galp energia

FIRST QUARTER 2008
RESULTS

Your positive energy

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EXECUTIVE SUMMARY

Net profit replacement cost adjusted in the first quarter of 2008 was €109 million, a year-on-year (yoy) decline of 8.4% in euros and a yoy increase of 4.6% in US dollars. Quarter-on-quarter (qoq), i.e. compared with the last quarter of 2007, adjusted net profit at replacement cost grew 160.6%.

The higher level of activity, supported by larger volumes sold by the Gas & Power business segment, coupled with rising average sales prices of crude in the Exploration & Production business segment offset lower results in the Refining & Marketing business segment, which felt the effect of a depreciating US dollar and appreciating crude prices. Nonetheless, the Refining & Marketing business segment reported in the first quarter of 2008 adjusted operating profit at replacement cost of €38 million, about tenfold the same measure in the fourth quarter of 2007.

SUMMARY OF RESULTS – FIRST QUARTER 2008

- Working crude production of 13.8 thousand barrels/day, down 19.8% from the 17.2 thousand barrels/day in the first quarter of 2007;
- Falling Galp Energia refining margin by 46.9% yoy to 3.0 Usd/bbl; in euros the margin fell 53.5% to 2.0 EUR/bbl as the European currency appreciated 14.3% against the US dollar;
- 73.1% cover of refining activity by marketing of oil products;
- Rising sales of natural gas across all sub-segments by 32.4% yoy to 1,471 million cubic metres;
- Adjusted EBITDA at replacement cost of €234 million, up 3.3% yoy;
- Net profit of €175 million or €0.21 per share; replacement cost adjusted figure reached €109 million or €0.13 per share;
- Rising Capex by 29.6% to €99 million, with the Exploration & Production segment absorbing 64.8% of the total.

EARNINGS RELEASE

PRESS-CONFERENCE

Date: Tuesday, May 20, 17:30 pm GMT (18:30 pm CET)

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

CONFERENCE CALL

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

Date: Wednesday, May 21

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

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

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
3,421	Turnover	2,750	3,493	743	27.0%
359	EBITDA	242	316	74	30.7%
175	EBITDA replacement cost	228	233	5	2.1%
179	**EBITDA replacement cost adjusted[1]**	**226**	**234**	**7**	**3.3%**
275	Operating profit	179	247	68	37.8%
91	Operating profit replacement cost	166	165	(2)	(0.9%)
95	**Operating profit replacement cost adjusted[1]**	**165**	**169**	**4**	**2.6%**
188	Net profit	143	175	33	22.9%
40	Net profit replacement cost	122	106	(15)	(12.7%)
42	**Net profit replacement cost adjusted[1]**	**119**	**109**	**(10)**	**(8.4%)**

[1] Adjusted figures exclude inventory effects and other non recurrent items.

Market indicators

Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
3.9	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	2.8	(0.6)	(18.5%)
0.7	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	5.0	(0.1)	(5.0)	n.m.
7.0	Henry hub natural gas price[2] (Usd/MMbtu)	7.2	8.6	1.4	20.1%
88.7	Average brent dated price[3] (Usd/bbl)	57.8	96.9	39.1	67.8%
1.45	Average exchange rate[4] (Eur/Usd)	1.31	1.50	0.2	14.3%
4.7	Euribor - six month[4] (%)	3.9	4.5	0.5	13.6%

[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		First quarter			
2007		2007	2008	Change	% Ch.
15.7	Average working production (kbbl/day)	17.2	13.8	(3.4)	(19.8%)
10.6	Average net entitlement production (kbbl/day)	12.6	9.9	(2.7)	(21.6%)
4.6	Galp Energia refining margin (Usd/bbl)	5.7	3.0	(2.7)	(46.9%)
3.1	Raw materials processed (million tonnes)	3.4	3.5	0.0	1.0%
2.3	Oil sales direct clients (million tonnes)	2.3	2.3	(0.0)	(0.9%)
1,612	Natural gas sales (million m^3)	1,111	1,471	360	32.4%
423	Power generation[1] (GWh)	416	398	(18)	(4.4%)

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

BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the three months ended 31 March 2008 and 2007 have been prepared in accordance with IFRS. Financial information for the consolidated profit and loss account is presented for the quarters ended 31 March 2008 and 31 March 2007. Financial information presented for the consolidated balance sheet is presented at 31 March 2008 and 31 December 2007.

Preparation of financial statements according to IFRS requires the cost of goods sold to be valued at FIFO. This may, however, introduce great volatility in results as and when commodities and goods prices fluctuate substantially. Therefore, gains or losses in inventories may not reflect the company's operational performance. In this document, this effect is hereinafter called the *inventory effect*.

Non-recurrent events such as gains or losses on assets sold, impairment and reinstatement of fixed assets and environmental or restructuring charges are another factor that is likely to affect results without reflecting true performance.

With a view to evaluating the true operational performance of the business, adjusted operational profit and net profit at replacement cost do not include the inventory effect – neutralised by replacement-cost accounting – or non-recurrent events.

RECENT CHANGES

Accounting for IRP payable in Angola was changed in the third quarter of 2007. In order to shed light on the true nature of costs, this tax – previously accounted for under other operating costs – became instead a corporate income tax item. This change has an impact on both E&P and consolidated operating profit. In order to make periods comparable, results for the first quarter of 2007 were restated to account for this change.

Reflecting Portugal's new regulatory framework for the natural gas sector, changes were introduced into the form of presenting Gas & Power segment indicators in respect of both sales and clients. Accordingly, sales to the liberalised and the regulated markets were separated. As a result, sales and marketing activities, like the customer base, are now related to natural gas only, thus excluding propane LPG, which was included up to now. To make periods comparable, indicators for the first and fourth quarters of 2007 were reworked to account for these changes.

MARKET ENVIRONMENT

THE BRENT

Early 2008 marked a steepening upward trend in Brent dated after the December climb. Reaching a maximum of 98.4 Usd/bbl in January, this rise was prompted by lower US inventories, colder weather than the average for December and escalating tensions in Nigeria and the Middle East. A major factor for the rise in late 2007 and early 2008 was the increased weight of commodities in investment portfolios, which put upward pressure on the Brent dated. The January surge was, however, short-lived as the trend was reversed after the opening days of the year, with the Brent dated falling back to 87.4 Usd/bbl, that is, 11.0 Usd/bbl lower than the peak level at the start of the year. The reversal was primarily due to the release of weak economic data in the US and the ensuing concerns about a possible recession. The subsequent rise in US inventories, coupled with rising temperatures, also contributed to moderating the upward price trend, which was contained until the third week of January.

Despite a fall of 3.4 Usd/bbl in the first week of the month compared to the January close, the Brent dated rose 10.2% in February to reach 101.0 Usd/bbl by the end of the month. This rise was driven and sustained by several factors: (i) steps by the US government and Federal Reserve to prevent the economy from decelerating, (ii) falling crude production in Nigeria and the North Sea and (iii) the OPEC decision in February to keep production quotas unchanged.

In March, the Brent dated reached a new peak of 109.1 Usd/bbl, driven by: (i) a new decision by the OPEC, on 5 March, to keep quotas unchanged, (ii) recovering refining margins, which raised the demand for crude and (iii) continued overweighting of crude in investors' asset allocation strategies.

At the end of March, prices corrected downward, again following the release of weak economic indicators in the US. As a result, the Brent dated closed the quarter at 102.7 Usd/bbl, up 49.6% yoy and 6.9% qoq. The depreciating US dollar, coupled with inflationary concerns in the US, contributed to the rising price of crude, seen, like other commodities, as a safe haven.

OIL PRODUCTS

Following the rise in crude prices and competition from power generation substitutes such as gas and coal, fuel oil crack spreads fell in the first quarter of 2008. On the other hand, diesel crack spreads rose significantly on the back of rising diesel demand in North America, partly explained by new product specifications (low versus high sulphur content). In Europe, distillates reached new highs in the wake of supply bottlenecks resulting from scheduled refinery stops.

In January, diesel crack spreads traded at an average 17.7 Usd/bbl, a 3.0 Usd/bbl yoy increase. Gasoline crack spreads also rose by 3.0 Usd/bbl to 15.5 Usd/bbl, also yoy. Conversely, fuel oil crack spreads remained negative at –27.9 Usd/bbl, down 5.7 Usd/bbl yoy.

In February, the distillate crack spread soared as demand for diesel and jet fuel remained strong. Whereas the diesel crack spread climbed in February to 21.6 Usd/bbl – a 3.9 Usd/bbl rise – the gasoline crack spread edged up to 17.1 Usd/bbl by only 1.6 Usd/bbl relative to January, reflecting low demand and accumulated inventories. The fuel oil crack spread fell 3.9 Usd/bbl compared to January, trading at – 31.9 Usd/bbl on average.

In March, the generic crack spread rose after a correction in inventory levels reversed the accumulation trend. This reversal was driven by lower capacity utilisation resulting from low margins and continued strong demand for distillate products, namely by China, keen to add to inventories of energy products in the run-up to the Olympic Games. The month was again favourable for the diesel crack spread which rose 30.8% relative to the preceding month, trading on average at 28.2 Usd/bbl.

This price movement was from the start not followed by the gasoline crack spread, which fell on average 12.2% in relation to February to 15.0 Usd/bbl. Nonetheless, the gasoline crack spread rebounded sharply in late March as a result of lower gasoline supply by US refineries which shifted production to distillates as the relative crack spread between the two products moved in favour of the latter, leading to falling gasoline inventories and the ensuing crack spread recovery.

The fuel oil crack spread fell again – 13.0% on average relative to February – as it was unfavourably impacted by rising Russian exports, thus remaining negative at –36.0 Usd/bbl.

Year on year, the diesel crack spread staged a clear recovery in the first quarter of 2008 as it rose by 7.6 Usd/bbl and traded on average at 22.4 Usd/bbl. On the other hand, the gasoline crack spread declined 1.0 Usd/bbl to 15.9 Usd/bbl, while the fuel oil crack spread performed even worse as it fell 8.0 Usd/bbl to –31.8 Usd/bbl.

REFINING MARGINS

Refining margins slumped in early January, with hydroskimming margins falling into negative terrain as a result of low fuel oil crack spreads. The January average was negative at –2.6 Usd/bbl, down 2.1 Usd/bbl qoq and 1.5 Usd/bbl yoy. Cracking margins also underperformed in January and closed the month at 1.4 Usd/bbl, down 60.3% qoq and 49.6% yoy.

In February refining margins recovered in Europe on the back of scheduled maintenance and operational breakdowns at some refineries, which impacted product supply. In particular, these developments led to higher middle distillate – namely diesel – crack spreads. Compared to January, cracking margins went up on average 1.9 Usd/bbl to 3.2 Usd/bbl whereas hydroskimming margins rose 1.2 Usd/bbl to – 1.4 Usd/bbl.

In March refining margins remained volatile, yet with a positive trend. Relative to February cracking margins rose 0.7 Usd/bbl to 3.9 Usd/bbl. Despite remaining negative, hydroskimming margins also recovered by 0.5 Usd/bbl to -0.9 Usd/bbl.

THE EURO/USD

The European currency appreciated on average 14.3% yoy and 3.4% qoq. The Euro/Usd reached an all-time high and closed the month at 1.58. The continuing US dollar slide follows from uncertainty regarding the degree of US economic deceleration and the pace at which the Federal Reserve will lower rates. Expansionary monetary policy – entailing lower rates – encourages the sale of US dollar-denominated assets and consequently leads to depreciation of the currency.

THE IBERIAN MARKET

The Portuguese market for oil products declined 1.6% yoy to 2.6 million tonnes. Demand for gasoline fell further in the quarter – 7.4% yoy – while the shortfall in diesel demand was not as sharp – 2.0% yoy. The fall in demand for both products was steepest in March, with yoy decreases of 10.7% for gasoline and 8.2% for diesel.

When compared with the last quarter of 2007, the demand for oil products in Portugal posted a higher fall, as much as 6.1%, which was due to the adverse effect of both diesel and gasoline, which lost 6.4% and 8.3%, respectively.

In Spain the market for oil products remained stable in relation to the first quarter of 2007 and reached 12.9 million tonnes. The demand for gasoline fell 4.9% and the demand for diesel edged 1.5% lower. These decreases were offset by rising demand for jet fuel – 12.3% yoy. Quarter on quarter, the Spanish market contracted 3.5%, with the demand for gasoline slumping 7.2% and diesel demand declining by 3.0%.

After having reached a size of 1,193 million cubic meters in the fourth quarter of 2007 on the back of low rainfall in the period, the market for natural gas advanced 3.9% in the first quarter of 2008 to 1,240 million cubic meters. Year on year the Portuguese gas market expanded 27.7% as the hydropower generation index retreated to 0.3 from 0.9 one year earlier. With 47.9% of the market, the electric power sector was the major driver behind the demand for natural gas. On a smaller individual scale, the residential, commercial and industrial segments contributed 646 million cubic meters to the growing Portuguese natural gas market, a 2.2% addition qoq and 1.5% yoy.

Market indicators

Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
88.7	Average brent dated price[1] (Usd/bbl)	57.8	96.9	39.1	67.8%
21.4	Diesel crack[2] (USD/bbl)	14.8	22.4	7.6	51.2%
16.9	Gasoline[3] crack (Usd/bbl)	16.9	15.9	(1.0)	(6.1%)
(26.5)	Fuel oil crack[4] (Usd/bbl)	(23.8)	(31.8)	(8.0)	33.8%
3.9	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	2.8	(0.6)	(18.5%)
(0.1)	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(0.9)	(1.6)	(0.7)	72.8%
2.8	Portuguese oil market[5] (million ton)	2.7	2.6	(0.0)	(1.6%)
13.4	Spanish oil market[6] (million ton)	12.9	12.9	(0.0)	(0.0%)
1,193	Portuguese natural gas market[7] (million m^3)	971	1,240	269	27.7%

[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		First quarter			
2007		2007	2008	Change	% Ch.
3,421	Turnover	2,750	3,493	743	27.0%
(3,081)	Operating expenses	(2,520)	(3,193)	(672)	26.7%
20	Other operating revenues (expenses)	12	16	4	29.3%
359	**EBITDA**	**242**	**316**	**74**	**30.7%**
(83)	Depreciations and provisions	(62)	(68)	(6)	10.1%
275	**Operating profit**	**179**	**247**	**68**	**37.8%**
14	Net profit from associated companies	19	12	(7)	(37.6%)
(0)	Net profit from investments	1	-	(1)	n.m.
(11)	Net interest expenses	(11)	(9)	2	(19.0%)
278	Profit before tax and minority interests	188	250	62	32.8%
(89)	Income tax	(44)	(73)	(29)	66.2%
(1)	Minority Interests	(2)	(2)	(0)	9.0%
188	**Net profit**	**143**	**175**	**33**	**22.9%**
188	**Net profit**	**143**	**175**	**33**	**22.9%**
(148)	Inventory effect	(21)	(69)	(48)	n.m.
40	**Net profit replacement cost**	**122**	**106**	**(15)**	**(12.7%)**
2	Non recurrent items	(3)	3	5	n.m.
42	**Net profit replacement cost adjusted**	**119**	**109**	**(10)**	**(8.4%)**

Net profit for the first quarter of 2008 was €175 million, up €33 million or 22.9% yoy. The increase reflected the inventory effect, more than twice as large as in 2007 following the steep rise in the prices of crude and oil products.

In adjusted terms net profit was €109 million, down 8.4% yoy. The favourable operational performances of the Gas & Power and Exploration & Production business segments offset the unfavourable result of the Refining & Marketing business segment. EBITDA replacement cost adjusted rose 3.3% yoy to €234 million and 30.1% qoq. The single most adverse factor weighing on net profit replacement cost adjusted was the €29 million increase in payable tax, largely the consequence of rising Angolan crude sales.

Quarter on quarter, net profit replacement cost adjusted advanced 160.6% on the back of improved performance by Galp Energia's three business segments, namely Refining & Marketing.

OPERATING RESULTS

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
28	Exploration & Production	31	39	8	25.2%
179	Refining & Marketing	100	121	21	20.5%
77	Gas & Power	47	84	37	78.4%
(9)	Others	1	4	3	n.m.
275	**Operating profit**	**179**	**247**	**68**	**37.8%**
275	**Operating profit**	**179**	**247**	**68**	**37.8%**
(184)	Inventory effect	(13)	(83)	(69)	n.m.
91	**Operating profit replacement cost**	**166**	**165**	**(2)**	**(0.9%)**
3	Non recurrent items	(2)	4	6	n.m.
95	**Operating profit replacement cost adjusted**	**165**	**169**	**4**	**2.6%**

Operating profit was €247 million, up 37.8% yoy. In adjusted terms – excluding the inventory effect and non-recurrent events – operating profit was €169 million, up 2.6% yoy. In addition to the 32.4% rise in the natural gas volume to 1,471 million cubic metres which powered 50.6% ahead the operating profit replacement cost adjusted of the Gas & Power business segment, the favourable level of benchmark crude prices in the first quarter of 2008 benefited operations in Exploration & Production.

In adjusted terms, the Refining & Marketing business segment was the only one that did not exceed results posted one year earlier. This was mainly due to the adverse effect of a US dollar undergoing sharp depreciation against the euro and the rise in benchmark crude prices. This business segment recovered, however, on a quarter-on-quarter basis as operating profit replacement cost adjusted soared €34 million to €38 million in the first quarter of 2008.

2. ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

SALES AND SERVICES RENDERED

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
87	Exploration & Production	42	65	23	54.9%
2,974	Refining & Marketing	2,432	3,056	625	25.7%
447	Gas & Power	330	450	120	36.4%
12	Others	24	28	4	15.5%
(99)	Consolidation adjustments	(78)	(107)	(29)	36.9%
3,421		**2,750**	**3,493**	**743**	**27.0%**

Sales of goods and provision of services rose 27.0% yoy to €3,493 million, whereby the Refining & Marketing business segment accounted for €625 million or 84.1% of the total difference as it benefited from rising prices of crude and oil products. The Gas & Power business segment raised revenues by €120 million yoy as volumes sold grew.

OTHER NET OPERATING REVENUES

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
20	**Other net operating revenues**	**12**	**16**	**4**	**29.3%**
1	Non recurrent items	(3)	0	3	n.m.
21	**Adjusted other net oper. revenues**	**9**	**16**	**7**	**70.1%**

Other net operating revenues advanced 29.3% yoy to €16 million, whereas it declined €4.4 million qoq. Figures for 2007 were restated to reflect the change in the method of accounting for IRP.

OPERATING COSTS

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
2,837	Cost of goods sold	2,311	2,967	656	28.4%
160	Supply and services	146	155	9	6.4%
84	Personnel costs	64	71	7	10.7%
3,081		**2,520**	**3,193**	**672**	**26.7%**

Operating costs rose 26.7% yoy to €3,193 million. The sharply rising trend in the price of crude and other commodities affected the performance of cost of goods sold. Indeed, the increase of €656 million or 28.4% in the cost of goods sold accounted for 92.9% of the total variance in operating costs. At replacement cost, the cost of goods sold was €3,049 million, up 31.2% yoy, which reflected the rise in the prices of oil and derivatives.

Costs of supply and services went up by 6.4% due to (i) costs related to Exploration & Production, namely maintenance costs on the BBLT and Kuito fields and overall cost increases in industry services and equipment, (ii) costs of maintenance and repair at the refineries, (iii) marketing expenses and (iv) the cost of supplies such as electricity.

Personnel costs rose 10.7% yoy due to (i) the overall increase in remuneration and post-employment benefits arising from early retirement and (ii) adjustments to matching exercises in previous quarters.

EMPLOYEES

	December 31, 2007	March 31, 2008	Change vs Dec 31, 2007
Exploration & Production	62	63	1
Refining & Marketing	4,747	4,792	45
Gas & Power	462	472	10
Corporte & Others	527	527	-
Total on site employees	**5,798**	**5,854**	**56**
Service stations employees	2,243	2,257	14
Total off site employees	**3,555**	**3,597**	**42**

At the end of the first quarter of 2008 Galp Energia had 5,854 employees, 2,257 of whom at service stations operations. The main change compared to the end of 2007 was in Refining & Marketing where the hiring of 45 staff was explained by 20 new employees for the Sines refinery to substitute for retiring employees and the 14 employees increase at service stations which was related to the opening of two new service areas in Spain.

The rise in the number of staff at Gas & Power was related to the business segment's growth, particularly in Power.

DEPRECIATION

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
15	Exploration & Production	11	14	4	35.6%
52	Refining & Marketing	38	35	(3)	(8.3%)
10	Gas & Power	8	8	1	8.1%
0	Others	0	0	(0)	(54.8%)
77		**57**	**58**	**1**	**1.8%**
77	**Depreciations**	**57**	**58**	**1**	**1.8%**
2	Non recurrent items	(1)	(3)	(2)	n.m.
80	**Adjusted depreciations**	**56**	**55**	**(1)**	**(2.5%)**

Depreciation charges were virtually unchanged yoy at €58 million. By business segment, however, Refining & Marketing decreased 8.3% as some refinery assets reached the end of their economic life. On the other hand, Exploration & Production raised depreciation charges by 35.6% owing to (i) impairment resulting from drilling two dry wells on the Espírito Santo basin's onshore fields and (ii) the change in depreciation policy as charges, from the fourth quarter of 2007 onwards, were calculated on the basis of working-interest production and working proven reserves in accordance with DeGolyer & MacNaughton's revision as of 31 December 2007.

In adjusted terms, depreciation charges declined 2.5% yoy.

Quarter on quarter depreciation was considerably lower, helped by €17 million lower charges in Refining & Marketing. This change reflected the scheduled stop at the Porto's refinery as well as the close of projects resulting in certain assets' transition to operation status, which occurred in 4Q07 and consequently led to higher depreciation charges in that period.

PROVISIONS

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
1	Exploration & Production	1	1	(0)	(34.0%)
1	Refining & Marketing	3	1	(2)	(61.9%)
5	Gas & Power	1	9	8	n.m.
-	Others	-	(0)	(0)	n.m.
6		**5**	**10**	**5**	**100.9%**
6	**Provisions**	**5**	**10**	**5**	**100.9%**
(1)	Non recurrent items	(0)	(1)	(1)	n.m.
5	**Adjusted provisions**	**5**	**10**	**5**	**94.4%**

Provisions amounted to €10 million, double the level one year earlier. Almost the whole difference came from the Gas & Power business segment where, for prudential reasons, a provision of €7.4 million was made in respect of the negotiation of natural gas procurement contracts with major suppliers.

RESULTS FROM ASSOCIATES

Results of associates amounted to €12 million, down €7 million yoy. The bulk of this decrease resulted from capital gains by CLH on the sale of assets in the first quarter of 2007. Major contributions came from equity holdings in international gas pipelines, as well as the 5% equity stake in CLH.

FINANCIAL INCOME

The financial loss of €9 million reflected a €2 million improvement yoy. This 19.0% difference resulted from favourable exchange differences, a reversal from one year earlier. Despite rising interest rates, lower net debt helped to keep interest payable stable at €13 million.

INCOME TAX

Income tax payable was calculated at €73 million, up 66.2% yoy. This increase was mainly due to (i) a €8.8 million rise in tax payable by Gas & Power as a result of improved results by this business segment and (ii) higher taxes of €23.1 million, yoy increase of €14.3 million, payable on Angolan crude sales via higher benchmark crude prices and the resulting increase of the IRP tax base. This included €5.6 million from an adjustment of cost recovery rates – *cost oil* – for the Kuito and BBLT fields in the first quarter of 2008. The effective tax rate in the first quarter of 2008 was 29.1% versus 23.3% one year earlier. Without the IRP effect on the tax, the effective rate would have been 21.9%.

Taxable income is calculated according to tax principles accepted in Portugal, which are similar to Portuguese GAAP. According to this method, inventories are valued at LIFO instead of IAS-required FIFO.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)	December 31, 2007	March 31, 2008	Change vs Dec 31, 2007
Fixed assets	2,584	2,629	45
Strategic stock	566	679	113
Other assets (liabilities)	(170)	(235)	(65)
Working capital	180	121	(60)
	3,160	**3,194**	**33**
Short term debt	336	260	(76)
Long term debt	505	499	(6)
Total debt	**841**	**760**	**(82)**
Cash	107	162	55
Total net debt	**734**	**598**	**(136)**
Total shareholder's equity	**2,426**	**2,596**	**169**
Capital employed	**3,160**	**3,194**	**33**
Net debt to equity	30%	23%	(7.2 p.p.)

In the first three months of the year fixed assets increased €45 million to €2,629 million, which was partly a result of capital expenditure in the period, particularly in the Exploration & Production business segment.

Strategic inventories reached €679 million at 31 March 2008 from €566 million at 31 December 2007. This 19.9% appreciation reflected the impact of rising international market prices on the unitary valuation of strategic obligations, namely those of gasoline and middle distillates, which rose 9.2% and 3.2%, respectively, quarter on quarter. In quantitative terms, strategic obligations declined 1%.

Other assets and liabilities fell €65 million, which was, on the liability side, primarily a result of a €44 million rise in corporate income tax, and a reduction in deferred tax assets of around €20 million.

Working capital was cut to €121 million – by €60 million compared to the end of 2007. This reduction reflected a higher balance of current suppliers and a decline in Other assets and liabilities following a reduction in other operating assets arising from adjustments in invoicing routines by the natural gas business.

DEBT

Million euros (except otherwise noted)	December 31, 2007		March 31, 2008		Change vs Dec 31, 2007	
	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	226	-	226	-	-
Bank debt	171	280	155	274	(16)	(6)
Commercial paper	165	-	105	-	(60)	-
Cash	(107)	-	(162)	-	(55)	-
Net debt	**734**		**598**		**(136)**	
Average life (years)	2.75		3.03		0.28	
Net debt to equity	30%		23%		(7.2 p.p.)	

Total debt at the end of the first quarter 2008 amounted to €760 million, down €82 million qoq. Net debt declined €136 million over the quarter to €598 million on the back of the cash flow generated in the period. The net debt-to-equity ratio dropped 7.2 percentage points to 23.0% at the end of the quarter.

The average life of the debt increased from 2.8 years at the end of 2007 to 3.0 years at the end of the quarter as a consequence of the heavier weight of long-term debt in the company's funding structure. At the end of March, 65.7% of total debt was classed as long-term debt against 60.1% at the end of 2007. 76.2% of total debt was on floating rate.

The average cost of debt rose by 45 basis points yoy to 4.9% as a result of rising base rates.

At the end of the first quarter 2008, Galp Energia had no US dollar-denominated debt.

At 31 March 2008, net debt attributable to minority interests was €30.2 million.

4. CASH FLOW

Million euros			
Fourth quarter		First quarter	
2007		2007	2008
275	Operating profit	179	247
77	Non cash costs	57	58
21	Change in working capital	13	60
374	**Cash flow from operating activities**	**249**	**365**
(226)	Net capital expenditures and disposals	(80)	(93)
(62)	Change in strategic stocks holdings	10	(113)
(288)	**Cash flow from investing activities**	**(70)**	**(205)**
(9)	Financial Investments	1	0
(9)	Interest expenses	(9)	(9)
(43)	Taxes	(17)	(12)
56	Subsidies	7	-
(93)	Dividends paid / received	-	1
(5)	Others	17	(3)
(103)	**Cash flow from financing activities**	**(1)**	**(23)**
(16)	**Total**	**178**	**136**

The company generated cash flow of €136 million in the quarter, down €41 million yoy due to the cash outflow from investing activities in the first quarter of 2008.

Cash flow from operations was €365 million in the first quarter of 2008 up from €249 million in the same period last year, due to the 37.8% increase in operating profit to €247 million. This result included an inventory effect of €83 million which was €69 million larger than one year earlier. The €60 million reduction in working capital contributed to improved cash flow from operations.

Cash outflow from investing activities reached €205 million and reflected spending of €113 million on strategic inventories, primarily due to appreciating strategic inventories compared to the end of the year following oil products prices rise in the first quarter of 2008 and capital expenditure in Exploration & Production and Refining & Marketing.

Cash outflow from financing activities amounted to €23 million due to the payment of IRP in the amount of €7.3 million and interest paid of €9 million. Additionally, first quarter of 2007 cash flow from financing activities benefited from €7 million worth of subsidies under support programmes to natural gas distributors.

5. CAPITAL EXPENDITURE

Million euros					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
68	Exploration & Production	40	64	24	60.2%
98	Refining & Marketing	21	21	1	2.8%
40	Gas & Power	16	14	(2)	(12.7%)
0	Others	0	0	(0)	(84.8%)
207		**76**	**99**	**23**	**29.6%**

Capital expenditure amounted to €99 million, up €23 million yoy, the bulk of which – €64 million against €40 million one year earlier but in line with the previous quarter – was channelled to Exploration & Production. Half the spending on this activity was channelled to development of Block 14, namely development work on the Tômbua-Landana field at a cost of €34 million. On Block 32, expenditure was mainly directed at drilling and appraising exploration wells. In Brazil, expenditure on offshore blocks reached €14 million. This amount was related to drilling of the Júpiter and Bem-te-vi wells and the ninth bidding round which attracted an investment of €9 million.

Twenty-one million euros were spent on Refining & Marketing, an amount that was in line with spending one year earlier on the refinery conversion project and the build, refurbishment and maintenance of service stations.

On Gas & Power business segment investment was channelled to extending the secondary network for a total length of 123 km as well as connecting 11.5 thousand natural gas clients, both new and converted.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
87	Turnover	42	65	23	54.9%
28	**Operating profit**	**31**	**39**	**8**	**25.2%**
1	Non recurrent items	-	3	3	n.m.
29	**Operating profit replacement cost adjusted**	**31**	**42**	**11**	**34.6%**
15.7	**Average working production (kbbl/day)**	**17.2**	**13.8**	**(3.4)**	**(19.8%)**
10.6	**Average net entitlement production (kbbl/day)**	**12.6**	**9.9**	**(2.7)**	**(21.6%)**
1.0	**Total net entitlement production (million bbl)**	**1.1**	**0.9**	**(0.2)**	**(20.7%)**
0.1	Kuito (million bbl)	0.1	0.1	(0.0)	(12.5%)
0.8	BBLT (million bbl)	1.0	0.8	(0.2)	(22.1%)
0.0	TL (million bbl)	0.0	0.0	(0.0)	(10.7%)
83.6	Average realized sale price[1] (Usd/bbl)	56.1	107.5	51.4	91.6%
1.9	**Total sales[2] (million bbl)**	**1.0**	**1.0**	**0.0**	**1.1%**
570	**Net total assets**	**458**	**635**	**177**	**38.7%**

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

EXPLORATION & PRODUCTION OPERATIONS

Daily working-interest production was 13.8 thousand barrels, down 19.8% yoy. This shortfall stemmed from operational issues at the BBLT field which are in a recovery stage. Notwithstanding these setbacks and like in previous quarters, the BBLT field was, at 10.9 kbbl/d, the largest single contributor to production, accounting for 79.3% of the total for the quarter.

Net entitlement production followed working production's downward path and fell 20.7% yoy. With 763 thousand barrels, the BBLT field accounted for 85.0% of the total.

A load of 997 thousand barrels was sold in the quarter. Taking effective loads and overlifting into account, the average sales price was 107.5 Usd/bbl. The price of sales contracted in the quarter was at par relative to the Brent, which was a favourable qoq change as sales in the fourth quarter of 2007 were priced on average at a 4.9 Usd/bbl discount to the Brent. This improvement resulted from the fact that sales in the last quarter of 2007 came from the Kuito field which has a lower API gravity index than the BBLT.

OPERATING RESULT

Replacement cost adjusted operating profit was €42 million, up 34.6% yoy, which accounted for 24.9% of Galp Energia's overall figure. The improvement was driven by a €23 million rise in sales, where the 91.6% price hike offset a 20.7% fall in net entitlement production yoy. This favourable price effect accommodated not only net entitlement production but also the 81.8% rise in production costs to €8.3 million and the 8.1% increase in depreciation charges excluding impairment to €11.5 million.

Unit production costs for the segment were 13.9 Usd/bbl compared to 5.3 Usd/bbl one year earlier. The surge stemmed from rising maintenance costs at Kuito, where production is undergoing a natural decline, and BBLT's maintenance costs which reflected operational disturbances in the fourth quarter of 2007. Beyond this BBLT-specific rise, the cost of equipment and related services rose generally across the oil industry.

Unit depreciation charges were 19.3 Usd/bbl against 12.4 Usd/bbl one year earlier. The increase reflected the changing valuation of production and proven/probable reserves, now calculated on a working-interest basis following the update by the DeGolyer MacNaughton report as of 31 December 2007.

2. REFINING & MARKETING

Million euros (except otherwise noted)					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
2,974	Turnover	2,432	3,056	625	25.7%
179	**Operating profit**	**100**	**121**	**21**	**20.5%**
(177)	Inventory holding effect	(22)	(83)	(61)	n.m.
1	Non recurrent items	(2)	0	3	n.m.
4	**Operating profit replacement cost adjusted**	**76**	**38**	**(38)**	**(50.0%)**
3.9	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	2.8	(0.6)	(18.5%)
0.7	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	5.0	(0.1)	(5.0)	n.m.
4.6	Galp Energia refining margin (Usd/bbl)	5.7	3.0	(2.7)	(46.9%)
19,154	Crude processed (k bbl)	22,642	23,649	1,007	4.4%
3.1	Raw material processed (million tonnes)	3.4	3.5	0.0	1.0%
3.8	**Total refined product sales (million tonnes)**	**3.9**	**3.9**	**(0.1)**	**(1.6%)**
2.3	**Sales to direct clients (million tonnes)**	**2.3**	**2.3**	**(0.0)**	**(0.9%)**
1.2	Wholesale	1.0	1.1	0.1	7.4%
0.6	Retail	0.6	0.6	(0.0)	(4.6%)
0.1	LPG	0.1	0.1	(0.0)	(7.5%)
0.4	Others	0.6	0.5	(0.1)	(10.4%)
0.4	**Exports (million tonnes)**	**0.6**	**0.6**	**0.0**	**2.2%**
1,038	**Number of service stations**	**1,041**	**1,025**	**(16)**	**(1.5%)**
210	**Number of c-stores**	**203**	**213**	**10**	**4.9%**
4,056	**Net total assets**	**3,569**	**4,123**	**553**	**15.5%**

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

REFINING & MARKETING OPERATIONS

In the first quarter of 2008, 3.5 million tonnes of raw materials were processed, up 1.0% yoy. Processed crude rose 4.4%, with refinery capacity utilised at 83.8% against 81.2% one year earlier. After the stop of the Porto refinery, other raw materials regained their 7.9% share, with the balance taken by crude.

Light crude and condensates accounted for 54.9% of the total, followed by heavy with 23.7% and medium grades with 21.5%. The rising share of light crude from 38.1% to 40.7% led to (i) increased yield of middle distillates (+2.4%) and gasoline (+0.7%), which both are more highly valued by the market and (ii) to a lower (-2.9%) share of fuel oil.

Middle distillates and gasoline thus accounted for 64.9% of total production, as the share of fuel oil declined.

Sales of 3.9 million tonnes fell 1.6% short of the outcome one year earlier. Nonetheless, both exports and direct sales weighed heavier than in 2007, with respective shares of 16.2% and 60.0%.

The cover ratio of refining throughput by own-branded, oil-product marketing – measured on the basis of the average production over the last three years – declined 1.4 percentage points to 73.1% compared to the first quarter of 2007.

At 31 March 2008 Galp Energia had 1,025 service stations, thirteen fewer than the end of 2007. In the Portuguese retail network, ten service stations were closed down.

The number of non-fuel stores rose by three units, all in Portugal, as a direct result of Galp Energia's expansion strategy for the business, which aims to extract higher returns from existing assets.

An analysis of export sales, which went up 2.2% yoy, gives the following insights: (i) gasoline, primarily exported to the US, rose 29.4%, (ii) bitumen rose 11.3%. These increases ultimately offset the declines in all other product categories. Gasoline now accounts for 47.3% of exports against 37.4% one year earlier. Fuel oil is still the second most exported product category, now weighing 32.8% in total exports, down from 35.4% one year earlier.

OPERATING RESULT

Operating profit increased 20.5% yoy on the back of a larger inventory effect - €83 million versus €22 million in 2007 – caused by the prolonged rise in crude prices. In adjusted terms, operating profit went down €38 million, or 50.0%, yoy. This shortfall was related to declining international refining margins and the sharp depreciation of the US dollar against the euro.

Galp Energia's unit refining margins fell 46.9% to 3.0 Usd/bbl, with a steeper fall in euro terms – 53.5% to 2.0 Eur/bbl. Lower margins were mitigated by higher refining activity – increase of 4.4% in processed crude to 23.6 million barrels to a capacity utilisation rate of 83.8%. Unit cash cost items rose to 2.1 Usd/bbl from 1.8 Usd/bbl one year earlier. The rise in costs was related to refinery maintenance and repairs, sea freight and storage and filling services.

Regarding volumes sold to direct clients, retail and LPG sales declined 4.6% and 7.5%, respectively, yoy. On the other hand, the wholesale segment rose 7.4%. Margins in each segment remained stable compared to one year earlier.

Quarter on quarter, replacement cost adjusted operating profit rose €34 million, an increase that was directly related to 23.5% higher volumes of processed crude, that is, an additional 4.5 million barrels, and which was a consequence of the scheduled stop of the Porto's refinery for maintenance in the fourth quarter 2007.

3. GAS & POWER

Million euros (except otherwise noted)					
Fourth quarter		First quarter			
2007		2007	2008	Change	% Ch.
447	Turnover	330	450	120	36.4%
77	**Operating profit**	**47**	**84**	**37**	**78.4%**
(7)	Inventory holding effect	9	1	(8)	(91.5%)
1	Non recurrent items	1	1	0	40.1%
71	**Operating profit replacement cost adjusted**	**56**	**85**	**29**	**50.6%**
47	Supply	26	53	28	108.3%
23	Infrastruture	31	32	1	2.6%
0	Power	0	0	0	n.m.
1,612	**NG supply total sales volumes (million m^3)**	**1,111**	**1,471**	**360**	**32.4%**
980	**Liberalised market sales volumes (million m^3)**	**474**	**825**	**351**	**74.0%**
561	Electrical	335	594	260	77.5%
-	Industrial	-	16	16	n.m.
419	Trading	139	215	76	54.2%
632	**Regulated market sales volumes (million m^3)**	**637**	**646**	**9**	**1.5%**
498	Industrial	491	491	(0)	(0.1%)
12	Commercial	16	23	6	38.5%
48	Residential	64	67	3	4.8%
74	Other supply companies	66	66	0	0.7%
816	**NG distribution clients[1] (thousands)**	**772**	**832**	**60**	**7.7%**
423	**Power generation[2] (GWh)**	**416**	**398**	**(18)**	**(4.4%)**
148	**Sales of electricity to the grid[2]**	**153**	**134**	**(20)**	**(13.0%)**
727	**Natural gas net fixed assets[3]**	**729**	**733**	**4**	**0.5%**
1,488	**Net total assets**	**1,770**	**1,616**	**(153)**	**(8.7%)**

[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 the first quarter 2008 Energin power generation and sales to grid were 257 GWh and 81.8 GWh, respectively.
[3] Excludes financial investment.

GAS & POWER OPERATIONS

Natural gas sales reached 1,471 million cubic meters following an increase of 32.4% yoy. With 56.1% of the total, the liberalised market overtook its regulated counterpart, which accounts for the balance. The weight of the liberalized market resulted from the increase of the contribution of the following sub-segments: electric power and trading, with demand increases of 77.5% and 54.2%, respectively. This trend benefited from low rainfall in the quarter compared to one year earlier, which stimulated demand for natural gas for electric power generation.

First time sales of natural gas to the Spanish industrial market started in the quarter with a volume of 16 million cubic metres.

At the end of March, Galp Energia had 832 thousand clients from natural gas distributors, 15.5 thousand ahead of the number at the end of 2007.

Power generation declined 4.4% to 398 GWh for which 41 million cubic metres of natural gas – or 8.4% of the Portuguese industrial market – were used at Galp Energia’s cogeneration plants. Sales of electricity to the grid fell 13% as the annual stop for maintenance at the Carriço cogeneration plant was brought forward.

OPERATING RESULT

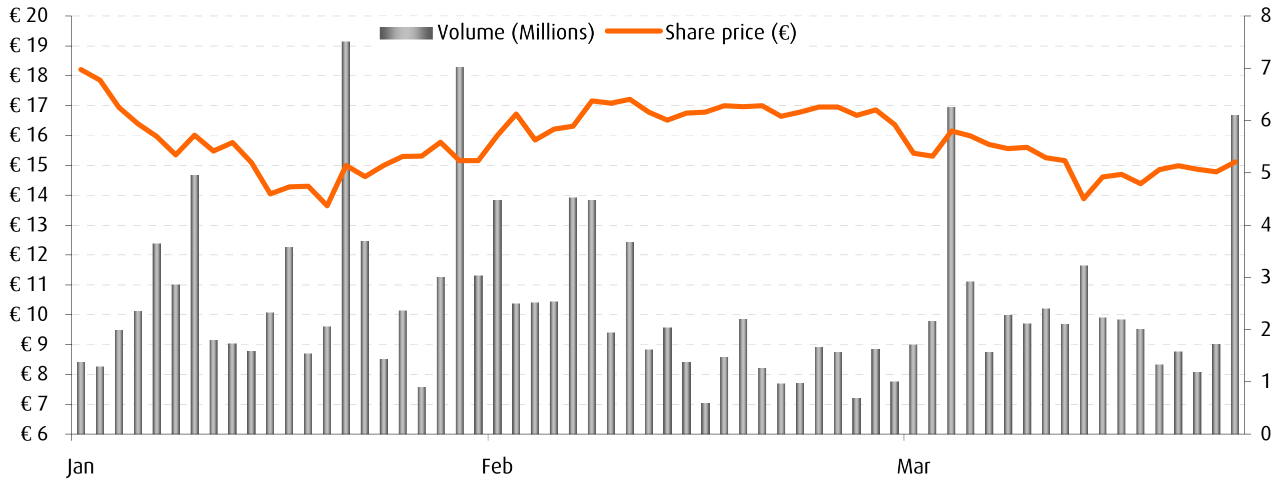
Replacement cost adjusted operating profit increased 50.6% yoy to €85 million accounting for 50.4% of Galp Energia's overall figure. The rise was supported by the quantity effect, with a favourable impact on the adjusted operating margin – the ratio of replacement cost adjusted operating profit to sales of goods and provision of services – which went up 1.8 percentage points yoy to 18.9%. On the back of higher volumes sold, the supply activity was, with €53 million, the main contributor to the increase in replacement cost adjusted operating profit for the segment. The natural gas infrastructure business reported operating profit in line with the outcome one year earlier, i.e. €32 million, imparting added stability to earnings.

The Power business posted a decline in the unit margin from 14.4. Eur/MWh in the first quarter 2007 to 13.2 Eur/MWh in the first quarter 2008. Electricity sales of 134 GWh to the grid were achieved at a price of 95.3 Eur/MWh.

GALP ENERGIA SHARE

The stock shed 17.8% in the quarter and closed at €15.11 on 31 March. Since the initial public offering in October 2006 through 31 March 2008, the stock has gained 167.9% – including paid dividends. In the quarter, 152.9 million shares were traded, the equivalent of an average daily trading volume of 2.5 million shares. At 31 March 2008, Galp Energia had a market capitalisation of €12,530 million.

Galp Energia share evolution



MATERIAL EVENTS IN THE FIRST QUARTER 2008

MAJOR HOLDING

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.

RESIGNATION OF BOARD MEMBERS

On 24 March Galp Energia announced that Mr. Joaquim Augusto Nunes Pina Moura presented the resignation to his position of member of the Board of Directors, effective on 31 March 2008.

EXPLORATION & PRODUCTION

NEW DISCOVERY OF NATURAL GAS AND CONDENSATED 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.

GALP ENERGIA, INETI AND ALGAFUEL FORM A CONSORTIUM TO PRODUCE BIOMASS AND BIOFUEL FROM MICROALGAE

On 13 March Galp Energia signed a partnership agreement with the Portuguese Engineering, Technology and Innovation Institute ("INETI") and the company Algafuel. The purpose of the agreement is to form a consortium that will develop a project for the production of biomass and biofuel from microalgae crops and the attendant capture of CO_2.

GALP ENERGIA AND VISABEIRA MOÇAMBIQUE SIGN A COOPERATION MEMORANDUM FOR BIOFUEL PROJECTS

On 24 March Galp Energia and Visabeira Moçambique signed a cooperation memorandum for the development of an agro industrial project in Mozambique that aims the production of oilseeds that could be up to an area of 150,000 hectares, commercialization and distribution of biofuels, to export to Portugal where they will be processed at Galp Energia's biodiesel units and for production of biodiesel in Mozambique for domestic consumption.

COUNCIL OF MINISTERS APPROVES THE DRAFT OF THE INVESTMENT CONTRACT FOR THE CONVERSION PROJECT OF GALP ENERGIA'S REFINERIES

On 6 March, the council of ministers has approved today the draft of the investment contract and corresponding appendixes, to be signed by the Portuguese State, represented by the Portuguese Investment and Foreign Exchange Agency ("Agência para o Investimento e Comércio Externo de Portugal, E.P.E.") and Galp Energia. This contract covers the conversion project of both Galp Energia's refineries, located in Sines and Porto. In the same meeting the Council of Ministers approved the award of a tax relief of around 15% of the investment up to 1,059 million euros, after the conclusion of the project. The process will be concluded following the formalization of the incentives contracts and favourable opinion of the European Commission.

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.

EVENTS AFTER THE CLOSE OF FIRST QUARTER IN 2008

MAJOR HOLDINGS

On April 2, Fidelity International Limited ("FIL") notified Galp Energia that the mutual funds and other investment accounts managed by affiliates of FIL have reached a qualified shareholding below the 2% threshold, approximately 1.82% of Galp Energia share capital and corresponding voting rights.

ANNUAL GENERAL SHAREHOLDING MEETING

RESOLUTIONS OF THE ANNUAL GENERAL SHAREHOLDERS MEETING

Galp Energia announced on 6 May, that Galp Energia, SGPS, S.A.'s Annual General Meeting, on May 6, approved the items proposed on the agenda as follows:

1. Ratification of the Board's resolution of 19 September 2007 to appoint Francesco Antonietti and Angelo Fanelli as members of the Company's Board of Directors, as well as the Board's resolution of 20 December 2007 to appoint Enrico Grigesi as a member of the Company's Board of Directors.

2. The management report, individual and consolidated accounts, for the year 2007, as well as remaining reporting documents.

3. Proposal for application of profits:

- Legal reserve (5%) €28,042,111
- Dividend Distribution (0.320€/share) €265,360,203
- Retained Earnings €267,439,915
- Total €560,842,229

4. A resolution expressing the shareholders' vote of thanks to the Board of Directors, the Supervisory Board and each one of their members.

5. A resolution on the authorization to be a member of the Board of Directors on Galp Energia's competing companies and on the definition of the access regime to Galp Energia's sensitive information by Board Members that may be proposed that are in one of the situations described on number 3 of article 398. of the Commercial Companies Code.

6. The approval of the list proposed by Amorim Energia, B.V., Caixa Geral de Depósitos, S.A. and Eni S.p.A, of the Governing Bodies for the period 2008-2010.

7. The election of the Statutory Auditor for the period 2008-2010.

8. The changes to articles number 17 and 18 of Galp Energia's articles of association.

DESIGNATION OF GALP ENERGIA'S NEW GOVERNING BODIES

Galp Energia announced on May 7, that following Galp Energia's Annual General Shareholder Meeting convened on May 6 at the company head offices, new governing bodies were designated for the 2008-2010 period.

DESIGNATION OF GALP ENERGIA'S CORPORATE SECRETARY AND DEPUTY CORPORATE SECRETARY

Galp Energia announced on May 9, that Galp Energia's Board of Directors convened on May 6 has approved the designation of Rui Maria Diniz Mayer and Maria Helena Claro Goldschmidt for the positions of Corporate Secretary and Deputy Corporate Secretary of the Company for the period 2008-2010.

DIVIDEND PAYMENT

Galp Energia announced on 8 May the second and last dividend of €0.168 per share relating to the financial year of 2007 will be payable as from May 29th.

EXPLORATION & PRODUCTION

GALP ENERGIA AND PETRÓLEOS DE VENEZUELA, S.A. (PDVSA) SIGN COOPERATION AGREEMENTS ON THE ENERGY SECTOR

Galp Energia and PDVSA on 13 May signed in Caracas five cooperation agreements related with energy projects for oil, natural gas and renewable areas. These agreements follow the Memorandum of Understanding signed last October in Lisbon by the two companies.

REFINING & MARKETING

GALP ENERGIA BUYS EXXONMOBIL FUELS AND LUBRICANTS BUSINESSES IN SPAIN AND PORTUGAL

Galp Energia and ExxonMobil Mediterranea srl. today announced that an agreement has been signed for the sale of shares of Esso Espanola, SL ("Esso Spain") and ExxonMobil Portugal Holdings BV, owner of Esso Portuguesa LDA ("Esso Portugal") to Galp Energia.

GALP ENERGIA BUYS ROYAL DUTCH SHELL FUELS BUSINESSES IN MOZAMBIQUE, SWAZILAND AND GAMBIA

On 6 May Galp Energia signed an agreement to buy Royal Dutch Shell fuel businesses in Mozambique, Swaziland and Gambia, for a total amount of 55 million US dollars. This acquisition fits Galp Energia's strategy of increasing presence in Africa capitalizing on the good African relations Galp Energia maintains in exploration and production activities and opening the door to future partnerships in biofuels.

GAS & POWER

GALP ENERGIA AND THE PORTUGUESE STATE SIGN NATURAL GAS CONCESSION CONTRACTS

On 17 April were signed the Concession Contracts between the Portuguese State and the Natural Gas Distribution Companies of Galp Energia. These contracts reproduce the principles and rules applicable to natural gas distribution and commercialization activities and establish a Concession period of 40 years, starting from 1 January 2008.

AWARDS CONCEDED

Galp Energia was awarded at the 10th edition of the Investor Relations Global Rankings 2008, for the "Best Financial Disclosure Procedures". Galp Energia ranked fourth at European level and sixth at world scale, among 160 companies from 32 countries. The "Best Financial Disclosure Procedures" category evaluates the quality of the information made available to investors and to the market.

Galp Energia won the European award for the "*Best European Business*", in the category *"Profitable Growth"*. This award was attributed by Roland Berger, which analysed more than six thousand companies from major European countries. The category *"Profitable Growth"* evaluates the growth, the innovation and the robustness of the company's business portfolio.

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		First quarter			
2007		2007	2008	Change	% Ch.
2.4	CLH	0.7	1.8	1.1	166.5%
10.2	International Pipelines	9.1	9.5	0.4	4.5%
0.4	Setgás - Natural Gas Distribution Company	1.2	1.0	(0.2)	(13.5%)
1.1	Others	0.4	0.1	(0.3)	(69.8%)
14.1	**Sub total**	**11.3**	**12.4**	**1.0**	**9.3%**
(0.5)	Consolidation adjustments	7.7	(0.5)	(8.2)	n.m.
13.6	**Total**	**19.0**	**11.9**	**(7.1)**	**(37.6%)**

RECONCILIATION OF REPORTED AND ADJUSTED FIGURES

1. ADJUSTED OPERATING RESULT BY BUSINESS SEGMENT

Million euros										
2007					First quarter	2008				
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
179	**(13)**	**166**	**(2)**	**165**	**Operating profit**	**247**	**(83)**	**165**	**4**	**169**
31	-	31	-	31	E&P	39	-	39	3	42
100	(22)	78	(2)	76	R&M	121	(83)	37	0	38
47	9	56	1	56	G&P	84	1	84	1	85
1	-	1	-	1	Others	4	-	4	-	4

2. ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros										
2007					First quarter	2008				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
242	**(13)**	**228**	**(2)**	**226**	**EBITDA**	**316**	**(83)**	**233**	**0**	**234**
43	-	43	-	43	E&P	54	-	54	0	54
142	(22)	119	(2)	117	R&M	157	(83)	74	0	74
55	9	64	0	64	G&P	100	1	101	(0)	101
1	-	1	-	1	Others	4	-	4	-	4

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros			
Fourth quarter		First quarter	
2007		2007	2008
	Exclusion of non recurrent items		
4	Gains / losses on disposal of assets	-	-
(2)	Assets impairments	-	2.9
0	Others	-	-
1	**Non recurrent items of operating profit**	**-**	**2.9**
0	Other financial results	-	-
1	**Non recurrent items before income taxes**	**-**	**2.9**
(0)	Income taxes on non recurrent items	-	(1.0)
1	**Total non recurrent items**	**-**	**1.9**

Refining & Marketing

Million Euros			
Fourth quarter		First quarter	
2007		2007	2008
	Exclusion of non recurrent items		
-	Sale of strategic stock	0.3	-
(5.8)	Gains / losses on disposal of assets	(2.7)	(0.0)
3.7	Assets write offs	-	-
3.4	Employees contracts rescission	-	-
0.1	Provisions for environmental charges	-	0.1
(0.0)	Assets impairments	0.2	0.1
0.0	Others	0.0	0.4
1.3	**Non recurrent items of operating profit**	**(2.1)**	**0.5**
0.2	Capital gains / losses on disposal of financial investments	(1.1)	-
1.5	**Non recurrent items before income taxes**	**(3.3)**	**0.5**
(0.6)	Income taxes on non recurrent items	0.4	(0.1)
0.9	**Total non recurrent items**	**(2.9)**	**0.4**

Gas & Power

Million Euros			
Fourth quarter		First quarter	
2007		2007	2008
	Exclusion of non recurrent items		
-	Services rendered	-	-
(1.7)	Gains / losses on disposal of assets	-	(0.0)
1.2	Assets Write offs	-	-
0.3	Employees contracts rescission	-	-
-	Restructuring provision	-	-
0.9	Provisions for environmental charges	0.5	0.7
0.7	**Non recurrent items of operating profit**	**0.5**	**0.7**
0.7	**Non recurrent items before income taxes**	**0.5**	**0.7**
(0.4)	Income taxes on non recurrent items	(0.1)	(0.2)
0.3	**Total non recurrent items**	**0.4**	**0.5**

Others

Million Euros			
Fourth quarter		First quarter	
2007		2007	2008
	Exclusion of non recurrent items		
-	Gains / losses on disposal of assets	-	-
-	Assets write-offs	-	-
-	Provisions for environmental charges	-	-
-	**Non recurrent items of operating profit**	**-**	**-**
-	Capital gains / losses on disposal of financial investments	-	-
-	**Non recurrent items before income taxes**	**-**	**-**
-	Income taxes on non recurrent items	(0.0)	-
-	**Total non recurrent items**	**(0.0)**	**-**

Consolidated

Million Euros			
Fourth quarter		First quarter	
2007		2007	2008
	Exclusion of non recurrent items		
-	Sale of strategic stock	0.3	-
(3.9)	Gains / losses on disposal of assets	(2.7)	(0.0)
4.9	Assets write off	0.0	0.0
3.7	Employees contracts rescission	-	-
1.0	Provisions for environmental charges	0.5	0.8
(2.4)	Assets impairments	0.2	3.0
0.0	Others	0.0	0.4
3.3	**Non recurrent items of operating profit**	**(1.6)**	**4.2**
0.2	Capital gains / losses on disposal of financial investments	(1.1)	-
0.1	Other financial results	-	-
3.5	**Non recurrent items before income taxes**	**(2.7)**	**4.2**
(1.6)	Income taxes on non recurrent items	0.2	(1.3)
2.0	**Total non recurrent items**	**(2.5)**	**2.8**

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros			
Fourth quarter		First quarter	
2007		2007	2008
	Operating income		
3,404	Sales	2,718	3,461
16	Services rendered	32	32
33	Other operating income	20	20
3,453	**Total operating income**	**2,770**	**3,513**
	Operating costs		
(2,837)	Inventories consumed and sold	(2,311)	(2,967)
(160)	Material and services consumed	(146)	(155)
(84)	Personnel costs	(64)	(71)
(77)	Amortisation and depreciation cost	(57)	(58)
(6)	Provision and impairment of receivables	(5)	(10)
(13)	Other operating costs	(8)	(5)
(3,178)	**Total operating costs**	**(2,591)**	**(3,266)**
275	**Operating profit**	**179**	**247**
14	Net profit from associated companies	19	12
(1)	Net profit from investments	1	-
	Financial results		
4	Financial profit	4	3
(13)	Financial costs	(13)	(13)
(1)	Exchange gain (loss)	(2)	1
(0)	Profit and cost on financial instruments	0	(0)
(0)	Other gains and losses	(0)	(0)
278	**Profit before taxes**	**188**	**250**
(89)	Income tax expense	(44)	(73)
189	**Profit before minority interest**	**144**	**177**
(1)	Profit attributable to minority interest	(2)	(2)
188	**Net profit for the period**	**143**	**175**
0.23	**Earnings per share (in Euros)**	**0.17**	**0.21**

2. CONSOLIDATED BALANCE SHEET

Million euros	December 31, 2007	March 31, 2008
Assets		
Non current assets		
Tangible fixed assets	2,108	2,132
Goodwill	17	17
Other intangible fixed assets	310	320
Investments in associates	149	156
Investments in other participated companies	1	4
Other receivables	89	87
Deferred tax assets	132	111
Other financial investments	1	1
Total non current assets	**2,807**	**2,830**
Current assets		
Inventories	1,422	1,547
Trade receivables	1,077	1,132
Other receivables	330	302
Other financial investments	6	8
Current Income tax recoverable	0	0
Cash and cash equivalents	107	162
Total current assets	**2,943**	**3,152**
Total assets	**5,750**	**5,982**
Equity and liabilities		
Equity		
Share capital	829	829
Share premium	82	82
Translation reserve	(23)	(29)
Other reserves	146	146
Hedging reserves	1	1
Retained earnings	592	1,368
Profit attributable to equity holders of the parent	777	175
Equity attributable to equity holders of the parent	**2,404**	**2,573**
Minority interest	22	23
Total equity	**2,426**	**2,596**
Liabilities		
Non current liabilities		
Bank loans and overdrafts	280	274
Bonds	226	226
Other payables	62	61
Retirement and other benefit obligations	254	256
Deferred tax liabilities	148	143
Other financial instruments	0	0
Provisions	83	85
Total non current liabilities	**1,051**	**1,044**
Current liabilities		
Bank loans and overdrafts	336	260
Bonds	-	-
Trade payables	956	968
Other payables	981	1,068
Other financial instruments	0	2
Income tax	-	44
Total current liabilities	**2,272**	**2,342**
Total liabilities	**3,323**	**3,386**
Total equity and liabilities	**5,750**	**5,982**

ADDITIONAL INFORMATION

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
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
IPH	*Índice de Produtibilidade Hidroeléctrica* – (freely translated) Portuguese for hydropower utilisation index – is an indicator that aims to quantify the variance in hydropower generation in a given period compared to the hydropower-based generation level in a 'normal' period – rated as '1' by the index and defined as a period when water resources approach average or trend values. Index values below '1' describe situations where hydropower utilisation is below trend and values above '1' describe situations where hydropower utilisation is above trend.
IRP	Tax on revenue generated by the sale of oil in Angola
LIFO	Last In First Out (inventory valuation method)
PSA	Profit Sharing Agreement
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.
Rotterdam cracking refining margin	Rotterdam Cracking refining margin yield is composed of: 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.g. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.64 Usd/bbl in 2007.
Rotterdam hydroskimming + aromatics refining margin	Rotterdam Hydroskimming + aromatics refining margin is calculated using 70% of Rotterdam Hydroskimming refining margin and 30% of aromatics margins. Rotterdam hydroskimming refining margin yield: 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 refining margin yield: -100% PM UL FOB Bg - 12% LSFO CIF NWE + 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 + 4.9% Ortoxylene FOB Bg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.64 Usd/bbl in 2007.
TL	Tombua Lândana
USA	United States of America

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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