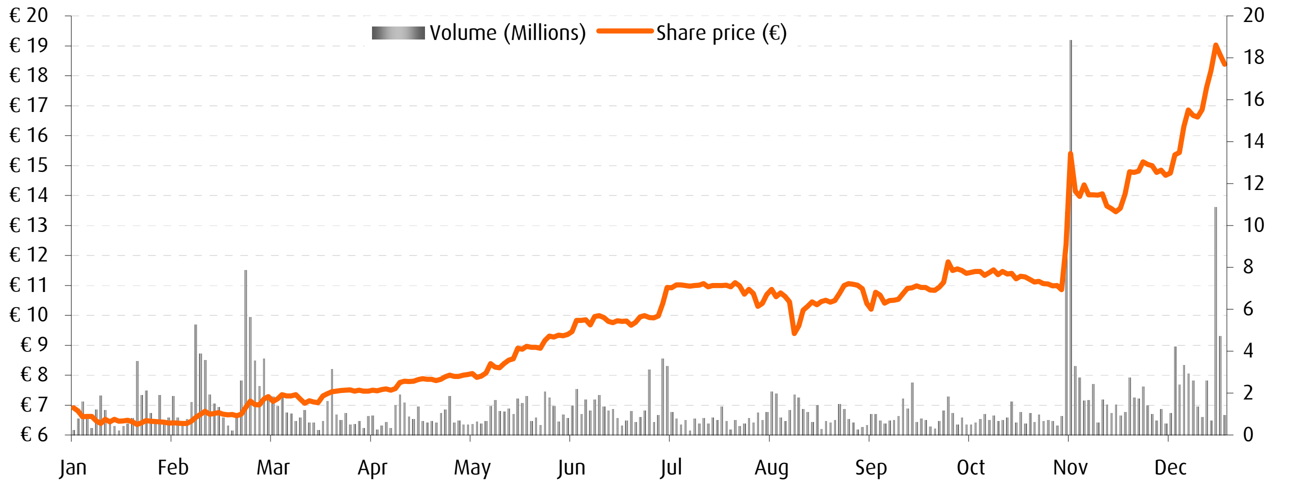
TWELVE MONTHS

The Galp Energia share gained 165% in 2007 and peaked at €19.50 on 27 December. The gain from the start of the Initial Public Offering (IPO) on 23 October 2006 was 217%. In 2007, 351.6 million shares were traded, a daily average of 1.4 million shares. At 31 December 2007, Galp Energia had a market capitalisation of €15,250 million.

FOURTH QUARTER

In the last quarter of the year, the Galp Energia share gained 70%, with a total of 124.6 million shares traded, i.e. a daily average of 1.9 million shares.

Galp Energia share evolution



MATERIAL EVENTS IN THE FOURTH QUARTER 2007

MAJOR HOLDING

Caixa Galicia announced on 9 October it had, through transactions on the stock exchange, reduced to 1.95% its equity stake and voting rights in Galp Energia.

DIVIDEND PAYMENT

Galp Energia declared on 19 October a dividend per share of 0.152 euros, payable on 7 November 2007.

EXPLORATION & PRODUCTION

GALP ENERGIA AND PDVSA SIGN A MEMORANDUM OF UNDERSTANDING FOR JOINT PROJECTS

Galp Energia and PDVSA signed on 2 October a memorandum of understanding for the development of joint projects in the energy sector and the establishment of terms for cooperation between the two companies, including the possibility of developing activities for the exploration, production and supply of oil and gas.

The short, medium and long-term projects to be analyzed include (i) the possibility for Galp Energia to participate in ongoing projects for the exploration and production of oil in Venezuela, (ii) the participation by Galp Energia in the quantification and certification of oil reserves on the Orinoco Oil Belt and (iii) the possibility for Galp Energia to participate in a gas development project on the Venezuelan offshore and a terminal for LNG.

GALP ENERGIA UPDATES RESULTS ON THE *TUPI SUL* WELL

Petrobras, the operator for the consortium exploring Block BM-S-11 in deep water on the Santos basin in Brazil – where Galp Energia has a 10% share – announced on 8 November it had completed the analysis of formation tests in a second well, *Tupi Sul*, on the area called Tupi, and estimated the volume of recoverable light oil of 28º API at between 5 and 8 million barrels of oil and natural gas.

GALP ENERGIA AND PDVSA SIGN AGREEMENT FOR THE DEVELOPMENT OF JOINT PROJECTS IN LIQUEFIED NATURAL GAS

Galp Energia and PDVSA signed on 20 November a side agreement towards the evaluation and analysis of projects and the participation in business transactions in the LNG sector and, specifically, in the *Gran Mariscal de Ayacucho* project.

GALP ENERGIA ACQUIRES 7 BLOCKS IN THE NINTH BIDDING ROUND FOR EXPLORATION BLOCKS IN BRAZIL

Galp Energia acquired on 27 November seven blocks on the Brazilian offshore on the following terms: (i) *Campos* basin – 1 block in shallow water with a 15% share; (ii) *Santos* basin – 3 blocks in shallow water with a 20% share; (iii) *Pernambuco-Paraíba* basin – 3 blocks in deep water with a 20% share.

GALP ENERGIA ANNOUNCES DISCOVERY ON BLOCO 32 IN ANGOLA

The consortium exploring Block 32 in ultra-deep water on the Angolan offshore announced on 3 December the discovery of oil in the appraisal well called *Alho-1*. This well has test produced oil with a density of 26º API and a daily volume of 5,400 barrels. Galp Energia has a 5% share in the consortium.

GALP ENERGIA SIGNS AN AGREEMENT FOR THE PARTICIPATION IN ACTIVITIES FOR THE SEARCH AND EXPLORATION OF NATURAL GAS IN ANGOLA

Galp Energia signed on 4 December an agreement for the participation in a consortium for the development of activities towards the search for and exploration of natural gas in Angola. This agreement provides for the exploration and search of natural gas reservoirs, located on the offshore north of Angola. The construction of a terminal for liquefying natural gas will be considered in case the volumes found during the search and exploration stage warrant such a project. Galp Energia has a 10% share in this consortium.

GALP ENERGIA AND LAP - LIBYA AFRICA INVESTMENT PORTFOLIO SIGN A MEMORANDUM OF UNDERSTANDING

Galp Energia and LAP signed on 9 December a memorandum of understanding for the creation of a joint team for studying the development of projects for the exploration and production of oil and natural gas in Libya.

NEW OIL DISCOVERY IN THE PRE-SALT OF THE SANTOS BASIN

The consortium formed by Petrobras and Galp Energia for the exploration of Block BM-S-21 announced on 20 December that the *Caramba* well had proved the existence of a seam of light oil in the pre-salt of the Santos basin. The discovery was proved by oil traces and the interpretation of profiles in reservoirs located in depths around 5,000 meters. The well has not been tested for operational and logistical reasons. Galp Energia has a 20% share in this consortium.

REFINING & MARKETING

GALP ENERGIA AGREES TO BUY FROM ENI AGIP ESPAÑA AND AGIP PORTUGAL

On 19 October Galp Energia agreed to buy from ENI AGIP Portugal's and AGIP España's operations for the distribution of oil products in Portugal and Spain, respectively. The sales price of the transaction shall be determined by three investment banks to be selected by the parties. The choice of this valuation method aims to ensure transparency throughout the process as well as guarantee that the transaction will be completed at fair market value in accordance with international best practice. Completion of the transaction will be subject to approval by the relevant authorities.

GALP ENERGIA SIGNS CONTRACTS FOR EXECUTION OF THE CONVERSION PROJECT

Galp Energia signed on 19 October the contracts for executing the refinery conversion projects. Técnicas Reunidas, S.A. will develop the Sines project and Fluor Ltd will be assigned the Oporto refinery project.

GALP ENERGIA INFORMS ON THE INCIDENT AT THE OPORTO REFINERY

Galp Energia has informed that on 12 November a fire broke out in the wastewater treatment station at its Oporto refinery. The internal emergency plan was immediately activated and all safety actions were taken to fight the fire. The fire was declared put out shortly thereafter and no personal or property damage was recorded.

GALP ENERGIA AND THE SINES PORT AUTHORITY AGREE CONCESSION OF LIQUID BULK TERMINAL

Galp Energia and the Sines Port Authority signed on 23 November an agreement for the 30-year concession to Galp Energia of a liquid bulk terminal and the integrated management of waste at the Port of Sines. Implementation of the contract will be subject to approval by the relevant authorities.

GALP ENERGIA SIGNS AGREEMENT FOR THE DEVELOPMENT OF BIOFUEL PROJECTS IN MOZAMBIQUE

Galp Energia signed on 8 December an agreement with *Companhia do Búzi* for the production of vegetable oils and biofuels in Mozambique. These commodities will be predominantly exported to Portugal, where they will be processed at the Galp Energia refineries.

GAS & POWER

MERGER OF GÁS DE PORTUGAL, SGPS, S.A. INTO GALP ENERGIA

The merger of GDP – Gás de Portugal, SGPS, S.A. into Galp Energia has been approved by the management bodies of both companies. The merger is scheduled for completion in the first quarter of 2008.

EVENTS AFTER THE CLOSE OF TWELVE MONTHS IN 2007

MAJOR HOLDINGS

On 30 January Iberdrola announced the sale of all its shares in Galp Energia, or 3.83% of the total, to qualified institutional investors, in an over-the-counter transaction.

On 31 January, Banco BPI announced that it had reduced to 3.995%, through transactions on the stock exchange, its equity stake and voting rights in Galp Energia.

NEW BOARD MEMBERS

On 20 December 2007, the board of directors approved the appointment of Enrico Grigesi as executive director in charge of natural gas operations in replacement for Massimo Rivara. The replacement came into force on 1 January 2008.

EXPLORATION & PRODUCTION

NEW DISCOVERY OF NATURAL AND CONDENSATED GAS IN THE PRE-SALT OF THE SANTOS BASIN

The consortium formed by Petrobras and Galp Energia for the exploration of Block BM-S-24 in ultra-deep water on the Santos basin announced on 21 January 2008 that the Júpiter well had proved the existence of a large seam of natural and condensated gas in the pre-salt, with the discovery located in reservoirs close to 5,100 metres deep. The width of the hydrocarbon seam exceeds 120 metres and the size of this structure may be similar to Tupi's. Galp Energia has a 20% share in the consortium that explores the BM-S-24.

REFINING & MARKETING

GALP ENERGIA AND SONAE DISTRIBUIÇÃO AGREE SALE OF CONTINENTE OUTLETS

Galp Energia and Sonae Distribuição signed on 14 February an agreement for the operation by Galp Energia of eight filling stations from the Continente network. Completion of the transaction is subject to a decision by the relevant authorities.

GAS & POWER

GALP ENERGIA ACQUIRES FIRST CLIENT OF NATURAL GAS IN SPAIN

On 7 January Galp Energia announced it had signed agreements for the supply of natural gas to two Spanish Saint-Gobain companies - SG Vicasa Burgos and SG Vetrotex. The contracts provide for over 50 million cubic metres to be supplied, starting in January 2008.

GALP ENERGIA ENTERS THE ELECTRICITY MARKET

On 16 January Galp Energia bid for the first time at the auction for obtaining virtual capacity to produce electricity in Portugal. The auction was promoted by OMIP, the Iberian energy market operator, and virtual production capacity was obtained that may be placed on the market as from April 2008.

ASSOCIATES

1. MAJOR ASSOCIATES

Company	Country	Business Segment	Equity Share	Consolidation method
Petróleos de Portugal, Petrogal, S.A.	Portugal	R&M	100%	Full
Galp Energia España, S.A.	Spain	R&M	100%	Full
Galp Exploração e Produção Petrolífera, S.A.	Portugal	E&P	100%	Full
CLCM - Companhia Logística da Madeira, S.A.	Portugal	R&M	75%	Full
CLC - Companhia Logística de Combustíveis, S.A.	Portugal	R&M	65%	Proportional
CLH - Compañia Logística de Hidrocarboros, S.A.	Spain	R&M	5%	Equity
GDP, Gás de Portugal, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Gás Natural, S.A.[1]	Portugal	G&P	100%	Full
Transgás, S.A.[2]	Portugal	G&P	100%	Full
Transgás, Armazenagem, S.A.	Portugal	G&P	100%	Full
EMPL - Europe MaghrebPipeline, Ltd	Spain	G&P	27%	Equity
Gasoduto Al-Andaluz, S.A.	Spain	G&P	33%	Equity
Gasoduto Extremadura, S.A.	Spain	G&P	49%	Equity
GDP Distribuição, SGPS, S.A.	Portugal	G&P	100%	Full
Lisboagas, S.A.	Portugal	G&P	100%	Full
Lusitaniagás, S.A.	Portugal	G&P	85%	Full
Setgás, S.A.	Portugal	G&P	45%	Equity
Beiragás, S.A.	Portugal	G&P	59%	Full
Duriensegás, S.A.	Portugal	G&P	100%	Full
Tagusgás, S.A.	Portugal	G&P	41%	Equity
Galp Power, SGPS, S.A.	Portugal	G&P	100%	Full
Galp Energia, S.A.	Portugal	Others	100%	Full

[1] Fomer Transgás, S.A.
[2] Former Transgás Industria, S.A.

2. RESULTS FROM ASSOCIATES

Million Euros								
Fourth quarter					Twelve months			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
1.1	2.4	1.3	114.6%	CLH	6.1	8.1	2.0	33.4%
11.1	10.2	(0.8)	(7.4%)	International Pipelines	37.0	37.4	0.3	0.9%
0.8	0.4	(0.4)	(55.0%)	Setgás - Natural Gas Distribution Company	2.7	2.2	(0.5)	(19.1%)
0.6	1.1	0.5	81.2%	Others	0.2	3.6	3.4	n.m.
13.6	**14.1**	**0.5**	**3.9%**	**Sub total**	**46.0**	**51.2**	**5.2**	**11.4%**
(2.7)	(0.5)	2.2	(81.2%)	Consolidation adjustments	(5.5)	8.8	14.3	n.m.
10.9	**13.6**	**2.7**	**25.2%**	**Total**	**40.5**	**60.0**	**19.5**	**48.3%**

RECONCILIATION OF REPORTED AND ADJUSTED FIGURES

1. ADJUSTED OPERATING RESULT BY BUSINESS SEGMENT

Million euros

Fourth quarter					2007	Twelve months				
Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result		Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result
276	**(184)**	**92**	**3**	**95**	**Operating result**	**1,011**	**(393)**	**618**	**2**	**621**
28	-	28	1	29	E&P	146	-	146	4	150
179	(177)	2	2	4	R&M	656	(397)	259	2	261
77	(7)	70	0	71	G&P	214	4	218	(3)	215
(8)	-	(8)	-	(8)	Others	(5)	-	(5)	-	(5)

Million euros

Fourth quarter					2006	Twelve months				
Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result		Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result
32	**131**	**163**	**(5)**	**158**	**Operating result**	**968**	**4**	**972**	**(286)**	**686**
27	-	27	(0)	27	E&P	66	-	66	(0)	66
(61)	138	77	13	90	R&M	365	9	374	(18)	356
76	(8)	69	(21)	48	G&P	547	(5)	542	(276)	266
(11)	-	(11)	3	(7)	Others	(10)	-	(10)	8	(2)

2. ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros

Fourth quarter					2007	Twelve months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
359	**(184)**	**175**	**4**	**179**	**EBITDA**	**1,289**	**(393)**	**896**	**(5)**	**891**
44	-	44	4	47	E&P	205	-	205	1	206
231	(177)	54	1	56	R&M	832	(397)	434	0	435
92	(7)	85	(1)	84	G&P	256	4	260	(7)	254
(8)	-	(8)	-	(8)	Others	(4)	-	(4)	-	(4)

Million euros										
Fourth quarter					2006	Twelve months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
110	**131**	**240**	**(10)**	**230**	**EBITDA**	**1,260**	**4**	**1,263**	**(286)**	**977**
41	-	41	(0)	41	E&P	100	-	100	(0)	100
(3)	138	136	6	141	R&M	584	9	593	(36)	557
78	(8)	70	(15)	55	G&P	581	(5)	576	(256)	320
(7)	-	(7)	0	(7)	Others	(6)	-	(6)	5	(1)

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Exclusion of non recurrent items		
(0)	3.6	Gains / losses on disposal of assets	(0)	3.6
-	(2.3)	Assets impairments	-	2.2
-	0.0	Others	-	(2.3)
(0)	**1.2**	**Non recurrent items of operating result**	**(0)**	**3.6**
-	0.1	Other financial results	-	(1.5)
(0)	**1.3**	**Non recurrent items before income taxes**	**(0)**	**2.1**
(0)	(0.5)	Income taxes on non recurrent items	(0)	(1.2)
(0)	**0.9**	**Total non recurrent items**	**(0)**	**0.9**

Refining & Marketing

Million Euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Exclusion of non recurrent items		
3.7	-	Sale of strategic stock	(3.4)	0.3
(1.2)	-	Services rendered	(1.2)	-
-	-	Monobuoy restatment	(38.9)	-
(5.2)	(5.8)	Gains / losses on disposal of assets	(7.8)	(8.9)
2.9	3.9	Assets write offs	3.2	3.9
5.3	3.4	Employees contracts rescission	13.9	5.1
8.7	0.1	Provisions for environmental charges	9.2	2.1
(1.2)	(0.0)	Assets impairments	8.1	(0.9)
-	0.0	Others	(1.5)	0.0
13.0	**1.5**	**Non recurrent items of operating result**	**(18.4)**	**1.6**
(1.3)	-	Capital gains / losses on disposal of financial investments	(1.3)	(1.1)
11.7	**1.5**	**Non recurrent items before income taxes**	**(19.7)**	**0.4**
(2.6)	(0.6)	Income taxes on non recurrent items	6.2	(0.4)
9.2	**0.9**	**Total non recurrent items**	**(13.4)**	**0.1**

Gas & Power

Million Euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Exclusion of non recurrent items		
(15.2)	-	Services rendered	(15.2)	-
(1.1)	(2.1)	Gains / losses on disposal of assets	(242.3)	(4.7)
0.0	1.2	Assets Write offs	0.0	1.3
-	-	Collections related to the sale of land	-	(3.5)
0.7	0.3	Employees contracts rescission	1.7	0.3
(0.1)	-	Restructuring provision	-	-
(5.7)	0.9	Provisions for environmental charges	(5.7)	3.6
-	-	Unbundling depreciations	(14.5)	-
(21.3)	**0.3**	**Non recurrent items of operating result**	**(275.8)**	**(3.0)**
0.0	0.4	Capital gains / losses on disposal of financial investments	20.1	(20.4)
(15.3)	-	Other financial results	(15.3)	-
(36.6)	**0.7**	**Non recurrent items before income taxes**	**(271.0)**	**(23.4)**
9.8	(0.4)	Income taxes on non recurrent items	19.5	0.6
(26.7)	**0.3**	**Total non recurrent items**	**(251.5)**	**(22.8)**

Others

Million Euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Exclusion of non recurrent items		
0.1	-	Gains / losses on disposal of assets	5.1	-
-	-	Assets write-offs	-	-
3.4	-	Provisions for environmental charges	3.4	-
3.5	**-**	**Non recurrent items of operating result**	**8.4**	**-**
-	-	Capital gains / losses on disposal of financial investments	-	-
3.5	**-**	**Non recurrent items before income taxes**	**8.4**	**-**
(0.0)	-	Income taxes on non recurrent items	-	-
3.5	**-**	**Total non recurrent items**	**8.4**	**-**

Consolidated

Million Euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Exclusion of non recurrent items		
3.7	-	Sale of strategic stock	(3.4)	0.3
(16.2)	-	Services rendered	(16.2)	-
-	-	Monobuoy restatment	(38.9)	-
(6.2)	(4.3)	Gains / losses on disposal of assets	(245.0)	(10.0)
2.9	5.1	Assets write off	3.2	5.2
-	-	Collections related to the sale of land	-	(3.5)
6.0	3.7	Employees contracts rescission	15.6	5.4
(0.1)	-	Restructuring costs	-	-
6.4	1.0	Provisions for environmental charges	6.9	5.7
(1.2)	(2.4)	Assets impairments	8.1	1.3
-	-	Unbundling depreciations	(14.5)	-
(0.2)	0.0	Others	(1.7)	(2.2)
(4.8)	**3.1**	**Non recurrent items of operating result**	**(285.7)**	**2.2**
(1.3)	0.4	Capital gains / losses on disposal of financial investments	18.8	(21.5)
(15.3)	0.1	Other financial results	(15.3)	(1.5)
(21.4)	**3.6**	**Non recurrent items before income taxes**	**(282.3)**	**(20.8)**
7.3	(1.6)	Income taxes on non recurrent items	25.7	(1.0)
(14.1)	**2.0**	**Total non recurrent items**	**(256.5)**	**(21.9)**

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Fourth quarter			Twelve months	
2006	2007		2006	2007
		Operating income		
2,767	3,404	Sales	12,046	12,433
29	16	Services rendered	147	127
29	33	Other operating income	361	101
2,825	**3,454**	**Total operating income**	**12,554**	**12,662**
		Operating costs		
(2,476)	(2,837)	Inventories consumed and sold	(10,405)	(10,430)
(156)	(160)	Material and services consumed	(550)	(630)
(82)	(84)	Personnel costs	(307)	(281)
(68)	(77)	Amortisation and depreciation cost	(257)	(257)
(9)	(6)	Provision and impairment of receivables	(35)	(21)
(2)	(13)	Other operating costs	(33)	(31)
(2,793)	**(3,178)**	**Total operating costs**	**(11,586)**	**(11,650)**
32	**276**	**Operating profit**	**968**	**1,011**
11	14	Net income from associated companies	40	60
1	(1)	Net income from investments	(19)	21
		Financial results		
18	4	Financial income	32	17
(16)	(13)	Financial costs	(62)	(50)
(1)	(1)	Exchange gain (loss)	2	(9)
(1)	(0)	Income and cost on financial instruments	1	1
(0)	(0)	Other gains and losses	(1)	(1)
43	**278**	**Profit before taxes**	**962**	**1,049**
(11)	(89)	Income tax expense	(203)	(268)
33	**189**	**Profit before minority interest**	**759**	**781**
(1)	(1)	Profit attributable to minority interest	(4)	(5)
32	**188**	**Net profit for the period**	**755**	**777**
0.04	**0.23**	**Earnings per share (in Euros)**	**0.91**	**0.94**

2. CONSOLIDATED BALANCE SHEET

Million euros	December 31, 2006	September 30, 2007	December 31, 2007
Assets			
Non current assets			
Tangible fixed assets	1,927	2,001	2,108
Goodwill	17	18	17
Other intangible fixed assets	325	323	310
Investments in associates	147	172	149
Investments in other participated companies	1	1	1
Other receivables	107	96	95
Deferred tax assets	145	130	132
Other financial investments	1	1	1
Total non current assets	**2,671**	**2,741**	**2,812**
Current assets			
Inventories	1,065	1,114	1,422
Trade receivables	960	998	1,077
Other receivables	318	280	330
Other financial investments	14	23	6
Current Income tax recoverable	0	0	0
Cash and cash equivalents	212	132	106
Total current assets	**2,571**	**2,547**	**2,941**
Total assets	**5,242**	**5,289**	**5,753**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(10)	(16)	(23)
Other reserves	107	146	147
Hedging reserves	1	1	1
Retained earnings	255	718	591
Profit attributable to equity holders of the parent	755	589	777
Equity attributable to equity holders of the parent	**2,018**	**2,350**	**2,404**
Minority interest	19	22	22
Total equity	**2,037**	**2,371**	**2,426**
Liabilities			
Non current liabilities			
Bank loans and overdrafts	287	266	280
Bonds	226	226	226
Other payables	70	66	62
Retirement and other benefit obligations	242	251	259
Deferred tax liabilities	93	115	148
Other financial instruments	0	0	0
Provisions	83	82	83
Total non current liabilities	**1,001**	**1,006**	**1,057**
Current liabilities			
Bank loans and overdrafts	566	358	334
Bonds	20	-	-
Trade payables	692	663	956
Other payables	843	880	981
Other financial instruments	3	8	0
Income tax	78	3	(0)
Total current liabilities	**2,204**	**1,912**	**2,270**
Total liabilities	**3,205**	**2,917**	**3,327**
Total equity and liabilities	**5,242**	**5,289**	**5,753**

ADDITIONAL INFORMATION

Natural gas regulated assets	Assets for the transportation and storage of natural gas as well as the regasification and storage of liquefied natural gas
BBLT	*Benguela*, *Belize*, *Lobito* and *Tomboco*
CLH	*Companhia Logística de Hidrocarburos, S.A.*
EBITDA	EBITDA is defined as net operating income plus depreciation and provisions. EBITDA is not a standard measure, the reason it should not be used in comparisons between companies. EBITDA is not a direct liquidity measure and should be analyzed jointly with the actual cash flows resulting from operating activities and taking into account existing financial commitments
EGREP	*Empresa Gestora de Reservas Estratégicas, EPE*
ENI	ENI S.p.A.
USA	United States of America
FIFO	*First In First Out* (Inventory valuation method)
Galp Energia, company or group	Galp Energia, SGPS, S.A. and associates
IFRS	International Financial Reporting Standards
IRP	Tax on revenue generated by the sale of oil in Angola
Margem *cracking* Roterdão	Rotterdam Cracking refining margin yield is composed of: -100% Brent Dated, +25,4% PM UL FOB Bg, +7,1% Naphtha FOB Bg, +8,5% Jet CIF Cg, +38% ULSD CIF Cg and +14% LSFO FOB Cg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.64 Usd/bbl in 2007.
Margem *hydroskimming* aromáticos de Roterdão	Rotterdam Hydroskimming + aromatics refining margin is calculated using 70% of Rotterdam Hydroskimming refining margin and 30% of aromatics margins. The yield of Rotterdam Hydroskimming refining margin is composed of: -100%

	Brent Dated, +15,1% PM UL FOB Bg, +5,1% Naphtha FOB Bg, +9% Jet CIF Cg, +36,5% ULSD CIF Cg and +30,3% LSFO FOB Cg. Aromatics margin yield is -100% PM UL FOB Bg, -12% LSFO CIF NEW, +37% Naphtha FOB Bg, +16,5% PM UL FOB Bg, +6,5% Benzene FOB Bg, +18,5% Toluene FOB Bg, +16,5% Paraxylene FOB Bg and +4,9% Ortoxylene FOB Bg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.64 Usd/bbl in 2007.
PSA	Profit Sharing Agreement
REN	*Rede Eléctrica Nacional, S.A.*
Replacement cost	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.
TL	Tombua Lândana

ACRONYMS

bbl: barrels; bbl/d: barrels a day; Bg: *Barges*; Cg: *Cargoes*; CIF: *Cost, Insurance and Freight*; E&P: Exploration & Production; Eur: euro; FOB: *Free on Board*; G&P: Gas & Power; LSFO: *Low sulphur fuel oil*; m^3: cubic metres; n.m.: not meaningful; PM UL: *Premium unleaded*; R&M: Refining & Marketing; ULSD CIF Cg: *Ultra Low sulphur diesel* CIF *Cargoes*; Usd: US dollar; OPEC - *Organization of the Petroleum Exporting Countries*.

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