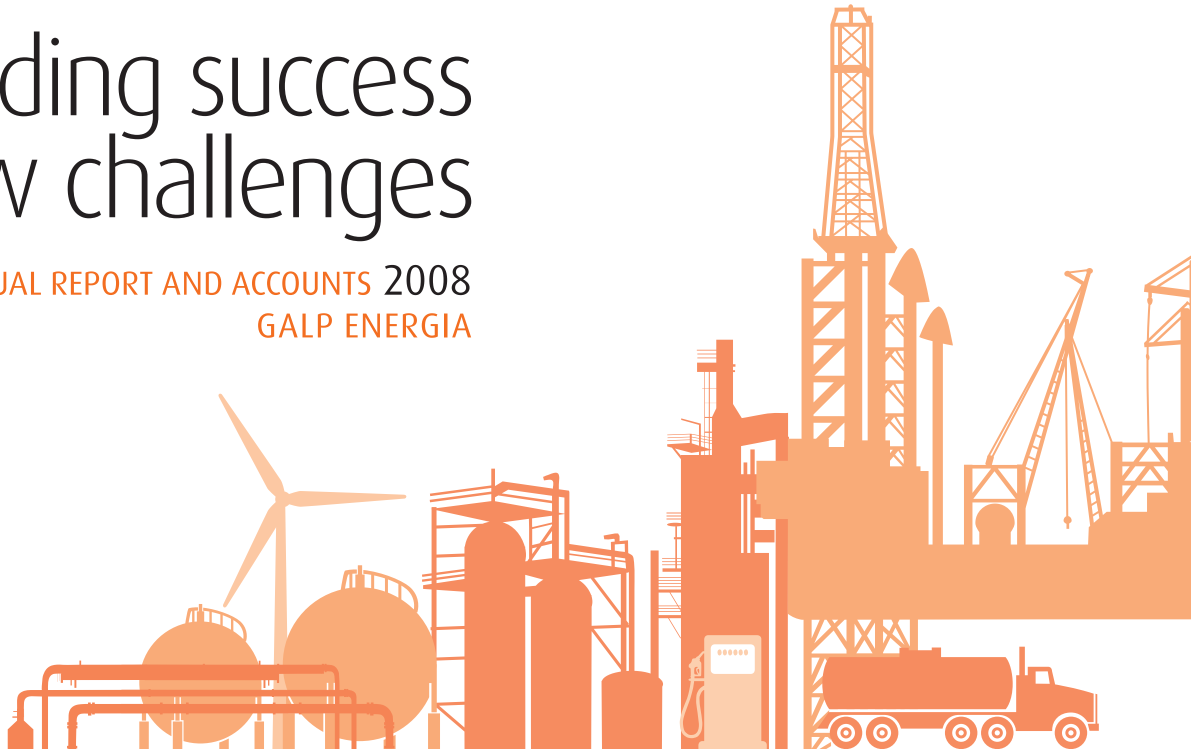
Extending success into new challenges

ANNUAL REPORT AND ACCOUNTS 2008
GALP ENERGIA



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GALP ENERGIA

galp energia

Galp Energia is an integrated operator that is present throughout the whole oil and natural gas value chain and is increasingly active in renewable energy sources. Its activities are expanding strongly worldwide and are predominantly located in Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia and East Timor.

+ PERFORMANCE INDICATORS 2008

15,062M€

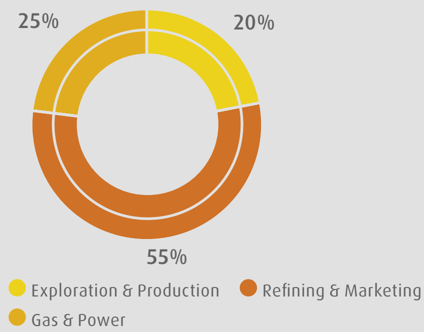
+20% **Turnover RCA**

2007: **12,557 M€**

693M€

+12% **Operating profit RCA**

2007: **620 M€**



478M€

+14% **Net profit RCA**

2007: **418 M€**

RCA: Replacement cost adjusted
(Non audited)

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GALP ENERGIA

01 Galp Energia in the world

We are an energy company. We explore, develop and produce oil and natural gas in four continents. We supply energy every day to millions of people.

We make the world walk a little more.

Exploration & Production

44 projects portfolio

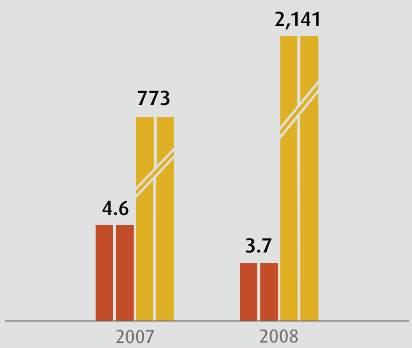
The Exploration & Production business segment has projects all over the world. The exploration activity is growing fast, especially in Angola and Brazil with the recent relevant discoveries in the Santos Basin. Production is currently concentrated in Angola.

Main assets, activities and markets

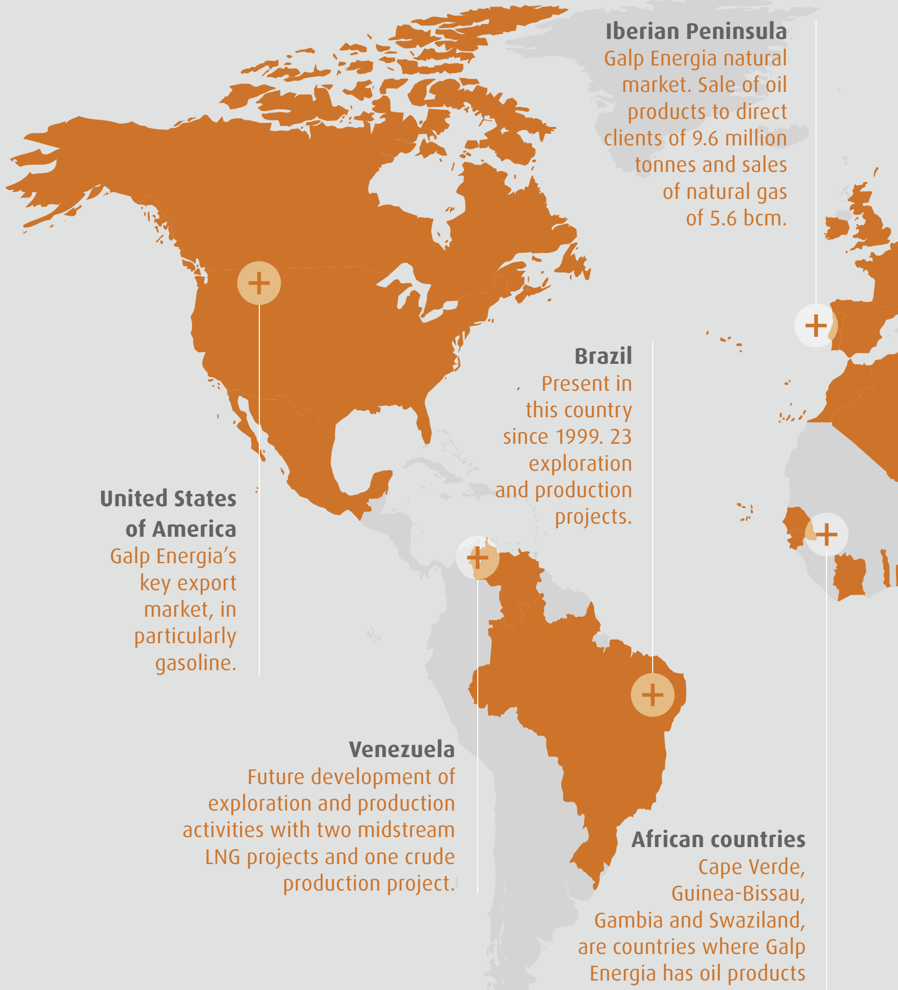
Galp Energia's exploration and production activities have a high profile in the world. In two years Galp Energia was able to increase 18 times its reserves and contingent resources, which currently amount to 2,141 million boe. This resource base has enough capacity to support production for 388 years at the levels of 2008. Its portfolio of 44 projects is the backup of the ambitious long-term goal of achieving 150 thousand barrels of oil a day.

Exploration: Angola, Brazil, Venezuela, Mozambique, East Timor and Portugal
Development: Brazil and Angola
Production: Angola

Performance



Net entitlement production (Mbbl)
Reserves and contingent resources (Mbbl)

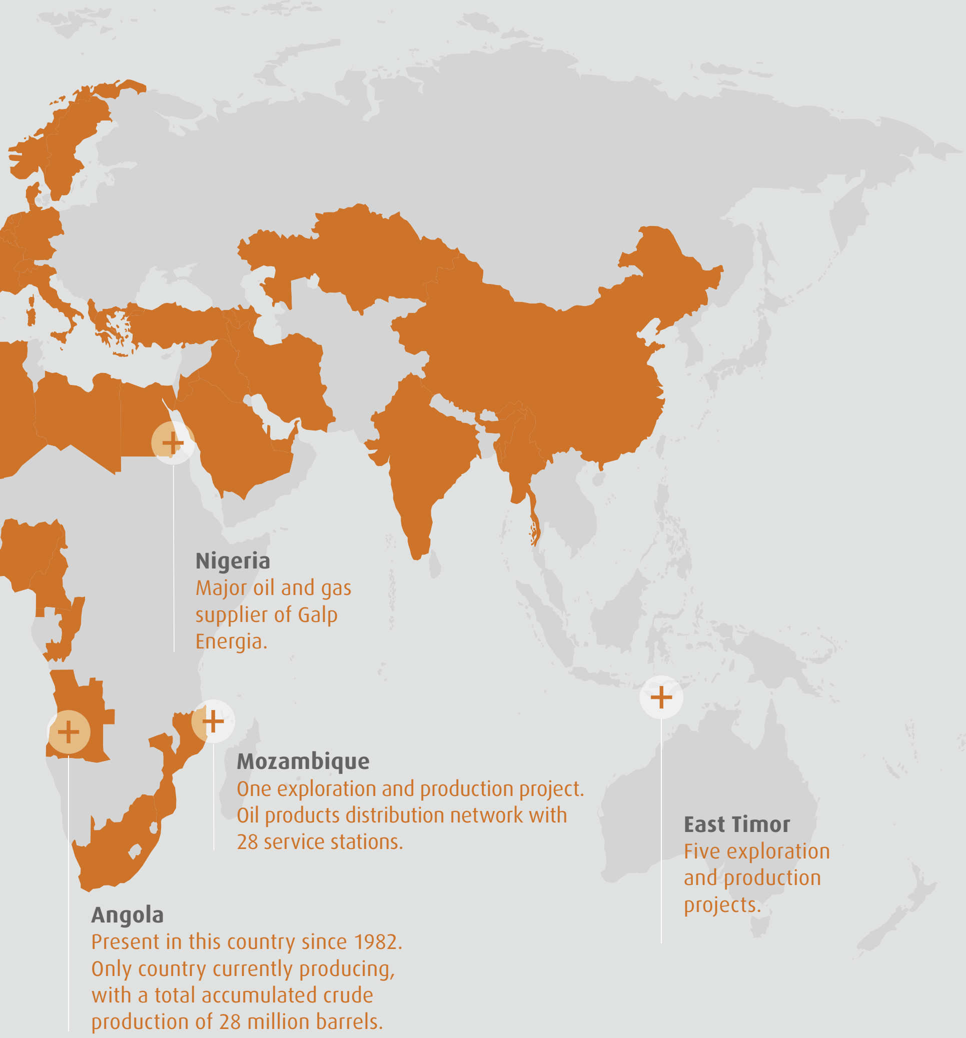


Refining & Marketing

1,509 service stations

The Refining & Marketing business segment transforms crude oil into refined products that Galp Energia predominantly distributes in its own network, mainly in the Iberian Peninsula. Galp Energia also has a growing presence in the biofuels area, an activity considered perfectly integrated in its current core business.

Our activities reach over 50 countries



Gas & Power

5,638Mm³

sale of natural gas

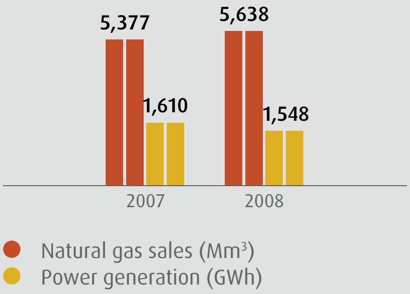
The activities of Galp Energia's Gas & Power business segment are focused on the import, distribution and sale of natural gas and the production of electricity through cogeneration plants.

Main assets, activities and markets

The sale activities of natural gas are focused on markets with high growth where Galp Energia hopes to double its sales from 6 bcm to 12 bcm, based on projects of natural gas consumption of the power area.

Natural gas supply: Algeria and Nigeria
Natural gas distribution: Portugal
Marketing of natural gas: Portugal and Spain
Electric power generation: Portugal

Performance

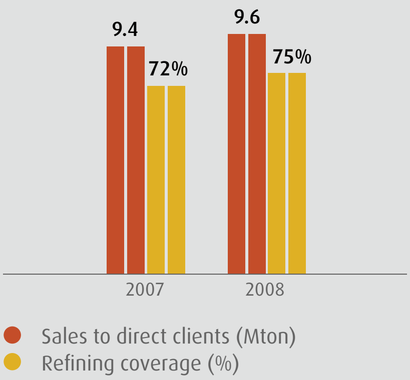


Main assets, activities and markets

The only refining Company in Portugal, with a refining capacity of 310 thousand barrels a day. Soon, the conversion project of the refining complex will allow Galp Energia to give a better response to the demand for diesel in the Iberian Peninsula and to enhance its production profile. The distribution network reached over 1,500 service stations at the end of 2008 after the acquisition of Agip's and ExxonMobil's Iberian operations and constituted an important connection point in the integration of refining and marketing operations.

Major countries
Crude supply: Nigeria, Brazil, Saudi Arabia, Algeria and Libya
Refined products exports: Spain, United States, Great Britain, and Netherlands
Refining: Portugal
Marketing of oil products: Portugal, Spain, Angola, Mozambique, Swaziland, Cape Verde, Guinea-Bissau and Gambia

Performance



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Remarkable performance

"2008 was another excellent operating and financial year, with new projects, new sales records and all employees' commitment. The results we have achieved in 2008 lead me to envision Galp Energia's future with optimism."

2008 performance was possible thanks to everyone's involvement, a well-defined vision of the future and a great ambition

Financial 2008 was another excellent operating and financial year, with net profit at replacement cost of €478 million. This performance was possible thanks to everyone's involvement, a well-defined vision of the future and a great ambition. Indeed, on top of being the clear leader in Portugal, Galp Energia aims to position itself in a sustained way as a relevant player while it maintains and strengthens successful partnerships with national and international oil and gas companies in world-class projects.

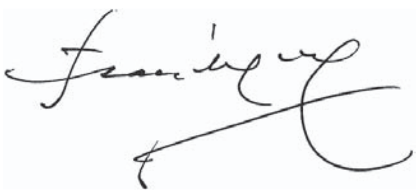
In 2008, we pursued our strategy of sustained growth in core areas.

In Exploration & Production, we added new projects to our portfolio in Brazil and Venezuela, two high-potential regions which together with Angola make up the three core geographical areas where we intend to execute our strategy.

In Refining & Marketing, we should highlight the start up the execution of the project for the conversion of the Sines and Matosinhos refineries, which aims to align the production profile with the growing demand for diesel in the Iberian market and the acquisition of Agip's and ExxonMobil's Iberian marketing operations. These were two important milestones towards our strategic objective of speeding up integration between refining and marketing operations, thereby reducing the earnings volatility of this business segment.

In natural gas, we broke new records in 2008 in the size of sales and the customer base, which surpassed the 860 thousand mark. We also entered midstream projects for the first time through two ventures in Angola and Venezuela that will take us closer to vertical integration in the value chain.

I am sure that in the future, like in the past and present, all those who work daily at Galp Energia, management team and employees alike, will evidence the great ambition, skills and determination they have shown in the past so as to earn the continued trust of the Company's shareholders. The results we have achieved in 2008 lead me to envision Galp Energia's future with optimism and to believe that we are on the right path to do more and better as we consolidate the international position of our Company.



Francisco Murteira Nabo
Chairman of the board of directors
Galp Energia

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André Palmeiro Ribeiro

Claudio De Marco

Fernando Gomes

Manuel Ferreira De Oliveira

Fabrizio Dassogno

Carlos Gomes da Silva

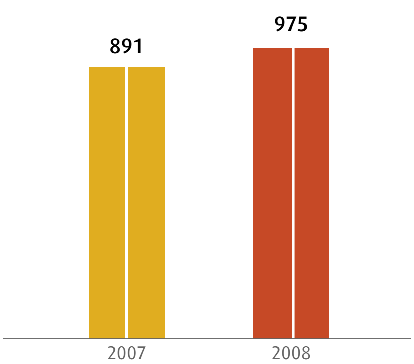
Galp Energia's executive committee elected on May 2008

Challenges overcome

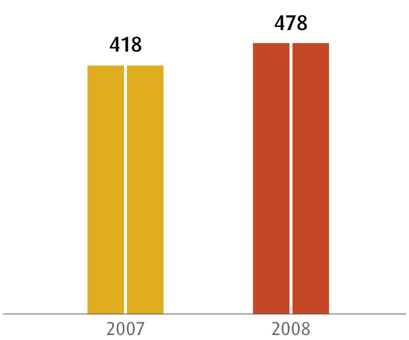
Everything we have planned to do is now under way. We have gone from concepts and planning to execution. All this has happened in a difficult environment that has forced us to be prudent and rigorous. Hence, we have had to adapt to a constantly changing reality.

Galp Energia's activity throughout 2008 was full of events that signalled the fulfilment of our growth strategy. We can certainly feel proud of what we achieved in 2008

EBITDA RCA (M€)
2008: **975**



Net profit RCA (M€)
2008: **478**



Dear shareholders,

We are all aware that 2008 will go down in economic history as a year when we broke with the past and felt the height of a crisis whose breadth and length are yet to be known. We have gone through a year of unprecedented events and will undoubtedly face an immediate future that will demand a lot from us and will create an environment that will require strict discipline in assigning priorities to the growth options we have developed.

In 2008, we achieved a turnover of €15,062 million. At replacement cost, EBITDA was €975 million, operating profit €693 million and net profit €478 million, or €0.58 per share, up 14% compared with a year earlier.

In terms of results we can feel pleased with the close of financial 2008. We cannot say the same about the performance of our stock, which was punished by the dramatic fall in equity markets and particularly by the falling value of companies with a relevant stake in long-term projects.

Before I go through Galp Energia's activities in 2008 and the outlook facing us, I will briefly mention a fact that I deem to be extremely relevant. During 2008 Galp Energia was awarded various prizes related to the quality of the information we provide to financial markets. Early in 2009 we were awarded the first European, the second place in the Oil & Gas industry and the third place worldwide for Best Financial Disclosure Practice on the Investor Relations Global Rankings 2009. These prizes were awarded in the event staged by MZ Consulting NY in association with KPMG, Bloomberg, the Bank of New York Mellon, NYSE Euronext, Arnold & Porter, Demarest & Almeida and Asia Corporate Network. I would like to express my appreciation to all employees who made these awards possible, as I am aware of the role played by quality in the information we disclose, particularly to small investors. We aim to build on this practice as it is part of our culture and also a way of creating sustainable value for all shareholders.

Galp Energia's activity throughout 2008 was full of events that marked the fulfilment of our growth strategy.

In Exploration & Production we announced the discovery of the Júpiter reservoir in block BM-S-24 in the deep water of Santos basin. It is a reservoir of light crude oil and natural gas with technically recoverable quantities that are similar to the Tupi reservoir. The discovery of Bem-te-vi reservoir in block BM-S-8 confirmed the high potential of the Santos basin's pre-salt layer. This potential was also evidenced by the discovery of the Iara reservoir in block BM-S-11 with recoverable resources of 3 to 4 billion barrels. Also in Brazil, in the tenth bidding round for the award of exploration rights, our Company acquired rights for an additional eight blocks, three of them in the Amazon Basin.

In Angola, development of the Tômbua-Lândana field progressed and the start of operations of new production facilities is expected in the last quarter of 2009. Our production in block 14 was close to 15 kbopd, a decline compared with a year earlier following operations setbacks in the BBLT field.

During the year we completed the acquisition of Agip's and Esso's Iberian marketing operations. It was the largest transaction ever completed by our Company

In Venezuela we signed the agreements that allowed us to participate in two LNG projects as the research required to prepare the final investment decision was initiated. We also participated in the evaluation of reserves in the Orinoco Belt's Boyacá 6 block.

In East Timor, Mozambique and Portugal's offshore, we conducted acquisition and interpretation of seismic data according to plan.

The success of the exploration activity, particularly the dimension of the discoveries of Júpiter and Iara, allows us to report the title of reserves and contingent resources of oil and gas for a total of 2,141 million boe, 2.8 times the reported amount in 2007. It is a truly exceptional result that will contribute to the Company's long-term success.

Concerning the activity of Refining & Marketing of Oil Products we had a truly exceptional year. We obtained the necessary approval to start the conversion project of the Sines and Matosinhos refineries. Orders of critical equipment for this project were placed, development of the detail engineering progressed and the on-site work started. Now we have ahead of us the challenge of executing the largest industrial project in our country. Project execution on schedule and on budget is currently our major priority.

During the year we completed all stages of the acquisition of Agip's and Esso's Iberian marketing operations. It was the largest transaction ever made by our Company with which we achieved an Iberian marketing coverage representing a market share of 16% and sales in Spain accounting for 45% of Galp Energia's total sales in the Iberian Peninsula.

The year 2008 was not an easy year for marketing fuel. The escalation in crude oil prices in the first half, which inevitably affected the prices of oil products, caused understandable market stress, particularly in the transport sector and in retail, which affected the industry's reputation and particularly the Galp brand. We did our utmost to show the rationale of our actions. Yet we are aware that our clients and particularly some media sectors were not always attuned to the demands of our pricing policy.

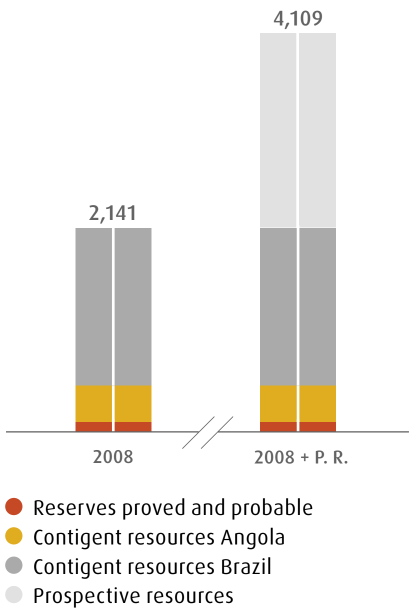
In biofuels, we continued to acquire from national producers the FAME required for our operations and, anchored in strategic partnerships, we started development of a project for producing vegetable oil in Mozambique and Brazil.

In the Gas & Power business segment, I would like to mention the signing of agreements with the Portuguese state providing for a 40 year concession regulating our activities for the distribution and marketing of natural gas. We started to market natural gas in Spain and, in June 2008, Portugal's energy regulator ERSE published for the first time the tariffs and prices of natural gas following the new legal framework for the industry. The distribution network operated by Galp Energia subsidiaries reached 10,462 km during the year, up 704 km from 2007, and connected an additional 60 thousand clients.

During the year we participated for the first time in the electricity market as we bid for virtual electricity production capacity in the auction organised by OMIP, the Iberian energy market. In addition, construction of the cogeneration plant at Sines was completed while the tender for a cogeneration plant at the Matosinhos refinery was completed, both with an approximate capacity of 80 MW.

What I have just described shows the intensity of the ongoing transformational process in our Company. We progressed along the path towards reaching a sustained production level of 150 kbopd. We want our refineries to be efficient, competitive and with conversion levels adapted to market demand. We want our marketing capacity, which is focused on the Iberian Peninsula, to reach the level of our refining capacity. We want our marketing operations in Africa to be efficient and competitive while providing long-term growth opportunities. We want to diversify and expand our sources of natural gas and increase the number of clients connected to our distribution network. We want an electricity

Hydrocarbon resources (Mbbl)



production portfolio that will provide a competitive and dual offer of gas and electricity which is attractive to our clients.

Everything we have planned to do is now under way. We have gone from strategy, planning and procurement to execution. All this has happened in a difficult environment that has forced us to be prudent and rigorous. Hence, we have had to adapt to a constantly changing reality. We will be mindful of the dynamics of exogenous factors to make sure our growth is sustainable.

Two major challenges lie ahead of us: the ability to execute ongoing projects and the ability to fund cost-effectively our planned capital expenditure. A whole lot of the value we aim to create will depend on how well we can overcome these challenges. The strategy we have developed is clear and simple. Now, our success will depend on our ability to focus on fundamentals. We want a Company with a common purpose that is focused on its growth strategy, that is able to attract and retain the best talent and that offers its managers unrivalled professional development opportunities.

The growth potential inherent in our business plan gives our performance great visibility and attractiveness. It is our duty to exceed the expectations of all those who trust us. On behalf of everyone at Galp Energia, I would like to affirm our commitment to the ambition in the strategy we are busy executing.

Nothing of what I have mentioned would have been possible without the support of the governing bodies of our Company or the hard work and dedication of every employee. Therefore, I would like to extend my thanks for everything you have done and for the support you have given me.

Manuel Ferreira De Oliveira
Chief executive officer
Galp Energia

Nothing would have been possible without the hard work and dedication of every employee

01

Strategy

Galp Energia is executing an ambitious strategy which will develop its potential as an integrated multi-energy operator, thereby creating long--term value for its shareholders

Galp Energia's strategy is to develop its potential as an integrated multi-energy operator, thereby creating long-term value for its shareholders, subject to environmental, economic and social constraints. To this end, Galp Energia aims to grow its businesses and, through increasing integration of its activities, capitalise on the vast opportunities afforded by its diversified portfolio of assets and projects.

This strategy translates into the following priorities for the Company's various business segments:

- To improve asset efficiency and profitability;
- To raise its ability to compete in the markets where it operates;
- To step up efforts in innovation, quality and safety.

The quality of Galp Energia's business portfolio and the skills of its staff give Galp Energia an edge for competing effectively in the markets where it participates.

The review of Galp Energia's strategic plan in 2008 did not change its strategy. On the contrary, it reasserted the Company's commitment to its transformational projects.

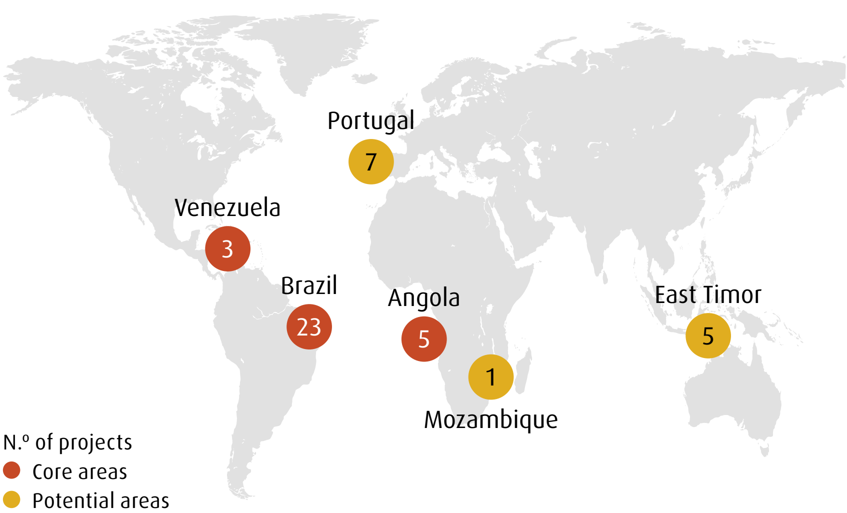
Exploration & Production

In Exploration & Production activity actions were taken to reach a sustained production level of 150 kboepd – 10 times the production volume of 2008 – and cover half of its future refining capacity by its own production. In order to attain this goal, Galp Energia has recently expanded its diversified portfolio of exploration and production assets.

With a recognised history of successful partnerships with national oil companies in producing countries with a strong Portuguese heritage, Galp Energia is seen as Portugal's flag carrier and a bridge between national and international oil and gas companies for the completion of major energy projects.

In these activities where projects have long execution times, the constant search for

Exploration & Production portfolio



PETROBRAS

new opportunities is a key prerequisite for long-term growth. The significant increase in the Company's reserves and resources following the discovery of major reservoirs of oil and natural gas in the Santos basin, off the Brazilian coast, is a good example of this strategy's success. In the Tupi field alone, which is located in the Santos basin, Galp Energia is bound to reach production of 100 thousand barrels per day. As evidence of the need to constantly add new projects, the participation in the 10th bidding round added eight new blocks to the Company's exploration and production portfolio in Brazil.

The 44 ongoing projects around different parts of the world support the exploration and development strategy that will enable production goals to be achieved. Brazil, Angola and Venezuela will, following recent discoveries and agreements, be core countries for the execution of this strategy. The current base of hydrocarbon resources, which exceeds two billion barrels as identified by intensive exploratory work, is a solid foundation on which Galp Energia's strategy for its production business rests.

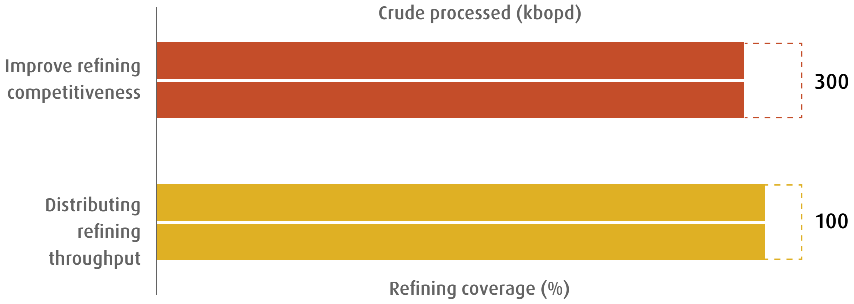
Galp Energia also has various Liquified Natural Gas (LNG) upstream and midstream opportunities under review, of which the most important are Delta Caribe LNG in Venezuela, to be decided by the end of 2010, and Angola LNG II, a joint venture with Sonagás. These projects are expected to contribute significantly to boosting Galp Energia's sourcing capacity for natural gas, one of the Gas & Power business segment's goals.

The 44 ongoing projects around the world support the exploration and development strategy that will enable production goals – 150 kboepd – to be achieved

Oil rig operating offshore
Santos basin

Refining & Marketing

In Refining & Marketing, Galp Energia's ambition is focused on extracting additional value from its assets, namely from its two refineries and its Iberian network for marketing oil products, which expanded significantly in 2008 following the acquisition of Agip's and ExxonMobil's marketing platforms in the Iberian Peninsula.



Note: Crude processed and production based on the average of the last three years. Refining coverage includes Agip and ExxonMobil acquisitions.

Galp Energia has currently a project under way for optimising the capacity of its two refineries as well as raising their complexity. This will enable the Company to process higher volumes of heavier crudes, reducing the weight of fuel oil production, raising diesel production in line with market demand patterns and thus improving refining margins

Galp Energia's major goals in oil product marketing are to maximise returns on the Iberian network, its main marketing platform, by raising efficiency and broadening the offer of premium and non-fuel products as well as to bring marketing capacity into line with the refining capacity that will result from the ongoing expansion, which is expected to dampen the business segment's earnings volatility.

Galp Energia also markets oil products in the African market in three development hubs – West Africa, Southern-Indian Africa and Southern--Atlantic Africa. Besides promoting good relations with Africa, based on centuries-long cultural ties, this presence in the continent capitalises on partnerships in biofuels and exploration and production projects.

As biofuels are a natural extension of its core activities, Galp Energia aims to produce and supply the European market with hydrogenated biodiesel as well as sign medium- and long-term contracts to source vegetable oil that will guarantee access to raw materials at stable and competitive prices, a key factor for competing successfully in this activity.

Aerial view of Porto refinery. This refinery came into operation in 1969 and has an installed capacity of 90 kbopd

Gas & Power

In this business segment, the strategic priority is to integrate the gas and power businesses. Simultaneously, Galp Energia aims to double its capacity to source natural gas from 6 to 12 bcm a year by developing its ongoing projects in the Exploration & Production business segment.

Galp Energia's expansion in the Iberian market, namely in the Spanish industrial market, which is ten times as large as its Portuguese counterpart, will allow it to seize opportunities of boosting natural gas sales on the back of the experience and know-how it acquired in ten years of operation in the domestic market, which itself offers continued growth opportunities.

Upon completion in 2008 of the process leading to the regulated distribution and marketing of natural gas, Galp Energia guaranteed the value of this business, thereby securing a stable source of cash flow.

The venture into power generation as a way of extracting a gas-to-power margin from the natural gas supply contracts led to the composition of a project portfolio – CCGTs and cogenerations – that will contribute to increasing the Company's energy production capacity from 160 MW to 1,200 MW, raising its own use of natural gas and fostering the growth of the Portuguese market.

Galp Energia's strategic priority in power generation is also to develop its portfolio of wind farms as well as enter the hydro sector. The purpose here is to diversify the power generation portfolio and make it more competitive.

One of Galp Energia's current concerns is to manage its future exposure to CO_2 risks. Beyond their economic rationale, the investments in power generation from renewable sources, both wind and water, and in biofuels will mitigate the exposure of the Company's activities to CO_2 emission risks.

Galp Energia is currently building a solid base to support its ambitious and demanding strategy of transforming itself into an integrated energy operator with a relevant presence across the entire value chain.

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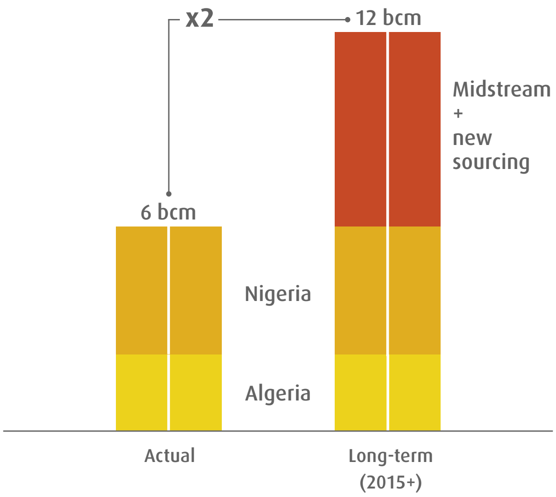
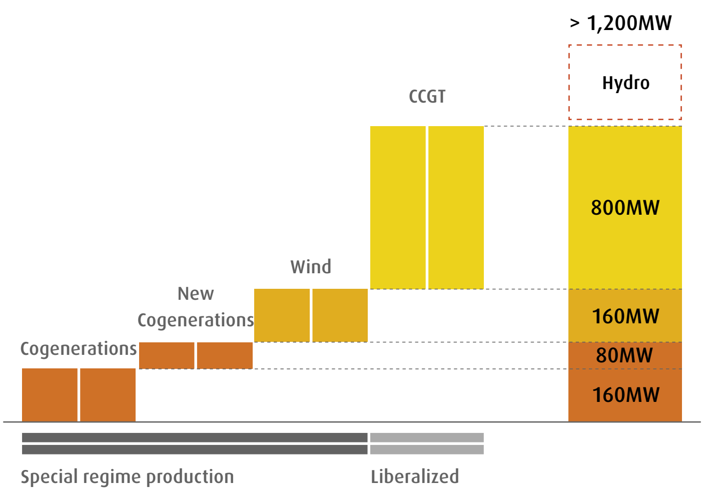
Natural gas sourcing base



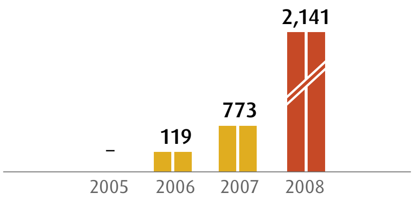
Gas to power portfolio



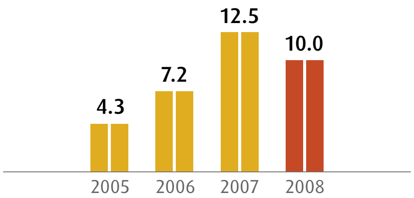
Operating indicators

	2005	2006	2007	2008
Exploration & Production				
Proved and probable reserves (Mbbl)	–	50	31	**28**
Contigent resources (Mbbl)	–	68	742	**2,113**
Average working interest production (kbopd)	5.0	9.5	17.0	**15.1**
Average net entitlement production (kbopd)	4.3	7.2	12.5	**10.0**
Average sale price (Usd/bbl)	49.8	56.3	70.0	**96.9**
Refining & Marketing				
Raw materials processed (Mton)	14.3	14.7	13.8	**13.1**
Refined products sales (Mton)	15.9	16.2	16.0	**16.0**
Sales to direct clients (Mton)	9.4	9.0	9.4	**9.6**
Refining coverage (%)	75%	69%	72%	**75%**
Gas & Power				
Natural gas sales (Mm³)	4,234	4,596	5,377	**5,638**
Natural gas distribution network (Km)	8,761	9,014	9,758	**10,462**
Number of natural gas clients ('000)	705	757	816	**868**
Electrical and thermal power generation (GWh)	1,359	1,561	1,610	**1,548**

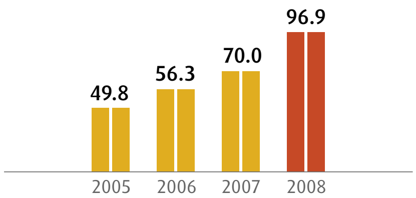
Reserves and contingent resources (Mbbl)
2008: **2,141**



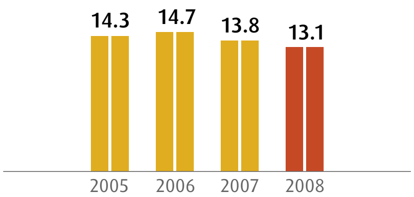
Avg. net entitlement production (mbopd)
2008: **10.0**



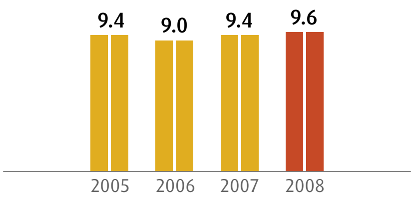
Average sale price (Usd/bbl)
2008: **96.9**



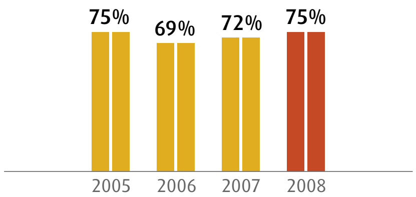
Raw materials processed (Mton)
2008: **13.1**



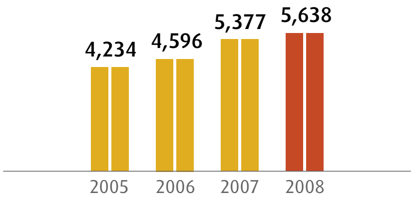
Sales to direct clients (Mton)
2008: **9.6**



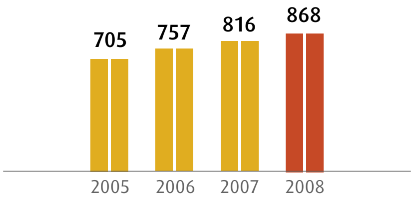
Refining coverage
2008: **75%**



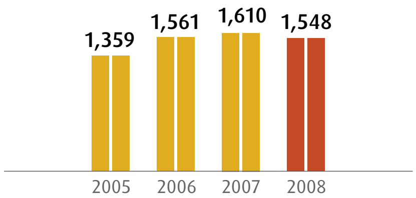
Natural gas sales (Mm³)
2008: **5,638**



Number of natural gas clients ('000)
2008: **868**



Power generation (GWh)
2008: **1,548**

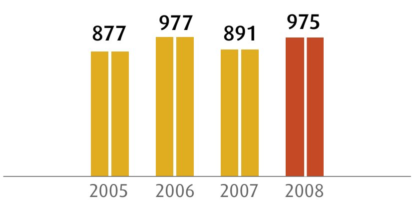


Financial indicators

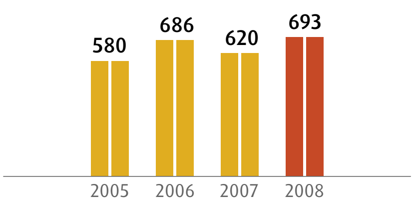
Millions euros (except otherwise noted)	2005	2006	2007	2008
Turnover RCA	11,134	12,090	12,557	**15,062**
EBITDA IFRS	1,192	1,260	1.213	**449**
EBITDA RCA	877	977	891	**975**
Operating profit IFRS	863	968	936	**167**
Operating profit RCA	580	686	620	**693**
Financial results IFRS	(75)	(28)	(43)	**(61)**
Net profit IFRS	701	755	720	**117**
Net profit RCA	425	468	418	**478**
Free cash flow	311	305	153	**(1,129)**
Capex	315	349	466	**1,560**
Shareholders' equity	2,386	2,037	2,370	**2,219**
Net debt	1,192	887	734	**1,864**
Net debt to equity (%)	50%	44%	31%	**84%**
EBITDA margin RCA (%)	10%	10%	9%	**8%**
ROACE RCA (%)	14%	17%	13%	**17%**
Earnings per share RC (€/share)	0.56	0.54	0.53	**0.57**
Payout ratio (%)	48%	56%	60%	**56%**
Dividend per share (€/share)	0.27	0.30	0.32	**0.32**
Market capitalisation at 31 December	–	5,755	15,250	**5,954**

RCA – Replacement cost adjusted. **RC** – Replacement cost.

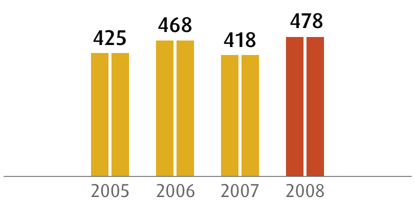
EBITDA RCA (M€)
2008: **975**



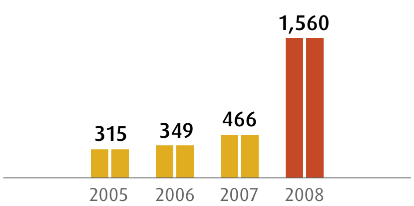
Operating profit RCA (M€)
2008: **693**



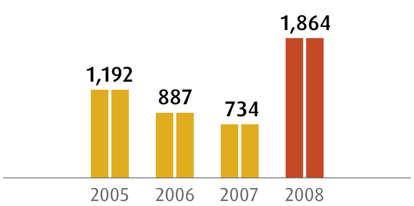
Net profit RCA (M€)
2008: **478**



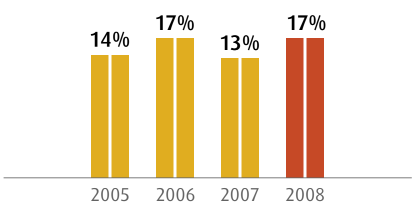
Capex (M€)
2008: **1,560**



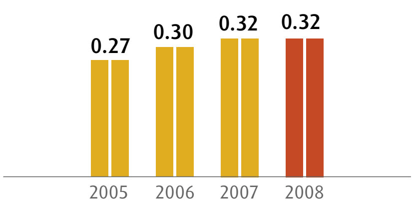
Net debt (M€)
2008: **1,864**



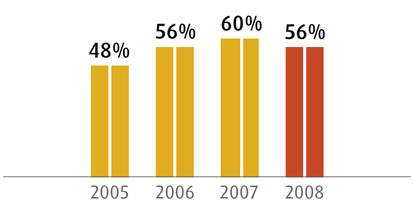
ROACE RCA (%)
2008: **17**



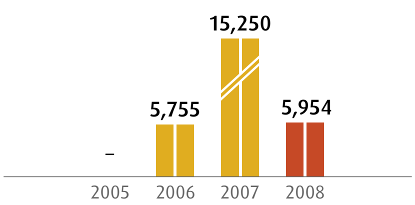
Dividend per share (€/share)
2008: **0.32**



Payout ratio (%)
2008: **56%**



Market capitalisation at 31 Dec (M€)
2008: **5,954**

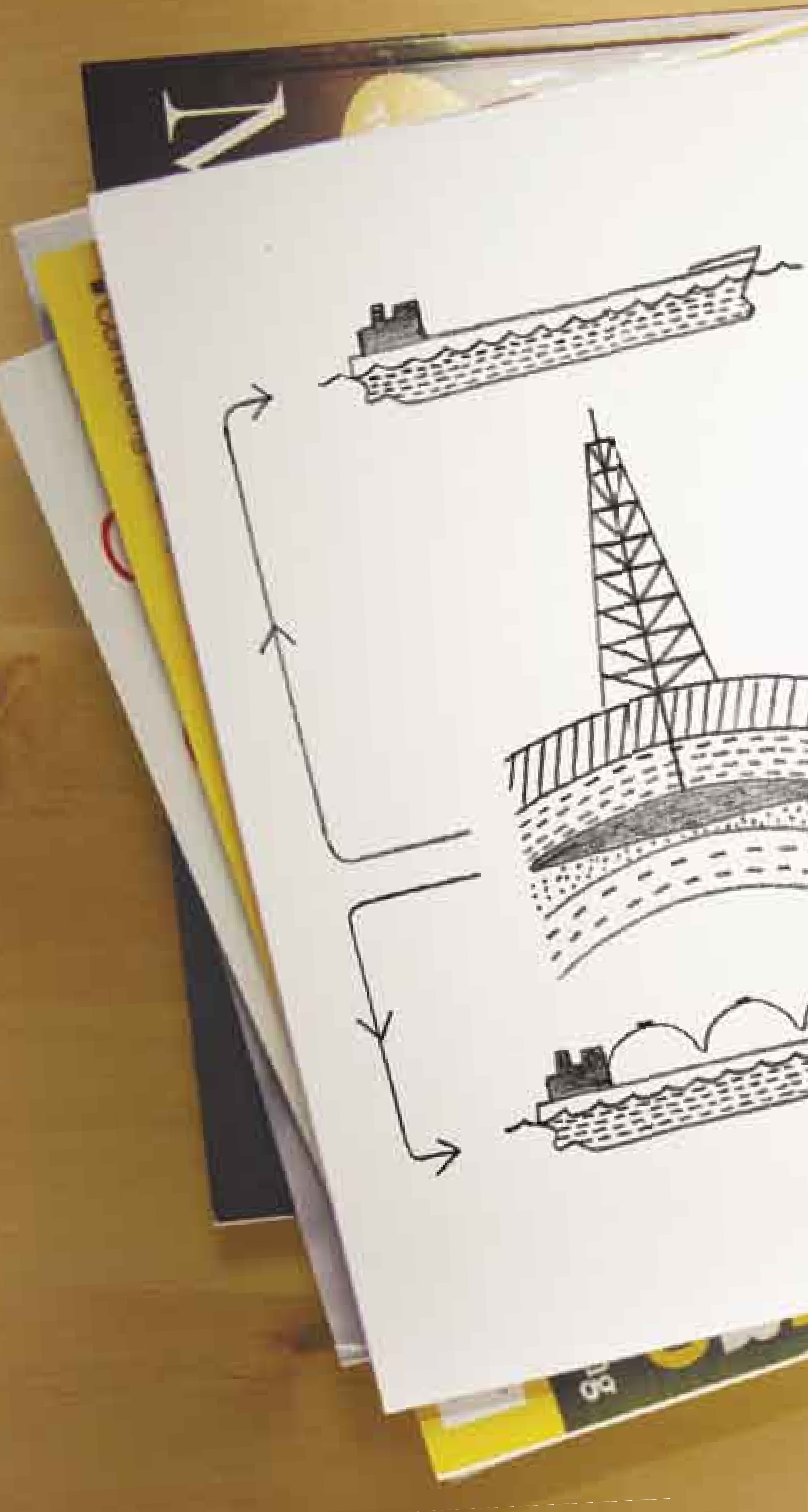


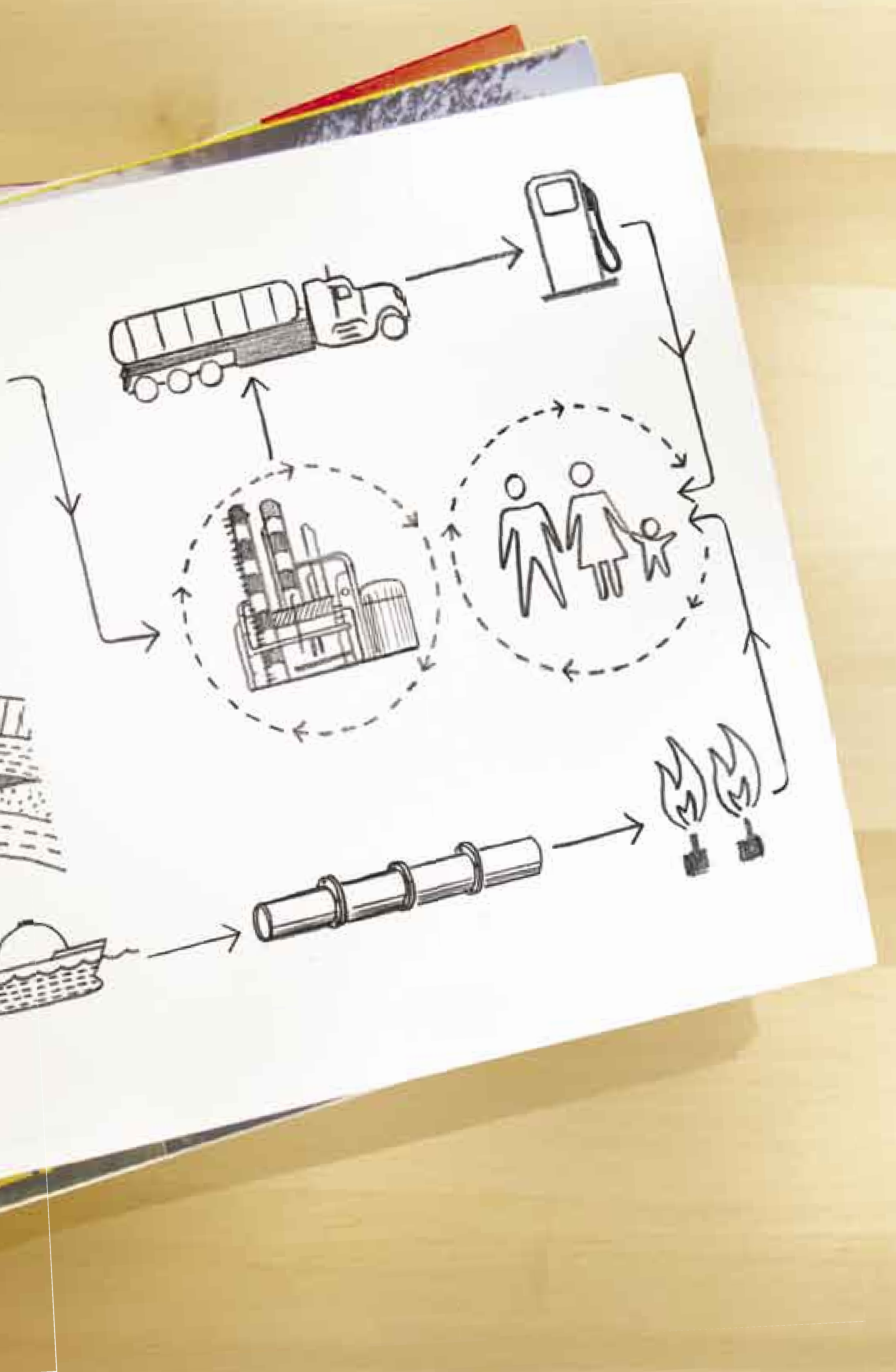
NOTE: Results labelled in this report as replacement cost adjusted (RCA) and replacement cost (RC) exclude gains or losses from inventory effects and non-recurrent events and have not been audited.

02

Activities

Galp Energia's activity throughout 2008 was full of events that signalled the fulfilment of our growth strategy. Everything we have planned to do is now under way. We have gone from concepts and planning to execution.





02

Market environment

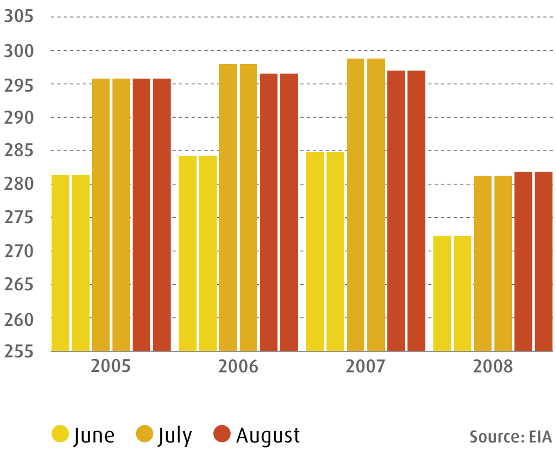
The extreme volatility in crude oil prices in international markets was the overriding event in the oil and gas industry in 2008.

Indeed, after climbing up by more than 50% in seven months, from 96 dollars a barrel at the start of the year to 147 dollars a barrel by the end of July, the Brent dated slid continually until December, when it stabilised prior to closing the year below 40 dollars a barrel, the lowest annual close since 2003.

Brent dated evolution in 2008 (Usd/bbl)

Source: Platts

US gasoline consumption during the driving season (Mbbl)



Source: EIA

In 2008 the summer driving season in the United States, generated a much lower seasonal increase in gasoline demand than usual which proved to be a harbinger of the shortfall to come in fuel demand during the year.

Another factor that had an important effect on the industry's performance was the steep fall in economic activity from the second half of 2008 onwards in the wake of the financial crisis that began to spread from the United States of America (US) in August 2007. This economic downturn had a decisive impact on the demand for refined products, particularly gasoline in the US market. In effect, the summer driving season in the US, which is usually a time of peak gasoline consumption, generated a much lower seasonal increase in demand than usual. This proved to be a harbinger of the shortfall to come in fuel demand, cushioned only by the fall in crude prices in the second half, which again made gasoline more affordable.

After expanding by 3.5% in 2007, the world economy did not better in 2008 than a growth rate of 1.8% as it was dragged down by a slumping United States economy where the housing sector, a key indicator of demand conditions, showed apathy following the subprime mortgage credit crisis. Even so, the US economy managed to grow 1.2%, which was better than the Japanese economy, which contracted by 0.2%, a reminder of the lost decade in the nineties.

Even high-growth economies such as China and India, which once again largely exceeded the growth rates of industrialised economies, did not expand beyond 9.2% and 6.2% respectively, in comparison with 13% and 9% a year earlier.

Growth in the euro zone did not exceed 0.8%, whereas emerging Europe – mainly Eastern European countries – experienced higher growth of 4.7%.

In the Iberian Peninsula, the Portuguese economy posted zero growth while the

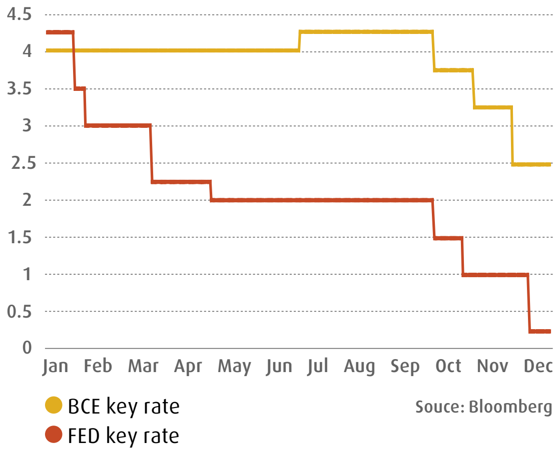
In the United States, the banking system's reference rate opened the year at 4.25% and reached the target range of 0% to 0.25% at the end of the year

Spanish economy, after several years of fast growth, began to contract rapidly in the second half and ended 2008 with a growth rate of 1.1%, far below the 3.8% in 2007.

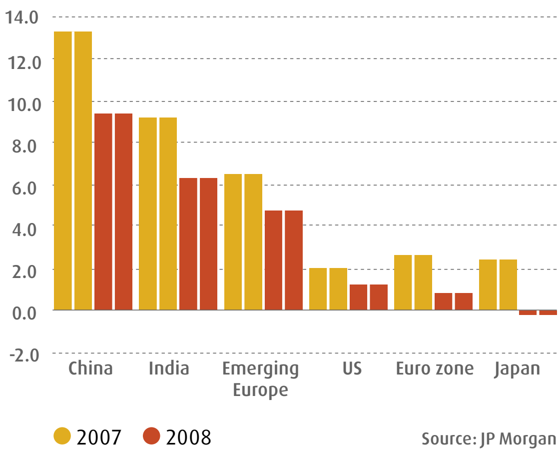
The anaemic condition of the world economy, and particularly the developed economies of North America and Western Europe, prompted central banks to conduct an active monetary policy, which basically led to successive interest rate cuts. In the United States, the banking system's reference rate opened the year at 4.25% only to be gradually adjusted downwards as the economy weakened, until it reached the unprecedented target range of 0% to 0.25%. In the euro zone, the European Central Bank (ECB) was slower in cutting interest rates as a means to counter a decelerating economy. Thus, the ECB's key refi rate was cut by 1.5% in 2008, from 4% in the beginning of the year to 2.5% at the end of the year.

On foreign exchange markets, the US dollar evidenced pronounced volatility against other major currencies such as the euro, the pound and the yen. Against the euro, the US dollar reached its lowest price ever (1.599) in the third quarter of the year, from which it recovered significantly to 1.395 towards the end of the year – in spite of a steep fall in December – compared with 1.461 at the start of the year.

Key rates in Europe and the United States in 2008 (%)



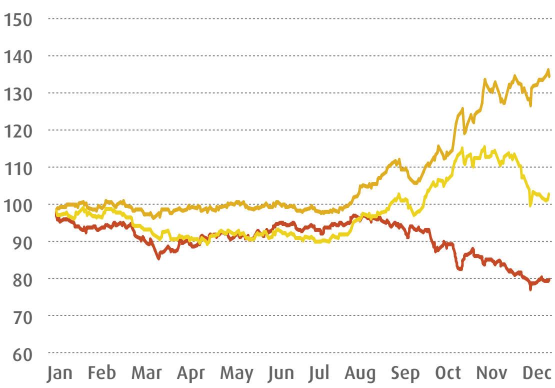
Annual GDP growth in 2008 (%)



In 2008 the world economy presented a growth rate of 1.8% with the retrenchment of the US economy that managed to grow 1.2%.

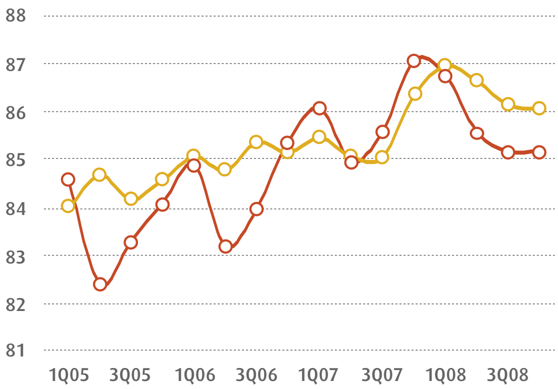
The volatility in crude oil prices in international markets was the overriding event in the oil and gas industry in 2008. Indeed, after climbing up by more than 50% in seven months, from 96 dollars a barrel at the start of the year to 147 dollars a barrel, the Brent dated closed the year below 40 dollars a barrel, the lowest annual close since 2003

The evolution of exchange rates in 2008 (%)



Source: Bloomberg

Oil supply and demand (Mboepd)



Source: IEA

Brent dated versus Henry Hub in 2008 (%)

Source: Dated Brent – Platts, Henry Hub – Bloomberg

Oil price volatility in 2008 was unprecedented. Nonetheless, the main feature was – rather than the short-term gyrations throughout the year – the steady escalation in crude prices in the first seven months of the year, driven by falling US stockpiles and the increased weight given to commodities – particularly oil – in investment portfolios. Prices peaked in late July, when they started to drop quickly until the end of the year as OPEC countries boosted production and, most importantly, economic recession set in while US stockpiles rose abruptly. With prices headed downwards, reflecting the shortfall in demand, OPEC's production cuts in September, October and December were of little avail and solely confirmed fears of a collapse in demand. Between the start and the end of the year, oil prices fell more than 60%.

Global oil demand edged down 0.29% in comparison with 2007 to 85.8 million barrels a day as the 3.5% shortfall in OECD demand was offset by an equivalent increase from non-OECD countries. Global supply went up by 1.1% to 86.6 million barrels a day, of which 50.6 million barrels, or 59%, came from non-OPEC countries.

Both hydroskimming and cracking margins remained under pressure throughout the year, although the latter benefited from falling crude prices in the second half of the year and the reduced supply of refined products as several refineries shut down to avert rising inventories.

Henry Hub, reference price for natural gas, ended the year at 5.63 dollars per mmbtu, 20% below the opening price in January.

In Portugal as in Spain natural gas market posted sales volumes' records confirming once again its growth potential

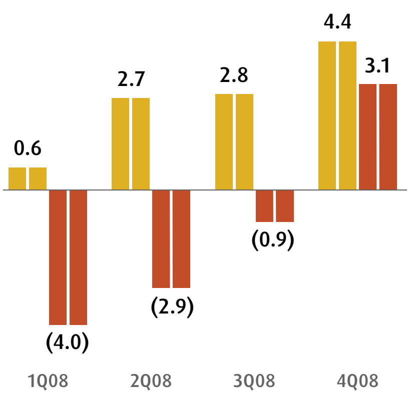
Natural gas prices largely tracked falling oil prices and the benchmark Henry Hub, reference price that works as a floor for natural gas prices, ended the year at 5.63 dollars per mmbtu, or 20% below the opening price in January.

In the Iberian Peninsula, the fuel market contracted further in the wake of high prices in the first half of the year and, in the second half, the steep fall in purchasing power caused by a first stagnating and then contracting economy.

The potential of natural gas was also confirmed in the Iberian Peninsula, an expanding market with the ability to absorb the increase in supply.

Trading floor for crude oil and oil products

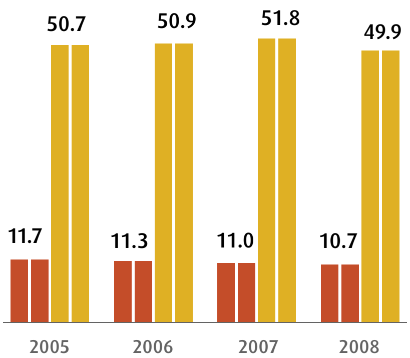
Rotterdam benchmark cracking and hydroskimming margins (Usd/bbl)



● Cracking margin
● Hydroskimming margin

Source: Platts

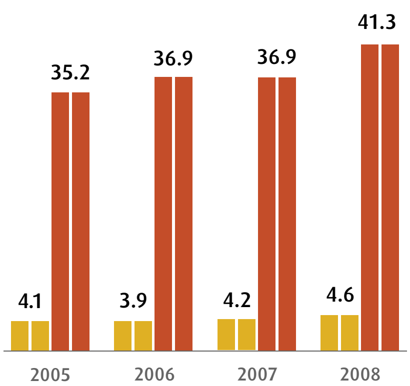
Iberian market for oil products (Mton)



● Portugal
● Spain

Source: Portugal –Apetro; Spain – Cores

Natural gas consumption (bcm)



● Portugal
● Spain

Source: Portugal – Galp Energia; Spain – Enagas

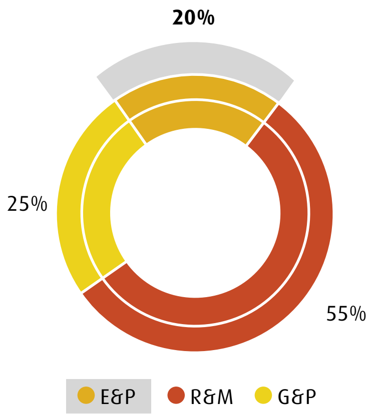
02

Exploration & Production

The Exploration & Production business segment explores and produces oil and natural gas. Galp Energia has started its activities in Angola in 1982, at Safueiro field and since then has added to its portfolio several other projects in that country, in particularly the block 14, currently in production. In 1999, Galp Energia began its participation in Brazilian projects, through the second bidding round for exploratory rights.

Galp Energia's exploration activities have grown fast, particularly in Brazil where the size of the Santos basin discoveries has placed Galp Energia in the inner circle of operators with highly successful exploration programmes. Oil production is concentrated off Angola's coast, in an area with high growth potential.

Share of the E&P business segment in Galp Energia's operating profit RCA in 2008



Main indicators

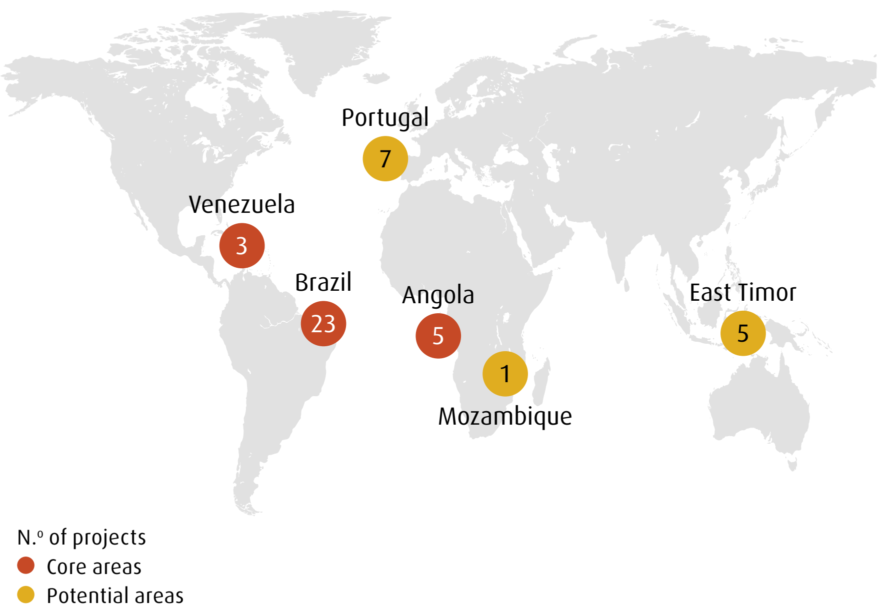
	2005	2006	2007	**2008**
Average working interest production (mbopd)	5.0	9.5	17.0	**15.1**
Average net entitlement production (mbopd)	4.3	7.2	12.5	**10.0**
Average sale price (Usd/bbl)	49.8	56.3	70.0	**96.9**
Opex (Usd/bbl)	7.6	5.6	5.9	**9.0**
EBITDA RCA (M€)	40	100	206	**208**
Operating profit RCA (M€)	18	66	150	**141**
Capex (M€)	82	106	193	**196**

Note: Operating expenses per barrel are calculated on the basis of net entitlement production. The average sale price takes into account actual sales as well as loans and borrowings.

Main events in 2008

+ The Iara exploration well confirmed the existence of a reservoir of light crude oil in block BM-S-11, in the Santos basin's pre-salt cluster, with recoverable volumes estimated at between three and four billion barrels of oil and natural gas;
+ The Júpiter exploration well confirmed the existence of a large reservoir of light crude oil and natural gas in block BM-S-24, in the Santos basin's pre-salt cluster; fluids are currently being analysed with a view to estimating recoverable volumes;
+ The Bem-te-vi exploration well confirmed the existence of oil in block BM-S-8, in the Santos basin's pre-salt cluster.

Galp Energia's exploration and production portfolio



Strategy

In order to attain its medium-term goal of sustained production of 150 kboepd and to secure the long-term supply of oil and natural gas for refining and marketing in the markets where it operates, Galp Energia aims to develop its portfolio of 44 projects, focusing on three geographical areas classed as core: Brazil, particularly the promising Santos basin, Angola on whose block 14 production has already started and Venezuela, whose projects, though at an early stage, hold the potential for an important contribution to the planned production level.

Given the size of the recent discoveries in the Santos basin – Tupi and Iara with between 8 and 12 billion barrels of recoverable volumes of oil and natural gas and Júpiter, Bem-te-vi and Caramba still to be quantified – Galp Energia considers this region as the pillar of its long-term strategy.

Galp Energia also aims to explore new opportunities to diversify its project portfolio, namely in Portuguese--speaking countries, where the Company has a competitive advantage due to cultural affinity and ties.

With a view to diversifying its supply sources of natural gas, Galp Energia will particularly focus on gas exploration and production projects such as Angola LNG II, Venezuela's gas liquefaction projects and the development of natural gas discoveries in the Santos basin.
In early 2009, Galp Energia signed a memorandum of understanding with Sonagás GE (Equatorial Guinea's national gas company), E.ON Ruhrgas and Unión Fenosa Gas, regarding a project for exploring natural gas off Equatorial Guinea's coast. The project is currently under study.

Our goal is to achieve production of 150 thousand barrels of oil a day, approximately half of Galp Energia's refining capacity

+

The foundation piles used in the Tômbua--Lândana project are the longest installed to date

Angola

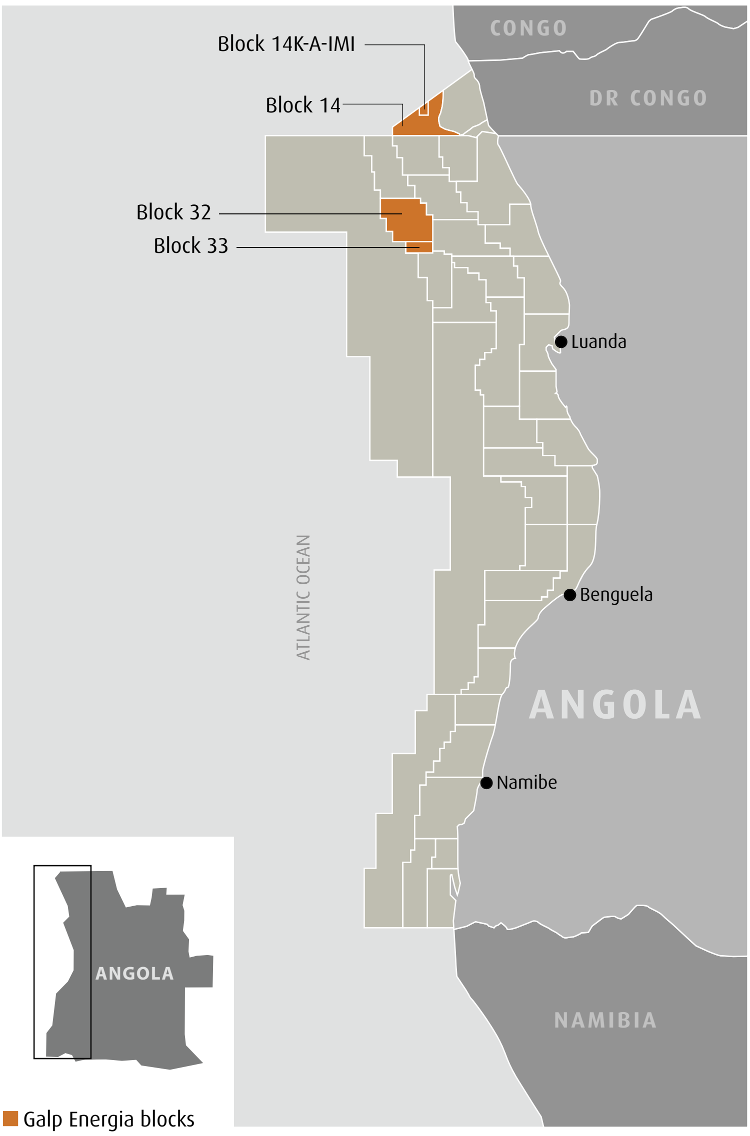
Galp Energia's presence in Angola backs over to 1982

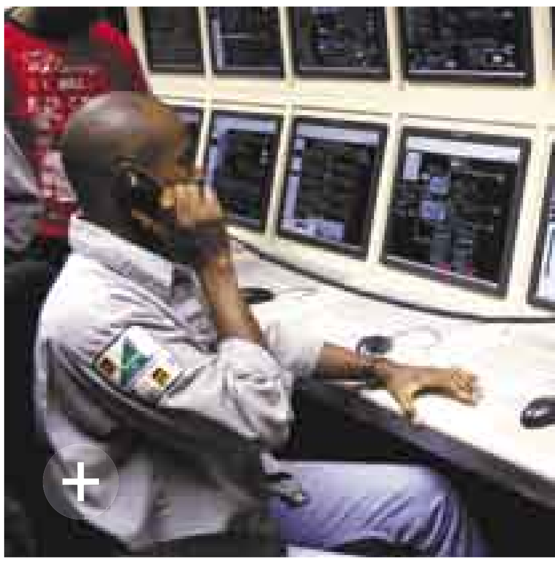
Galp Energia participates in five projects in Angola side by side with some of the world's most prestigious oil companies. Out of these five offshore projects, block 14 stands out for its current production and growth prospects. Also important are the projects under exploration and development in block 14K-A-IMI and block 32. In 2008, Galp Energia started exploration of Angola LNG II, the first integrated gas project in Angola, where Galp Energia has a stake of 10%. Angola therefore plays a major role for Galp Energia, both for its track record and medium and long-term prospects.

Main events

- Presence since 1982 in the consortium for block 1/82, where the Safueiro discovery was in production until 2002;
- Partnership with, inter alia, Chevron, Eni, Sonangol and Total for five projects – four offshore blocks and a gas exploration project, Angola LNG II;
- Total block area: 14,806 km²;
- Over 25 discoveries in Angola, of which 11 in block 14 and 14 in block 32;
- Membership of the consortium that discovered the first production well in Angola's deep water, in the Kuito field, in 1997;
- Accumulated working interest production, since 1991, of 28 million barrels;
- Accumulated capex: €708 million.

Oil concessions in Angola





Block 14

Galp Energia has a 9% share in the consortium that explores block 14. This is the only block of Galp Energia's portfolio currently producing.

Production

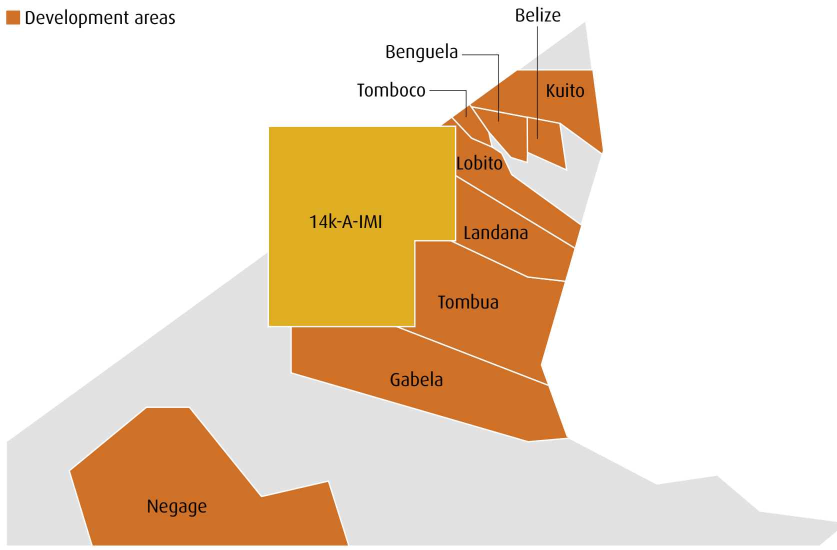
Galp Energia's production activities are currently concentrated on this block, in three producing fields – BBLT, Tômbua--Lândana and Kuito. Working interest production of 15 kbopd in 2008 came predominantly from the BBLT field, which contributed with 12 kbopd.

Falling production from Kuito in 2008 compared with 2007 was mainly due to the field's natural decline.

Production from the BBLT field also fell compared with 2007. Besides its natural decline by reservoir exhaustion, the field's production was affected by restrictions on wells completion at the end of 2007 and start of 2008 as well as delays in the probing campaign.

Net entitlement production fell more steeply than working interest production due to the rise in crude prices for most of 2008 and its consequent effect on the production-sharing agreement.

Block 14 and block 14K-A-IMI

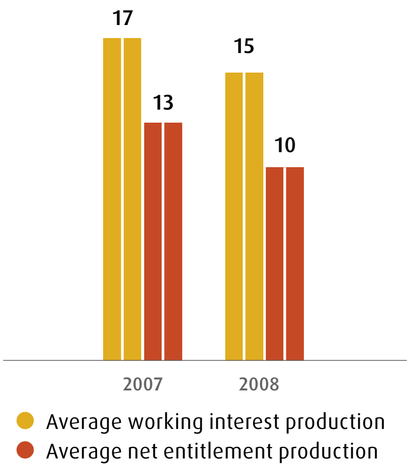


In the Tômbua-Lândana field, the EPCI (Engineering, Procurement, Construction and Installation) stage proceeded according to plan. Preparatory work for the compliant piled tower (CPT), which aims at increasing production by 2009, progressed at a steady pace and led to installation of the tower in December. Completion of this stage was an important milestone primarily because it took place on schedule and with no incidents in spite of the project's operational and technical complexity. The total production capacity of the field may reach 70-80 thousand barrels a day by the end of 2009 and peak at 130 thousand barrels a day by the end of 2010, which will make up for the natural decline in production at the BBLT.

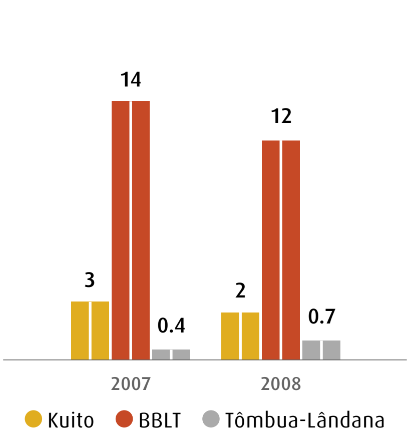
+

Control room at BBLT platform in Angola were the production level of each well is monitored

Production (Kbopd)



Working interest production by field (Kbopd)



Producing platform at BBLT field in block 14 in Angola. The first discover on this field occurred in 1997

In 2008 four appraisal wells and two exploration wells were drilled in Angola

Exploration & development

Exploration of block 14 progressed in 2008 in delimited zones. The Pinda discovery started to be appraised by the Malange-1 well while the Malange-2 appraisal well was still under analysis.

Development work designed to sustain production proceeded at the BBLT field. A programme was developed in 2008 towards preventing solid debris from depositing in the production conduits as in late 2007 and early 2008. After implementation, the programme boosted well productivity again. The development probing campaign, which progressed through execution of four production and three injection wells, suffered delays resulting in operations setbacks. The platform was improved in order to optimise throughput and maximise fluid processing capacity.

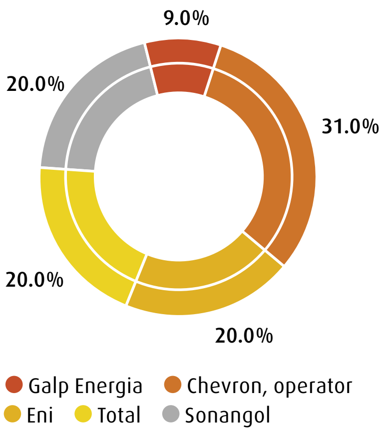
The Lândana Norte development project proceeded in 2008 with the drilling and starts of operations of a couple of production/injection wells. The drilling of five wells at Tômbua Sul also started in the year.

At Kuito, maintenance was performed on two wells to optimise the injection of water and increase the recovery of oil, although expected results did not materialise. Engineering studies started in the year for the purpose of identifying the most adequate solution to extend the life of the Kuito field beyond 2009, when the Floating Production Storage and Offloading (FPSO) unit's lease expires.

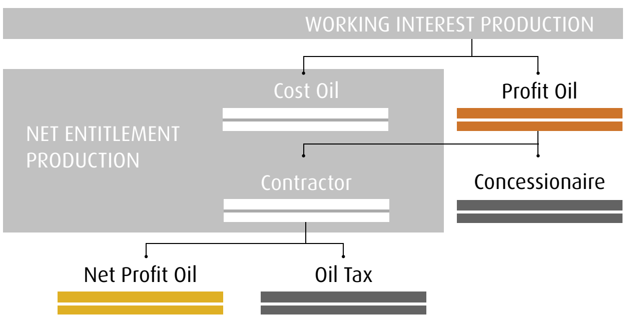
At the Lucapa field, which was declared commercial in August, three wells were drilled – exploration wells Lucapa-3 and Lucapa-4 and appraisal well Lucapa-5. Before the end of the year, a proposal for definition of the field's development area was submitted to the Angolan authorities. At the end of the year, the consortium approved the conceptual development plan (CDP) to be submitted to the concession holder. Research is still ongoing to optimise the field's development plan. A tie-back of block 14's Gabela field is one of the options under review.

Technical feasibility studies proceeded at the Negage and Gabela fields. Given their features, a few difficulties remain before a technical solution can be found to develop the fields on economically attractive terms. For Gabela, the tie-back to Lucapa may be a feasible opportunity for review in the future. For Negage, the review of an autonomous solution in 2008 was not conclusive, which led to the evaluation of possibilities for tie-back to adjoining fields or blocks.

Composition of the consortium for block 14



Production-sharing agreement



Cost Oil: Fraction of prodution that is allocated to recovering the contractor's costs, between 50% - 65%. **Profit Oil:** Shared between the contractor and the concessionaire at teh terms agreed in the contract. Varies from 10% to 70% depending on the rate of return.

Block 32

Throughout block 32, 3D seismic processing proceeded. In pre-development areas, three appraisal wells were drilled – Louro-3, Mostarda-2 and Louro-4.

In 2008, the consortium made significant progress towards determining a technical development concept for the Centre South East (CSE) cluster. At the end of the year, the CDP was at the final stage of approval by the consortium. Approval of the CDP by the consortium and the concession holder will reduce the range of options and enable advancement of the project on the basis of a single concept.

Other stakes

In 2008, block 14K–A-IMI was worked intensively with a view to bringing forward production start as the negotiations for tax agreements, under approval by the governments, were successfully concluded. In terms of development engineering, the proposed technical solutions place this project at the forefront of the industry. Towards the end of the year, the consortium approved the terms for the start-up of the front-end engineering and design (FEED) stage, which is designed to develop the CDP in more detail.

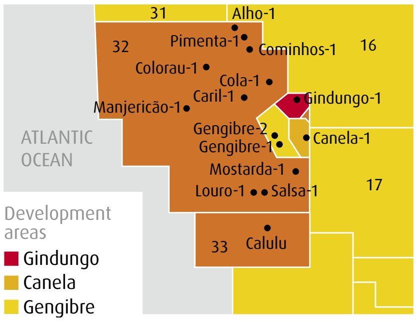
There was no probing activity in block 33 in 2008 and work on the pre-defined Calulu area was still restricted to the reappraisal of seismic and other data. Acquisition of long-offset 3D seismic data is scheduled for 2009.

In the project for exploring natural gas in Angola's offshore (operator Sonagás 40%, Eni 20%, Gas Natural and Repsol 20%, Exem 10% and Galp Energia 10%), the appraisal well Garoupa in block 2, which was originally planned for 2008, was moved to 2009 after seismic interpretation. Therefore, exploration work on this project was confined in 2008 to currently ongoing 3D seismic acquisition on 866 km² and geological and geophysical research.

+

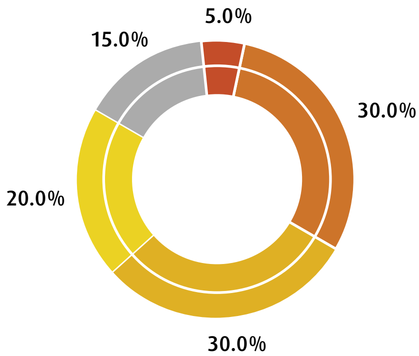
FPSO operators at Kuito field at block 14 in Angola

Block 32 and block 33

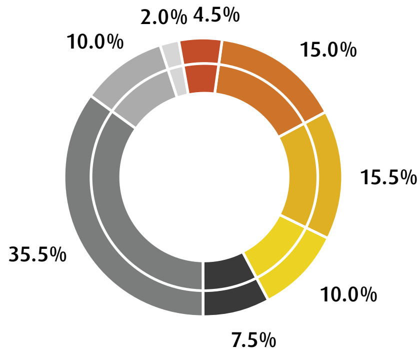


14 discoveries were already made in block 32. Its geographical spreading requests a technical development concept which allows for several discoveries being put together

Composition of the consortium for block 32



Composition of the consortium for block 14K-A-IMI



Brazil will become over the next years one of the key areas of Galp Energia's projects portfolio in terms of production

Brazil

Galp Energia participates in over 20 projects in Brazil, where it is in partnership with oil operator Petrobras. These projects consist of offshore projects, which include among others the stakes in the Santos basin and, particularly, the renowned Tupi, which will turn Brazil into one of the countries with the largest oil reserves in the world, and smaller-sized onshore projects where Galp Energia is taking its first steps as operator.

Main events

+ Presence since 1999, when Galp Energia participated in the second bidding round for the award of exploration rights;
+ Participation, in partnership with Petrobras, in 23 projects, 17 offshore and six onshore, totalling 56 blocks spread over seven basins;
+ Total block area: 20,760 km^2;
+ Operation of 21 blocks concentrated on the onshore basins of Potiguar, Sergipe-Alagoas and Espírito Santo;
+ Participation in five of the eight discoveries in the Santos basin, an area where exploration has been highly successful;
+ Accumulated capex: €127 million.

PETROBRAS

Galp Energia's basins identification

Extraordinary exploration success achieved in Brazil until the end of 2008

	ONSHORE	OFFSHORE
Exploration wells drilled	41	5
Discoveries	15	5
Success rate	37%	100%
Appraisal wells drilled	4	1
Drilling program (2009)	12	5

1.9

billion barrels of oil and natural gas already certified as contingent resources

The Santos basin

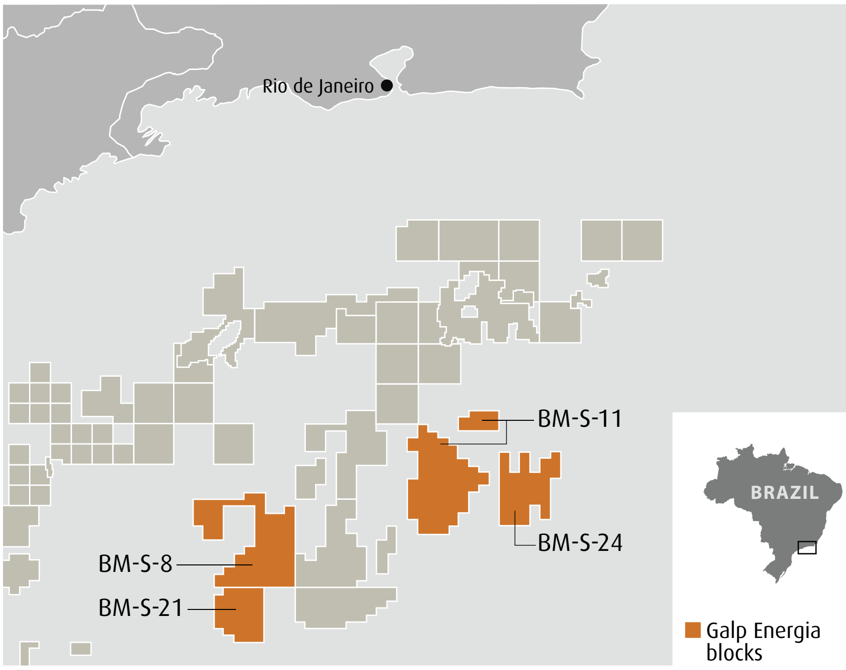
Work during the year confirmed the importance of discoveries in block BM-S-11, in the Santos basin, off the Brazilian coast, where the Tupi Sul well had back in 2007 indicated the existence of between five and eight billion recoverable barrels of oil and natural gas. In 2008, the ANP, Brazil's regulator of the oil, natural gas and biofuels sectors, approved an evaluation plan for an area of close to 1,974 km^2.

Engineering research into the technical feasibility of the evaluation plan's schedule was stepped up in the year. This consisted namely of execution of a extended well test and a pilot project in the neighbourhood of discovering wells Tupi and Tupi Sul and construction of gas pipeline Tupi-Mexilhão for transport of the gas produced in the pilot module.

In early 2008, the consortium members agreed the outline for execution of the project including the selection of the FPSO system and the contracting of services and long-lead equipment with a view to starting an extending well test in the second quarter of 2009.

Semi-submersible platform SS-11 operating at a Santos basin field

The Santos maritime basin



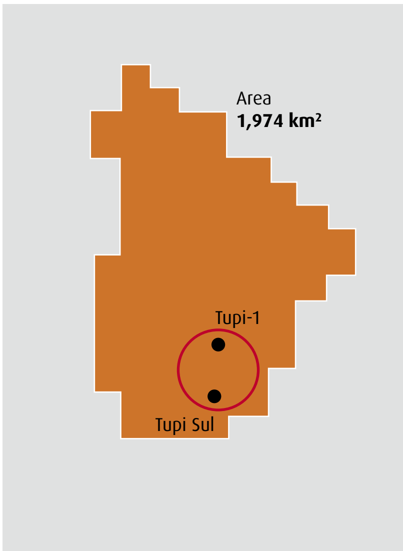
The studies for execution of the pilot project proceeded throughout the year. In August, the consortium approved the basic engineering concept for the project consisting of five production wells, two water-injecting wells and a gas-injecting well, all connected to a spread moored FPSO unit. Following approval of this concept, agreement was reached for contracting an FPSO unit with the capacity to process 100 thousand barrels of oil and five million cubic metres of gas a day. The procurement of services and equipment with long execution or delivery times was aimed at producing the first oil in December 2010. Besides solving technical issues, the consortium negotiated commercial agreements for the production, transportation and marketing of hydrocarbons.

The results obtained in extended well test and the pilot project will be decisive for the ensuing development stages.

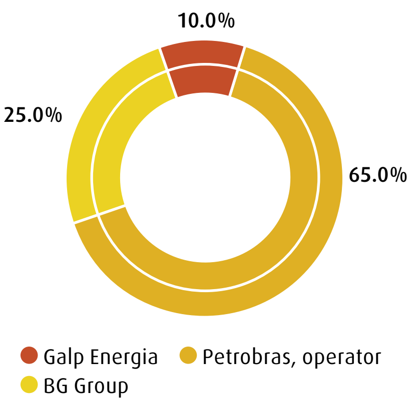
In block BM-S-11, the Iara exploratory well was also drilled, which led to the discovery of hydrocarbons in a reservoir located at a depth of 6,000 metres, where recoverable volumes are estimated to range between three and four billion barrels of oil with density between 26 and 30º API. The evaluation plan for this discovery, which covers approximately 300 km^2, has been approved by the ANP.

In the Santos basin's deep water, other projects progressed in 2008.

Tupi area at block BM-S-11



Composition of the consortium for block BM-S-11



The Tupi project

Geological features of the reservoir and properties of the oil

- Carbonated reservoirs in 5,000-metres depth;
- Water depth of approximately 2,200 metres;
- Sequence of approximately 2,000-metres thick salt layers;
- Area of the evaluation plan: 1,974 km²;
- Five to eight billion barrels of recoverable oil and natural gas;
- Oil density: 28-30° API;
- Oil viscosity: 1 cP;
- Gas-to-oil ratio: 230 m³/m³;
- Initial pressure: 550-560 kgf/cm²;
- Low TAN (Total Acid Number);
- CO_2 in the associated gas: 8 to 12%.

Features of the extended well test

- First oil scheduled for the second quarter of 2009;
- Production facilities: FPSO BW Cidade de São Vicente;
- Production wells: Tupi Sul and P1 interchangeably;
- Expected production: 14 kboepd;
- Associated gas flaring in accordance with the approval by regulators ANP and IBAMA;
- Expected three stages spread over a period of 15 months:

Stage 1 – Production from Tupi Sul:	six months;
Stage 2 – Production from P1:	six months;
Stage 3 – Production from Tupi Sul:	three months.

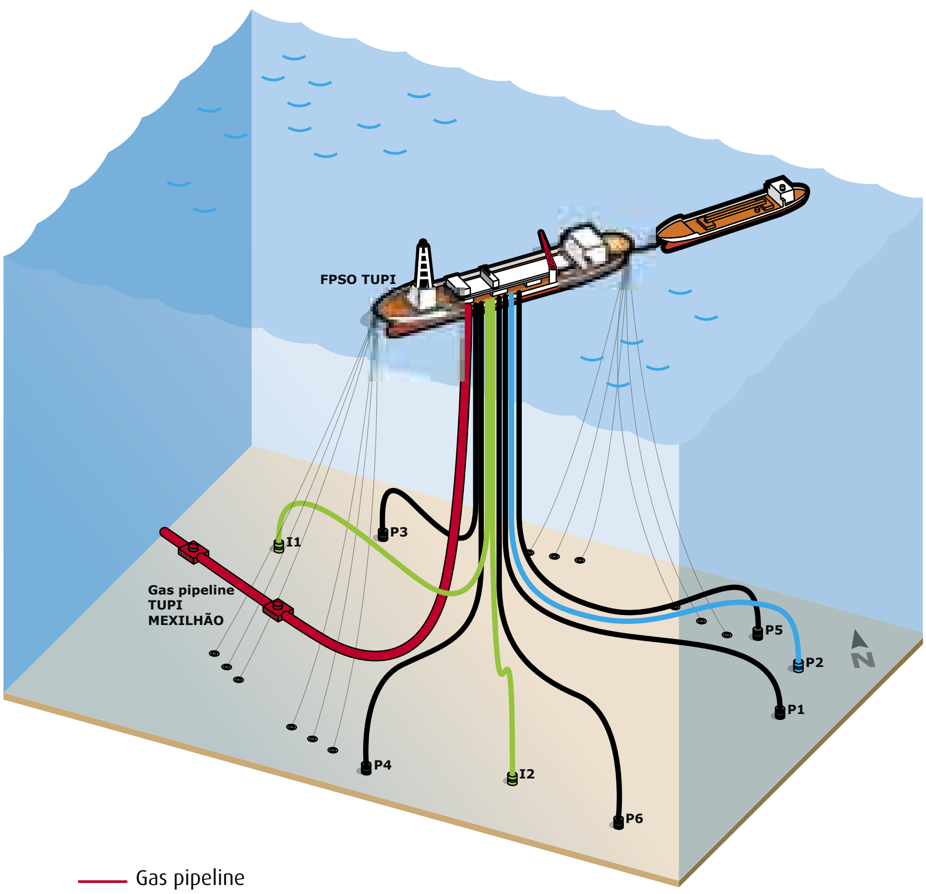
In block BM-S-8, where Galp Energia has a 14% stake, operator Petrobras 66% and Shell 20%, the first exploration well, named Bem-te-vi, was drilled and classed as oil discovering and the evaluation plan is under discussion with the ANP. The consortium for exploration of this block plans to drill an appraisal well in 2009.

In block BM-S-21, where Galp Energia has 20% and operator Petrobras the remaining 80%, the plan for appraising the Caramba discovery in 2007 progressed and a new 3D seismic campaign was planned for 2009.

In block BM-S-24, where Galp Energia also has 20%, drilling of Júpiter, the first exploration well, resulted in a relevant discovery of oil and gas. The plan for evaluation of the discovery is under preparation prior to submission to the ANP.

The opening in August of a sidetrack of the well whose drilling started in January but was later discontinued for operational reasons confirmed the discovery that had been announced in the beginning of the year.

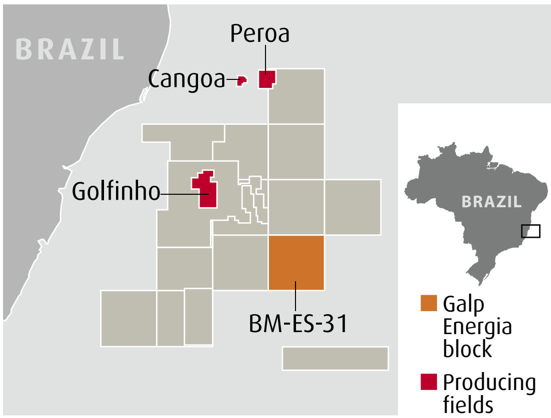
Tupi – 1 project



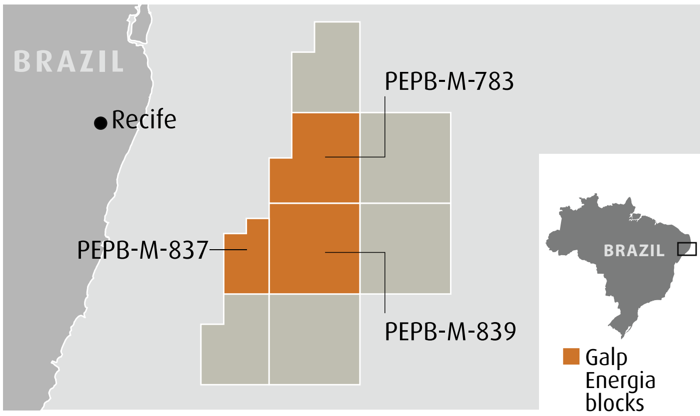
Gas pipeline
Water injection well
Oil producing well
Oil producing well/gas injection well

Area: 115 km²
Production start-up: December 2010
Water depth: ≈ 2,145m
Production facilities: FPSO Tupi
Processing capacity: 100 kbopd
Gas compression capacity: 5 Mm³/d
CO2 production: split and reinjected in the reservoir
Gas produced: sent to Mexilhão platform through Tupi-Mexilhão pipeline with a length of 216km
Number of production wells: five with an option for additional four
Number of water injection wells: two with an option for additional three
Number of water injection wells: one with an option for additional one

Espírito Santo maritime basin



Pernambuco maritime basin



Other projects in Brazil

Seismic reprocessing, geological interpretation and modelling and remote detection research took place in the blocks for contracts BM-POT-16 (operator Petrobras 60%, EnCana 20% and Galp Energia 20%) and BM-POT-17 (operator Petrobras 80% and Galp Energia 20%), which are both located in the Brazilian Northeast's deep water of the Potiguar basin.

In block BM-ES-31 (operator Petrobras 80% and Galp Energia 20%) in the Espírito Santo basin, off the eponymous state coast, geological interpretation and modelling was carried out as environmental studies started to license drilling of an exploration well scheduled for the third or fourth quarter of 2009.

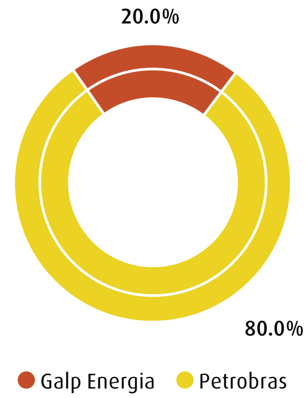
In contracts BM-PEPB-1, BM-PEPB-2 and BM-PEPB-3, where Galp Energia has 20% and Petrobras 80%, the consortium will perform a seismic programme by 2013. In case the decision is made to move forward to the second exploration period, the commitment will be made to drill an exploration well in each block by 2015. The consortium started 2D seismic reprocessing as well as preliminary research for the preparation of a new 3D seismic programme.

In BM-C-44 (operator Petrobras 47.5%, Ecopetrol 37.5% and Galp Energia 15%), in the Campos basin's shallow waters close to the coast of Rio de Janeiro state, the consortium committed to a 3D seismic programme by 2012 and an exploration well by 2013.

In blocks BM-S-75, BM-S-76 and BM-S-77 (operator Petrobras 60%, Q. Galvão 20% and Galp Energia 20%), in the Santos basin's shallow waters, commitments were signed towards a seismic programme and four exploration wells by 2012. If the consortium proceeds to the second exploratory period, it will have to drill an additional well in each block. A 3D seismic campaign is planned for these blocks in 2009 and 2010.

The cooperation between Petrobras and Galp Energia proceeded in the onshore blocks of the Potiguar, Espírito Santo/Mucuri and Sergipe-Alagoas basins. At the end of 2008, Galp Energia was the operator of 13 blocks out of 19 and Petrobras was the operator of the remaining six; during 2008, six blocks were returned to the ANP. In 2008, two 3D seismic surveys were performed and eight exploration and two appraisal wells were drilled. Three new oil discoveries were made in 2008 and the evaluation plans for two of them were submitted to the ANP, as the third was already included in the appraisal area

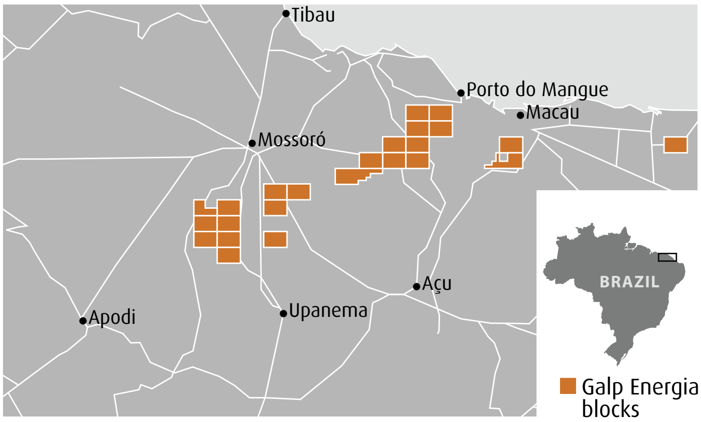
Composition of the consortium for block BM-ES-31



Operators of an onshore drilling rig at Potiguar basin. In 2008 eight exploration wells were drilled

Operators of an onshore drilling rig at Potiguar basin, where Galp Energia has a stake of 50%

The onshore Potiguar basin



Composition of the consortium for the onshore Potiguar Basin

for discovery 1-Galp-2 RN. Following the results obtained in the exploration campaign, five blocks were returned to the ANP after the end of the year.

Ten exploration wells, leading to four discoveries of heavy oil, and two appraisal wells were drilled in the Espírito Santo/Mucuri basin. By December 2008, two evaluation plans were submitted to the ANP while a third plan was about to be completed for submission in early 2009. Following the results obtained in the drilling campaign, four blocks were returned to the ANP in 2008. At the end of the year, the portfolio of stakes in this basin was composed of eight blocks, of which four were included in the two evaluation plans already approved by the ANP.

In 2008, the Petrobras-Galp Energia partnership kept an interest in four blocks in the Sergipe-Alagoas basin. Seismic reprocessing and surveys in 2008 covered a large extent of the blocks. The drilling of three exploration wells led to two oil discoveries whose evaluation plan was submitted to the ANP. In January 2009, a block in this basin was returned to the ANP.

Auction of exploration rights

The Petrobras-Galp Energia partnership participated in December in the 10th bidding round for the award of exploration rights, whereby rights were obtained for five blocks in the Potiguar basin for a total of 159 km^2. Galp Energia will operate three blocks and Petrobras the other two. In the consortium for this basin, the two companies have a 50% stake each.

In the Amazonas basin, rights were acquired for three blocks with a total area of 5,718 km^2, where Petrobras is the operator and the holder of a 60% stake. The probability is considered to be high of these blocks, which are located in the neighbourhood of Manaus' industrial cluster, containing accumulations of gas and condensates of commercial value.

The ANP contracts arising from this round, on which Galp Energia spent close to €4.5 million's worth of bonuses, are scheduled to be signed in April 2009.

Venezuela

Following agreements with state-owned company PDVSA, Venezuela asserted itself in 2008 as one of Galp Energia's preferred countries for increasing oil production in the medium and long run.

The agreements signed in May with PDVSA strengthened the partnership established by the agreements of October 2007, which defined the areas of cooperation between the two companies, namely the certification of oil reserves at Boyacá 6, in the Orinoco Belt.

The Orinoco oil belt project

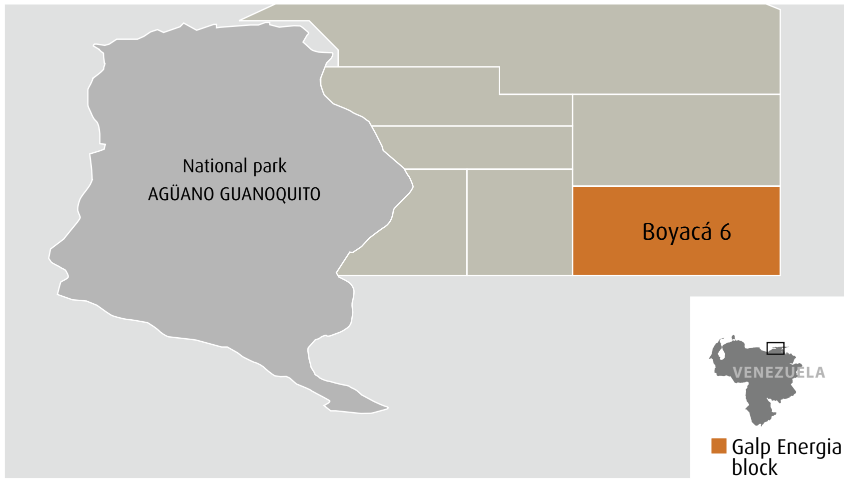
In Boyacá's block 6, research following a first phase of data validation and preliminary modelling indicated the existence of between 70 and 80 billion barrels of oil in place. The second phase of the research started at the end of the year with the drilling of the first of six appraisal wells for the purpose of obtaining a more precise evaluation of existing oil volumes. Phase 3 is scheduled to be completed by mid-2009 and will include static and dynamic modelling as well as the selection of adequate technology. The fourth and last phase, which is scheduled for December 2009, will consist of reserve certification, to be followed by an agreement to investigate the feasibility of developing, producing and upgrading Boyacá 6's heavy oil. Moving forward to the development stage and the set-up of a jointly-owned company (Empresa Mixta) to execute the project will depend on the outcome of the feasibility study.

LNG projects

The LNG projects, in which Galp Energia has a 15% stake, consist of the transportation by gas pipeline and the liquefaction of gas from the exploration fields on Plataforma Deltana (Train 1) and Mariscal Sucre (Train 2). Each train will have a capacity of 4.7 million tonnes a year.

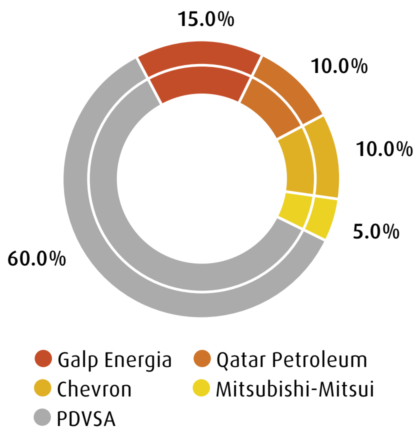
These projects will allow Galp Energia to buy two billion cubic metres of natural gas per year and thus expand its supply sources so as to fulfil its strategic goal of doubling its contracted procurement from 6 bcm to 12 bcm a year. A final investment decision on the projects is scheduled to be made between the end of 2010 and the first volumes of LNG are expected by 2014.

The Orinoco oil belt

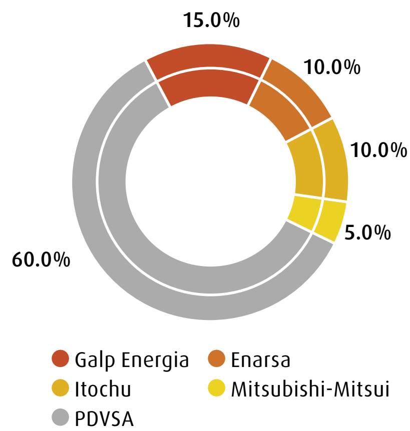


LNG projects

Composition of the consortium for exploration of Train 1



Composition of the consortium for exploration of Train 2

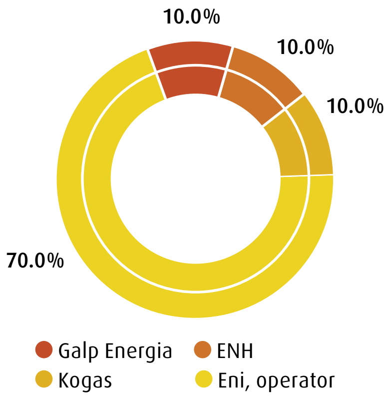


Area 4 of Rovuma's basin is located in an unexploited geological area, denominated new frontier

Mozambique

Galp Energia has been in Mozambique since 2007, when it signed a farm-in agreement with Eni and Empresa Nacional de Hidrocarbonetos (ENH) for the exploration of area 4, located in the Rovuma basin's ultra-deep water. The block has a total area of 17,646 km² and the first exploratory period ends in 2011.

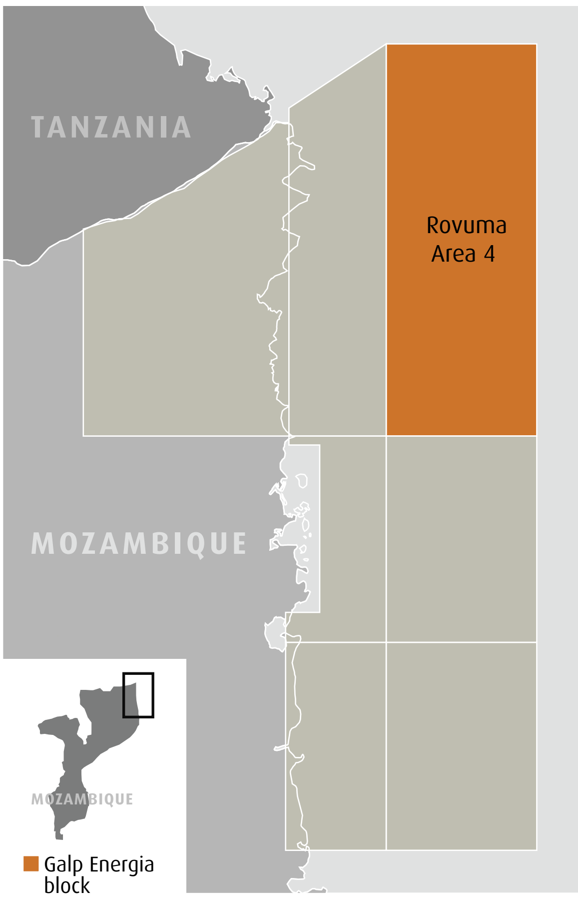
Composition of the consortium for Area 4



In Mozambique, exploration of concession areas is regulated through production sharing contracts signed between the consortium and Mozambique State. Eni operates area 4 of Rovuma basin, where Galp Energia has a stake of 10%.

Rovuma basin map

Rovuma basin off the cost of Mozambique, 2,000 km away from Maputo is divided in six areas, which operation is ascribed to several international oil companies, namely Anadarko, NorskHydro, Petronas and Eni. With water depths of 2,600 metres, these ultra--deep water projects are located in a new frontier area with a high mining potential according with studies already performed.



Seismic campaigns in 2008

In 2008, campaigns were performed with no incidents for the acquisition of 2D (2,320 km), 3D (1,047 km²) seismic and gravimetric data. Processing of the data and geological and geophysical studies are scheduled for 2009

Portugal

Galp Energia resumed exploration and production activities in Portugal in 2007, when it signed two concession agreements with the Portuguese state for the exploration of seven blocks in a total area of 21,258 km^2, divided into two basins: the Peniche basin and the Alentejana basin.

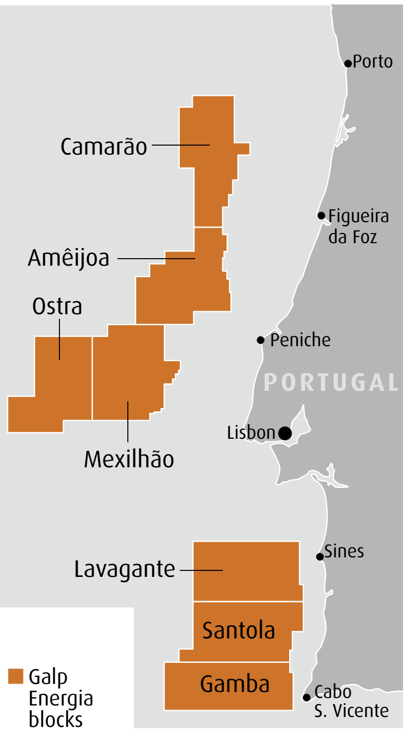
In the Peniche basin's four offshore blocks, which are operated by Petrobras, a campaign for the acquisition of 2D (8,400 km) seismic data was performed and seismic reprocessing of 2D SPEC (5,859 km) was completed. The first exploratory period for these blocks expires in April 2010.

In the Alentejana basin's three offshore blocks (operator Tullow Oil 80%, Galp Energia 10% and Partex 10%), a campaign for the acquisition of 2D (3,307 km) seismic data was performed with completion of its processing. The first exploratory period for this basin ends in January 2010.

In Portugal oil exploration and production is not subject to production sharing contracts, but based in royalties and oil tax payments as adopted in other countries, namely Brazil

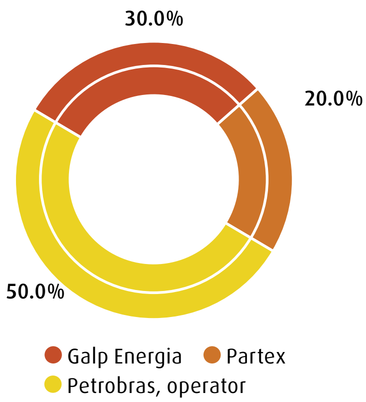
In Portugal as in Brazil Galp Energia keeps its partnership with Petrobras

Peniche basin and the Alentejana basin

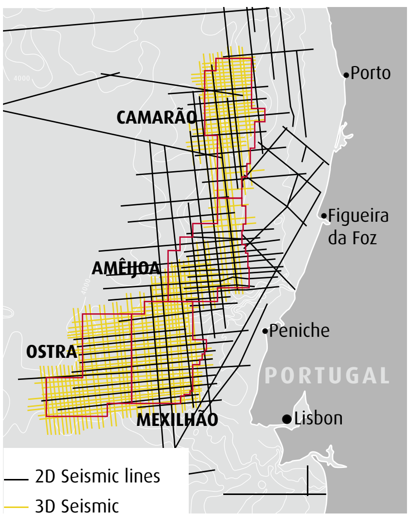


The seven offshore blocks of Peniche basin and the Alentejana basin, off the Portuguese coast have water depths between 200 and 3,500 metres and are spread through an area of 20 thousand kms. Both basins are considered new frontier area, thus first steps are being taken in terms of exploration activities.

Composition of the consortium for the Peniche basin



Seismic campaigns in 2008



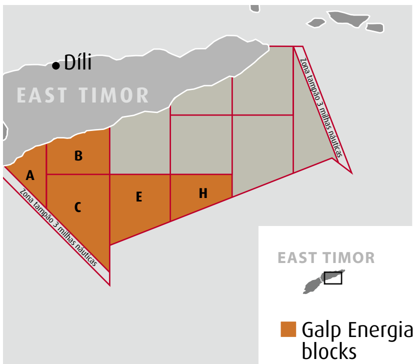
2D seismic campaign acquisition of 8,400 km.

New 3D visualization room. This new feature makes decision making process much more dynamic

East Timor

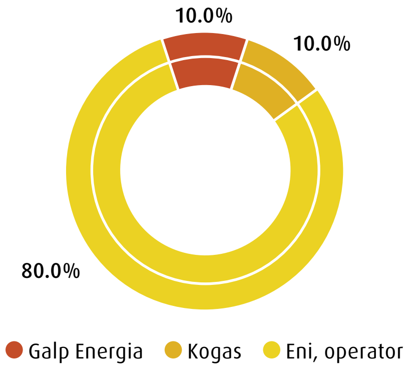
Galp Energia has been in East Timor since 2007, when it farmed in the consortium composed of Eni, the operator, and Kogas, which held exploration rights for five offshore blocks, covering an area of 12,183 km^2.

East Timorese blocks



Oil exploration and production in East-Timor is associated to production sharing contracts with local governments, as in several African countries.

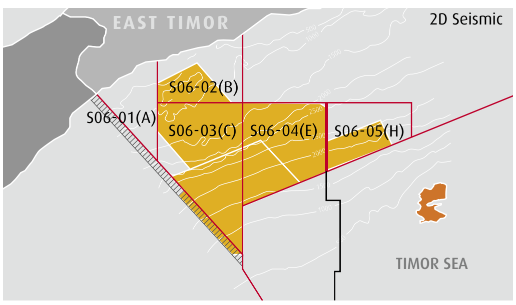
Composition of the consortium for the East Timorese blocks

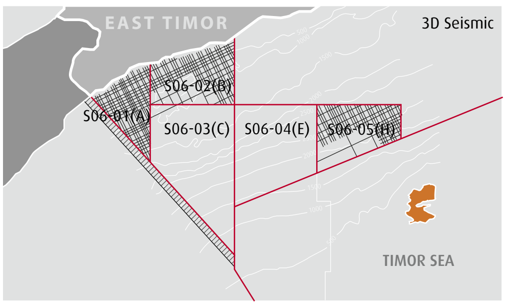


The campaigns for acquisition of 3D (8,400 km^2) and 2D (3,174 km) seismic data that started in 2007 proceeded in 2008.

Whereas processing of 3D seismic data by areas was completed in December 2008, the acquisition of 2D seismic data, geological and geophysical studies and the maturing of prospects proceeded beyond year end. Exploration terms provide for the obligation to drill two exploration wells in 2009 in one of the blocks, subject to rig availability. The first three-year exploration period ends in October 2009.

Seismic campaigns in 2008





After interpretation work and reprocessing, seismic campaigns performed during 2007 and 2008 will be key to identify additional prospects as well to decide the drilling of exploration wells.

Reserves and contingent resources

The petroleum reserves and resources included in the Company's exploration and production portfolio have been independently reviewed by DeGolyer and MacNaughton (DeMac).

The high-profile development was the outcome of exploration activities in Brazil's Santos basin, which led to Galp Energia's resource base being multiplied by 18 in two years to 2,141 million barrels of oil and natural gas.

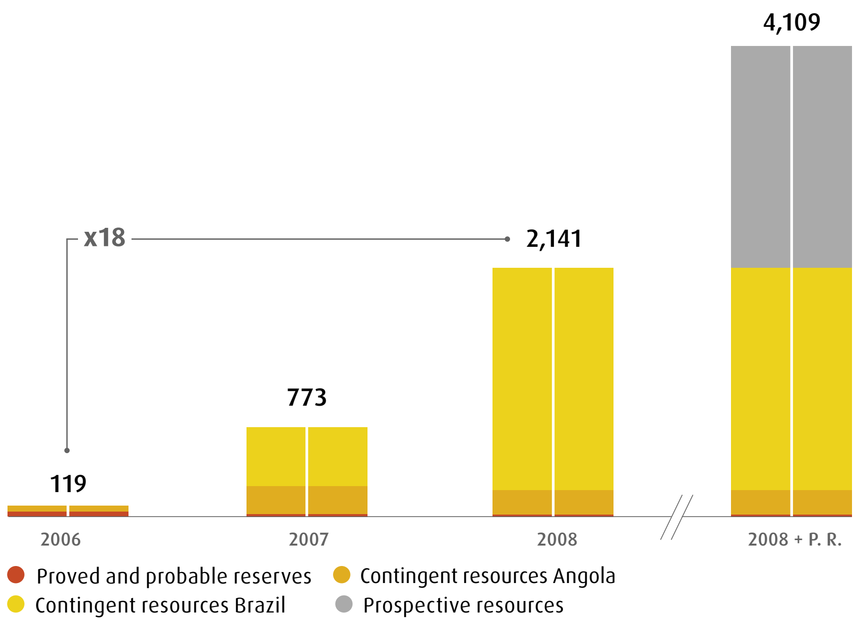
Reserves in 2008 were located in Angola, like a year earlier. The decline in reserves generally reflected the reduction resulting from the amount of oil produced in 2008 and the price effect arising from the terms of the PSA.

The amount of recovered contingent resources refers to the 3C classification (as defined by SPE/WPC/AAPG). By definition, stated amounts represent Galp Energia's working interest.

Results for Brazil stem primarily from the inclusion of new discoveries in the Brazilian offshore. Successful exploration in the Santos basin led to an increase in Brazil's contingent resources from 500 million barrels in 2007 to 1,907 million barrels at the end of 2008, or a growth rate of 281%, a very significant achievement for a company the size of Galp Energia.

Results for Angola include data obtained from the appraisal of previously announced discoveries. Additional data from 2008 showed the need for the potential of these discoveries to be revised downward.

Galp Energia's reserves and contingent resources (Mbbl)



Major definitions

Proved reserves (P90)
According to the definitions approved by the SPE and the WPC, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can with reasonable certainty be estimated, from a certain date onwards, to be commercially recoverable from known reservoirs and under current economic conditions, operational methods and government regulations. If probabilistic methods are used, there should be a minimum 90% probability that actual recovered quantities will equal or exceed the estimate. The definition of current economic conditions shall include historical oil prices and attendant costs. In general, reserves are considered to be proved if the reservoir's production capacity is supported by actual production or formation tests. Reserves may be classed as proved if facilities to process as well as transport those reserves to market are in operation at the time of the estimate or if there is a reasonable expectation that such facilities will be built.

Probable reserves (P50)
According to the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data which are similar to those used in the calculation of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classed as proved.

Contingent resources
Contingent resources refer to quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from known reservoirs but are not commercially recoverable yet. This may be the case for several reasons such as, for instance, those related to the maturity of the project (the discovery needs further appraisal in order to provide support for the development plan), those of a technical nature (new technology needs to be developed and tested in order to commercially exploit the estimated quantities) or those related to the market (the sales contracts are not yet in place or the infrastructure needs to be built in order to take the product to the clients). The quantities classed in this category may not be considered as reserves.

Prospective resources
Prospective resources refer to quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations by application of future development projects. The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

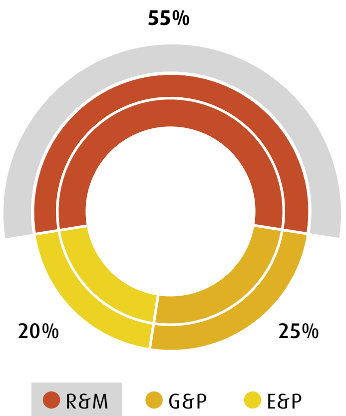
Resource classification system

02

Refining & Marketing

The Refining & Marketing business segment processes raw materials in two refineries, at Porto and Sines, distributes refined products predominantly in the Iberian Peninsula but also in Africa and markets to third parties and exports to several European and North American countries what it does not distribute directly. Improving the refining system's profitability, increasing the share of refined products marketed by its own network, streamlining the marketing structure and raising its presence in the market for biofuels are strategic objectives for this business segment.

Share of the R&M business segment in Galp Energia's operating profit RCA in 2008



Main events in 2008

+ Execution of the project for converting the Company's two refineries started. The purpose is to adapt the production profile to the Iberian market's growing demand for diesel;
+ Development started of an agri--business project in Mozambique designed to produce and market biofuels;
+ Close of the acquisition of Agip's and ExxonMobil's Iberian marketing operations;
+ Galp Energia acquired Royal Dutch Shell's marketing operations in Mozambique, Swaziland and Gambia.

Porto refinery with a capacity of 90 kbopd and a Nelson complexity index of 9.4

Main operational indicators

	2005	2006	2007	2008
Crude processed (kbopd)	267	270	252	**245**
Galp Energia refining margin (Usd/bbl)	7.2	5.4	5.5	**4.4**
Refined products sales (Mton)	15.9	16.2	16.0	**16.0**
Refineries net operating costs (€/bbl)	1.2	1.3	1.5	**1.5**
Sales to direct clients (Mton)	9.4	9.0	9.4	**9.6**
Number of service stations	1,060	1,045	1,038	**1,509**
Throughput per site ('000 m³)	3.1	3.0	2.9	**2.8**
Number of convenience stores	178	201	210	**428**
EBITDA RCA (M€)	552	557	435	**540**
Operating profit RCA (M€)	338	356	261	**373**
Capex (M€)	142	131	168	**1,245**

Strategy

The overriding goal for the Refining & Marketing business segment is to streamline operating conditions so as to achieve superior profitability and efficiency. The conversion of the Porto and Sines refineries towards a production profile that is better aligned with the relative increase in the demand for diesel, the expansion of the marketing network through the acquisition of Agip's and ExxonMobil's operations and the bid to raise the cover of refined products by own-brand marketing are ongoing initiatives that converge to turn this business segment into an operation that generates increasingly robust and stable results.

To increase profitability in the refining system by capturing higher refining margins and adapting production to market trends; to raise efficiency in the marketing structure by streamlining the network and increasing sales of non-oil products; to speed up integration of refining and marketing activities in order to lessen the business segment's earnings volatility

Refining, Supply and Logistics

Galp Energia has refining capacity of 310 thousand barrels a day, shared between its two refineries located in Porto and Sines, on the Portuguese western coast.

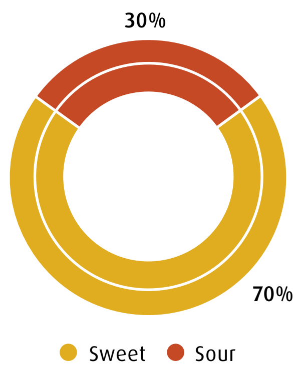
In 2008, Galp Energia processed 90 million barrels, the equivalent of a crude utilisation rate of 79%. The drop in the utilisation rate in the last two years was related to the stops for maintenance at the Porto and Sines refineries in 2007 and 2008. The utilisation rate is bound to rise to 95% after conclusion of the conversion projects, which will raise the complexity of the refining system and, consequently, its processing capacity.

In addition to crude oil, which accounted for 92% of the 13.1 million tonnes of processed raw materials in 2008, Galp Energia also processed one million tonnes of other products, predominantly naphtha and heavy diesel.

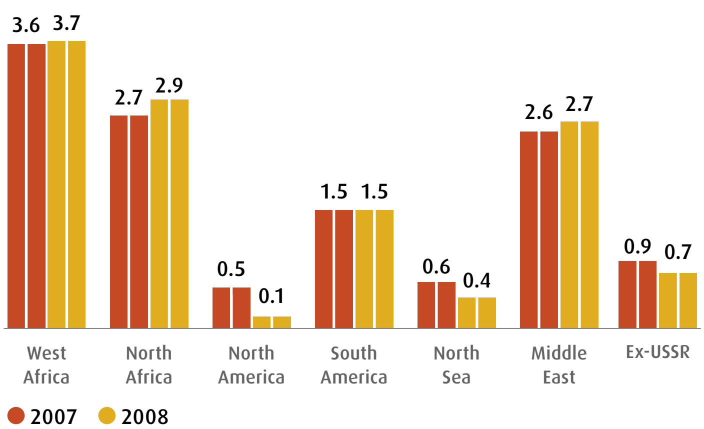
Origin of processed crude

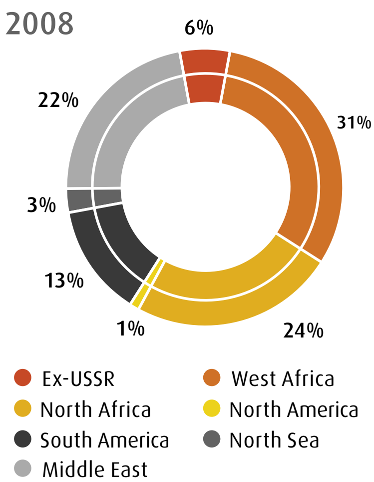
In 2008, crude oil was mainly imported from West Africa, North Africa and the Middle East, which accounted for a combined 77% of the total. The main supplier country was Nigeria, with 20% of the total, followed by Libya and Algeria. In 2008, Galp Energia bought crude oil from 14 different countries, which was evidence of the diversification of its supply sources.

Types of crude processed in 2008

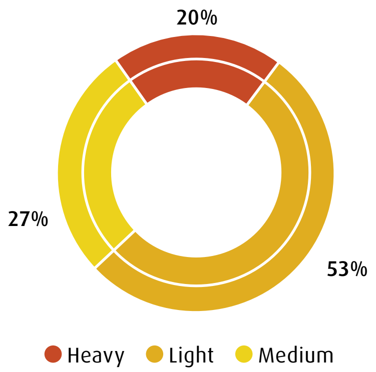


Origin of crude oil (Mton)

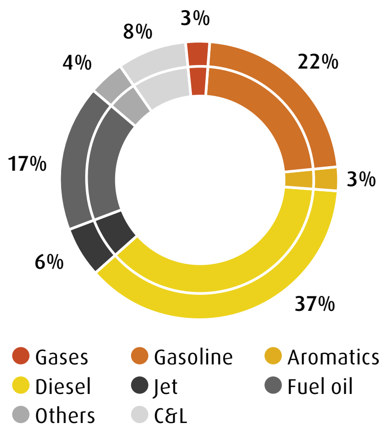




Types of crude processed in 2008



Production profile in 2008



Types of crude processed

The types of crude processed remained stable in the year in comparison with 2007, with a predominance of light crude. The increase in the refining system's complexity, which will imply a higher capacity to process heavy crude oil, will make it possible to take advantage of the difference between the prices of heavy and light crude oil.

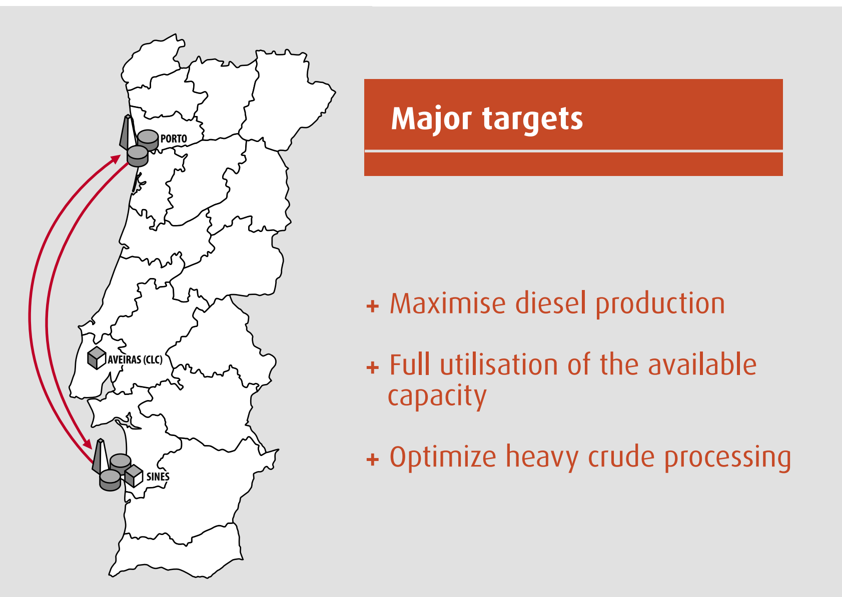
Sweet crude oil continued to dominate in 2008 as optimised production was enabled by the use of a model calculating monthly the crude mix required to maximise the refining margin.

Production profile

Diesel, gasoline and fuel oil – followed by jet fuel, aromatics and other products – kept their dominance of the production structure and accounted for 76% of the total.

The weight of consumption and losses remained stable and accounted for 8% of total processed raw materials. The start of the cogenerations next to Galp Energia's refineries will make the supply of electrical and thermal energy more reliable and it will raise energy efficiency, which will contribute to lowering consumption and losses to levels close to 7%.

Fully integrated refining system after the conversion project



Shutdown for maintenance

On 10 September, the general shutdown of the Sines refinery began. The stoppage lasted until 27 October – and early December in the case of the fluid catalytic cracking (FCC) and alkylation units after the need for additional work was identified. Although shutdowns for maintenance necessarily imply production losses, they are important to safeguard asset integrity, restore process efficiency and raise the refining system's reliability. This shutdown had a cost of €11 million and required capital spending of €59 million, of which €57.5 million in 2008.

In addition to maintenance, important work was performed during the general shutdown in order for various units to be upgraded. In particular, a new reactor with more recent technology was installed in the FCC unit for the purpose of raising throughput and making the workload more flexible. The first stage of the plan for reducing fuel oil consumption was completed, which will curb emissions of CO_2 to the air and raise the refinery's energy efficiency.

Refinery conversion

In order to optimise and maximise utilisation of its refining system, Galp Energia started in 2008 the conversion of its two refineries using the most recent technology. The conversion project aims to adjust the production profile to the needs of the Iberian market, where diesel is currently in short supply, by maximising the annual production of diesel from mid--2011 onwards and by reducing the production of fuel oil, depending on the crude diet. The increased use of heavy crude oil, which is available on the market at lower prices, will reduce raw material costs.

The conversion of fuel oil to diesel is imperative as fuel oil demand is expected to shift lastingly from gasoline to diesel (as the market becomes increasingly diesel-driven) and diesel prices exceed fuel oil prices in international markets. In addition, the demand for fuel oil is bound to fall because it is less environmentally friendly.

The conversion project, which will entail capital expenditure of close to €1,300 million, will reduce imports of diesel, naphtha and propane and add more value to Galp Energia's production.

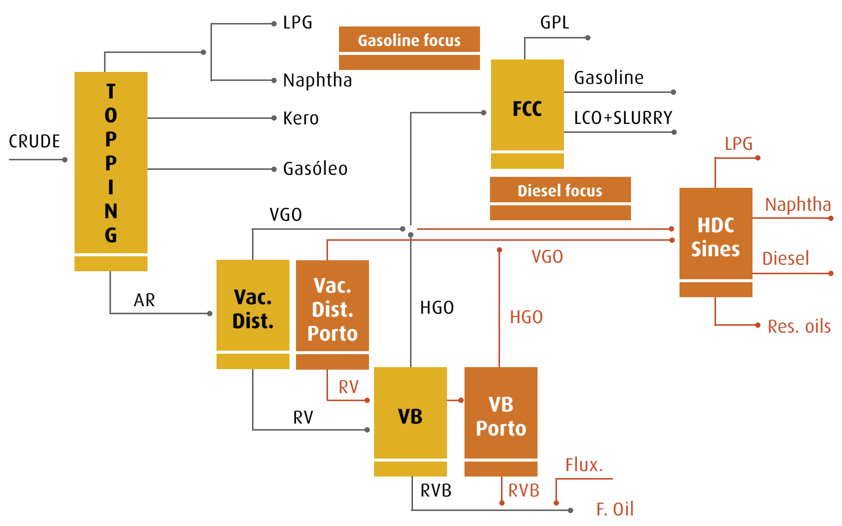
The process redesign will add to the two refineries' operational fit and create a completely integrated refining system, with product exchanges between the two plants. At the same time, the various units will gain increased flexibility, which will enable changes in the production profile for a faster response to changing patterns in the demand for refined products.

The project for conversion of the Porto refinery, which will imply capital spending of €315 million, started its construction phase in December 2008. The project consists of the construction of a new vacuum distillation unit for obtaining vacuum gasoil (VGO) and a visco-reduction unit for the soft thermal cracking of the resulting vacuum residue. In addition, environmental protection will be enhanced by the construction of new units for water treatment and removing sulphur.

In parallel, construction of a cogeneration unit will cover the needs for optimising the refining system, particularly in terms of steam and electric power. The cogeneration plant at the Porto refinery will come on stream in 2011 with a capacity of 80 MW.

The project for conversion of the Sines refinery, which will incur capital expenditure of close to €1,000 million, started its construction phase in December 2008. The project consists of the construction of a new hydrocracker, i.e. a unit for hydrocracking heavy gasoil, for the production of diesel and jet fuel. This unit will enable the production of diesel through deep conversion of the heavier fractions of crude oil. This technology will make the selection of crude oil to be processed more flexible, which will allow the purchase of heavier crude oil for processing in the distillation column. The naphtha produced in the Sines refinery will be sent to Porto as raw material for the aromatics plant, which will be a further step to integration of the two units.

Galp Energia's refining system after conversion



Construction of a cogeneration unit in each refinery will cover the needs for optimising the refining system, particularly in terms of steam and electric power

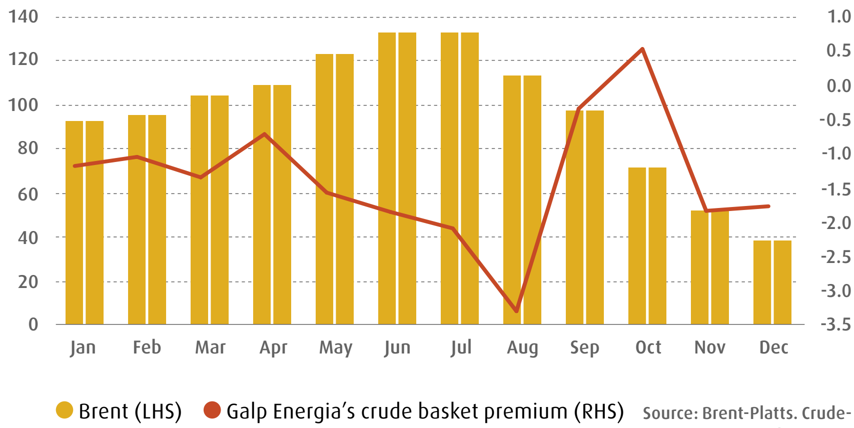
Sines refinery with a capacity of 220 kbopd and a Nelson complexity index of 6.3

In addition to the main plant, a steam reformer for producing hydrogen and a unit for recovering sulphur from produced gases will be built, both of which will be necessary for operating the hydrocracker. These units will imply the construction of seven new tanks and the adjustment of the utilities systems (water, steam, electric power and compressed air). The effluent system will also have to be adapted for the exchanges with wastewater treatment plants to occur in environmentally adequate conditions. The new premises will occupy an area of 28 ha of newly-acquired land in the Sines complex.

Market analysis in 2008

Crude price (Usd/bbl)

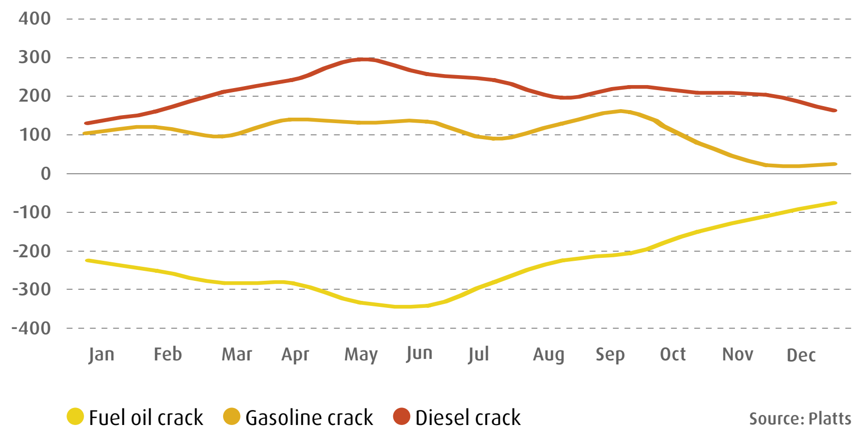
The price commanded by Galp Energia's crude basket tracked the Brent for most of the year, selling at a discount of 1.4 Usd/bbl to this lighter crude: the API gravity of Galp Energia's crude basket is 35.5º compared to 38.9º for the Brent.



Source: Brent-Platts. Crude--Galp Energia

Crack spreads for selected oil products (Usd/ton)

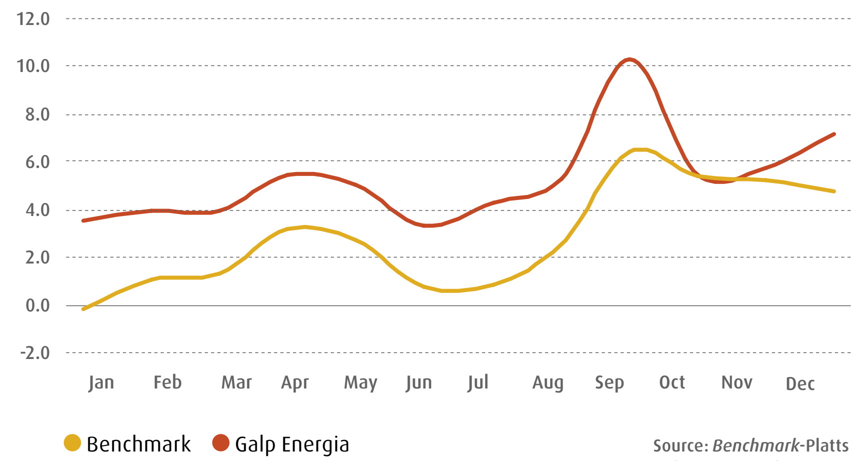
In 2008, the crack spreads of different oil products followed different paths. Whereas the spread of gasoline to Brent developed negatively, the trend for fuel oil was the opposite, with the gap between the price of this product and the Brent narrowing towards the end of the year following supply constraints and, particularly, the cuts of Russian gas leading to substitution by fuel oil.



Source: Platts

Refining margins (Usd/bbl)

Galp Energia's refining margin was above the Rotterdam benchmark for most of the year, averaging a premium of 2.6 Usd/bbl, exception made during the fourth quarter of the year as a result of the Sines refinery maintenance shutdown.



Source: *Benchmark*-Platts
Galp Energia-Galp Energia

In 2008, the cogeneration plant at the Sines refinery was connected to the electricity and natural gas grids and tests were run prior to its start of operations.

During the year, the main pieces of equipment for the new units at both refineries were ordered. These are complex structures that require long manufacturing times of up to 24 months.

Energy efficiency

One of Galp Energia's energy efficiency goals is to curb energy use by its refining system by 12.5% between 2009 and 2013. In order to reach this goal, action will be taken on several fronts: operations and process optimisation requiring low or no investment; average-sized spending on mechanisms for recovering steam and condensates and increasing the area for steam exchange for higher efficiency of the distillation column and other equipment; larger-sized expenditure on improvements such as the installation of cogeneration plants at the two refineries as well as the replacement of selected units in the refining system such as turbines and exchangers.

Logistics

Galp Energia has an ongoing plan for optimising its logistic assets and its chain of sea and land transportation, which includes the renegotiation of contracts with transport companies, the renewal of its vessel fleet and the management and operation of terminals, namely the recent integration of the Port of Sines's liquid bulk terminal (TGL in the Portuguese terminology).

The TGL concession contract, signed with the Port of Sines for 30 years, was finally approved by the competition authorities and operation started on 1 August. With this concession, Galp Energia now operates the country's largest liquid bulk terminal, which received 877 ships and handled 17 million tonnes of cargo in 2007. The terminal is an essential piece of infrastructure for operating the Sines refinery.

The plan for optimising and restructuring the Company's logistic assets was developed taking into account the Iberian operations' supply needs after integration of the ExxonMobil and Agip businesses. In 2008, swap contracts were renegotiated with a view to streamlining the Iberian supply chain.

Sale of refined products

In 2008, 16 million tonnes of refined products were sold, up 1% from a year earlier. By client group, these sales went to direct clients (60%), exports (16%) and other operators (24%).

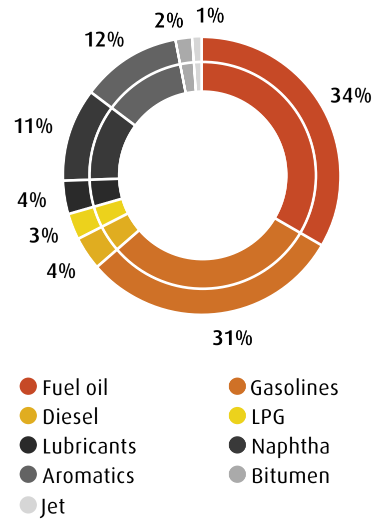
The most significant changes were in sales to other operators, which declined by 0.3 million tonnes as the Portuguese market for oil products retreated, and to direct clients, which rose 0.2 million tonnes following the inclusion in the last quarter of sales by Agip's Iberian subsidiaries, whose acquisition was finalised on 1 October 2008.

Exports remained stable in comparison with a year earlier, at around 2.5 million tonnes. Gasoline and fuel oil continued to dominate exports, with 31% and 34% respectively, although gasoline exports, particularly to the United States, fell compared to 2007. This fall was related to both the slump in demand that resulted from the economic downturn and the fact that 2007 saw abnormally high exports after the impact of the hurricanes, namely the Dean, on the US refining system.

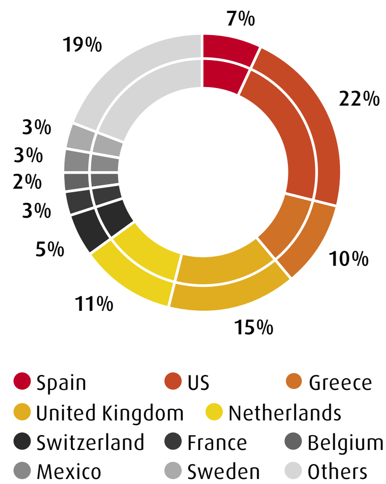
Although its share dropped from 35% to 22%, the US continued to be the main destination of Galp Energia's exports. Sales to the country consisted primarily of gasoline, in spite of falling exports of this product in 2008.

Sales of refined products (Mton)

Exports by product in 2008



Exports by country in 2008



Portugal set a goal of 10% for adding in biofuels from 2010 onwards, thereby bringing forward by 10 years the European Union goal for reducing the use of fossil fuels. By setting this goal, the government committed to starting the sustained production and marketing of hydrogenated biodiesel

Biofuels

The need to protect the environment and extend the energy sector's value chain led Galp Energia to enter the production of biofuels. The Company's strategy is to conquer a relevant position in renewable energy and thus become a benchmark operator in the European biofuel market by adding in up to 10% of this biological product by 2010 and using innovative processes, based on a consistent research and development programme.

Galp Energia positioned itself from the outset to become a preferred partner for the fulfilment of this national goal in line with its commitment to sustainable development goals. As a result of Galp Energia's stake in biofuels, an ambitious project was launched for the production of biodiesel to be added to its fuels, where the Company aims to cover the whole chain, from raw material to marketing.

Through this broad involvement, it will be possible to ensure the environmental and social sustainability of agricultural projects as well as maximise the reduction of emissions throughout the product's lifecycle. This project will also contribute to raising the security of supply through diversification of raw material sources.

Following up on its biofuel strategy, which is to produce and market hydrogenated biodiesel in Portugal and Europe from competitive and sustainable vegetable oil produced in Africa and Brazil, Galp Energia signed in 2008 a memorandum of cooperation for the development of an agro-business project in Mozambique designed to produce and market biofuels, either for export to Portugal for processing at Galp Energia's biodiesel units or for production in Mozambique for the local market.

This innovative project consists of the production of jatropha and palm in Mozambique. These are two energy crops that do not compete with the food chain and can be grown on poorer soils with lower farming potential.

The Company which was set up for operating this business will also build an industrial unit for the production of vegetable oil that will be in the medium and long run partly exported to Portugal for processing at Galp Energia's refineries and subsequent addition to road fuel such as hydrogenated biodiesel. The remainder will go to the production of biodiesel at a local industrial unit for local distribution.

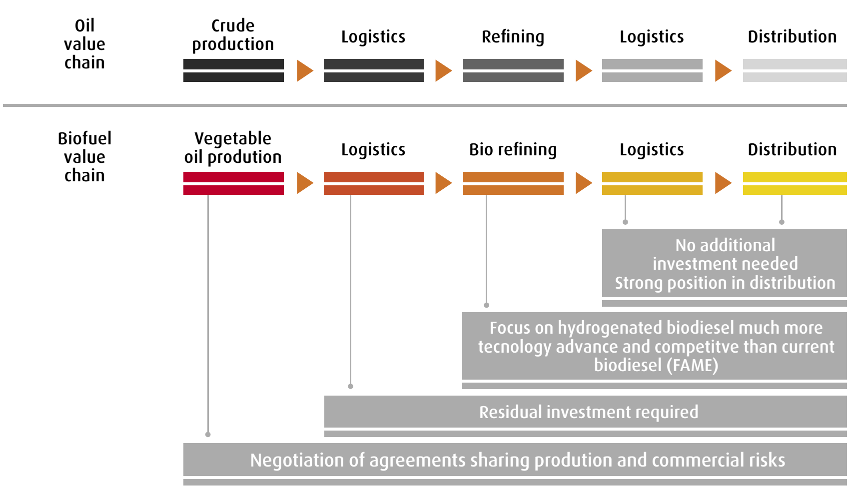
The control of the supply chain made possible by the project right from raw material production lowers both operations and market risk besides giving Galp Energia an important competitive advantage.

In all, Galp Energia has agreements in place, both in Mozambique and Brazil, for the supply of 400 thousand tonnes of vegetable oil per year. Studies and the necessary projects are under way to develop at Sines a unit with a capacity of 250 thousand tonnes of biodiesel using Ecofining technology.

Physic nut (jatropha)

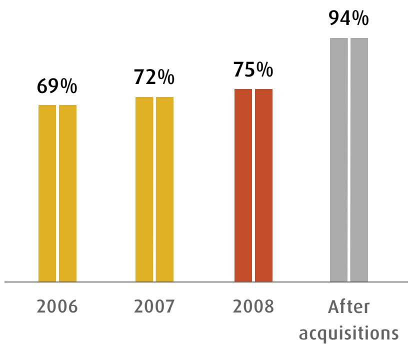
Jatropha will be one of the plants used for vegetable oil production

Biofuel value chain



Car tanks for fuel transportation to our clients

Refining by marketing cover ratio



Marketing of oil products

Galp Energia's main goal for the sale of oil products is to maximise returns from the network through efficiency gains and operations synergies.

The cover of quantities refined by quantities marketed directly to end customers rose in 2008 to 75%. A major contributor to this was the significant rise in sales in the Spanish market, which from the fourth quarter of the year included for the first time Agip's Iberian network.

After Agip's and ExxonMobil's Iberian operations for marketing oil products have been fully integrated, the cover ratio is expected to reach 94%.

Sales of oil products to Iberian direct clients reached 9.6 million tonnes, up 2.5% from a year earlier. The strategy for growth in Spain was pursued in 2008 through the acquisition of Agip's and ExxonMobil's operations, although the latter were not included in 2008 sales. Whereas sales in Portugal fell 3.7%, in line with the market trend, sales in Spain went up by 16.1%, raising their weight in total sales from 31.5% in 2007 to 35.7% in 2008. Galp Energia's sales of refined products are expected to be evenly distributed between the two countries after the Agip's and ExxonMobil's businesses have been integrated, which will diversify the client base geographically.

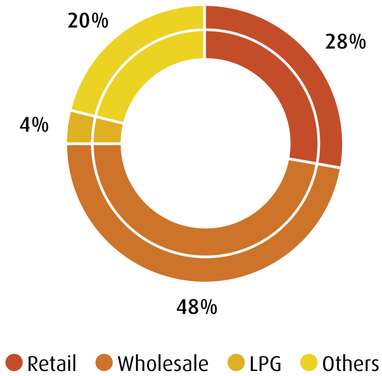
By segment, wholesale activities continued to feature prominently in Galp Energia's Iberian sales.

The weight of diesel in the market for oil products continued to rise and accounted for 50%, which was similar to the share of Galp Energia's sales in the domestic market.

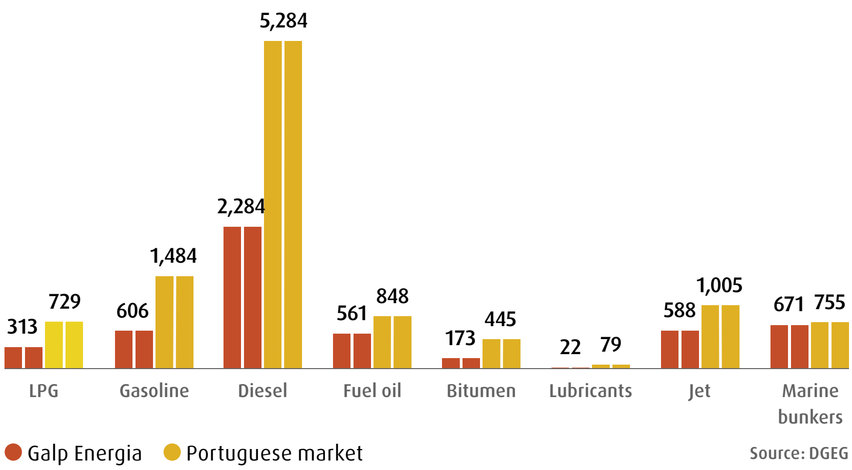
Retail

Supported by the acquisition of Agip's Portuguese and Spanish networks, retail sales rose 2.7% in comparison with a year earlier.

Sales by segment in 2008



Portuguese oil distribution market ('000 ton)



Source: DGEG

28%

Retail's segment sales represent 28% of Galp Energia's sales to direct clients

In Portugal, sales fell 4.7% following the economic downturn and higher fuel prices, which had a negative impact on demand.

In Spain, the retail business also suffered the impact of the crisis affecting the local economy, which led to falling demand for both gasoline and diesel.

The 29.8% rise in sales in the Spanish retail segment, following the acquisition of the Agip network, resulted in the increased weight of Spain in Galp Energia's Iberian retail sales from 21% in 2007 to 27% in 2008.

In 2008, the Iberian retail market contracted 3.6% to 36.8 million m^3, which raised the need for management action to be focused on the profitability and efficiency of the distribution network.

By generally complementing rather than overlapping the existing network, the acquired Agip and ExxonMobil networks enlarged the geographical cover of the Iberian Peninsula, in particular Spain.

The increase in the number of service stations in the Iberian network from 1,038 to 1,509 was mainly due to the addition of 497 stations from Agip and ExxonMobil. The steps taken to streamline and raise the efficiency of marketing operations resulted in the shutdown of 26 stations from the pre-existing network.

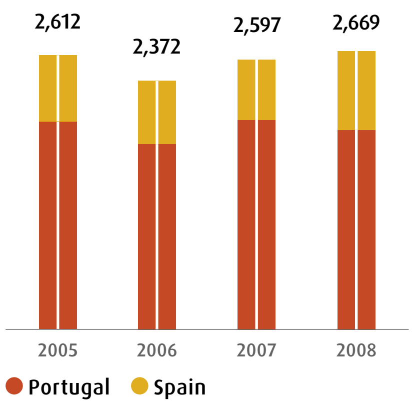
Galp Energia's sales by station in Portugal remained in 2008 above the market average. Although Galp Energia's sales fell from 2,907 m^3 to 2,707 m^3, accompanying the overall market contraction, average market sales by station also fell from 2,400 m^3 in 2007 to 2,100 m^3 in 2008. In Spain, Galp Energia's sales by station were slightly below the market average, or 3,059 m^3 in comparison with 3,400 m^3. This relationship is expected to change in 2009 after the addition of Agip's and ExxonMobil's networks as these have sales by station, which are higher than the market average.

By the end of 2008, the operation model structure of service stations differed significantly between Portugal and Spain. Whereas the DO model, i.e. stations operated by resellers, accounted for 87% of service stations in Portugal, this model accounted for 49% in Spain. Conversely, where Galp Energia was the operator (the CO model), the share in Spain was 51% and in Portugal 13%.

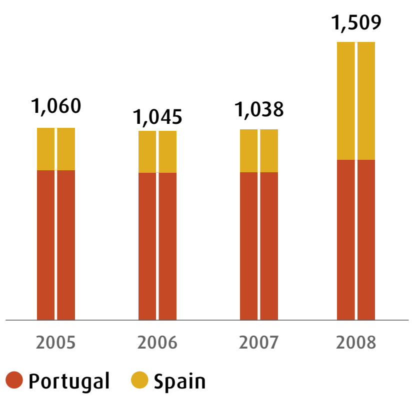
In order to mitigate the effects of the overall contraction of the retail market for oil products, a number of actions were developed. These included broadening the range of services on offer such as repair and quick wash, hotel, restaurants and a wider product range in convenience stores

Whereas in Portugal, the adverse market trend could be countered and non-fuel sales were stabilised at €70 million, in Spain the lower purchasing power contributed to Galp Energia's sales falling 8%, from €25.4 to €23.4 million.

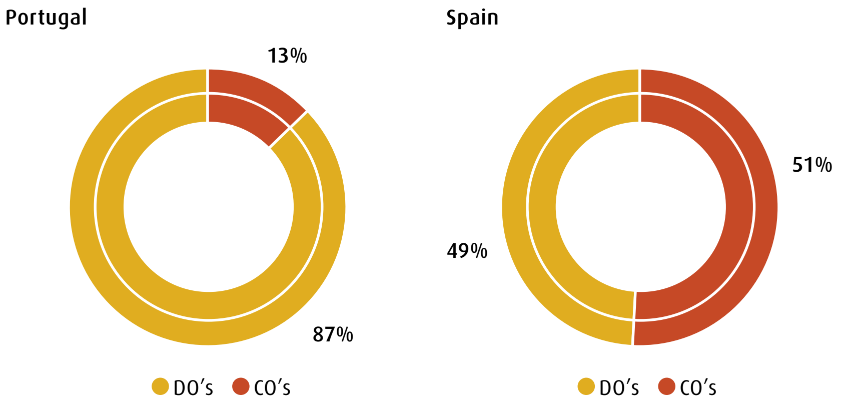
Retail sales (Mton)



Number of service stations

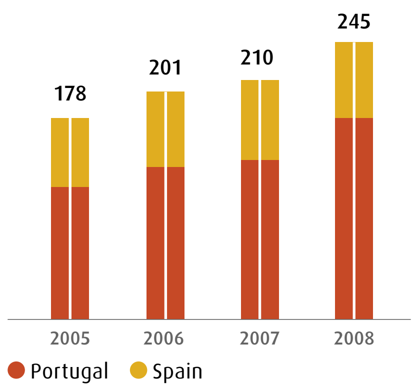


Iberian service stations by operation model



Note: Excludes service stations associated with Agip and ExxonMobil acquisitions.

Number of convenience stores in the Iberian Peninsula



In Portugal, non-fuel sales by litre of fuel sold rose 12%.

Owing to the success of the Orange project, the number of stores rose from 210 in 2007 to 245 in 2008. This project aims to extend the spread of the Tangerina brand to both M24 stores and small reseller stores, which will increase the number of stores run under the same brand. These stores are operated by Galp Energia and represented a strong bet on a reshuffled range, with particular focus on ready-to-eat food articles. The acquisition of Agip's and ExxonMobil's Iberian subsidiaries added another 183 convenience stores to the Galp Energia network, which now has a total of 428 stores.

Among the factors that contributed to Galp Energia keeping its share of the domestic market, the following played an important role: the sale of premium products in 95% of the network, the positive perception by clients of the improvements to the convenience stores, the quality of the service extended to clients and, in a shrinking market, the stepped-up policy of discounted sales.

Wholesale

Turnover in the wholesale segment rose 5.8% as declining sales in Portugal were more than offset by rising sales in Spain. The increase in Spanish sales, which were up 20.2% from 2007, was due to the addition of Agip sales from 1 October 2008.

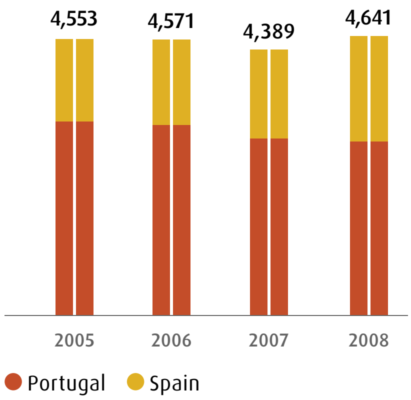
In the marine sub-segment, Galp Energia consolidated its market position as it accompanied the expanding trend of sea trade at Portuguese ports.

The aviation market grew 2.5% in 2008 although demand showed weakening signs in the first quarter and contracted outright after September. This trend resulted from steps taken by airlines to address the crisis in air transportation such as lower flight frequency and fewer routes. Galp Energia's sales in this sub--segment rose 6.1%, which led to the Company's market share increasing from 56.6% in 2007 to 58.5% in 2008.

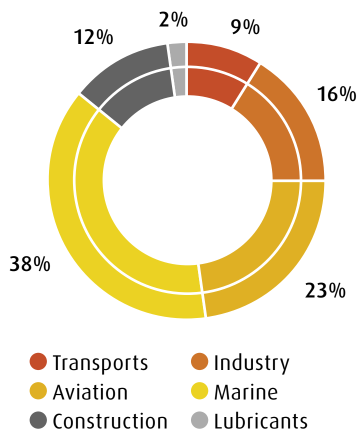
In the lubricant business, Galp Energia's market share rose from 26% in 2007 to 27.4% in 2008 as the Company conquered a leadership position in hypermarkets, acquired new clients and renegotiated contracts with car manufacturers.

In Spain, the Company kept its leading position as a supplier of diesel for transportation, agriculture and heating, as well as of fuel oil to various manufacturing industries for use as fuel or in cogeneration. Nonetheless, the economic downturn in Spain impacted negatively on the demand for diesel, gasoline and fuel oil.

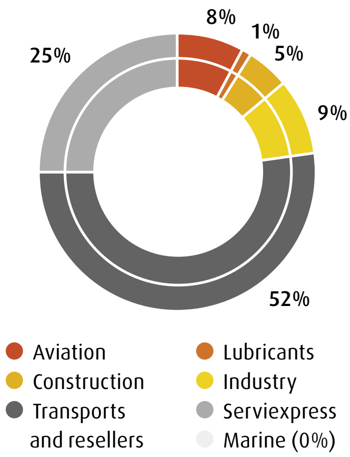
Sales in the wholesale segment (Mton)



Portuguese sales by sub-segment in 2008

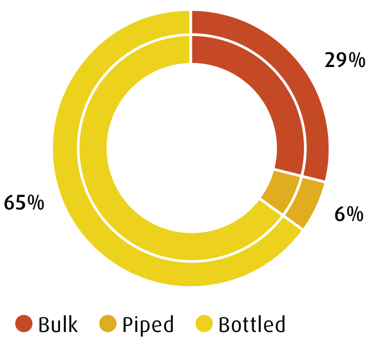


Spanish sales by segment in 2008

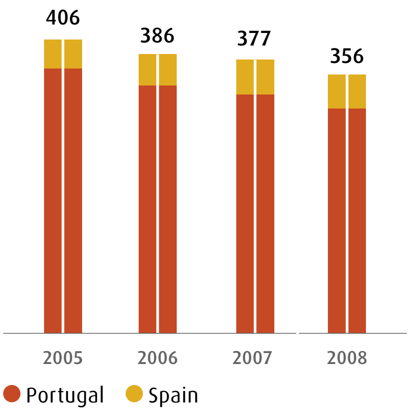


New Tangerina store at Oeiras' service station where our clients can find everything they need

Portuguese LPG sales by segment in 2008

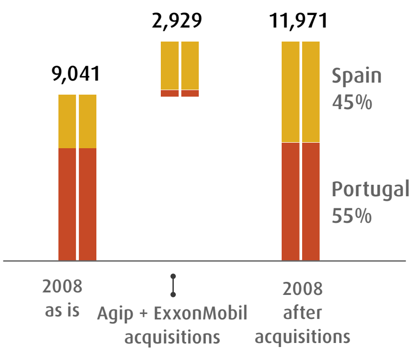


LPG segment sales (Mton)

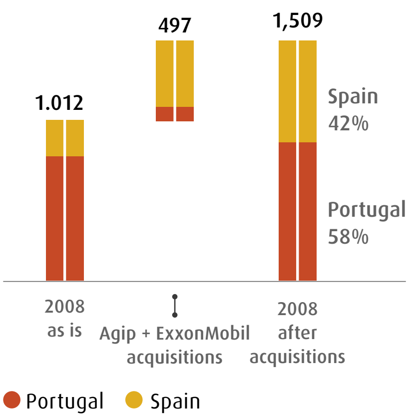


Main indicators after the Agip and ExxonMobil acquisitions

Sales of refined products ('000 ton)



Number of service stations



By sub-segment, transportation and resellers had the largest share of sales, followed by Serviexpress, Galp Energia's own brand for marketing diesel to small manufacturing units, agriculture and residential customers.

LPG

Galp Energia's share of the Portuguese market for LPG reached 41.9%. The launch of innovative kitchen, heating and lighting products in 2007, which led to the acquisition of new clients, could not, however, offset the decline of this market.

In the domestic market, sales of bottled LPG kept their dominant position, with 65% of the total.

Sales of the Pluma bottle grew in importance and amounted to 7% of sales of bottled butane gas. In piped gas, the number of clients climbed above 65 thousand – from 56 thousand in 2007 – which rewarded Galp Energia's bet on this segment as a way of raising profitability.

In Spain, sales activities centred on generating higher bulk LPG sales, which accounted for 49% of the total, and holding on to sales in piped and bottled LPG.

The Agip and ExxonMobil acquisitions

In 2008, the acquisition of Agip's and ExxonMobil's operations in the Iberian market for oil products was completed. These transactions were part of Galp Energia's strategy for expanding its operations in the Iberian Peninsula, the Company's core market for distributing oil products.

These acquisitions were very important as they raised the Company's capacity to place the products from its refineries, thereby stabilising sales and lowering dependence on exports, which have more erratic demand patterns and prices.

On 1 October 2008, Eni's activities for marketing oil products in Portugal and Spain were acquired. These included the Agip-branded service station networks in both countries as well as the wholesale business excluding lubricants.

On 1 December, the ExxonMobil subsidiaries' Esso-branded fuel distribution business and part of their lubricant business in Portugal and Spain were acquired.

After these transactions, Galp Energia will market an additional three million tonnes of oil products in the Iberian Peninsula and reach a total of 12 million tonnes, of which 45% in Spain.

These acquisitions entailed a capex of €752 million and the positive impact in terms of EBITDA level is expected to reach €120 million per year from 2011 onwards. This amount includes economies of scale and synergies that will result in lower logistic and procurement unit costs.

The European Commission made its approval of the ExxonMobil acquisition conditional on the sale of LPG, aviation and lubricant assets in Portugal, including logistics assets. This transaction is scheduled for 2009.

After the takeover, priority was given to including Galp Energia managers in the acquired companies' executive bodies in order to ensure these companies were managed according to Galp Energia's policies.

Already in 2009, the first synergies were achieved in the procurement of end products, particularly the import of diesel, the migration of clients to Galp Frota – which raised the card's Iberian coverage – and the opportunity to make joint purchases.

Service station in Mozambique, recently acquired to Shell

The African market

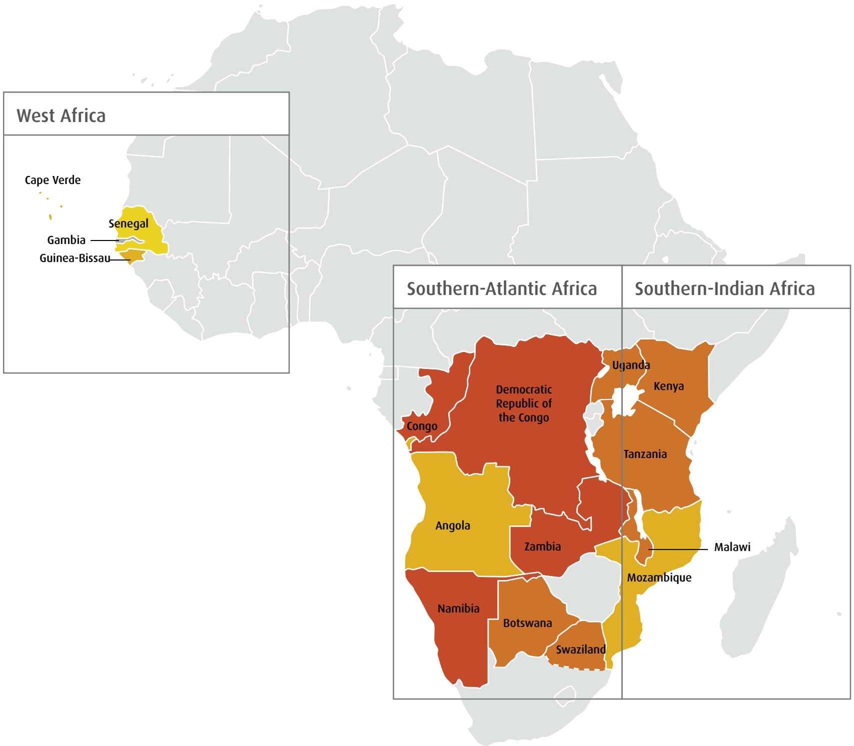
In 2008, major events in the African market included the acquisition of Shell's equity holdings in Mozambique, Swaziland and Gambia and the increase to 47.5% of Galp Energia's stake in Cape Verde's Enacol. Galp Energia marketed oil products through 12 associates operating in six African countries in the retail, wholesale and LPG segments.

The African venture had three development hubs: West Africa, comprising Cape Verde, Gambia and Guinea-Bissau, Southern-Indian Africa, including Mozambique and Swaziland, and Southern-Atlantic Africa, consisting of Angola, where sales of fuel and lubricants grew 90% in 2008 compared with 2007.

Besides achieving synergies in procurement, logistics and operations management, the marketing strategy for the African market also aimed to develop business in Portugal through the export of fuel and lubricants.

Although they are not large-sized – 0.5 million tonnes – Galp Energia's operations in Africa generate positive cash flow and capitalise on the excellent relationship the Company maintains locally in its exploration and production activities. This presence has also promoted the Company's investments in other business areas, namely biofuels.

Development hubs



Main indicators of the African business

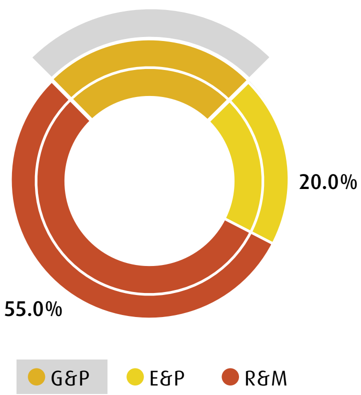
Country	Sales ('000 ton)	# of service stations	Tank farms
Mozambique	69	28	1
Angola	210	9	–
Guinea-Bissau	22	8	3
Cape Verde	129	24	4
Gambia	32	9	–
Swaziland	68	18	1
Total	**531**	**96**	**9**

02

Gas & Power

The Gas & Power business segment groups Galp Energia's procurement, distribution and marketing of natural gas as well as its electric and thermal power generation activities. The natural gas business consists of the purchase of gas – currently from Algeria and Nigeria – for marketing in the Iberian Peninsula, where the Spanish market recently gained a growing importance. The power business currently comprises the operation of cogeneration plants and has a developing portfolio of new cogeneration projects and gas-driven combined-cycle generation as well as renewable energy, namely wind power.

Share of the G&P business segment in Galp Energia's operating profit RCA in 2008



Main indicators

	2005	2006	2007	2008
Natural gas sales (Mm³)	4,234	4,596	5,377	**5,638**
Number of natural gas clients ('000)	705	757	816	**868**
Natural gas fixed assets (M€)	1,416	725	727	**755**
Installed capacity (MW)	80	80	80	**160**
Electrical and thermal power generation (GWh)	1,359	1,561	1,610	**1,548**
Electricity sold to the grid (GWh)	500	566	578	**478**
Special regime production sale price (€/MWh)	80.7	91.4	89.9	**105.2**
EBITDA RCA (M€)	284	320	254	**223**
Operating profit RCA (M€)	225	266	215	**176**
Capex (M€)	88	112	103	**116**

Main events in 2008

+ Galp Energia entered the Spanish market for natural gas where it achieved sales in excess of 100 million m^3;
+ Record sales of 4.6 bcm of natural gas through all business segments were achieved in the domestic market;
+ Galp Energia's gas distribution subsidiaries renegotiated their concession agreements with the Portuguese state;
+ ERSE, Portugal's energy regulator, published the tariffs resulting from the revenues permitted to regulated gas sales in 2008-2009;
+ Galp Energia entered the electricity market after participating for the first time in the auction for virtual electricity production capacity.

Autonomous natural gas distribution unit in Évora which supplies more than 3,600 clients

Strategy

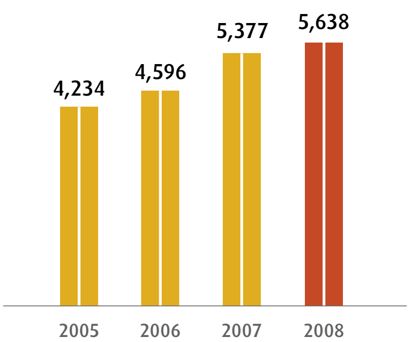
The overriding goal of the Gas & Power business segment is to develop an integrated portfolio of natural gas and electrical and thermal power generation projects. In natural gas marketing, Spain is, with an industrial segment ten times as large as its Portuguese counterpart, a priority in expanding Iberian activities. In order to exploit the potential of the Iberian market, Galp Energia aims to double its procurement capacity to 12 bcm a year by diversifying its supply sources, namely by entering the LNG midstream business in Angola and Venezuela. In power, the build-up of generation capacity from 160 MW to 1,200 MW will absorb an important share of natural gas purchases and optimise the margin of the business segment through a multi-energy offer. In renewable energy, the purpose is to raise the Company's profile in the wind and hydro sectors in order to balance the generation mix.

To develop an integrated portfolio of natural gas and electrical and thermal power generation projects, including the long-run increase of natural gas sales from 6 to 12 bcm a year and the build-up of electrical and thermal power generation capacity from 160 MW to 1,200 MW, maintaining a balanced mix

Natural gas

In 2008, the natural gas sector continued to expand and reached a new sales record. Galp Energia sold 5,638 million m^3 of natural gas in the Iberian Peninsula, up 5% from a year earlier. From 2005 to 2008, natural gas sales grew at an average annual rate of 10%, thus evidencing the large potential of this market.

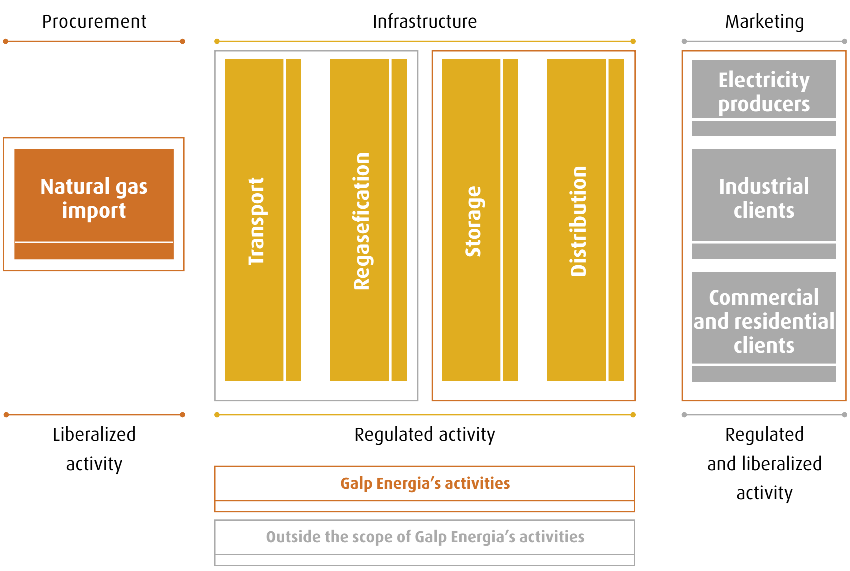
Natural gas sales (Mm^3)



Procurement

Natural gas purchases reached 5.7 bcm in 2008, up 6% from 2007. The sources of gas continued to be Algeria, which supplied 2.6 bcm that was transported to Portugal by the EMPL, Al Andaluz and Extremadura pipelines, and Nigeria, where 3.1 bcm of LNG

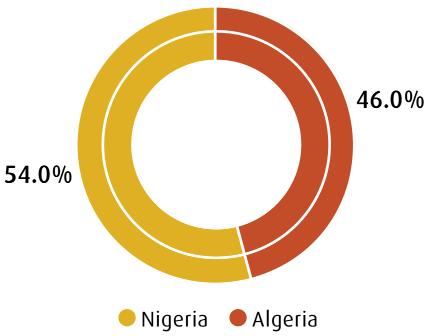
Natural gas value chain in Portugal



The Portuguese natural gas sector comprises a set of regulated and unregulated activities, ranging from unregulated procurement to the operation of exclusively regulated infrastructure to mixed – regulated and unregulated – marketing. Whereas regasification of liquefied natural gas and high-pressure gas transportation fall outside the scope of Galp Energia's activities, the import, storage, medium- and low-pressure distribution and marketing of gas fall within the scope of its operations.

Autonomous natural gas distribution unit in Beja which plays an important role on the supply of the local hospital

Sources of natural gas supply



were purchased for transportation in 34 ships.

Although they are valid for 20 years, the long-term supply contracts provide for the possibility of renegotiation during the contract's validity according with the rules provided there in.

The start of marketing activities in Spain in the beginning of the year, which resulted in annual sales of 114 million m^3, led to the hiring of capacity in the Spanish transportation, distribution and underground storage networks.

In 2008, ERSE, the market regulator, approved the rules for the organisation of natural gas auctions in order to diversify the supplier base of natural gas in Portugal.

The volume of natural gas to be auctioned, which comes from Galp Energia's imports and may only be used on domestic territory, shall be of 300 million m^3 per gas year. Pre-qualified marketing companies and clients buying more than 10,000 m^3 a year are admitted to the auction and the sales price may not be lower than the price paid by Galp Energia in its natural gas purchases.

Regulated Infrastructure

Distribution

The regulation of natural gas distribution in Portugal became effective in 2008, which was made

Equity holdings in international gas pipelines

International pipelines	Country	Capacity (bcm/year)	Quantities submitted in 2008 (bcm)	% Galp Energia	Galp Energia's dividends in 2008 (M€)
EMPL	Algeria, Morocco	12.0	11.3	27.4%	32.4
Al Andaluz	Spain	11.7	9.2	33.0%	3.2
Extremadura	Spain	6.1	4.6	49.0%	3.9

Contracts for the acquisition of natural gas and LNG

Contracts	Country	Contracted quantities (Mm^3/year)	Period (years)	Start-up	Next renegotiation
NLNG I (LNG)	Nigeria	420	20	2000	3rd quarter 2011
NLNG II (LNG)	Nigeria	1,000	20	2003	3rd quarter 2011
NLNG+ (LNG)	Nigeria	2,000	20	2006	4th quarter 2012
Sonatrach (natural gas)	Algeria	2,300	23	1997	1st quarter 2011

The distribution of natural gas in Portugal is provided by six distributors – five of which are Galp Energia subsidiaries – that operate under concession contracts and four so-called autonomous natural gas distribution units, where Galp Energia also has equity holdings and which operate under licence

possible by renegotiation of the concession agreements between the Portuguese state and Galp Energia's gas-distributing subsidiaries.

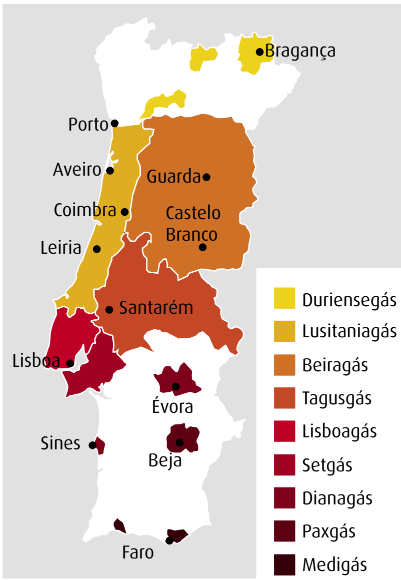
Following adoption of the European Union directive on deregulation of the market for natural gas, marketing activities were separated from the activities for operating distribution infrastructure.

All regulated activities are remunerated according to rules set by ERSE, the market regulator, who determines the allowed revenues for calculation of the tariffs. Allowed revenues for the distribution of natural gas equal the sum of the cost of capital (which is the product of the rate of return times the regulatory asset base plus depreciation charges), operating expenses and the tariff deficit, i.e. the difference between estimated permitted revenues for year n-2 and actual revenues – in case it exists. The regulation model also provides for tariffs flattening throughout the concession period in order to assure a steady tariff.

The distribution of natural gas in Portugal is provided by six distributors – five of which are Galp Energia subsidiaries – that operate under concession contracts and four so-called autonomous natural gas distribution units, where Galp Energia also has equity holdings and which operate under licence.

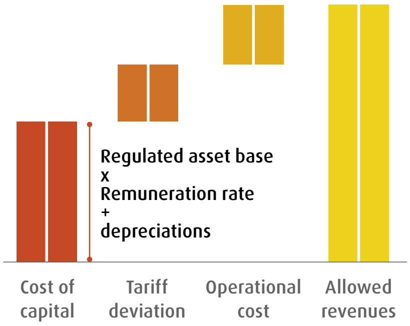
The concession contracts between the Portuguese state and Galp Energia's gas distributors were signed in April 2008. These contracts set out the rules applicable to the distribution and marketing of natural gas and provided for the extension of the concession period to 40 years from 1 January 2008. Under these new contracts, the Portuguese State guarantees the concession holder, in order for a financially balanced concession to be achieved, the remuneration of the activities covered by the concession as well as the revaluation of the concession assets at the inflation rate at the start of each regulatory period. The distributors are granted the right to seek the restoration of balanced financial terms if, for the four regulatory periods following the first one, the compensation set by ERSE does not consider the implicit risk premium in the rate of return which has been set for the first regulatory period and if, after the mentioned

Galp Energia's concessions for the distribution of natural gas



In 2008, Galp Energia's distributors transported close to 1.5 bcm of natural gas by their infrastructure, with Lusitaniagás reaching 661 million m³, due to its close location to several industrial clients.

Regulatory model for the distribution of natural gas



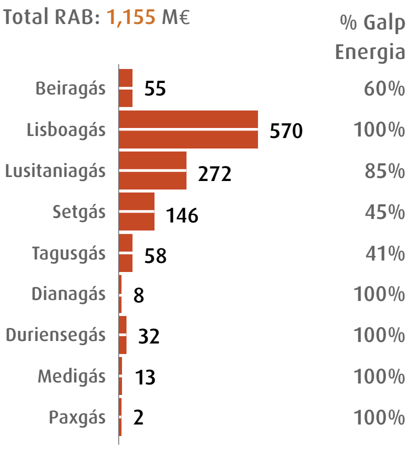
Note: The cost of capital is subject to tariff flattening.

Parameters entered into the calculation of allowed revenues for gas year 2008-2009

Inflation rates: 2008	2.7%
2009	2.6%
Rate of return on the regulated asset:	9%
Regulatory period:	3 years
Regulatory asset base (RAB):	1,191 M€

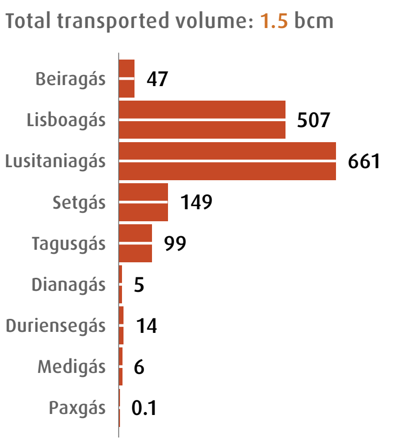
Note: Gas year corresponds to the period from 1 July of year n until 30 of June of year n+1.

RAB by company at 31 December 2008



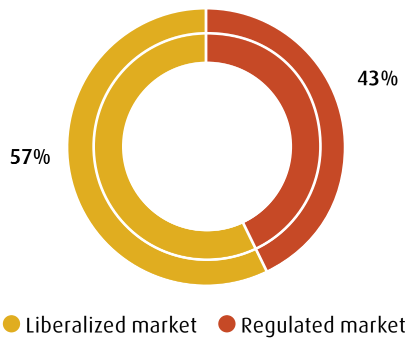
Note: Tagusgás' RAB refers to June 2008.

Transported quantities in 2008 (Mm³)



Galp Energia is one of the few commercial companies in the Iberian Peninsula that holds natural gas storage capacity which allows it to exploit trading opportunities. Currently Galp Energia storage capacity is around 40 million m³, with 45 million m³ under construction and 110 million m³ of potential development

Galp Energia's sales of natural gas by type of market in 2008



period, i.e. after the first 15 years, the rate of return set by ERSE does not consider the rates of return of other comparable assets, namely those allocated to the distribution of electricity or the high-pressure transportation of natural gas.

In 2008, Galp Energia's distributors transported close to 1.5 bcm of natural gas by their infrastructure.

The distribution network currently connecting 868 thousand clients was extended to 10,462 km in 2008 after an additional 704 km was built in the year at a cost of more than €87 million.

Storage

The underground storage of natural gas is a regulated activity whose operation has been awarded under concession to Galp Energia. The regulatory asset base is currently valued at €17 million and has a rate of return of 8%. The regulatory model which is applicable to this activity follows the same approach as the one applied to the regulation of natural gas distribution, except for the tariff-flattening mechanism.

The storage cavern currently in use was operated under normal conditions throughout the year. Construction of a second cavern started in 2008 whereby 100,000 m³ were dug. According to the current evaluation of geological conditions, this cavern is likely to reach a final geometrical volume that will significantly exceed the originally planned 570,000 m³, 45 million m³ of usable volume.

Marketing of natural gas

Galp Energia's sales of natural gas in the Iberian Peninsula in 2008 were made to the liberalised market (57%) and the regulated market (43%). The liberalised market comprised sales of natural gas to electricity producers (68%), which are committed up to 2020, trading activities (28%) and the industrial market (4%). Regulated sales went to both wholesale clients (67%), consisting of industrial clients buying more than two million cubic metres a year, and retail clients (33%), consisting of residential, commercial and industrial clients buying less than two million cubic metres a year.

In 2008, Galp Energia sold 5,638 million m³ of natural gas in the Iberian Peninsula – 3,219 million m³ in the free market and 2,419 m³ in the regulated market.

Liberalized market

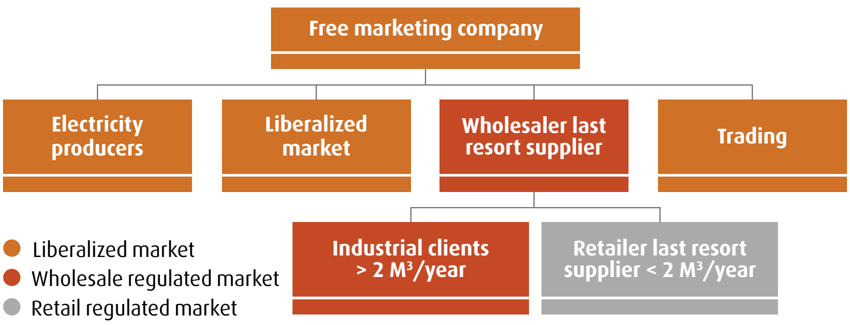
Deregulation of the sector moved to a new phase in 2008 as natural gas began to be sold at unregulated prices to clients with annual buying volumes in excess of one million m³, typically industrial clients. The sale of natural gas to electricity producers was deregulated in January 2007.

Preparing for the possibility of natural gas competitors entering the market after this new phase, Galp Energia centred its activity in 2008 on the corporate sector in order to migrate clients to the liberalized market, raise existing clients' satisfaction and loyalty levels and increase revenues per client.

In fact, the economic conditions, the rules and mechanisms applicable and, above all, the difference between the regulated and the free tariff lowered expectations for the migration of clients from the regulated to the liberalized market. The development of this market is constrained by the sales margin achieved.

Although no more than 1.4% of the clients entitled to migrating to the free market actually did it, Galp Energia still believes the market will open, the reason it is developing the mechanisms required to effectively respond to this challenge. By comparison, the Spanish industrial market, which is ten times as large as the Portuguese one, is entirely deregulated, with no regulated tariffs and with effective competition.

Galp Energia's model for marketing natural gas



In this respect, Galp Energia developed more elaborate tariff grids, expanded research to know the needs of its clients better, broadened the range of products and services on offer, intensified actions to raise energy efficiency and generally improved its interaction with the client base.

Electricity segment
Natural gas fired electric generation increased in 2008 and the production of electricity at combined cycle plants accounted for 26% of total energy consumption in Portugal.

Sales of natural gas to the electricity segment rose 17% from 2007 to 2,189 million m³, the highest level ever. This increase resulted primarily from low water levels in the year, which contributed to the use of 4 percentual points more natural gas in the production of electric energy in comparison with 2007.

Industrial segment
In 2008, the first year of deregulation of the Portuguese industrial sector for volumes above one million m³ a year, Galp Energia signed ten agreements for the supply of natural gas under the free regime representing annual sales of 165 million m³ and nine million m³ in 2008.

Executing one of the main strategic goals for its natural gas business, Galp Energia started to supply in 2008 the Spanish industrial segment, representing annual demand for 15 bcm. In its first year, the Company achieved sales of 114 million m³ in Spain.

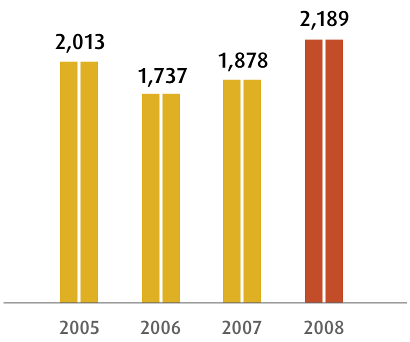
Galp Energia's aim is to capitalise on the experience gained from operating for ten years in the Portuguese natural gas market so as to acquire a relevant position in the Iberian industrial market.

Trading
The 21% decline in traded volumes in this segment in comparison with 2007 was primarily due to the fact that 2007 was an unusually dry year in Spain, which led to strong demand for natural gas for the production of electricity. In 2008, the demand for natural gas for the production of electricity rose in Portugal, which reduced considerably the amount of natural gas available for trading.

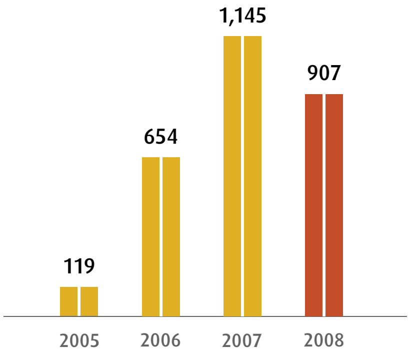
Regulated market

Regulation of marketing activities
Regulated last-resort marketing of natural gas started on 1 January 2008, which effectively separated physical distribution from marketing as required by law.

Galp Energia's sales of natural gas to the electricity segment (Mm³)



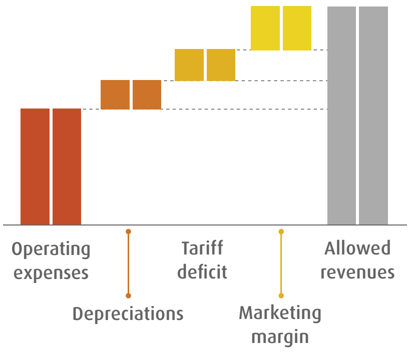
Galp Energia's sales of natural gas to trading (Mm³)



In 2008 Galp Energia started to supply the industrial Spanish market in execution of one of its main strategic goals for its natural gas business, to double its sales in the longer run

One of natural gas uses is the residential utilization. If you are in Portugal the probability of using Galp Energia's gas is very high

Regulatory model for last-resort marketing activities

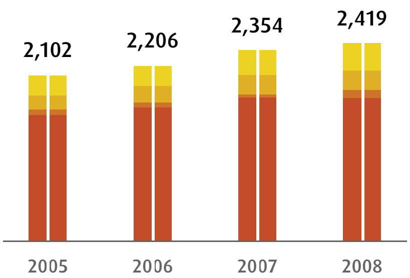


Parameters entered into the calculation of permitted revenues for gas year 2008-2009

Interest rate for marketing margin calculations (Euribor 3M + 1.5%)	6.227%
Unit cost of buying natural gas	2.15 cent€/KWh[1]
Regulatory period	3 years

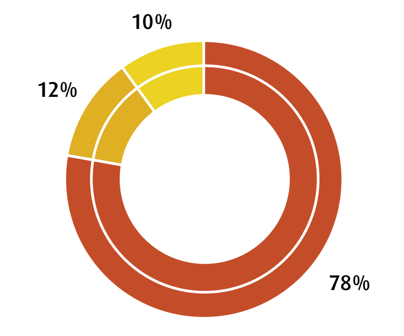
Note: [1] Updated quarterly for clients buying more than 10,000 m³ a year.

Galp Energia's sales of natural gas in the regulated market (Mm³)



Industrial Commercial
Residential Other distributors

Sales per segment in 2008



Industrial Commercial & residential
Other distributors

The concession agreements signed with the Portuguese state awarded each distributor a licence for last-resort retail marketing, or CURr in the Portuguese terminology, entitling the companies to market natural gas in the regulated market, in their concession territory, to clients buying less than two million cubic metres of natural gas a year.

According to the new legal framework, compensation for last-resort marketing activities follows ERSE's rules, which specify the revenues allowed for the calculation of tariffs.

Allowed revenues include – in addition to operating expenses, depreciation charges and the tariff deficit – a marketing margin whose purpose is to cover the financial risk incurred by last-resort marketing companies when managing working capital.

Under the new concession agreements between the Portuguese state and the natural gas distributors, last-resort retailing licensees were guaranteed for their sales to final customers in the first five regulatory periods (until 30 June 2022) an amount equal to the product of €4 per client/year times the number of clients in the beginning of each regulatory period.

Sales

In 2008, Galp Energia achieved sales of 2,419 million m³ in the regulated market for natural gas, up 2.8% from a year earlier.

The industrial segment continued to predominate in 2008, with 78% of the total, while the remainder was split between the commercial/residential segment (12%) and other distributors (10%) where Galp Energia has no equity stake.

Sales of 1.9 bcm to the industrial segment were virtually in line with 2007, although sales to clients buying more than two million m³ reached an all-time high of 1,618 million m³. One of the new clients was Sinecogeração, the new cogeneration plant at the Sines refinery, which will over time become the largest client, with 250 million m³ a year, or around 15% of the Portuguese industrial segment. This will strengthen the integration between the natural gas and power businesses and help place a substantial part of the natural gas imported by Galp Energia.

The residential/commercial segment continued to expand in the year, namely after the conversion of 36,548 clients to natural gas. Sales reached 290 million m³, up 26% from a year earlier.

At the end of the year, Galp Energia had, through its distributing subsidiaries, 868 thousand clients of natural gas, up 6% from 2007.

+

Autonomous natural gas distribution unit in Beja which supplies 672 clients

1,200MW

The main goal of the power business is to develop a competitive portfolio of power generation with a capacity exceeding 1,200 MW

Power

The main goal of the power business is to develop a competitive portfolio of power generation with a capacity exceeding 1,200 MW and including, in addition to existing and developing cogenerations, natural gas fired combined-cycle plants and wind power.

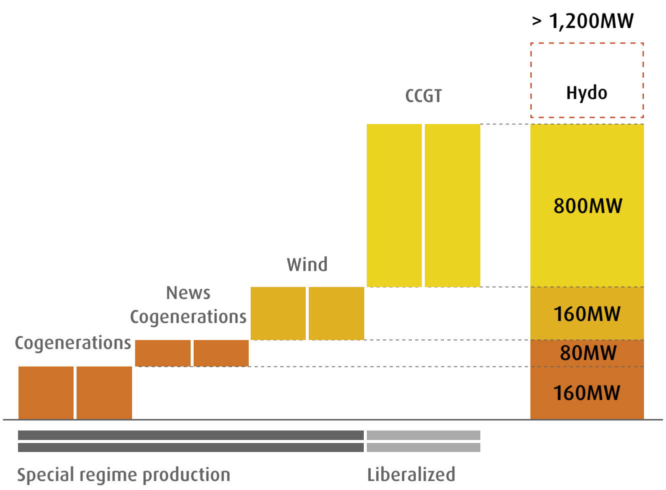
Although it is not in operation yet, Sinecogeração doubled in 2008, from 80 MW to 160 MW, the installed cogeneration capacity and joined the existing three cogenerations where Galp Energia has an equity stake.

Cogenerations

The three cogeneration plants – Carriço, Powercer and Energin – that are partly owned by Galp Energia have a joint capacity of 80 MW. In 2008, these plants generated 1,548 GWh of electrical and thermal power and used 161 million m³ of natural gas. Currently, they are Galp Energia's single source of electric power generation under special regime, i.e. with priority access to the grid and sale at a regulated tariff.

At the end of the year, Sinecogeração was connected to the electricity and natural grids and the first tests were performed prior to its start of

Building a gas to power portfolio



The development of a power portfolio will be responsible for over 1,000 million m³ of natural gas' own consumption.

Carriço cogeneration plant with an installed capacity of 30 MW

The new cogenerations will induce the use of over 500 million m³ of natural gas per year, around a quarter of the industrial Portuguese market

operations, which is scheduled to occur in the first quarter of 2009. Concurrently, the construction of Portcogeração, to be equipped with two gas turbines with a total power generation capacity of 80 MW, was awarded and the plant is expected to come into operation at the Porto refinery by 2011. In order to cover the refinery's steam needs, two new recovery boilers will be linked to the turbines.

The new cogenerations will induce the use of 520 million m³ of natural gas per year, thereby contributing to the integration of the natural gas and power businesses, which is one of the strategic goals of the Gas & Power business segment. In addition, the new cogenerations will contribute to improving the refineries' energy efficiency, lowering their cost of thermal energy, curbing emissions of sulphur and nitrogen oxides and reducing CO_2 emissions at national level.

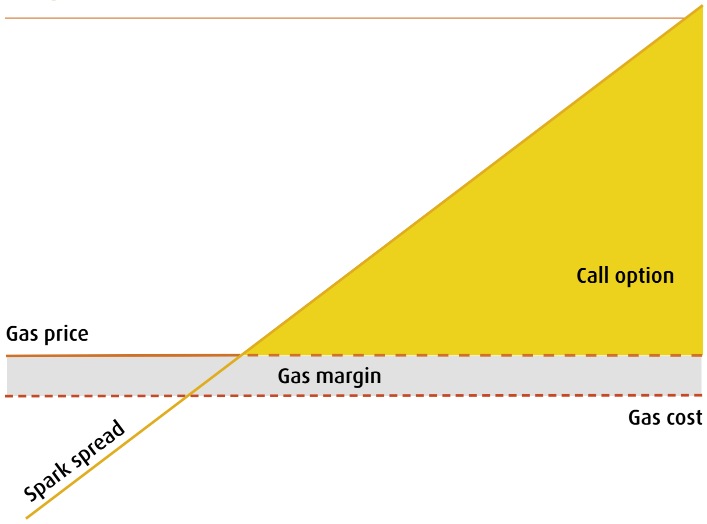
The cogeneration plants at the Sines and Porto refineries will be the country's largest, which will place Galp Energia in the top position as regards the use of cogeneration technology in Portugal.

Combined-cicle gas turbine plant

In 2007, Galp Energia launched a project for the construction at Sines of a combined-cycle gas turbine (CCGT) plant with installed capacity of 800 MW. This was an important step towards the production of electricity under the market regime. With this initiative, Galp Energia aims to enter a high-growth market and achieve synergies with its natural gas business, which follows from the fact that the plant is expected to use 870 million m³ of natural gas per year. Integration of the natural gas and power businesses will extract more value from Galp Energia's long-term supply contracts of natural gas as it will allow higher efficiency in the management of the Company's procurement capacity. In parallel, integration will give Galp Energia the opportunity to engage in arbitrage between natural gas trading and electricity production margin, in what can be described as a true call option. The electricity produced by the CCGT plant is primarily aimed at the Portuguese pool, where the average price is €5/MWh higher than in the Spanish pool, if the conditions prevailing in 2008 remain unchanged.

In 2008, a tender was launched for the plant's engineering, procurement and construction (EPC) as well as its operation and maintenance. Bids were received in September and are currently under review. The time expected to elapse between contract signing and operations start is between 24 and 36 months.

Call option arising from integration of the gas and power businesses



Hydroelectric plants

In 2008, opportunities to invest in hydropower plants were reviewed by Galp Energia, the purpose being to increase the Company's share of power generation from renewable sources and to diversify its generation portfolio.

In case it materialises, the entry into hydroelectric generation will also reduce average CO_2 emissions from Galp Energia's power portfolio and give the Company access to cost-efficient technology with, particularly, a much lower marginal cost in comparison with thermal power plants.

By providing storage capacity, hydroelectric generation will also reduce Galp Energia's exposure to market risk by giving it the opportunity to exploit price differences between peak and off-peak hours.

This source of power generation is also a natural hedge of thermal power capacity relative to the hydro content of the Portuguese electrical system and will improve Galp Energia's

In 2008 Galp Energia participated for the first time in the auction for virtual power production capacity

competitiveness in comparison with the incumbent's generation mix.

Besides hedging the power business, hydropower generation is also a way of mitigating the negative correlation between water levels and the use of natural gas for power generation.

Entry into the electricity market

As a provider of integrated energy solutions, Galp Energia created in 2008 a department for trading electricity and green house emission licences. The purpose was to promote development of the market for electricity with a view to safeguarding the natural gas client base in an unregulated market environment as well as manage the use of CO_2 emission licences centrally.

In accordance with this strategy, Galp Energia participated for the first time in January 2008 in the auction for virtual production capacity organised in Portugal by OMIP, the Iberian energy market operator. In this auction, the Company obtained virtual production capacity that it placed on the market in the second and third quarters of the year. The event marked Galp Energia's entry into organised electricity trading. In 2008, Galp Energia also participated in the auction for virtual electricity production in Spain, with delivery in the fourth quarter of 2008.

These auctions aim to trade options to buy electric power. This is a way to make available to market participants such as electricity suppliers, large-sized end customers and outside participants the use major operators' production capacity. In Portugal's case, these are the plants that were previously covered by power purchase agreements (PPAs).

During the year, applications were filed for membership of Powernext, the French electricity exchange, and ICE/ECX, the CO_2 emissions exchange, in order to prepare for trading activities to be phased in throughout 2009.

Wind power

Ventinveste, S.A., a company 34% owned by Galp Energia, which was set up for the installation of power generation capacity of up to 480 MW in wind farms, worked in 2008 towards licensing of the farms, which are scheduled to come gradually on stream up to 2013. Necessary steps were also taken to connect the farms to the electricity grid, to specify equipment and to select the construction model.

+

Wind farm at Ericeira, Portugal, using the same technology of future Galp Energia's farms

Assumptions for engaging in wind farms

Capex period	Guaranteed tariff	Tariff evolution	Guaranteed tariff period	Expected utilization
Between 2009 and 2012	€70.62/ MWh in the first production year	100% inflation	15 years or 33 GWh/MW	Load factor of 32%

03

Financial review

In 2008, we achieved a turnover of €15,062 million. At replacement cost adjusted, EBITDA was €975 million, operating profit v693 million and net profit €478 million, or €0.58 per share, up 14% compared with a year earlier.


-75%

03

Executive summary

Galp Energia's replacement cost adjusted net profit advanced 14.2% in 2008 to €478 million.

The good performance delivered by the Refining & Marketing business segment offset the shortfall in results from the Gas & Power business segment, where rising sales of natural gas were neutralised by the outcome of the renegotiation of long-term supply contracts.

Relevant facts for Galp Energia's financial performance in 2008 were:

- Working interest production of crude oil at 15.1 kbopd, down 11.5% from 2007;
- Refining margin at 4.4 Usd/bbl, down 19.2% from 5.5 Usd/bbl in 2007;
- Refining-by-marketing cover ratio at 75%, up from 72% in 2007, following the addition of Agip's sales from 1 October;
- Natural gas sales of 5,638 million m^3, up 4.8% from 2007, with the electric sector the largest contributor to this rise;
- Capital spending of €1,560 million, trebling the 2007 level, with 80% channelled to Refining & Marketing.

Galp Energia's replacement cost adjusted net profit of €478 million was the highest in the last four years

Brent dated price, according to Bloomberg's chart, was down 60% from 2007

Analysis of income statement items

Net profit according to IFRS dropped 83.8% from 2007 to Ð117 million as the inventory effect swung dramatically to negative territory. Replacement cost adjusted net profit amounted to €478 million, 14.2% ahead of 2007 with the positive impact of Refining & Marketing business segment performance.

Income statement (M€)

	2007	2008	Change	% Ch.
Turnover	12,560	**15,086**	2,526	20.1%
Operating expenses	(11,417)	**(14,698)**	3,281	28.7%
Other operating revenues (expenses)	70	**61**	(9)	(12.5%)
EBITDA	**1,213**	**449**	**(764)**	**(63.0%)**
Depreciations and provisions	(278)	**(282)**	4	1.4%
Operating profit	**936**	**167**	**(768)**	**(82.1%)**
Net profit from associated companies	60	**48**	(12)	(19.3%)
Net profit from investments	21	**0**	(21)	(99.7%)
Net interest expenses	(43)	**(61)**	(18)	(42.1%)
Profit before tax and minority interests	974	**155**	(819)	(84.1%)
Income tax	(249)	**(33)**	(216)	(86.8%)
Minority Interests	(5)	**(5)**	0	6.0%
Net profit	**720**	**117**	**(603)**	**(83.8%)**
Inventory effect	(280)	**355**	(635)	n.m.
Net profit RC	**440**	**472**	**32**	**7.2%**
Non recurrent items	(22)	**6**	28	n.m.
Net profit RCA	**418**	**478**	**59**	**14.2%**

Sales and services rendered

Sales and services provided of €15,086 million were 20.1% higher than in 2007.

This rise, which was primarily driven by the Refining & Marketing and Gas & Power business segments, resulted from higher prices of crude, oil products and natural gas in international markets. In the Exploration & Production business segment, higher crude prices could not make up for lower net entitlement production, which ultimately led to weaker sales in this business segment.

Sales and services rendered (M€)

	2007	2008	Change	% Ch.
Exploration & Production	233	**200**	(32)	(13.9%)
Refining & Marketing	11,115	**13,224**	2,108	19.0%
Gas & Power	1,455	**1,942**	487	33.5%
Others	104	**127**	23	22.4%
Consolidation adjustments	(347)	**(408)**	(61)	(17.5%)
TOTAL	**12,560**	**15,086**	**2,526**	**20.1%**

Operating costs

Operating costs increased 28.3% to €14,919 million, which was largely due to the 30.7% rise in the cost of goods sold following higher prices of crude oil and other raw materials. The cost of goods sold accounted for 92% of the overall operating costs. Using replacement cost accounting, the cost of goods sold was €13,209 million, which was 22% higher than 2007 and reflected higher prices of crude and oil products in international markets.

92%

The cost of goods sold accounted for 92% of the overall operating costs reflecting higher prices of crude and oil products in international markets

Supply and services cost increased by 7.9% to €680 million. Excluding the €21 million cost incurred by Agip's integration, the increase amounted to 4.6% and was due to (i) higher production costs in the Exploration & Production business segment, namely rising maintenance costs at the BBLT and Kuito fields and broad cost increases in industry services and equipment, (ii) higher legal costs, (iii) higher storage and filling costs in Spain, (iv) higher transportation costs for both crude and oil products following the overall rise in freight rates and higher frequency of overstays and (v) the costs arising from the shutdown for maintenance at the Sines refinery.

Personnel costs rose 3.8% to €292 million in 2008. Excluding the Agip effect, the rise was 1.3% and resulted primarily from payroll costs and related charges.

Depreciation charges fell 6.7% to €240 million. The Refining & Marketing business segment depreciations had a 14.7% decrease, owing mainly to the fact that some assets, namely at the Sines refinery, reached the end of their economic life.

The Exploration & Production business segment posted a 26% increase in depreciations, reflecting (i) the €8.6 million cost of six dry wells in the Potiguar and Sergipe-Alagoas basins in the Brazilian onshore, and (ii) the change in proved and probable reserves following the update of DeMac's report at 31 December 2008.

In the Gas & Power business segment, depreciation charges fell Ð6 million after the extended period for the gas distribution concession resulted in lower annual depreciation rates.

Provisions of €42 million, which were double the size of 2007, resulted from increases in all business segments. In the Exploration & Production business segment, increases came from added provisioning for abandonment of Angola's producing fields. In the Refining & Marketing business segment, the €11 million increase was primarily due to bad debts. Provisions in the Gas & Power business segment rose by €6 million owing to the impact in 2008 of the renegotiation of gas supply contracts, which was partly offset by the reversal of a provision on account of a debt arising from strategic reserve services provided by the Gas & Power business segment.

Net operating costs (M€)

	2007	2008	Change	% Ch.
Cash operating costs				
Cost of goods sold	10,505	**13,726**	3,221	30.7%
Supply and services	630	**680**	50	7.9%
Personnel costs	281	**292**	11	3.8%
Other operating (revenues) expenses	(70)	**(61)**	(9)	(12.5%)
Non cash operating costs				
Depreciations	257	**240**	(17)	(6.7%)
Provisions	21	**42**	21	101.1%
Total	**11,625**	**14,919**	**3,294**	**28.3%**

Operating profit

IFRS-based operating profit in 2008 was €167 million, down 82.1% from 2007 following adverse inventory effects. In replacement cost adjusted terms, operating profit rose by 11.8% to €693 million as the increase in replacement cost adjusted operating profit from the Refining & Marketing business segment offset a profit shortfall in the Gas & Power business segment.

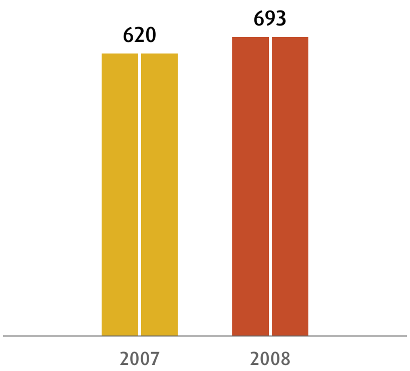
11.8%

Galp Energia's operating profit RCA rose by 11.8% to €693 million from 2008

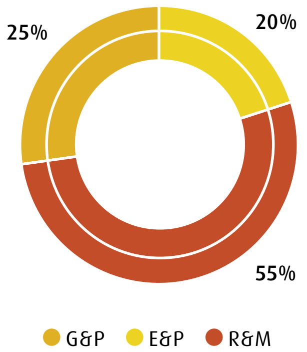
Operating profit (M€)

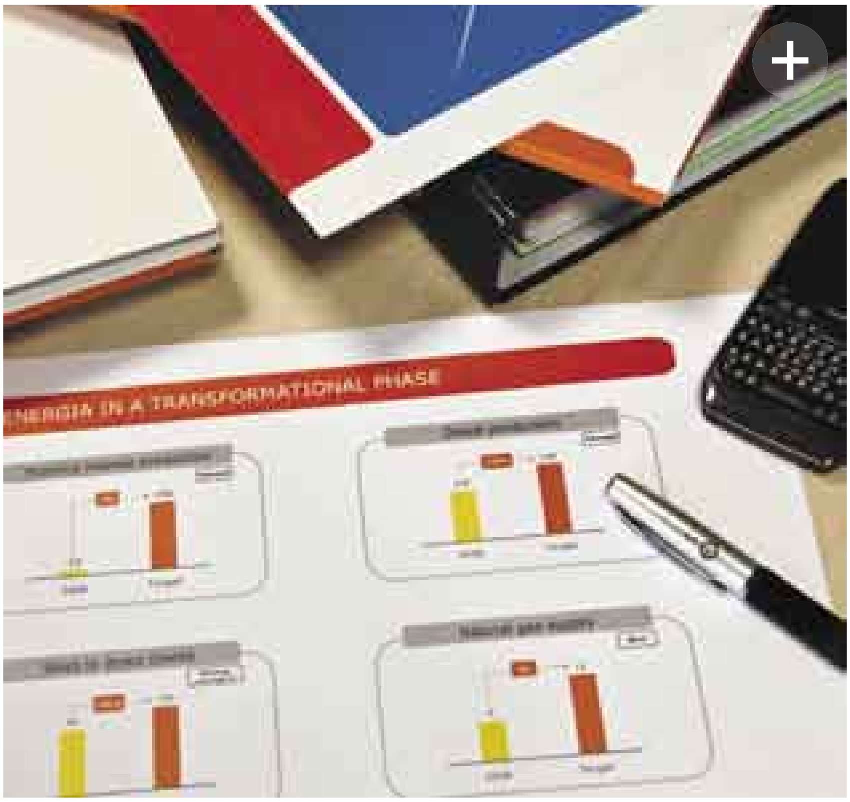
	2007	2008	Change	% Ch.
Exploration & Production	146	**122**	(24)	(16.3%)
Refining & Marketing	582	**(174)**	(756)	n.m.
Gas & Power	212	**216**	4	1.8%
Others	(5)	**3**	8	n.m.
Operating profit	**936**	**167**	**(768)**	**(82.1%)**
Inventory effect	(318)	**517**	(835)	n.m.
Operating profit RC	**618**	**684**	**66**	**10.7%**
Non recurrent items	2	**9**	7	283.3%
Operating profit RCA	**620**	**693**	**73**	**11.8%**
Exploration & Production	150	**141**	(9)	(6.0%)
Refining & Marketing	261	**373**	112	43.2%
Gas & Power	215	**176**	(39)	(18.1%)
Others	(5)	**3**	8	n.m.

Operating profit RCA (M€)



RCA operating profit by business segment (M€)





Galp Energia's transformational projects will allow the increase of operating profit in the future

20%

RCA operating profit from the Exploration & Production business segment accounted for 20.3% of Galp Energia's RCA operating profits

Exploration & Production

RCA operating profit from the Exploration & Production business segment fell by 6% to €141 million and accounted for 20.3% of Galp Energia's RCA operating profit. The 38.5% rise in the average sales price was cancelled out by the 20.1% fall in net entitlement production, the rise in production costs and the increase in depreciation charges.

Production costs climbed to €22.4 million, from Usd 5.9/bbl to Usd 9.0/bbl in unit terms, as net entitlement production declined – thereby narrowing the base for spreading fixed costs – and prices of services and equipment advanced broadly in international markets. Operational setbacks at the BBLT field, which induced increased maintenance, also contributed to rising production costs.

Depreciation charges excluding impairments increased to €59.7 million, or Usd 24.0/bbl in unit terms from Usd 15.8/bbl in 2007. This increase reflected the reserve update in DeMac's report at 31 December 2008.

In Brazil, evaluation of the potential and economic feasibility of oil production projects led to the return to ANP, the Brazilian energy regulator, of ten onshore blocks – eight of them operated by Galp Energia – on the Potiguar and Espírito Santo basins. The returned blocks were written down in the accounts, which resulted in the recognition of a net operating cost of €9 million. In addition, impairments of €8.6 million were recorded on account of the drilling of six wells which were found to be dry. Both these cost items were considered as non-recurrent events.

373M€

Refining & Marketing business segment operating profit RCA reach €373 million, up 43.2% from 2007

Refining & Marketing

IFRS-based operating loss of €174 million in 2008 for the Refining & Marketing business segment, as opposed to operating profit of €582 million a year earlier, was largely due to a negative inventory effect of €552 million.

On the other hand, RCA operating profit advanced to €112 million, or 43.2%, in comparison with 2007. This change was due to a time lag effect resulting from the one-week delayed adjustment to prices payable by domestic operators – including Galp Energia's own marketing of oil products – in response to changes in international market prices. In 2008, the Company had a positive accumulated time lag effect of €78 million – against a negative effect of €67.4 million in 2007 as the price of oil products in international markets went down by a larger measure in 2008 than they went up in 2007. This effect offset the fall in Galp Energia's refining margin, which followed the trend in international refining margins and suffered the effect of the scheduled shutdown for maintenance at the Sines refinery.

In unit terms, Galp Energia's refining margin fell by 19.2% to Usd 4.4/bbl. In euros, the fall equalled 24.7%, to Eur 3.0/bbl, following the depreciation of the US dollar against the euro. The refining margin was also weakened by own consumption, which accounted for 8.2% of processed raw materials – in line with 2007 but representing a larger amount as crude prices went up by close to 33.7% in 2008.

The refineries' cash costs were virtually unchanged in 2008 in euro terms although in unit US dollar terms there was an increase from Usd 2.1/bbl to Usd 2.2/bbl.

The marketing of oil products benefited from the results contributed by Agip's Iberian subsidiaries, particularly in Spain, and the specialties business in the Iberian Peninsula. International marketing of oil products also increased its activity and raised its contribution to results.

Gas & Power

In 2008, RCA operating profit from the Gas & Power business segment fell by 18.1% to €176 million. Larger quantities sold and higher natural gas prices in international markets could not offset the adverse effect of the renegotiation of supply contracts. Indeed, in the fourth quarter of 2008, an arbitral decision was handed down with regard to gas supply contract NLNG+ (representing close to 2,000 million cubic metres a year), which prompted further negotiations with the supplier. The outcome was a change in the formula for calculating the purchase price of gas effective from May 2007, which led to a charge of €112 million to the fourth quarter of 2008. This charge was, however, partly offset by the reversal of a provision of €9 million, resulting in a net impact of €103 million.

Operating profit for the natural gas infrastructure activities, namely distribution and storage, rose by 8.3% to €88 million, which showed their earnings stability

The renegotiation effective from June 2007 of another supply contract – the NLNG II, representing close to 1,000 million m³ a year – is currently under way. For precautionary reasons, Galp Energia carries a provision of €30 million.

Operating profit for the natural gas infrastructure activities, namely distribution and storage, rose by 8.3% to €88 million, which showed their earnings stability.

The power business posted in 2008 a unit margin of €11.8/MWh, down from €14.0/MWh in 2007, following the stop of the Energin cogeneration plant. Sales of 478 GWh of electricity to the grid were made at the price of €105.2/MWh, up 17.1% from a year earlier as a result of the tariff update that followed the rise in the Brent.

Results from associates

Results from associates in 2008 amounted to €48 million, of which €39.7 million – an increase of 6.2% compared to a year earlier – were generated by Galp Energia's equity holdings in international pipelines EMPL, Metragaz, Gasoducto Al Andaluz and Gasoducto Extremadura.

These results, however, were lower than in 2007, when a capital gain was made from a disposal of assets.

Results from investments

In 2008, there were virtually no results from investments – in 2007 a positive result of €21 million was recorded that basically originated from a non-recurrent event related to an adjustment to the price of the natural gas assets sold to REN in the third quarter of 2006.

Financial results

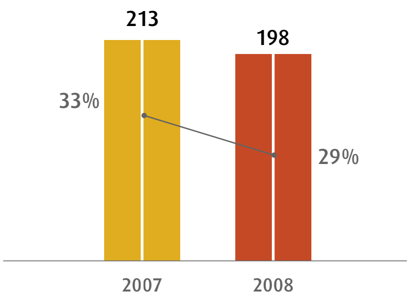
Financial losses of €61 million in 2008 were €18 million larger than in 2007. The reasons for this change were the rise in the average interest rate of the debt from 4.63% in 2007 to 5.10% in 2008 and the rise in average debt from €836 million to €1,134 million.

Energin's Cogeneration plant with an installed capacity of 42MW

Tax

IFRS-based income tax was €216 million lower for the year as a result of the lower valuation of inventories and weaker trading conditions in 2008 that led to lower profit before tax in IFRS terms. Nonetheless, the change in inventory valuation criteria following from newly introduced legislation (Law n.º 64/2008) led to an increase of €33.8 million in tax payable.

Income tax (M€)

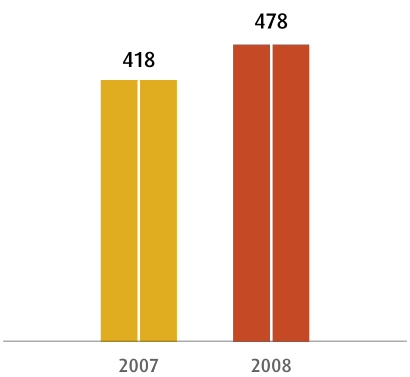


● Effective income tax rate (%)

Income tax (M€ except otherwise noted)

	2007	2008	Change	% Var.
Income tax IFRS	**249**	**33**	**(216)**	**(86.8%)**
Effective income tax rate	26%	**21%**	(4.3 p.p.)	n.m.
Inventory effect	(38)	**162**	(199)	n.m.
Income tax RC	**211**	**195**	**(17)**	**(7.9%)**
Non recurrent items	1	**3**	2	(216.8%)
Income tax RCA	**213**	**198**	**(14)**	**(6.8%)**
Effective income tax rate	33%	**29%**	(4.3 p.p.)	n.m.

RCA net profit (M€)



IRP payable in Angola was €11.6 million lower at €53 million following the reduction in net entitlement production in 2008.

The effective IFRS tax rate was 21.3% in 2008 against 25.6% in 2007.

In RCA terms, the effective tax rate was 29.1%, also down from 33.4% a year earlier. Excluding the IRP, the effective tax rate in 2008 would have been 23.1% against 25.9% in 2007.

Net profit

IFRS-based net profit was €117 million in 2008, down 83.8% from a year earlier. This decrease was due to the opposite sign of the inventory effect compared to 2007. Whereas the inventory effect was negative in 2008, meaning a lower valuation of inventories, in 2007 the situation was the opposite one.

Replacement cost adjusted net profit was €478 million, up 14.2% from 2007 against an 11.8% increase in operating terms. Deteriorating financial results following higher interest rates and debt levels as well as lower results from associates were partly offset by lower taxes in adjusted terms.

+14%

Galp Energia's RCA net profit rose 14% in 2008 to €478 million, on the back of a good performance of the Refining & Marketing business segment, which positively contributed for the increase in operating profit and the reduction in income tax

Capital expenditure

Capital expenditure in 2008 reached €1,560 million, up €1,094 million from 2007.

Close to €196 million were channelled into the Exploration & Production business segment, namely (i) €110 million for block 14, particularly the development of the Tômbua-Lândana field, the BBLT and appraisal of the Lucapa discovery, (ii) €13 million for the drilling and appraisal of exploration wells on block 32 in Angola, (iii) €27 million for exploration activities in the Brazilian offshore, including drilling of the Júpiter, Bem-te-vi and Iara fields and preparation of the long-term test at the Tupi field from the second quarter of 2009, (iv) €10 million for the bonuses paid in Brazil's ninth bidding round, (v) €18 million for exploration activities in the Brazilian onshore in the Potiguar and Espírito Santo basins, with drilling of 21 exploration wells which resulted in nine discoveries and (vi) €14 million for exploration activities in Mozambique, East Timor and Portugal for 2D and 3D seismic acquisition and subsequent interpretation.

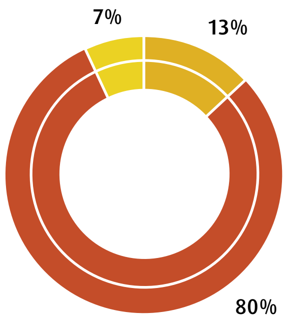
In the Refining & Marketing business segment, capital spending reached €1,245 million, up from €1,076 million in 2007, and accounted for 80% of total capital expenditure in 2008. Spending in this business segment was predominantly directed at the acquisition of Agip's and ExxonMobil's Iberian businesses for marketing oil products – for a total of €752 million – the refinery conversion project where the purchase of major equipment items started (whereby some contracts have already been awarded, namely the reactors for the Sines hydrocracker), the scheduled stop for maintenance at the Sines refinery – for an amount of €57.5 million – and the acquisition of the concession for the liquid bulk terminal at the Port of Sines.

In the Gas & Power business segment, capex totalled €116 million and was partly channelled into extending the secondary network for the distribution of natural gas by 704 km for the connection of an additional 52 thousand natural gas clients, both new and converted. In the power business, final expenditure was made on the Sines cogeneration, which is scheduled to start operations in the first quarter of 2009. Capital spending was also directed at the Porto cogeneration, whose EPC contract was signed in December.

Capital expenditure (M€)

	2007	2008	Change	% Ch.
Exploration & Production	193	196	3	1.7%
Refining & Marketing	168	1,245	1,076	639.1%
Gas & Power	103	116	13	12.5%
Outros	1	2	1	174.2%
Total	**466**	**1,560**	**1,094**	**234.9%**

Capital expenditure by business segment in 2008



Construction site at Porto refinery, for the conversion project that will increase the production of diesel

Capital structure

Fixed assets increased in 2008 by €1,297 million to €3,881 million, reflecting the level of capital expenditure in the year, particularly the acquisition of Agip's and ExxonMobil's Iberian subsidiaries for €752 million.

Consolidated balance sheet (M€ except otherwise noted)

	December 31, 2007	December 31, 2008	Change
Fixed assets	2,584	3,881	1,297
Strategic stock	582	480	(103)
Other assets (liabilities)	(151)	(29)	122
Working capital	89	(249)	(338)
	3,104	**4,082**	**978**
Short term debt	336	687	351
Long term debt	505	1,304	799
Total debt	**841**	**1,991**	**1,149**
Cash	107	127	20
Total net debt	**734**	**1,864**	**1,129**
Total shareholder's equity	**2,370**	**2,219**	**(151)**
Capital employed	**3,104**	**4,082**	**978**
Net debt to equity	31%	84%	53.0 p.p.

The value of strategic inventories dropped €103 million in comparison with 31 December 2007 to €480 million at 31 December 2008 as the prices of oil products in international markets fell in the year. This drop had a direct impact on the unit valuation of strategic obligations, with the largest changes occurring in middle distillates and gasoline.

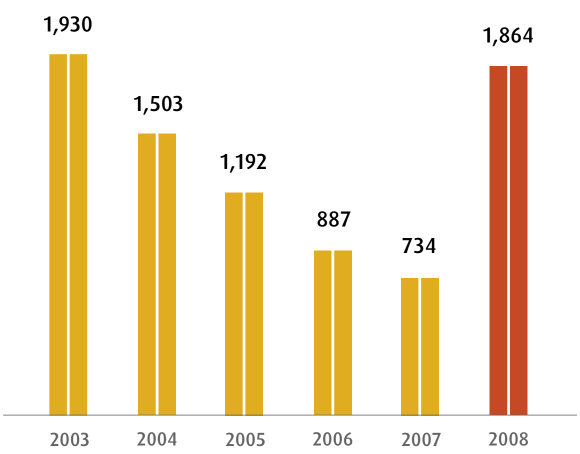
Other assets and liabilities went up by €122 million compared to the end of 2007 reflecting (i) lower deferred tax liabilities of close to €114 million following the change to weighted--average cost inventory valuation and (ii) higher deferred tax assets relating to tax losses to be deducted from future profits.

At year end, the Company had negative working capital of €249 million, down €338 million from the end of 2007. This change was primarily due to lower receivables and operating inventories in line with falling prices of crude and oil products in international markets. Another important factor was the increase in accounts payable arising from expenditure on the Sines cogeneration and the conversion of both refineries.

Net debt increased to €1,864 million from €734 million at the end of 2007. This increase was related to growing capital expenditure, in particular the acquisition in 2008 of Agip's and ExxonMobil's Iberian subsidiaries.

Between 2003 and 2007 Galp Energia's net debt was down considerably. However, in 2008, with the intensification of the Company's capex plan, namely Agip's and ExxonMobil's Iberian subsidiaries acquisitions for a total consideration of €752 million, net debt posted an increase to €1,864 million, close to 2003 levels.

Net debt (M€)



Galp Energia head office, Lisbon

The net debt-to-equity ratio increased in the year by 53 percentage points to 84%.

The average maturity of the debt shortened from 2.75 years at the end of 2007 to 2.68 years at the end of 2008 – or lengthened to 3.7 years if long-term debt only is considered following borrowings of €450 million at the end of 2008 maturing in 2011.

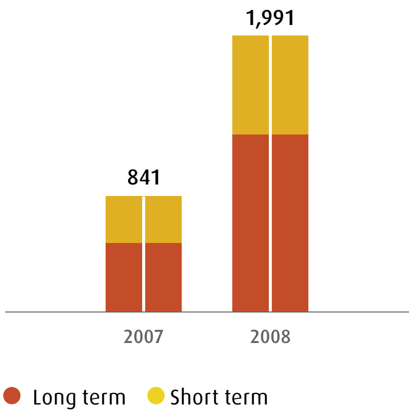
After the new borrowings, the share of long-term debt rose to 66% of total debt compared to 60% at the end of 2007. At the same time, the share of floating-rate debt in total long-term debt fell to 68% from 74% at the end of 2007 as €350 million were borrowed at fixed rate.

The average cost of debt rose by 47 basis points from 4.63% in 2007 to 5.10% in 2008, which reflected the rise in reference rates.

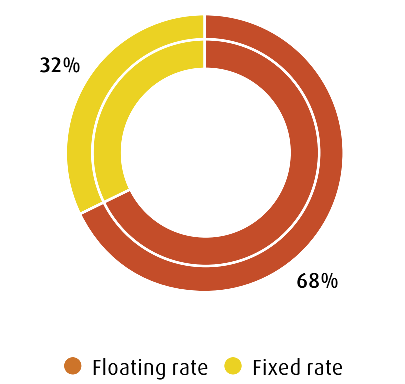
At the end of December 2008, Galp Energia had no US dollar denominated debt.

Net debt attributable to minority interests at 31 December 2008 amounted to €35.3 million.

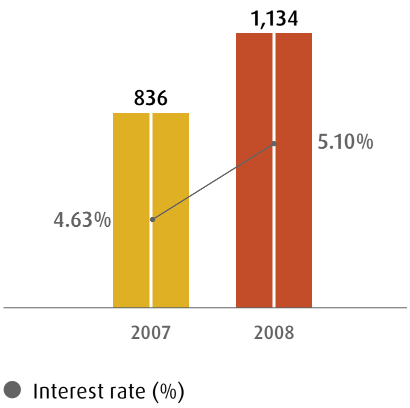
Maturity structure of the debt at year end (M€)



Fixed-floating debt mix at the end of 2008



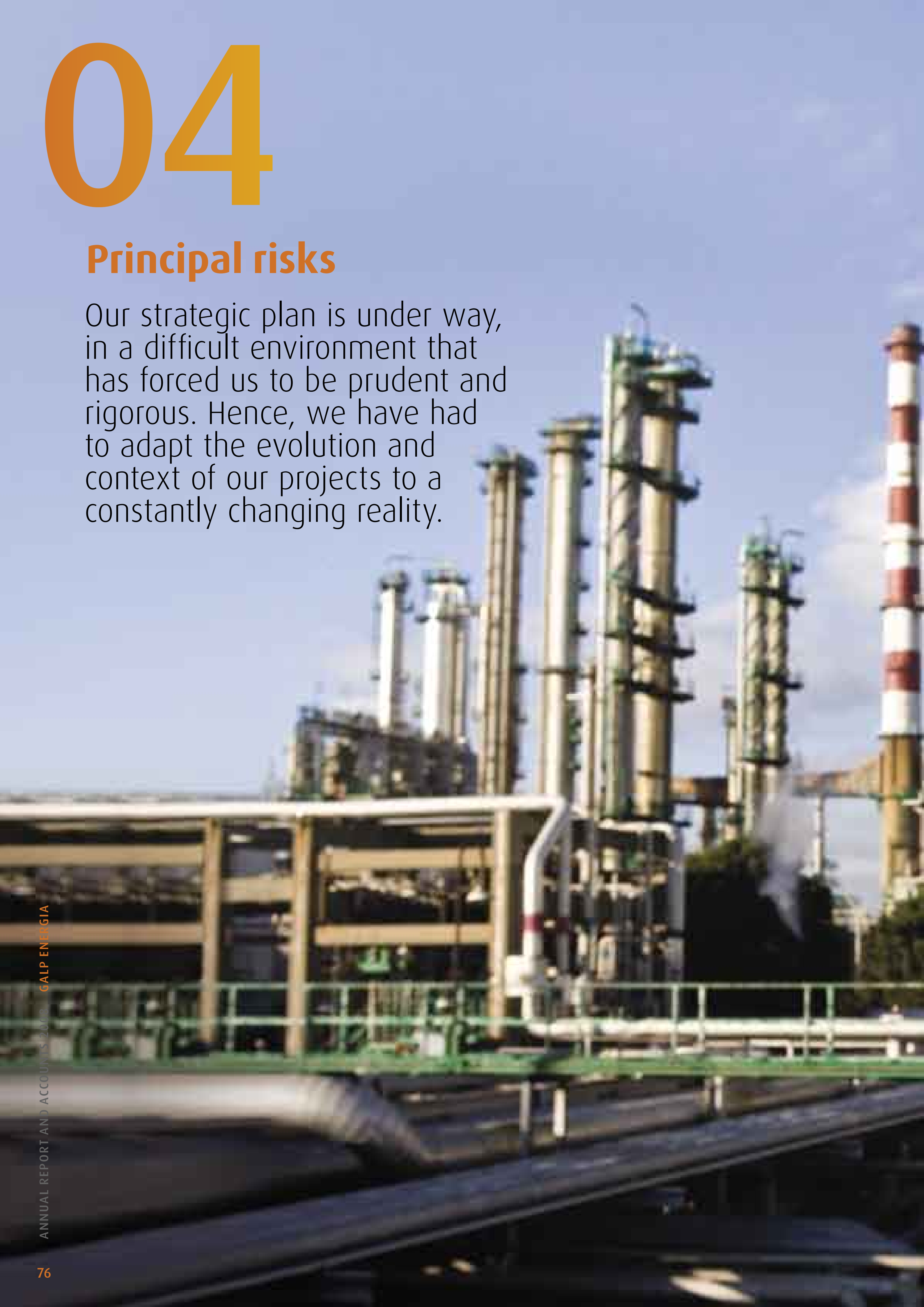
Average debt in the year and average cost of debt (M€)



04

Principal risks

Our strategic plan is under way, in a difficult environment that has forced us to be prudent and rigorous. Hence, we have had to adapt the evolution and context of our projects to a constantly changing reality.



04

Risks faced by Galp Energia

Galp Energia's operations and earnings are subject to risks from changes in competitive, economic, political, legal, regulatory, social, industry, business and financial conditions. Investors should carefully consider these risks as they may have a material adverse effect, separately or in combination, on Galp Energia's results from operations and its financial condition. Actions being taken by management to mitigate some of these risks are identified where appropriate. In addition, Galp Energia may be adversely affected by other risks besides those listed below.

Market risks

Galp Energia's operations and earnings are subject to several risks. Not all the risks mentioned in this chapter are under Galp Energia control and may exist others not listed here under

Galp Energia operations are subject to several types of risks, namely oil, natural gas and refined products price fluctuations, fluctuations in exchange rates and competition from other companies operating in the energy sector.

Fluctuating prices for oil, natural and oil products

Prices of oil, natural gas and oil products are affected by supply and demand. Factors that influence these include operational issues, natural disasters, weather, political instability or conflicts, economic conditions or actions by major oil-exporting countries.

A material decline in the price of crude oil or natural gas may have a material adverse effect on Galp Energia results of operations or financial condition, in particular on its Exploration & Production business segment, by reducing the economic recoverability of discovered reserves and the prices realised from production. Furthermore, lower crude oil prices may also reduce the amount of oil that the Company can produce economically or reduce the economic viability of projects for the production of oil that are planned or in development. Galp Energia also maintains inventories of crude oil, other feedstock, refined petroleum products and natural gas whose value is negatively affected by declines in market prices.

A rise in crude oil and natural gas prices may also adversely affect the Company's results of operations and financial condition, as it would increase the significant portion of expenses relating to the purchase of crude oil and natural gas. Although the prices that Galp Energia charges to its customers generally reflect the market prices of oil and natural gas, prices may not be adjusted to immediately or fully account for increased market prices in markets experiencing volatility, in particular the prices applied in the regulated natural gas market. Significant pricing level changes during the period between the purchase of crude oil and other feedstock and the sale of refined petroleum products could therefore have a material negative effect on Galp Energia business, financial condition and results of operations.

Although an increase or decrease in the price of crude oil generally results in a corresponding increase or decrease in the price of the majority of the Company's refined products, changes in the prices of refined products generally lag behind upward and downward changes in crude oil prices. As a result,

a rapid and significant increase in the market price for crude oil could have an adverse impact on refining margins. Furthermore, movements in the price of crude oil and refining margins may not correlate at any given time.

Galp Energia manages and mitigates commodity price risk by monitoring its net global commodity position and balancing its purchase and supply obligations. In particular, Galp Energia manages the pricing period in order to achieve, at the end of each month, the average Brent dated crude price of such month, regardless of the actual days of pricing. The Company seeks to achieve this objective through daily purchases and/or sales of futures in crude oil based on the difference between the actual price and the average Brent dated of each month. Therefore, Galp Energia purchases are effectively spread throughout the month based on market prices without any change to the pattern of physical purchases. Galp Energia facilitates these pricing hedges through the Intercontinental Exchange (ICE) in London.

Galp Energia's oil production in Angola is hedged using the same method to smooth the pricing period of the sale of the crude oil that is produced through over-the-counter (OTC) markets. This scheme results in the smoothing of the price for a period of up to one year. To protect itself from the price changes between the exported products and crude price, Galp Energia hedges its margin for part of the exports on a monthly basis. These hedges are made through swaps and future contracts.

Fluctuations in exchange rates

Galp Energia's activities are exposed to fluctuations in currency exchange rates, in particular the US dollar against the euro, its home currency. Trading prices of crude oil, natural gas and

Galp Energia manages and mitigates the price risk of raw materials and of its crude production in Angola

The energy sector is highly competitive across the globe. Galp Energia is under competitive pressure in many significant parts of its business, including in the access to raw materials such as oil and gas reserves

most refined petroleum products, and thereby a significant portion of Galp Energia costs and revenues, are generally denominated in or tied to the US dollar, while the Company financial statements are prepared in euros. Accordingly, a depreciation of the US dollar against the euro can have an adverse effect on Galp Energia's reported earnings, as it decreases the value of the profits generated in US dollars or tied to the US dollar. Furthermore, fluctuations of the euro against the US dollar can have a negative impact on certain balance sheet items, such as inventories and loans.

Since this is a denomination risk that is a function of other variables, such as oil and natural gas prices, Galp Energia has always been very cautious about hedging this risk, as there are natural hedges embedded either in its balance sheet or its cash flows. The degree of exposure of cash flows and especially of balance sheet items is a function of the prices of oil and natural gas. Galp Energia looks at its overall net foreign exchange exposure rather than each single individual transaction where it is exposed to foreign exchange risk. The objective of Galp Energia's foreign exchange risk management is to limit the uncertainty created by changes in foreign exchange rates over this net foreign exchange exposure. Hedging receivables and payables based on market speculation is not allowed. Any remaining currency exposure is monitored on a case-by-case basis. In Galp Energia's natural gas business, foreign exchange risk is managed by conforming the Usd/Eur exchange rate of invoices payable to suppliers to the Usd/Eur exchange rate applied to invoices receivable from customers. Galp Energia has used this strategy on a consistent basis since 2000.

Competition

The energy sector is highly competitive across the globe. The Company is under competitive pressure in many significant parts of its business, including in the access to raw materials such as oil and gas reserves and refinery feedstock, in the sale of products to customers, in the development of innovative products and solutions, including the development of new technologies, and in the search for employees with the skills and experience Galp Energia needs. When seeking access to reserves, its Exploration & Production business segment faces competition from both national and international oil companies, which control a substantial part of world reserves. Galp Energia's business of marketing petroleum products in Iberia on a retail and wholesale basis is also highly competitive, knowing that well-established competitors hold large shares of that market. Galp Energia's competitors include multinational or state-owned oil, gas and power companies with significantly greater financial resources and international operating experience. Failure to adequately analyse, understand or respond to the competitive environment could have an impact on Galp Energia's financial position.

In 2008 the US dollar reached its lowest price against the euro

Galp Energia's execution of its strategic plan is to a significant extent dependent upon the successful completion of projects within budget, costs and specifications

Operational risk

Project delivery, reserves development and depending on third parties are some of the operational risks Galp Energia's activities are subject.

Project delivery

Galp Energia's execution of its strategic plan is to a significant extent dependent upon the successful completion of projects within budget, costs and specifications. The delivery of these projects is subject to health, safety and environment (HSE), technical, commercial, legal, contractor and economic risks. Projects may be delayed or prove unsuccessful for many reasons, including: cost and time overruns in the construction stage; failure to comply with legal and regulatory requirements; equipment shortages; availability, competence and capability of human resources and contractors; unscheduled outages; mechanical and technical difficulties. Projects may also require the use of new and advanced technologies, which can be expensive to develop, purchase and implement and may not function as expected. Such potential obstacles may impair the delivery of these projects and, in turn, negatively affect Galp Energia's operational performance and financial position (including the financial impact from the failure to fulfil contractual commitments related to project delivery).

Reserves/resources growth and estimation

Galp Energia's future oil and gas production is dependent on its successes in finding, acquiring and developing new reserves. Usually the rate of production from natural gas and oil reservoirs declines as reserves are depleted. Galp Energia needs to replace these depleted reserves with new proved reserves on a consistent and cost effective basis. This replacement process could be affected by a number of factors including: barriers to gaining new exploration acreage; inaccurate interpretation of geological and engineering data; unexpected drilling conditions or equipment failure; inadequate resources including drilling rigs, skilled personnel, contractors, materials and supplies; and disruptions to the successful implementation of the drilling programme. There can be no assurance that Galp Energia will be successful in its exploration and development activities or in purchasing proved reserves or that, if successful, the resulting discoveries or purchases will be sufficient to replenish the current reserves or cover the costs of exploration. If unsuccessful, Galp Energia will not meet its production

Sines' refinery cogeneration plant that will start operation in 2009

In reserves development failure to select the most suitable development concept can expose projects to additional risk and cost

targets and total proved reserves will decline, which will have a negative effect on future results of operations and financial condition.

There are numerous uncertainties inherent in estimating oil and gas reserves. Reserves are estimated using available geological, technical and economic information. The process involves informed judgements and therefore estimates of reserves are not exact measurements and can be subject to revision. Published reserves estimates may also be subject to correction in the application of published rules and guidance.

Reserves development

Following the identification of exploration or new venture opportunities, certain activities are performed before an investment decision or "sanction" is made by management. These activities include commercialisation, feasibility studies, concept selection and definition. There are a number of risks during the pre-sanction phases, including subsurface, engineering, commercial and regulatory risks. The principal risk prior to sanction is failure to assess accurately the project schedule and cost. Failure to select the most suitable development concept based on full 'life cycle' understanding of the project can expose projects to additional risk and cost.

If Galp Energia is not successful in securing appropriate long-term commercial agreements, in particular related to gas and LNG sales and transportation, it may be unable to commercialise its reserves, thus adversely impacting the Company's cash flow and income. If the Company fails to adopt an appropriate procurement and project management strategy, it may experience delays to project schedule and cost.

Principal regulatory risks during the pre-sanction phase are failure to negotiate appropriate agreements, where required, with host governments, lack of appreciation of the regulatory framework in the host country and failure to gain applicable permits, licences or approvals from the relevant local authorities to carry out or operate certain works.

Reliance on third parties

Galp Energia is dependent, for a substantial portion of its operations, on continued access to oil, natural gas and other raw materials and supplies at appropriate prices. In particular, Galp Energia is to a large extent dependent on sourcing from Sonatrach in Algeria for natural gas and from Nigeria LNG in Nigeria for liquefied natural gas. Access to the Company's existing sources of crude oil, natural gas and other feedstock might be interrupted as a result of, among other things, political events with structural effects on the industry, limited pipeline capacity or other problems in transporting sufficient quantities of oil or natural gas from its current sources (including pipeline ruptures, damages to tankers, explosions, fires, adverse weather conditions, sabotage, government restrictions, regional hostilities and other hazards and force majeure events). Problems or delays in accessing natural gas and other feedstock could affect sourcing costs, especially if Galp Energia is forced to source LNG through spot purchases, which may be difficult given the tight supply of natural gas on the market and which is likely to be more costly than contracted prices for natural gas or LNG. Although Galp Energia has not experienced any significant feedstock sourcing shortages, there can be no assurance that it will not experience future interruptions and

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Sines is the main part in the Ibero-atlantic front

that it would be able to compensate any deviations or short delivery that might occur. Problems or delays in accessing feedstock necessary for the Company's business may have a material negative effect on its business, financial condition and results of operations.

Efficient operations

The integrity of Galp Energia's assets can be affected by a number of factors, including unplanned shutdowns and equipment failure. Failure to have common, robust systems and processes in place across the Company may adversely impact plant availability, production volumes and, ultimately, cash flow. Failure to have good asset integrity and process safety practices could result in a safety or environmental incident. Business activities conducted by the Company are often conducted with joint venture partners and some assets are under the day-to-day management of these partners and may therefore be subject to risks that are outside Galp Energia's control. The location of some of the Company's operations may expose them to natural hazards such as hurricanes, flooding and earthquakes, each of which could materially impact the Company's ability to deliver its products or services. Individual segments of the Company's activities are subject to specific operational and production risks. In the E&P segment, failure to adopt the correct reservoir and well management strategy could adversely affect the ultimate reserves recovery from the field and, consequently, reduce long-term profitability and cash flow.

Health, safety and environmental

Given the range and complexity of Galp Energia's operations, potential HSE risks are widespread. These risks include major process safety incidents, failure to comply with approved policies; effects of natural disasters and pandemics, social unrest, civil war and terrorism, exposure to general operational hazards, personal health and safety and crime. A major HSSE incident could result in injury or loss of life, damage to the environment or destruction of facilities, each of which could have a material impact on Galp Energia. Depending on their cause and severity, they can affect Galp Energia's reputation, operational performance and financial position.

Emissions of greenhouse gases and associated climate change are real risks to the Company and society in general. In the future if Galp Energia is unable to find CO_2 solutions for new and existing projects, future government regulation or challenges from society could lead to project delays, additional costs as well as compliance and operational risks. These risks if realised could affect Galp Energia's operational performance and financial position.

Product quality

Supplying customers with on--specification products is critical to maintaining Galp Energia's licence to operate and its reputation in the marketplace. Failure to meet product quality standards throughout the value chain could lead to harm to people and the environment and loss of customers.

Human resources

Galp Energia's successful delivery of its business strategy depends on the skills and efforts of its employees and

Given the range and complexity of Galp Energia's operations, potential HSE risks are widespread

Security signs inside the refineries are very frequently

management teams. Future success will depend to a large extent on the Company's continued ability to attract, retain, motivate and organise its highly skilled and qualified personnel. This in turn will be impacted by competition for human resources. If Galp Energia loses the services of key people or is unable to attract and retain employees with the right capabilities and experience, it could jeopardize performance delivery.

Future success will depend to a large extent on the Company's continued ability to attract, retain, and motivate its personnel

Compliance

This area includes risks of changes in taxes and tariffs applied to Galp Energia, risks of changes of regulations and policies in the countries where Galp Energia operates and risks related with corporate responsability.

Taxes and tariffs

Galp Energia operates in various countries around the world and any of these countries could modify its tax laws in ways that would adversely affect the Company. Galp Energia is subject, among others, to corporate taxes, energy taxes, petroleum revenue taxes, customs surtaxes and excise duties, each of which may affect revenues and earnings. In addition, Galp Energia is exposed to changes in tax regimes relating to royalties and taxes imposed on crude oil and gas production. Significant changes in the tax regimes of countries in which the Company operates or in the level of production royalties payable could have a material adverse effect on Galp Energia's results of operations and financial condition. In addition, when setting or amending the tariffs applicable to Galp Energia business activities, in particular the tariffs for the distribution or the supply of natural gas under the last resort supply licences to its customers, regulators might not take into account the full effect of the variations in the purchase price of natural gas and other factors affecting profitability. Adverse changes to these tariffs, including changes to the costs permitted to claim as operating costs under the tariffs applicable to the sale of products, such as capital expenditures, raw material costs, cost reduction incentives and efficiency factors, could have an adverse effect on Galp Energia's business, financial condition or results of operations.

Political, regulatory and economic risks

Galp Energia's exploration and production activities are located in countries outside of Europe with

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Training and behaviour competencies sessions are attended by a large share of the Company's employees developing economies or political or regulatory environments that have at times in the past been unstable. Galp Energia also sources natural gas from Algeria and Nigeria for its natural gas business and sells its petroleum products in Portuguese--speaking countries in Africa. As a result, a portion of the Company revenue is and will increasingly be derived from, or dependent on, countries with economic and political risks, including expropriation and nationalisation of property, increases in taxes and royalties, the establishment of limits on production and export or import volumes, the compulsory renegotiation of contracts, payment delays, currency exchange restrictions, civil strife and acts of war or terrorism. In particular, regulatory changes in matters such as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production and exports, price controls, environmental measures, control over the development and abandonment of fields and installations and risks relating to changes in local government regimes and policies could further adversely affect Galp Energia's exploration and production business. While Galp Energia has not experienced significant disruptions as a result of economic or political instability in the past, future disruptions could adversely affect its business, financial condition and results of operations.

The business environment in some countries in which Galp Energia operates is quite unregulated, and the related business culture does not reflect in all respects the norms that prevail in Western Europe. Galp Energia believes that it adheres to international norms in all countries in which it operates. However, any irregularities that may be discovered or alleged could have a material adverse effect on Galp Energia's ability to conduct business or value of its shares.

Stakeholder engagement

A number of stakeholders (including employees, investors, media, governments, civil society groups, non-governmental organisations and those living in local communities affected by Galp Energia's operations) have legitimate interests in the Company's business. The Company's reputation and/or share price could suffer due to inappropriate or inadequate engagement with stakeholders, including, for example: failure to develop proactive stakeholder engagement strategies, delivery of inconsistent messaging to key stakeholders on business objectives and strategy; failure to provide adequate explanations if performance targets are not met or if performance is perceived as poor against competitors'; and inadequate responses to any crisis (including financial market challenges, such as a hostile bid) or a major HSSE incident.

Corporate responsibility

Galp Energia's failure to implement its business principles and/or any ongoing or damaging investigations of Galp Energia could impact the Company's reputation and/or share price. Each of the following risks could affect the Company's ability to deliver projects on time and within budget and damage Galp Energia's reputation: failure to consider and manage environmental impacts, social consequences and human rights in investment decisions and pricing policies, project planning and operational management; failure to identify stakeholder expectations; and weak governance and internal controls, including the ineffective implementation of anti-corruption policies.

Galp Energia develops its activities according to international best practices in several countries spread all over the world

Galp Energia's natural gas employees helped rebuild social facilities

Galp Energia's interest rate risk management policy aims to reduce exposure to variable rates by fixing part of the debt using simple derivative instruments

Treasury, credit and insurance

Financial risk include, among others, change in interests rates, liquidity shortfall, credit risk, insurance risk and pension plans risk.

Interest rate and liquidity risk

Galp Energia's financing costs may be significantly affected by interest rate volatility. The Company is also exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage financing risks could have a material impact on Galp Energia's cash flow, balance sheet and financial position.

Galp Energia's total interest rate position, including financial investments and debt, is monitored by its central management responsible for all business segments. Interest rate exposure is mainly related to interest bearing debt in the balance sheet and interest rate derivatives. The objective of interest rate risk management is to reduce the volatility of interest expense in the income statement. Galp Energia's interest rate risk management policy aims to reduce exposure to variable rates by fixing part of the debt (including the portion of long-term debt classified as short term), using simple derivative instruments like swaps.

Galp Energia manages liquidity risk by maintaining adequate committed borrowing facilities.

Credit risk

Galp Energia's credit risk arises from the potential failure of a counterparty meeting its contractual payment obligations and, thus, the amount of risk depends on the creditworthiness of the counterparty. In addition, counterparty risk arises in conjunction with cash investments and hedging instruments. The amount of risk is quantified at the expected loss to the Company in the event of a default by the counterparty. Credit risk limits are set at the corporate level and delegated to the various business segments. Limits for credit risk positions are defined and documented and credit limits for specific counterparties are based on the credit rating of the counterparty, duration of the exposure and monetary amount of the credit risk exposure.

Pension plans

Galp Energia maintains several defined benefit pension plans for part its active workforce, complying with the applicable rules under Portuguese law. Under the pension plans, benefit payments are calculated as a complement of social security pension, based on years of service and final salary. The most critical risks relating to pensions accounting often relate to the returns on pension plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows. In particular, if pension funds are underfunded, Galp Energia may be required to make additional contributions to the funds, which could adversely affect its business, financial condition and results of operations. See the notes to Galp Energia's consolidated financial statements presented in the appendix for further disclosure on post-retirement benefits.

Insurance

Galp Energia maintains insurance in line with industry best practice in such amounts and with such coverage and deductibles as management believes is appropriate for the risks inherent to its business. The risks insured include, among other things, damage to property and equipment, industry liability, maritime transport liability of crude oil and other goods, pollution and contamination, directors' and officers' civil liability and work accidents. Nevertheless, some of the major risks involved in Galp Energia's activities cannot, or may not, be reasonably and economically insured. The programme is subject to certain limits, deductibles, and terms and conditions. In addition, insurance premium costs are subject to changes based on the overall loss experience of the insurance markets accessed.

Risk management policy

Galp Energia is exposed to various types of market risks inherent to the oil and gas industry, including commodity pricing, refining margin, inventory, foreign exchange, interest rate, and counterparty risk. The Company has defined policies and procedures to measure, manage and monitor its risk exposures. The purpose of the Company's risk management policy is to support business segments in achieving their goals while monitoring the potential impact of risks on their results. Galp Energia's risk management policy aims to optimise the natural hedges embedded within each of its business segments and between different business segments. At a second stage, Galp Energia identifies residual market risks, if any, affecting expected cash flows and balance sheet items and analyses them on an integrated basis by considering correlations between any external variables beyond the control of the Company that may impact the results of the Company's operations.

Galp Energia corporate risk management policy is established by the board of directors and its main purpose is to identify the risk the Company is facing in order to find efficient solutions to manage and mitigate those risks

Galp Energia corporate risk management policy is established by the board of directors. This policy establishes objectives and procedures and allocates responsibilities for risk management within the Company. The risk management committee includes two members from the executive committee and several other representatives from the corporate finance department, refining & marketing business segment and from Natural Gas Supply area. The risk management committee establishes the mechanics for implementing and achieving the corporate risk management policy and submits it to the executive committee for approval. The results are evaluated monthly by the corporate unit that is responsible for all the business segments. The risk management committee may amend the corporate risk management policy within the guidelines set by the board of directors or propose a new strategy at any time, if appropriate. The implementation of the commodities risk management is executed at the business segment level. Interest rate exposure, currency risks and other financial risks are managed by the Company's central corporate finance and corporate treasury departments. Furthermore, Galp Energia has separate policies relating to treasury, insurance, health, safety and environmental and IT risk management.

Galp Energia's insurance program covers, among others, assets liabilities and third-party liabilities

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Corporate governance

During 2008 Galp Energia was awarded various prizes related to the quality of the information we provide to financial markets. We are aware of the role played by quality in the information we disclose, particularly to small investors.

Transparency is something you can see through

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Shareholder structure

In 2008, Galp Energia's shareholder structure changed towards a larger representation of international institutional investors, namely from Britain. This development came about after UK investors acquired a substantial share of the equity stake representing approximately 4% of Galp Energia's share capital that the Spanish energy company Iberdrola sold in January. The dispersion of Banco BPI's major holding of 5% as well as other sales by Portuguese institutional investors in 2008 also contributed to reducing the weight of domestic institutions, thereby enhancing the geographic diversity of the Company's investor base.

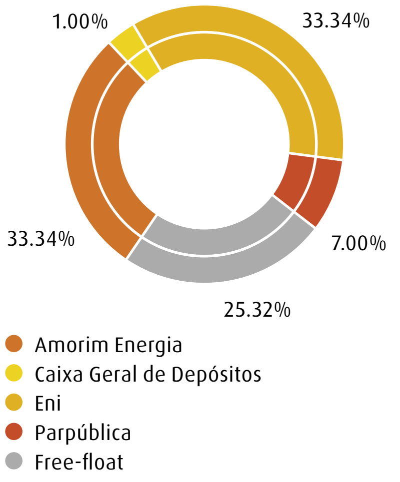
At Galp Energia, corporate governance is synonymous with a responsible and transparent relationship between shareholders, governing bodies and stakeholders in general

Amorim Energia, Caixa Geral de Depósitos and Eni are parties to a shareholder agreement, whose provisions are summarily described in this chapter.

Amorim Energia has its head office in the Netherlands and its shareholders are Power, Oil & Gas Investments BV (30%), Amorim Investimentos Energéticos SGPS SA (20%), Oil Investments BV (5%) and Esperaza Holding BV (45%). Whereas the last company is controlled by Angola's state-owned oil company, the three others are controlled directly and indirectly by Portuguese investor Américo Amorim.

Eni is an international energy company with head office in Italy and its shares listed in Milan and New York stock exchange. Eni operates in over 70 countries in Exploration & Production, Refining & Marketing, Gas & Power, Petrochemicals, Engineering Services,

Shareholder structure at 31 December 2008



Construction and Drilling. Eni had a market capitalisation of €67 billion at 31 December 2008.

Caixa Geral de Depósitos (CGD) is Portugal's largest credit institution and is wholly-owned by the Portuguese state.

Parpública manages the Portuguese state's equity holdings in several major companies.

Galp Energia's freely traded shares accounted for approximately 25% of the total at the end of 2008. Institutional investors had 80% of the free float or 20% of the total outstanding – against 11% in 2007. Private investors owned 5% of the total, down one percentage point from 2007. The weight of institutional investor increase nine percentual points in 2008 due to the sale of Iberdrola, placed among this category of investors and also the sale of BPI share at the beginning of the year.

Among institutional investors, the United Kingdom raised its share to 43% and became the largest country in this investor category, while the United States (10%), Germany (9%), and Portugal (9%) also had a significant presence in the Company's share capital at the end of the year.

Efforts in 2008 towards diversification of the shareholder base resulted in the addition of five new countries to the share register, which had at year end investors from 26 countries. Galp Energia's international visibility became apparent by the dispersion of more than 85% of the institutional base outside the Iberian Peninsula. In particular, the share of non-Portuguese institutional investors climbed in the year from 69% to 91%.

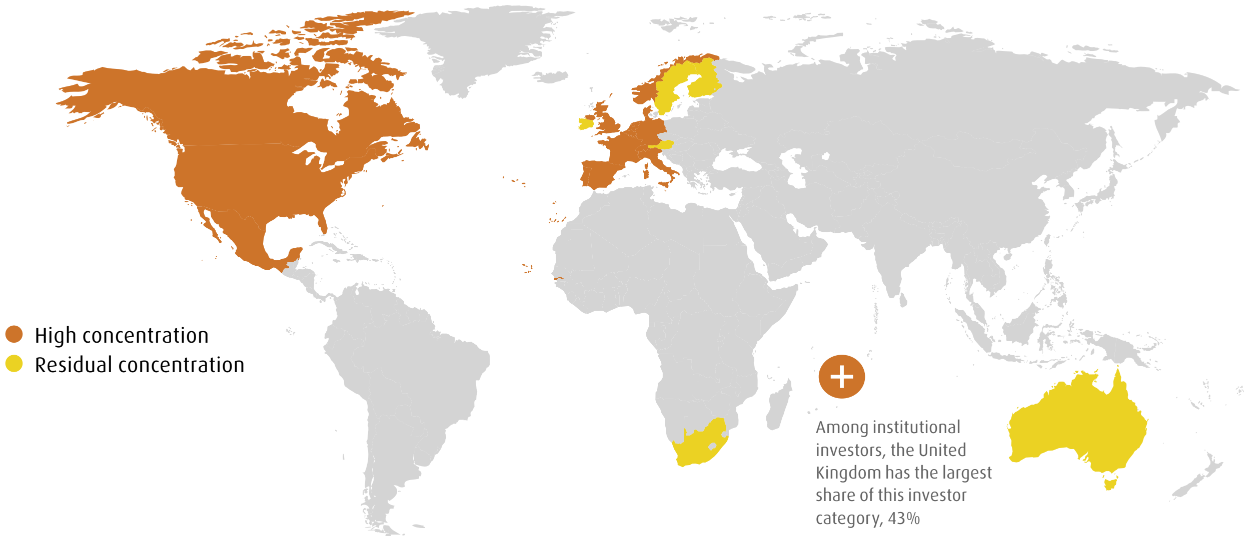
Among institutional investors, the United Kingdom has the largest share of this investor category, with 43%.

Institutional investors outside Portugal

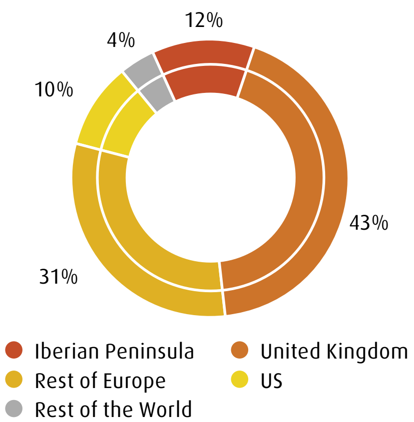
91%

In 2008 the shareholding base outside Portugal reached 91% of total institutional investors

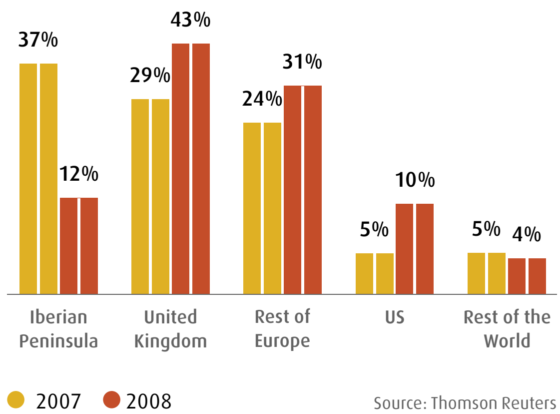
Geographical dispersion of institutional investors



Geographical dispersion in 2008



Geographical spread of the institutional investor base



Source: Thomson Reuters

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In 2008 US and rest of Europe investors increased their weight in Galp Energia's institutional investor base, with 10% and 31%, respectively which proves the effort to geographically diversify the shareholding base

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Governance model

Galp Energia's governance model aims for transparency and effectiveness by clearly separating powers between the board of directors, who formulate strategy and monitor its execution, and the executive committee, whose operating role is delegated by the board of directors and comprises the day-to-day management of business units and corporate services while playing an important role in the formulation and review of the Company's strategy.

Galp Energia's governing bodies were elected for the 2008-2010 three-year period by the general meeting of May 6 2008

Board of directors

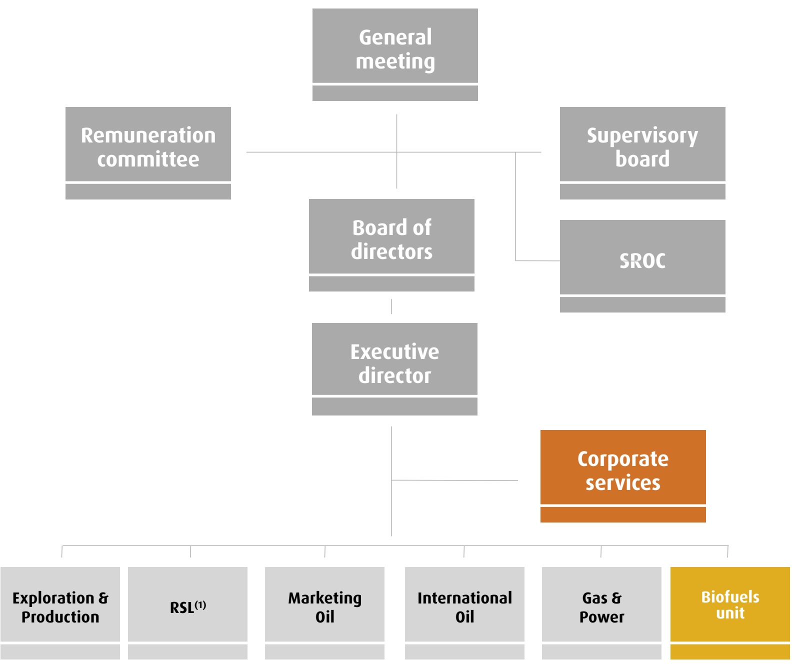
At the end of 2008, Galp Energia's board of directors was composed of 17 directors, six executive and 11 non-executive. Two of the non-executive directors, including the chairman, were independent.

It is part of the chairman's remit to conduct the meetings of the board of directors as well as oversee the relationship between the Company and its shareholders.

According to the shareholder agreement, seven directors are appointed by Amorim Energia, seven by Eni and one, the chairman of the board of directors, by Caixa Geral de Depósitos.
The chief executive officer is jointly appointed by Amorim Energia and Eni and the 17th director is appointed by consensus among the three shareholders. The directors' abridged CVs can be found in the Company's separately published corporate governance report.

The board of directors' remit includes the formulation of the Company's strategy, the set-up of its organisational structure, the development of its business portfolio and the approval and monitoring of high-risk, high-cost capital budgeting decisions.

Organisational set-up



Note: (1) Refining, Supply and Logistics.

Board resolutions are generally agreed by simple majority except for certain matters set out in the shareholder agreement and dealt with in detail in the corporate governance report, which require a two-thirds majority.

In 2008, the non-executive directors played an active role in developing Galp Energia's strategy and monitored the executive committee's performance in achieving set goals. They also sought to ensure that robust risk management and control systems were in place. The work developed by the non-directors was appreciated by the executive committee, who considered it to be encouraging and conducive to ever higher performance levels.

The board of directors convened 10 times in 2008.

In 2008, non-executive directors received from the Company total compensation of €1.3 million

In 2008 we had more than 400 meetings with institutional investments

Composition of the board of directors

Name	Position
Francisco Luís Murteira Nabo	President non-executive director
Manuel Ferreira De Oliveira	Vice-president, chief executive officer
Manuel Domingos Vicente	Non-executive director
Fernando Manuel dos Santos Gomes	Executive director
José António Marques Gonçalves	Non-executive director
André Freire de Almeida Palmeiro Ribeiro	Executive director
Carlos Nuno Gomes da Silva	Executive director
Rui Paulo da Costa Cunha e Silva Gonçalves	Non-executive director
João Pedro Leitão Pinheiro de Figueiredo Brito	Non-executive director
Alberto Chiarini	Non-executive director
Claudio De Marco	Executive director (CFO)
Paolo Grossi	Non-executive director
Camillo Gloria	Non-executive director
Fabrizio Dassogno	Executive director
Giuseppe Ricci	Non-executive director
Luigi Piro	Non-executive director
Joaquim José Borges Gouveia	Non-executive director

Executive committee

The executive committee is composed of six directors appointed by the board of directors for three years. The appointment of executive committee members is subject to the shareholder agreement's provisions.

The executive committee is charged with Galp Energia's day-to-day management in accordance with the strategy formulated by the board of directors. To perform its role, which is detailed in the corporate governance report, the executive committee manages the business units, allocates resources, promotes synergies and monitors execution of the policies developed for different areas.

The powers delegated by the board of directors to the executive committee require the latter to meet regularly. In 2008, the executive committee met 49 times.

In 2008, executive committee members received total compensation of €4.1 million, of which €2.9 million fixed and €1.2 million variable.

Both the board's and the committee's proceedings obey regulations that have been created to formalise the workings of these governing bodies.

Supervisory body

Supervision is exercised by a supervisory board and a firm of statutory auditors (SROC in the Portuguese terminology).

Composition of the executive committee

Claudio De Marco
Executive director (CFO)

Board member of Galp Energia since May 2008;

Financial experience through positions as CFO at Italgas S.p.A. and Snam Rete Gas S.p.A..

Fernando Manuel dos Santos Gomes
Responsible for the Exploration & Production, International Oil and Biofuels business segments

Board member of Galp Energia since May 2005;

Former home secretary.

Manuel Ferreira De Oliveira
Chief executive officer (CEO)

CEO since January 2007 and board member of Galp Energia since April 2006;

Over 20 years' international experience, particularly in the oil industry.

The supervisory board is composed of three standing members and a deputy, all independent and elected by the general meeting in accordance with the rules set out in the shareholder agreement.

The supervisory board is charged with supervising the preparation and disclosure of Galp Energia's financial information, appointing – and, if needed, dismissing – the independent external auditor, overseeing the audit of financial statements and proposing to the general meeting the appointment of a firm of statutory auditors, whose independence, namely when providing additional services, it is bound to scrutinise.

In 2008, the audit board met 13 times and the conclusions of its supervisory action were timely reported to the board of directors and the general meeting. A summary of these conclusions can be found in the supervisory board's opinion which is appended to this report.

In 2008, the members of the audit board received total compensation of €92.4 thousand.

Remuneration policy

Galp Energia's remuneration policy reflects the goal of creating long-term shareholder value.

Compensation of governing body members is set by a remuneration committee composed of three shareholders – Caixa Geral de Depósitos, the chairperson, Amorim Energia and Eni – elected by the general meeting for three years. The members of the remuneration committee may not be directors or members of the supervisory board.

Executive directors receive a fixed monthly remuneration and an annual variable remuneration depending on their individual and collective performance. Their remuneration is reviewed annually to make sure offered terms are competitive with those offered on the market for equivalent positions in terms of complexity and responsibility. Total compensation is predominantly monetary but includes also a complementary retirement plan consisting of a retirement savings plan (PPR in the Portuguese terminology) which, according to what has been determined by the remuneration committee, equates to 25% of annual compensation. Executive directors are also entitled to a rent/travel subsidy if their permanent address is not in the same area of Galp Energia's head quarters.

According to the Company's articles of association, the directors' remuneration may include a maximum of 0.5% of net profit for the financial year.

The executive directors' performance is appraised annually according to a number of parameters selected by the remuneration committee. These parameters are primarily related to three different variables: (i) value generated by the Company, or Galp Value Added, (ii) budgeted EBITDA and (iii) performance of the Galp Energia stock in comparison with a peer group. The variable compensation will be awarded according to the degree of attainment of the goals set for each variable.

André Palmeiro Ribeiro
Responsible for the Refining, Supply and Logistics business segment
Board member of Galp Energia since May 2005;
International investment baking experience.

Fabrizio Dassogno
Responsible for the Gas & Power business segment
Board member of Galp Energia since May 2008;
Professional experience in Eni's Gas & Power division.

Carlos Gomes da Silva
Responsible for the Oil Marketing business segment
Board member of Galp Energia since April 2007;
Several management positions since 2002.

05

Information to the shareholder

In 2008, Galp Energia's general meeting welcomed 81 shareholders representing 78.3% of the Company's share capital. This was a substantial increase in relation to the 50 shareholders who attended the general meeting in 2007. This increase reflected Galp Energia's efforts to promote the exercise of voting rights. Once again, small shareholders had the opportunity to engage the Company's management, explain their doubts and share their views

Galp Energia communication policy with capital market aims at securing a consistent and simple message, resulting in a coherent and complete perception of Galp Energia by institutional investors, analysts and regulators.

Number of shares

Galp Energia's share capital is composed of 829,250,635 shares. At 31 December 2008, Galp Energia had no treasury shares.

Shareholder agreement

Amorim Energia, Caixa Geral de Depósitos and Eni are parties to a shareholder agreement – dealt with in more detail in the corporate governance report – which regulates a number of aspects covering the terms on which shares in Galp Energia may be sold, namely the parties' obligation to keep their holdings during a lock-up period up to 31 December 2010, barring special cases such as change of control, stalemate situations or breach of contract.

During the lock-up period, if Amorim Energia is the selling party, Caixa Geral de Depósitos shall be given priority over other parties to acquire Amorim Energia's holding or otherwise appoint a third-party buyer, subject to certain conditions.

From 1 January 2011 onwards, i.e. after the lock-up period has expired, any party may sell its holding in full. In this case, the other parties shall have pre-emptive acquisition rights or,

Dividend policy

Annual dividend of year n

Net profit @ replacement cost X 50% payout ratio = Annual dividend

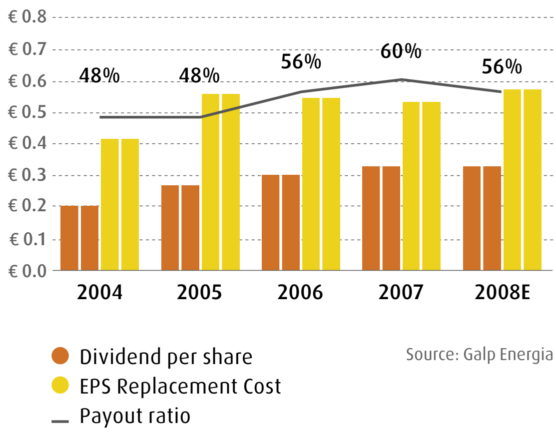
Interim dividend of year n+1

50% X Annual dividend of year n = Interim dividend

Galp Energia followed in 2008 the dividend policy approved in 2007. This policy calls for a payout ratio of 50% of net profit calculated according to the replacement cost method and payment of the annual dividend on a biannual basis, i.e. in two instalments. Therefore, the interim dividend equates to 50% of the annual dividend in respect of the previous year, provided it complies with articles 32, 33 and 297 of the Companies Code.

At the general meeting to be held on 27 April 2009, the board of directors will propose a dividend for 2008 of €0.32 per share, representing a dividend yield of 4.5% on the basis of the Company's share price at 31 December 2008.

Dividend and earnings per share (€/share)



Source: Galp Energia

Note: Replacement cost earnings per share except for 2006 when net profit adjusted for the effect of the sale of regulated natural gas assets to REN was considered.

alternatively, tag-along rights giving them the same terms as those offered in a sale to a third party. If Amorim Energia is the seller, Caixa Geral de Depósitos shall have the preferential right to acquire all or part of the shares owned by Amorim Energia or otherwise appoint a third party for that purpose.

In all other selling situations, or in case Caixa Geral de Depósitos does not exercise its preference right if Amorim Energia is the seller, the shares offered by the selling party shall be equally allotted to the parties exercising their preference right, irrespective of the size of their holding in Galp Energia. Except for the case in which Eni is the seller, the exercise by Caixa Geral de Depósitos of its preference rights may not result in the Portuguese state or any government entity owning more than 33.34% of Galp Energia.

In case of change of control of any of the parties, the other parties shall have the right to acquire that party's holding in equal parts, barring Caixa Geral de Depósitos' preference rights.

Other provisions of the shareholder agreement deal with the appointment and dismissal of directors and members of the audit board as well as the need for a super majority, larger than two-thirds, for certain resolutions such as those relating to the approval of business plans and budgets, strategic investments and attendant funding, the appointment of senior managers and the issuance of securities, namely debt securities.

The shareholder agreement also provides for the parties to propose to the general meeting the payout of at least 50% of net profit, provided the Net debt/EBITDA ratio does not exceed 3.5.

Information provided to the market

Galp Energia's policy for communicating with investors aims to provide to its shareholders and the market at large relevant, accurate and timely information allowing the formulation of well-founded judgements about the course of the Company's business affairs.

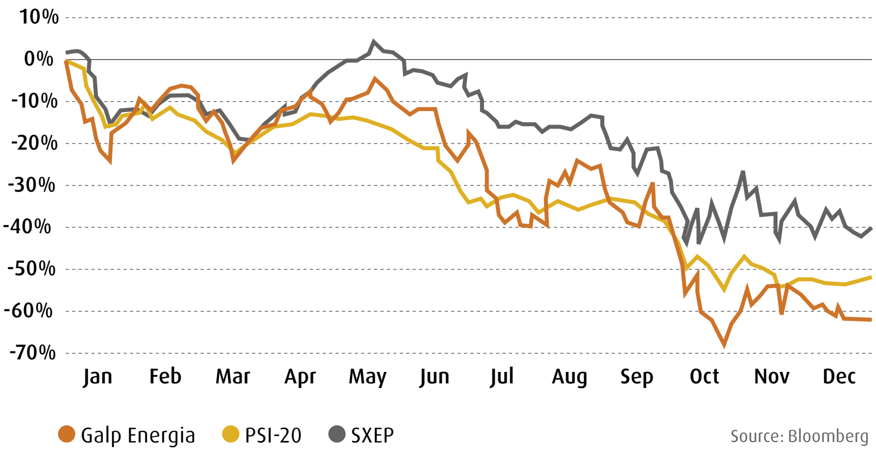
Information is released in both Portuguese and English, most of the cases before the opening or after the closing of the market (Euronext Lisbon), with publication on the Portuguese Securities Market Regulator's (CMVM in the Portuguese terminology) disclosure system and the investors section of the Company's website as well as by email to registered investors. Since 2008, Galp Energia has used an external platform for the release of price-sensitive information to major information centres across Europe. This platform allows EU-based investors quick access to information, with no costs incurred, on a non-discriminatory basis.

Galp Energia share codes

ISIN	
Symbol: GALP (type B)	PTGAL0AM0009
Portuguese state shares (type A)	PTGALSAM0003
Portuguese state shares (type B)	PTGALXAM0006
SEDOL	B1FW751
WKN	A0LB24

More than 65 meeting were held with US institutional investors in 2008

Comparison with SXEP and PSI-20 in 2008

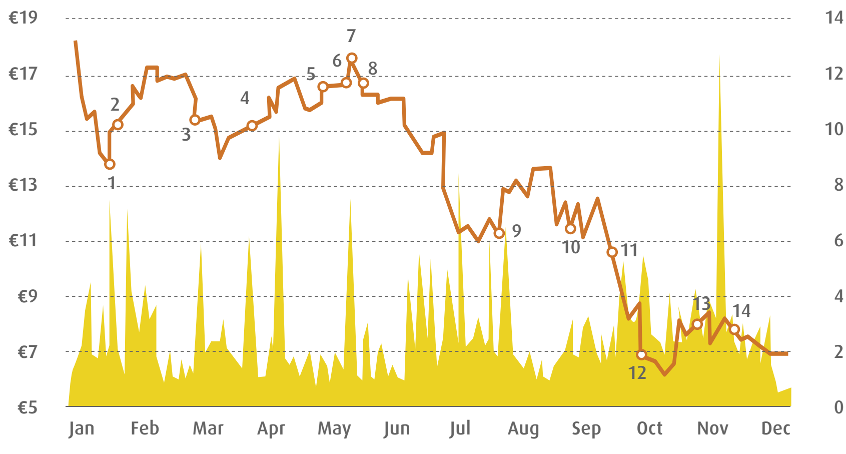


Source: Bloomberg

Major events in 2008

Event	Date
New discovery in the Santos basin's pre-salt layer: block BM-S-24 (Júpiter)	21 January
Sale of Iberdrola's major holding	30 January
Earnings release for the fourth quarter of 2007	5 March
The board of directors approves the annual report and accounts of 2007	1 April
Annual general meeting of shareholders	6 May
Earnings release for the first quarter of 2008	20 May
New discovery in the Santos basin's pre-salt layer: block BM-S-8 (Bem-te-vi)	21 May
Ex-dividend date for payment of the second dividend for financial 2007	26 May
Earnings release for the first half of 2008	6 August
Relevant discovery in the Santos basin's pre-salt layer: block BM-S-11 (Iara)	10 September
Close of the Agip acquisition	1 October
Ex-dividend date for payment of the first dividend for financial 2008	17 October
Earnings release for the third quarter of 2008	12 November
Close of the ExxonMobil acquisition	1 December

Performance of the Galp Energia share in 2008



Source: Bloomberg

2008 was a year impacted by the high instability of the capital markets

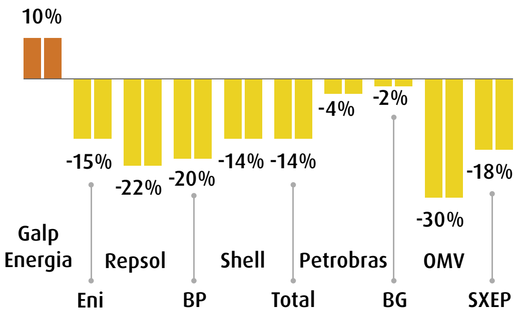
Exercise of voting rights

Galp Energia promotes actively the exercise of voting rights either directly or by proxy. The participation of shareholders in the AGM is encouraged by the possibility to vote by mail and the disclosure over email and the internet of the items to be discussed.

In the corporate governance report more detailed information can be found about the various possibilities for shareholders to participate in the Company's proceedings.

Annualized return between 23 October 2006 and 31 December 2008

Despite the loss in 2008, the share traded always above the IPO price. At the end of the year, the gain compared with the IPO price in October 2006 was 23.58%. The performance of the share in this period in comparison with a peer group is illustrated by the following diagram:



Based on euro quotations
Source: Bloomberg

Trading of the shares

Except for the holdings covered by the shareholder agreement between Amorim Energia, Caixa Geral de Depósitos and Eni, shares in Galp Energia can be traded freely.

Out of the 829,250,635 shares in Galp Energia's share capital, 771,171,121 are listed for trading on Euronext Lisbon. The shares that are indirectly held by the Portuguese state through Parpública (40,000,000 A shares and 18,079,514 B shares) are not listed for trading but only registered at Eurolist by Euronext Lisbon.

The Galp Energia share is part of the following indices: PSI-20, Dow Jones STOXX 600, Dow Jones Europe STOXX Oil & Gas (SXEP), Euronext 100, FTSE World Oil & Gas e MSCI Euro

In 2008 analysts covering Galp Energia share published around 97 researchs notes about the Company

Analysts details and their recommendations

Entity	Analyst	Price target	Date	Recomendation
Goldman Sachs	Henry Morris	€ 9.20	12 December	Neutral
JP Morgan	Kim Fustier	€ 12.00	3 December	Overweight
Collins Stewart	Gordon Gray	€ 10.00	1 December	Hold
Fidentiis Equities	Alberto Sánchez	€ 10.25	28 November	Hold
Banif	Julieta Vital	€ 13.50	27 November	Buy
Merrill Lynch	Alastair Syme	€ 12.00	26 November	Buy
Caixa BI	Carlos Jesus	€ 14.40	24 November	Buy
ING	Jason Kenney	€ 13.60	14 November	Buy
Espírito Santo Research	Pedro Morais	€ 12.60	5 November	Buy
Credit Suisse	Will Forbes	€ 12.00	3 November	Outperform
BPI	Bruno Almeida da Silva	€ 9.60	30 October	Buy
UBS	Anish Kapadia	€ 16.00	30 October	Buy
Macquaire	Iain Reid	€ 13.00	23 October	Outperform
Lisbon Brokers	Sara Amaral	€ 15.00	17 October	Strong Buy
Cazenove	Nitin Sharma	€ 16.20	30 September	Outperform
Equita SIM	Gianmarco Bonacina	€ 13.00	16 September	Neutral
Banesto	José Brito Correia	€ 17.60	1 April	Sobreponderar
Santander	Pedro Balcão Reis	€ 21.50	10 March	Buy
Morgan Stanley	Theepan Jothilingam	€ 21.00	22 January	Overweight

Note: Price targets and recommendations at 31 December 2008.

Index. Inclusion in this last index on 26 November 2008 coincided with the year's busiest trading day in the Company's share.

In the beginning of 2008, shares identified as ISIN PTGAL0AM0015 were aggregated into the single trading code ISIN PTGAL0AM0009. The GALPK symbol was thus withdrawn from the market and the only shares being traded are those coded ISIN PTGAL0AM0009.

Reuters' ticker is GALP.LS and Bloomberg's is GALP PL.

Performance of the share

At 31 December 2008, Galp Energia had a market capitalisation of €5,954 million, down from €15.2 billion a year earlier following sizeable losses in international equity markets in the second half of 2008. The share lost 60.96% in the year and followed the trend of the European index for the oil and gas sector and the Portuguese benchmark index PSI-20.

In 2008, 644 million shares were traded, which represented 78% of the Company's share capital or, more importantly, three times its free float. These levels evidenced the high liquidity of the share on Euronext Lisbon and rising investor interest. The average daily traded volume rose to 2.5 million shares, up from 1.4 million in 2007. In comparison with 2007, the total number of traded shares increased by 83%. In 2008, approximately 739 thousand trades were made, i.e. a daily average of 2,890 trades.

In 2008, the share peaked at €18.95 on 2 January and reached its lowest price – €5.95 – on 27 October.

Coverage by analysts

The number of analysts covering the Galp Energia stock almost doubled in 2008. By the end of the year, 19 analysts covered the share against 11 at the end of 2007. This increase is further evidence of the rising visibility of the share in the market.

At 31 December 2008, the average price target for the 19 analysts was €13.81 and 84% of the analysts gave Buy recommendations while the other 16% recommended investors to keep the share.

Financial calendar 2009

Event	Date
Trading Update 4th quarter 2008	13 February
Report 4th quarter and full year 2008	4 March
Annual report 2008 (Audited) Proposal for appropriation of profits for 2008	25 March
General meeting	27 April
Trading update 1st quarter 2009	29 April
Report 1st quarter 2009	13 May
Trading update 2nd quarter 2009	22 July
Report 2nd quarter 2009	5 August
Trading update 3rd quarter 2009	28 October
Report 3rd quarter 2009	11 November

grey: already happened; oranje: to happen

Note: All dates are subject to change. Publication of trading updates and quarterly reports will take place after the close of Euronext Lisbon
On the day following the earnings announcement, a conference call will be held with investors and analysts.

06

Corporate responsibility

The results achieved in 2008 would have been possible without the support, professionalism and expertise of everyone that work at Galp Energia. We attract the best talents and offer unrivalled professional development opportunities.

Galp Energia's corporate responsability activities include all its staff


give a little bit...
galp energia

06

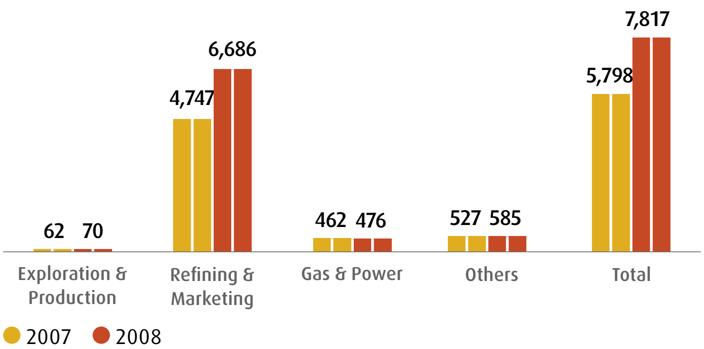
Human capital

The project labelled GPS – Gestão de Pessoas para o Sucesso (Managing People for Success), which is oriented towards the development of people and growth of the business, was also in 2008 the key pillar of Galp Energia's human resources policy. To spread knowledge about the project, there were presentation and information sessions for around 500 senior managers and a human resources policy manual was distributed to every employee.

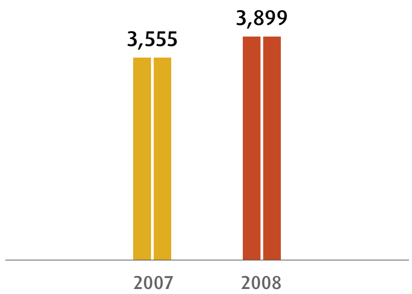
Lowering the average age of the staff is one of the main objectives and the annual trainee programme is part of it. In this programme for the best university students, around 30 recently graduated students participate in a professional internship. In 2008 a second programme started which was oriented to the several development stages of the project for conversion of the refinery complex. This programme was specifically directed at recent engineering graduates, who may become over time the technical managers of the refining business.

In addition to the start of the construction of new units in the refinery

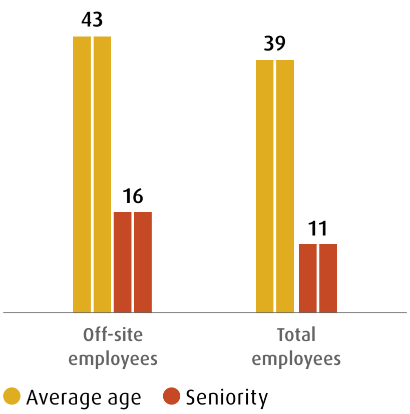
Staff by business segment



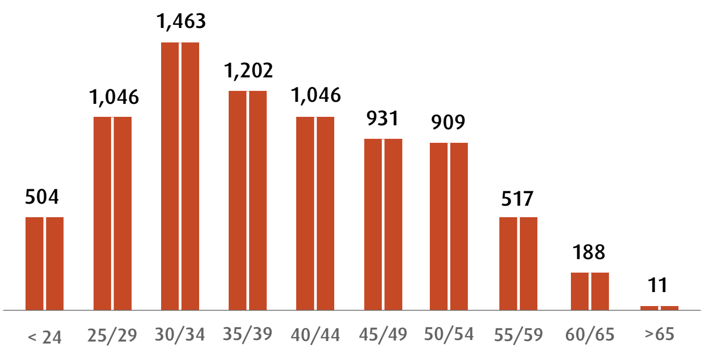
Off-site staff



Average age and seniority (years)



Staff by age group in 2008



complex, a human resources plan was developed for hiring, integrating and giving specific training of the new workers. This plan implies the adoption of a new organisational model common to both refineries, which aims to increase and ensure process synergies and thus upgrade the human resources structure of the refining business.

In 2008 the cooperation with Portuguese universities was also intensified. New graduate training partnerships were established, primarily for chemical engineering. For graduates with this degree, a new learning regime with theoretical training in the university and a practical component in the Sines refinery came into effect.

With the new recruitments, Galp Energia started using an e-learning platform to support a welcome course, which gives a broad view of the Company, its values and organisation.

On 31 December 2008, Galp Energia employed 2,019 more staff than at the beginning of the year, which was primarily due to the acquisition of Agip's and ExxonMobil's Iberian subsidiaries.

The change in the Others category was primarily due to the office for e-studies and projects having become an autonomous unit from previously being part of the Refinery & Marketing business segment. This remit of this office will now cut across group companies.

In 2008, 3,176 new employees were hired. This large number was due to ongoing projects and the high employee turnover at service stations.

The number of trainees including those of the programme 2008/2009 was 110 at 31 December 2008.

The average age and seniority of staff at Galp Energia was virtually unchanged between 2007 and 2008.

In the wake of the recent acquisitions in marketing of oil products and the scope of Exploration & Production activities, 39% of Galp Energia's staff is based outside Portugal. This growth in international activities contributed decisively to the increase of around 35% of the number of employees, from 5,798 to 7,817 in 2008.

The growing international business required the consolidation of international recruitment procedures, namely for the Exploration & Production business segment. In this specific activity, the demand for experienced professionals increased and procedures for handling expatriate issues in countries such as Gambia, Swaziland, Brazil, England, Mozambique and Spain were strengthened. The international expansion also made necessary the overhaul of processes for integrating the new subsidiaries by adjusting the Company's policies to local legal, labour and cultural specificities.

Encouraging mobility, either functional or geographical, in order to strengthen managerial skills is one of the goals for human resources management. To this end, 222 employees changed department or role in 2008.

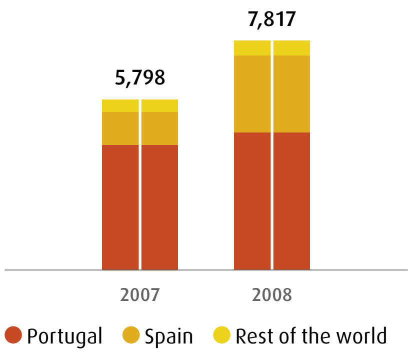
In terms of gender distribution, 41% of Galp Energia's staff were women at the end of the year.

Galp Energia focuses on the upgrade, development and update of employee skills. In 2008 there were 113,110 training hours. The training was oriented to the strengthening of the technical and behaviour competencies required for improved performance in several areas. There were 29 theme sessions, that is, weekly conferences on different subjects of general interest that involved 2,437 staff.

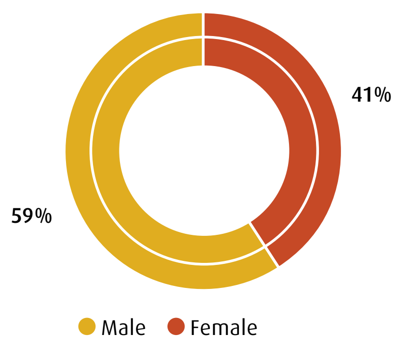
2,019

On 31 December 2008, Galp Energia employed 2,019 more staff than at the beginning of the year, which was primarily due to the acquisition of Agip's and ExxonMobil's Iberian subsidiaries

Geographical spread of the staff



Staff by gender



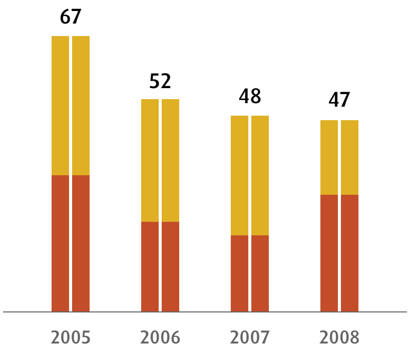
06

Health, safety and environment

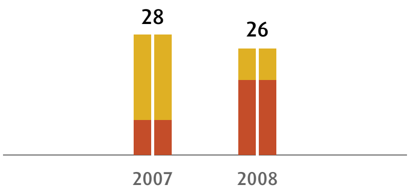
Galp Energia considers health, safety and environmental issues to be essential for the well-being of employees, clients and the community at large. Being committed to a sustainable development, Galp Energia is aware of its duty to manage the effects of its activities, products and services on the communities where it operates.

Accident rates

(accidents at work with absence)

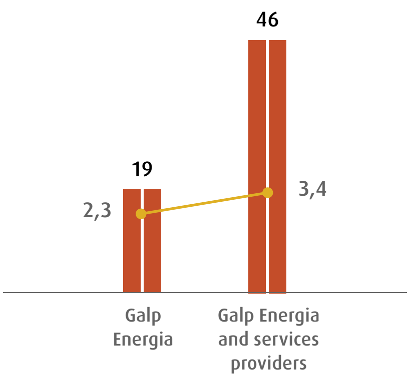


Excluding *in itinere*



● Portugal ● Spain

Accidents at work - Galp Energia and service providers in 2008



● Work absence
● Frequency index

Note: The frequency index represents the number of accidents per one million worked hours excluding Spain and *in itinere*.

Refinery workers promote the facilities security

In 2008 Galp Energia was especially committed to the following issues:

- The implementation of a preventive environment and safety observation programme;
- The redesign and expanded coverage of the training in defensive driving;
- The training sessions in health, safety and environmental.

Galp Energia's goal is to achieve zero accidents affecting people, property and the environment.

At Galp Energia, risk prevention is everyone's responsibility. Therefore, the year 2008 marked a significant advance of the Company's safety culture with the definition and approval of a new set of procedures.

Regarding work accidents, the falling trend in the number of accidents with absence extended into 2008.

However, there was a fatality in 2008. During the stop for maintenance in the Sines refinery, an employee of a service provider was the victim of a fatal accident. An investigation was immediately launched in order to identify the accident's causes. This investigation identified a set of corrective measures that are now under implementation.

In 2008, Galp Energia included for the first time service providers' work accidents in its routines for monitoring performance.

After enforcement of the REACH - Registration, Evaluation, Authorisation and Restriction of Chemical Products regulation (1907/2006), Galp Energia completed in 2008 the pre-registration of the substances produced and imported. Overall, 155 pre-registration files were submitted. In 2008 several training and internal promotion sessions

about the future consequences of REACH were made. Most technicians from the directly affected business areas participated in these sessions, which involved 140 people.

After government decree DL 254/2007 about serious accidents involving dangerous substances, audits were conducted in 2008 at the twelve establishments exposed to this kind of accident. In these audits no major non-conformities were identified. The 23 minor non--conformities that were accepted motivated corrective actions that are part of an action plan which is currently under execution.

In 2008, evaluation of the environmental impact of the refinery conversion projects was completed. The evaluation concluded that these projects do not entail significant added risk in comparison with the present situation.

In 2008, the second period began (2008-2012) of the European Union Emissions Trading Scheme (EU ETS), which has repercussions on the second national plan for the allocation of emission licences. In the first year of the second period, Galp Energia's refineries and cogenerations posted a surplus of emission licences compared with actual emissions despite the overall reduction in allocated emission licences.

The projects in Galp Energia's portfolio comply with several principles. One of these is the use of best available techniques (BAT) as a way of limiting potentially negative effects. This strategy has important consequences not only in CO_2 terms but also in terms of energy efficiency as regards the use of cleaner fuels such as natural gas, which will be used in the refineries' cogenerations.

Energy integration actions following from conversion of the refineries are expected to cut CO_2 emissions by over 40,000 tonnes a year.

As the converted refineries come into operation, energy use will increase, which will lead to higher emissions as the production process moves into higher gear on the back of increased processing capacity. Although the retooling will lead to higher CO_2 emissions, the carbon content of fuel will fall. This will in turn lead to lower CO_2 emissions downstream from Galp Energia's operations chain, in the transport sector.

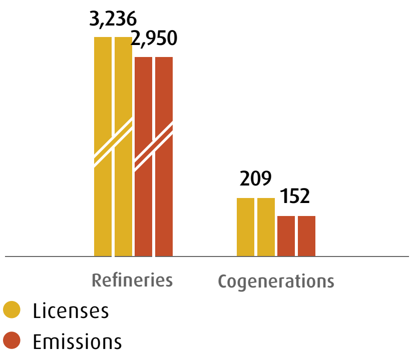
The number of accidents had a reduction of 7% from 2007

Quality

In 2008, existing certifications were retained and a new one was obtained: NP EN ISSO 9001 by Galpgest, the Company operating the service stations under Galp Energia's direct management.

Evaluating the performance of its management systems for environment, quality and safety is one of the requirements of Galp Energia's standards. The schedule of environmental, quality and safety audits was approved at the Company's highest level in 2008 whereby 49 audits were conducted involving 76 internal auditors with 110 participations in all.

CO_2 emissions in 2008 ('000 ton)



Quality certifications

NP EN ISO 9001	NP EN ISO 9001/ OSHAS 18001	NP EN ISO 9001/ OSHAS 18001/ NP EN ISO 14001	NP EN ISO/ IEC 17025
Lubricants business, aviations fuels, base oils, Galp chemicals, Galp gas, Sines refinery inspections, Bitumen business, Probigalp, Galpgeste	SAAGA	Setgás, CLC, Beiragás, Lisgoagás, Lusitaniagás, Tagusgás, Tank farms at Aveiro and Porto Brandão	Porto refinery laboratory, Sines refinery laboratory, Lubricants laboratory

06

Society

Is part of Galp energia culture a close envolvement with the comunities where it develops its activities. The awarness of the impacts of Galp Energia activities in society has led the company to lead several social, enviromental, educational, cultural and sports projects, in Portugal and abroad

Living up to its social responsibility, Galp Energia develops a variety of social projects alongside its business activity.

Movimento energia positiva – Galp Energia's contribution to public health

In 2008, Galp Energia kept its partnership with the Portuguese Ministry of Health for a programme against obesity aimed at curbing the incidence of pre-obesity and obesity in Portugal.

In Portugal, 51% of adults and 32% of children aged 7-9 years are overweight. In addition to various undesirable consequences of being overweight, obesity has social costs, namely those explicitly related to public health expenditure, where obesity has a weight of 3.5%.

The best way to reverse this trend is prevention: healthier lifestyles carrying a more balanced diet and more physical activity tend to curb obesity.

In order to promote patterns of healthy behaviour, Galp Energia implemented in 2008 a multidisciplinary communication plan named Movimento Energia Positiva (movement for positive energy). The goal of this plan is to spread knowledge among the population and encourage positive attitudes towards health and personal well-being.

Movimento Energia Positiva reached out to 115,000 people. Two and a half tonnes of fruit and 100,000 leaflets with advice on nutrition and physical activity were handed out and 25,000 books were donated to children. Movimento Energia Positiva and the platform against obesity generated close to 700 articles in newspapers, radio and television, which helped spread prevention messages.

In a survey conducted in schools covered by Movimento Energia Positiva, 46% confirmed that changes occurred after the initiative in the knowledge, attitudes and eating habits of both teachers and students; 46% urged continuity of these actions in schools and 67% rated the initiative "a success".

Galp Energia's solidarity with Portuguese-speaking countries

Galp Energia's and its employees' solidarity went once more to the population of Guinea-Bissau. In April, books, school supplies, toys and computers were handed out to Guinea-Bissau's Aldeias SOS (Children's Villages).

Aldeias SOS are part of an international organisation that operates in several countries and develops various solidarity projects directed at needy children.

In 2008, Galp Energia promoted campaigns to collect schoolbooks in Portuguese and school material for Timor Lorosae and the Isle of Príncipe in São Tomé e Príncipe. The donation of Portuguese-language books contributed to the teaching of Portuguese in countries with which Portugal keeps cultural and friendship ties.

Forum Eco

Galp Energia joined Fórum ECO in 2007 and became one of the first companies to contribute to the protection of the Portuguese forest against fires, a curse that ravages the country every year and brings about serious social, environmental and economic consequences.

Galp Energia made available throughout 2008 a vast array of means to fight forest fires: stalls for the distribution of leaflets, air time on Galp TV to promote the initiative and space on Galp Energia's web portal and on the windows and doors of M24 shops for spreading information about the campaign.

Ties with local communities

Refurbishment of a leisure colony for orphans and elderly people

In its involvement with the local communities, Galp Energia promoted in 2008 the refurbishment of a leisure colony at Vimeiro, in the Lisbon region. Organised in teams, 200 employees from the Gas & Power business unit volunteered to change and improve several pieces of equipment and structure such as windows, gates, walls, rooms, toilettes and the garden.

The refurbishment also included the building of a sport zone, a fun park, a leisure space and a small library, which was filled with children's books handed out to the institution by the employees participating in the event.

Renewal of the coastline road at leça

Galp Energia also promoted the renewal of the coastline road close to the Porto refinery. Galp Energia contributed with €7 million to fund the improvements and repair the stretch between the beaches of Leça and Cabo do Mundo.

In order to promote patterns of healthy behaviour, Galp Energia implemented in 2008 a multidisciplinary communication plan named Movimento Energia Positiva. The goal of this plan is to spread knowledge among the population and encourage positive attitudes towards health and personal well-being

Coastline road close to the Porto refinery built with the support of Galp Energia

06

Innovation

Galp Energia believes in the positive relationship between the talent of its human resources and the creation of innovative processes.

The vortex separation system project allowed for an increase at the Sines refinery's FCC capacity from 35 kbopd to 45 kbopd

Among the projects that evidenced an innovative spirit in 2008 and translated into real benefits for the efficiency of Galp Energia's technical and business processes, the following are highlighted below.

Vortex separation system

Through a joint effort with UOP, Galp Energia made an engineering study for the development of several improvements in FCC unit of Sines refinery. The goal of this study is to increase the processing capacity of this unit, from 35 kbopd to 45 kbopd, with an increase of the residue percentage incorporated in the workload. After this study, the major changes in FCC unit will be in the reactor and the catalyst. The reactor became Vortex Separation System (VSS), which replaced Vented Riser (VR). Every internal element of this equipment was changed. In the catalyst the cyclone system and the combustion air distributor were redesigned with the purpose of installing a cat cooler in the future.

Microalgae-based biodiesel production

Galp Energia is committed to projects which contribute to energetic and environmental sustainability by investing in the development of

Sines refinery operator

renewable energy solutions with business potential and to mitigate environmental changes. Biomass and biofuel production based on microalgae fulfils the growing need of diversifying energy sources. In a joint effort with INETI, Portugal's research and development body, and Algafuel, two experienced entities in research and development, Galp Energia signed a partnership in 2008 to develop and implement a biomass and biofuel production project by cultivating microalgae and capturing its CO_2. To explore the synergy potential inherent to the project, the production unit will be installed in Sines refinery.

Energy efficiency in service areas

In 2008 started the energetic efficiency applied to Galp Energia's network. Photovoltaic panels were installed in 12 service stations with the goal of producing electricity from renewable sources. The installation of photovoltaic solar panels guaranteed the production of electric energy and the reduction of energy use. All together, the 12 service stations should produce 66 MWh of energy. The goal is to make these 12 service areas energetically efficient in terms of lighting, cold equipment, air conditioning and water heating generated from renewable sources. These improvements will effectively reduce energy use without affecting the stations' comfort and functionality. The project, which will encompass the entire network of filling stations directly managed by Galp Energia, will be followed by an energy management system that will monitor use and production as they occur. Until now the quantitative results were 6% in the reduction of electricity use and 180 tonnes of CO_2 were avoided per year.

Wind@Sea project

The Wind@Sea project's main objective is to evaluate the wind energy potential of the Portuguese west coast with a view to identify, select and characterise positions to install offshore wind parks. This action was developed by the consortium composed of Galp Energia, the main promoter, INETI, Instituto Hidrográfico (Portugal's oceanographic laboratory) and Instituto Nacional de Engenharia e Gestão Industrial (Portugal's research and development body in mechanical engineering and industrial management).

To this end, systematic meteorological measurements will be made that are relevant to the wind characteristics on the coast and off the coast using innovative measurement techniques installed on moored buoys. A maximum of four measurement points directly or indirectly involved during two years is planned.

Thus, an evaluation of the potential along the coast will be made by combination of sporadic measurements which will be introduced in the simulation models of mesoscale atmospheric drainage, along with satellite data and other global scale models. The particularities of the Portuguese west coast will also be taken into account. Information of wave and ocean current's characteristics will be gathered and processed with a view to be subsequently used in the R&D activities that the co-promoters develop in Portugal.

In 2008 19 research and development projects were kicked off or implemented at Galp Energia

+

Photovoltaic panels at Telheiras' service station in Lisbon. These panels were installed in 12 service stations

07 Appendices

Additional information

Governing bodies

The present composition of the governing bodies of Galp Energia, SGPS, S.A., for 2008-2010 is the following:

Board of directors

Chairman:
Francisco Luís Murteira Nabo

Vice-chairman:
Manuel Ferreira De Oliveira

Directors:
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito
Alberto Chiarini
Claudio De Marco
Paolo Grossi
Camillo Gloria
Fabrizio Dassogno
Giuseppe Ricci
Luigi Piro
Joaquim José Borges Gouveia

Executive committee

Chairman:
Manuel Ferreira De Oliveira

Directors:
Claudio De Marco
Fernando Manuel dos Santos Gomes
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Fabrizio Dassogno

Supervisory board

Chairman:
Daniel Bessa Fernandes Coelho

Other members:
José Gomes Honorato Ferreira
José Maria Rego Ribeiro da Cunha

Deputy:
Amável Alberto Freixo Calhau

Statutory auditors

Standing:
Pedro João Reis de Matos Silva, ROC n.º 491, in representation of P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC; SROC n.º 44

Deputy:
Carlos Luís Oliveira de Melo Loureiro, ROC n.º 572

General meeting board

Chairman:
Daniel Proença de Carvalho

Vice-chairman:
Victor Manuel Pereira Dias

Secretary:
Pedro António do Vadre Castelino e Alvim (1)

Company secretary

Standing:
Rui Maria Diniz Mayer

Deputy:
Maria Helena Claro Goldschmidt

Remuneration committee

Chairman:
Caixa Geral de Depósitos
represented by António Maldonado Gonelha

Other members:
Amorim Energia, B.V.
Represented by Américo Amorim
Eni S.p.A
Represented by Maurizio Cicia

Note: (1) Tende red his resignation as secretary of the general meeting board, communicated to the market on 24 March 2009.

Proposed allocation of net profit

Galp Energia, SGPS, S.A. holds the shares in Galp Energia group companies.

Galp Energia, SGPS, S.A. closed financial 2008 with a net profit of €472,973 thousand. This result is shown in the individual accounts of Galp Energia, SGPS, S.A., presented in accordance with Portuguese General Accepted Accounting Principles (PGAAP).

The board of directors proposes that this result be allocated as follows:

Thousand euros

Legal reserve	18,884
Dividend distribution (€ 0.32 /share)	265,360
Retained earnings	188,729
Total	**472,973**

Following a resolution by the board of directors of 24 September 2008, the Company paid on 22 October 2008 a gross interim dividend in respect of financial 2008 of €0.14965 per share.

The board of directors

Chairman:
Francisco Luís Murteira Nabo

Vice-chairman:
Manuel Ferreira De Oliveira

Directors:
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito
Alberto Chiarini
Claudio De Marco
Paolo Grossi
Camillo Gloria
Fabrizio Dassogno
Giuseppe Ricci
Luigi Piro
Joaquim José Borges Gouveia

Mandatory notices and filings

Shareholders with major direct or indirect holdings at 31/12/2008

According to article 448, paragraph 4 of the Companies Code and article 20 of the Securities Code.

Shareholders	N.º Shares	% Capital	% Vote
Amorim Energia, B.V.	276,472,161	33.34%	33.34%
Caixa Geral de Depósitos, S.A.	8,292,510	1.00%	1.00%
Eni, S.p.A.	276,472,160	33.34%	33.34%
Parpública - Participações Públicas, (SGPS), S.A.	58,079,514	7.00%	7.00%
Other shareholders	209,934,290	25.32%	25.32%
Total	**829,250,635**	**100.00%**	-

In financial 2008 two shareholders no longer own a major holding in Galp Energia's share capital. Iberdrola, S.A. sold its entire holding in Galp Energia, of 3.83%, at 30 January 2008. Banco BPI, S.A. gave notice to Galp Energia that at 25 June 2008 its holding had become lower than 2%. Fidelity International Limited, which in 2008 had a holding over 2% of Galp Energia's share capital, had at 23 October a holding lower than 2%.

Treasury shares

According to articles 66 d) and 325-A, paragraph 1 of the Companies Code.

In 2008 Galp Energia did not buy or sell its own shares.

At 31 December 2008, Galp Energia had no treasury shares.

Shares held at 31 December 2008 by the members of the board of directors and supervisory board of Galp Energia, SGPS, S.A.

According to article 447, paragraph 5 of the Companies Code.

		Acquisition			Disposal			
Members of the board of directors	Total number of shares at 31.12.2007	Date	Number of shares	Price (€/share)	Date	Number of shares	Price (€/share)	Total number of shares at 31.12.2008
Francisco Luís Murteira Nabo	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	40,475	08.01.2008	560	17,80	-	-	-	85,640
		04.02.2008	861	16,77				
		06.02.2008	7,498	16,10				
		06.02.2008	5,864	16,00				
		07.02.2008	28,382	16,59				
		27.10.2008	2,000	6,00				
Manuel Domingos Vicente	-	-	-		-	-	-	-
Fernando Manuel dos Santos Gomes	1,900	06.10.2008	2,000	9,64	-	-	-	3,900
José António Marques Gonçalves	3,900	17.03.2008	2,500	14,50	-	-	-	42,700
		11.07.2008	500	13,00				
		10.09.2008	800	11,50				
		03.10.2008	17,500	10,85				
		16.10.2008	7,500	7,50				
		17.10.2008	2,500	7,62				
		06.11.2008	3,000	7,68				
		06.11.2008	2,000	7,50				
		20.11.2008	2,500	7,61				
André Freire de Almeida Palmeiro Ribeiro	950	-	-	-	-	-	-	950
Carlos Nuno Gomes da Silva	2,410	07.10.2008	8,700	8,63	-	-	-	11,110
Rui Paulo da Costa Cunha e Silva Gonçalves	-	-	-	-	-	-	-	-
João Pedro Leitão Pinheiro de Figueiredo Brito	-	-	-	-	-	-	-	-
Alberto Chiarini	-	-	-	-	-	-	-	-
Claudio De Marco	-	-	-	-	-	-	-	-
Paolo Grossi	-	-	-	-	-	-	-	-
Camillo Gloria	-	-	-	-	-	-	-	-
Fabrizio Dassogno	-	-	-	-	-	-	-	-
Giuseppe Ricci	-	-	-	-	-	-	-	-
Luigi Piro	-	-	-	-	-	-	-	-
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
Members of the supervisory board								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
José Gomes Honorato Ferreira	-	-	-	-	-	-	-	-
José Maria Rego Ribeiro da Cunha	-	-	-	-	-	-	-	-
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Staturory auditor firm	-	-	-	-	-	-	-	-
P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC	-	-	-	-	-	-	-	-

Shares held at 31 December 2008 by senior managers of Galp Energia, SGPS, S.A..

According to articles 14 paragraph 7 of CMVM's regulation n.º 5/2008.

		Acquisition			Disposal			
Management team	Total number of shares at 31.12.2007	Date	Number of shares	Price (€/share)	Date	Number of shares	Price (€/share)	Total number of shares at 31.12.2008
Alberto Fernandes	6,410	-	-	-	-	-	-	6,410
António Gonçalves Nunes	1,500	-	-	-	-	-	-	1,500
Carlos Alves	2,520	03.01.2008	150	17.82	-	-	-	3,850
		03.03.2008	150	16.34				
		11.04.2008	150	15.29				
		02.06.2008	150	16.06				
		16.07.2008	150	12.02				
		02.09.2008	150	13.20				
		07.10.2008	430	8.80				
Francisco Viana	1,934	09.10.2008	1,120	9.10	-	-	-	3,054
Joao Nuno Mendes	-	30.05.2008	250	16.25	-	-	-	1,750
		06.06.2008	1,053	16.14				
		06.06.2008	447	16.13				
Jorge Borrego	5,680	-	-	-	-	-	-	5,680
Jorge Carvalho	-	07.10.2008	1,700	9.07	-	-	12	1,700
Manuel Ramalhete	830	18.07.2008	270	12.00	07.08.2008	500	12	1,600
		29.07.2008	500	11.95				
		10.09.2008	500	11.51				
Mauro Rinaudo	-	29.07.2008	800	10.85	01.08.2008	800	12	800
		12.11.2008	800	8.15				
António Mendes Pinheiro	200	25.04.2008	100	16.39	-	-	-	300
Nuno Moreira da Cruz	1,100	-	-	-	-	-	-	1,100
Pedro Ricardo	5,230	-	-	-	-	-	-	5,230
Rufino Ribeiro	980	-	-	-	-	-	-	980
José Eduardo Nunes	930	-	-	-	-	-	-	930
Tiago Villas-Boas	8,320	27.06.2008	350	13.930	-	-	-	9,670
		03.10.2008	500	10.735				
		07.10.2008	500	8.600				
Vasco Ferreira	1,590	-	-	-	-	-	-	1,590

Directors' transactions with the Company

According to articles 66 e) and 397 of the Companies Code.

In 2008 no consent was given to any transactions between the company and its directors.

Directors' holding of other office

According to article 398 of the Companies Code.

Except for João Pedro Leitão Pinheiro de Figueiredo Brito until his election as director on 24 May 2005, renewed at 6 May 2008, no other director was in 2008 a party to an employment agreement – temporary or permanent, dependent or independent – with any affiliate of the company.

By a resolution taken at the general meeting held on 6 May 2008, directors were allowed to pursue a business activity in competition with Galp Energia's activity, according to the article 398, third paragraph of the Companies Code, and the definition of those directors' access regime to Galp Energia's sensitive information was approved, in accordance with the paragraph 4 of the article 398 of the Companies Code.

Services provided to affiliates and financial claims on associates

According to article 5, paragraph 4 of Decree Law n.º 495/88 of 30 December, as redrafted by Decree Law n.º 318/94 of 24 December.

See note 16 – services provided to affiliates, in the Notes to the Individual Financial Statements.

Consolidated accounts

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated income statements by nature for the years ended 31 December 2008 and 2007

(IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated income statements by nature originally issued in Portuguese - Note 37)

	Notes	December 2008	December 2007 restated	
Operating income:				
Sales	6	14,860,459	12,433,024	
Services rendered	6	225,324	127,089	
Other operating income	6	102,109	101,071	
Total operating income:		**15,187,892**	**12,661,184**	
Operating costs:				
Cost of sales	7	13,725,987	10,513,474	(a)
External supplies and services	7	680,073	621,921	(a)
Employee costs	7	291,895	281,206	
Amortisation, depreciation and impairment loss on fixed assets	7	239,670	256,850	
Provision and impairment loss on receivables	7	41,842	20,805	
Other operating costs	7	41,100	31,337	
Total operating costs:		**15,020,567**	**11,725,593**	(a)
Operating profit:		**167,325**	**935,591**	(a)
Financial income	9	12,612	16,646	
Financial costs	9	(63,585)	(50,314)	
Exchange gain (loss)		(8,425)	(8,866)	
Share of results of investments in associates	4	48,391	81,170	
Income (cost) on financial instruments	28	(328)	645	
Other gains and losses		(1,279)	(932)	
Profit before tax:		**154,711**	**973,940**	(a)
Income tax expense	10	(32,899)	(249,100)	(a)
Profit before minority interest:		**121,812**	**724,840**	(a)
Profit attributable to minority interest		(4,841)	(4,568)	
Profit attributable to equity holders of the parent	11	**116,971**	**720,272**	(a)
Earnings per share (in Euros)	11	**0,14**	**0,87**	(a)

(a) Amounts restated in relation to the approved financial statements for 2007 (see Note 2.24).

The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2008.

The accountant
Carlos Alberto Nunes Barata

The board of directors
Francisco Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito
Alberto Maria Chiarini
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Camillo Gloria
Fabrizio Dassogno
Giuseppe Ricci
Luigi Piro
Joaquim José Borges Gouveia

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated balance sheets as of 31 December 2008 and 2007

(IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of balance sheets originally issued in Portuguese - Note 37)

Assets	Notes	December 2008	December 2007 restated	
Non-current assets:				
Tangible fixed assets	13	2,760,142	2,107,736	
Goodwill	12	171,506	17,222	
Other intangible fixed assets	13	409,403	309,502	
Investments in associates	4	297,468	148,755	
Investments in other companies	5	1,173	1,047	
Other receivables	15	83,741	89,149	
Deferred tax assets	10	200,034	131,891	
Other investments	18	4,789	1,475	
Total non-current assets		**3,928,256**	**2,806,777**	
Current assets:				
Inventories	17	1,076,494	1,346,816	(a)
Trade receivables	16	987,704	1,077,059	
Other receivables	15	500,475	330,049	
Other investments	18	2,903	6,156	
Current income tax recoverable		-	382	
Cash and cash equivalents	19	127,168	107,176	
Total current assets:		**2,694,744**	**2,867,638**	(a)
Total assets:		**6,623,000**	**5,674,415**	(a)
Equity and liabilities				
Equity:				
Share capital	20	829,251	829,251	
Share premium		82,006	82,006	
Translation reserve		(27,449)	(22,818)	
Other reserves	21	174,480	146,438	
Hedging reserves		(1,752)	1,307	
Retained earnings		1,144,432	717,562	
Interim dividend	30	(124,095)	(126,046)	
Consolidated net profit attributable to equity holders of the parent		116,971	720,272	(a)
Equity attributable to equity holders of the parent		**2,193,844**	**2,347,972**	(a)
Minority interest	22	24,975	21,988	
Total equity		**2,218,819**	**2,369,960**	(a)
Liabilities:				
Non-current liabilities:				
Bank loans	23	1,304,078	279,712	
Bonds	23	-	225,772	
Other payables	25	56,156	61,757	
Retirement and other benefit obligations	24	255,896	253,552	
Deferred tax liabilities	10	18,245	128,700	(a)
Other financial instruments	28	3,014	5	
Provisions	26	99,468	82,571	
Total non-current liabilities		**1,736,857**	**1,032,069**	(a)
Current liabilities:				
Bank loans and overdrafts	23	684,949	335,767	
Bonds	23	1,711	-	
Trade payables	27	993,266	955,553	
Other payables	25	982,021	981,066	
Other financial instruments	28	1,503	-	
Income tax	10	3,874	-	
Total current liabilities		**2,667,324**	**2,272,386**	
Total liabilities		**4,404,181**	**3,304,455**	(a)
Total equity and liabilities		**6,623,000**	**5,674,415**	(a)

(a) Amounts restated in relation to the approved financial statements for 2007 (see Note 2.24).

The accompanying notes form an integral part of the consolidated balance sheet as of 31 December 2008.

The accountant
Carlos Alberto Nunes Barata

The board of directors
Francisco Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
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Galp Energia, SGPS, S.A. and subsidiaries

Consolidated cash flow statements for the years ended 31 December 2008 and 2007

(IFRS/IAS)

((Amounts stated in thousands of Euros -tEuros)

(Translation of consolidated cash flow statements originally issued in Portuguese - Note 37)

	Notes	2008	2007
Operating activities:			
Cash receipts from customers		15,240,251	11,970,796
Cash paid to suppliers		(11,531,403)	(7,766,243)
Cash paid to employees		(198,238)	(177,493)
Cash paid/received relating to tax on petroleum products		(2,388,699)	(2,560,429)
Cash (paid)/received relating to income tax		(186,029)	(280,074)
Contributions to the pension fund	24	(3,960)	(8,771)
Cash paid to early retired and pre-retired personnel	24	(13,845)	(14,710)
Cash paid relating to insurance costs of retired personnel	24	(10,807)	(10,453)
Other (payments)/receipts relating to operating activities		(439,209)	(300,688)
Net cash from operating activities (1)		**468,061**	**851,935**
Investing activities:			
Cash receipts relating to:			
Investments		7,777	14,118
Tangible fixed assets		8,131	1,140
Intangible fixed assets		-	1,213
Investment subsidies	14	7,090	62,988
Interest and similar income		2,650	5,118
Dividends	4	46,816	55,756
Sale of regulated natural gas assets - Unbundling		-	24,026
Loans granted		20,826	195
		93,290	164,554
Cash payments relating to:			
Investments		(543,754)	(10,815)
Tangible fixed assets		(598,701)	(386,227)
Intangible fixed assets		(54,434)	(39,459)
Loans granted		(29,427)	(34)
		(1,226,316)	**(436,535)**
Net cash used in investing activities (2)		**(1,133,026)**	**(271,981)**
Financing activities:			
Cash receipts relating to:			
Loans obtained		1,435,789	2,287,680
Capital increases, supplementary capital contributions and share premium		342	-
Interest and similar income		2,860	2,794
Discounted notes		10,610	7,532
		1,449,601	**2,298,006**
Cash payments relating to:			
Loans obtained		(690,930)	(2,451,749)
Repayment of loans from EIB under the Unbundling operation		-	-
Interest on loans obtained		(41,062)	(14,739)
Interest and similar costs		(17,122)	(32,639)
Dividends	30	(264,003)	(379,028)
Repayment of discounted notes		(10,818)	(7,956)
Payment of interest on finance lease contracts		(106)	(103)
Interest on finance lease contracts		(6)	(4)
Interest on bonds		(626)	(1,110)
		(1,024,673)	**(2,887,328)**
Net cash used in financing activities (3)		**424,928**	**(589,322)**
Net decrease in cash and cash equivalents (4) = (1) + (2) + (3)		(240,037)	(9,368)
Effect of foreign exchange rate changes		(9,257)	(8,364)
Cash and cash equivalents at the beginning of the year	19	(16,910)	822
Change in consolidation perimeter	3	27,369	-
Cash and cash equivalents at the end of the year	19	(238,835)	(16,910)

The accompanying notes form an integral part of of the consolidated cash flow statement for the year ended 31 December 2008.

The accountant
Carlos Alberto Nunes Barata

The board of directors
Francisco Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito
Alberto Maria Chiarini
Claudio De Marco
Paolo Grossi
Camillo Gloria
Fabrizio Dassogno
Giuseppe Ricci
Luigi Piro
Joaquim José Borges Gouveia

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of changes in equity for the years ended 31 December 2008 and 2007

(IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)

(Translation of consolidated statements of changes in equity originally issued in Portuguese - Note 37)

Changes in the period	Notes	Share capital (Note 20)	Share premium
Balance at 1 January 2007		**829,251**	**82,006**
Appropriation of profit to reserves		-	-
Dividends distributed		-	-
Other increases / decreases in hedging reserves	28	-	-
Other changes		-	-
Adjustments relating to the recognition of deferred taxes on financial derivatives	10	-	-
Differences arising on translation of foreign currency financial statements (Group companies)		-	-
Differences arising on translation of foreign currency financial statements (Associated companies)		-	-
Changes in minority interest		-	-
Total increases / decreases directly in equity		**-**	**-**
Net consolidated profit attributable to the shareholders and minority interest (a)		-	-
Balance at 31 December 2007 - Restated (a)		**829,251**	**82,006**
Appropriation of profit to reserves	21	-	-
Dividends distributed	30	-	-
Other increases / decreases in hedging reserves	28	-	-
Other changes	10 and 21	-	-
Adjustments relating to the recognition of deferred taxes on financial derivatives	10	-	-
Differences arising on translation of foreign currency financial statements (Group companies)		-	-
Differences arising on translation of foreign currency financial statements (Associated companies)	4	-	-
Changes in minority interest		-	-
Total increases / decreases directly in equity		**-**	**-**
Net consolidated profit attributable to the shareholders and minority interest		-	-
Balance at 31 December 2008		**829,251**	**82,006**

(a) Amounts restated in relation to the approved financial statements for 2007 (see note 2.24)

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2008.

The accountant
Carlos Alberto Nunes Barata

The board of directors
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Translation reserve	Other reserves (Note 21)	Hedging reserves	Retained earnings	Interim dividends	Net profit for the year	Sub-Total	Minority interest (Note 22)	Total
(10,385)	**107,024**	**710**	**254,757**	**-**	**754,774**	**2,018,137**	**18,537**	**2,036,674**
-	39,877	-	714,897	-	(754,774)	-	-	-
-	-	-	(252,092)	(126,046)	-	(378,138)	-	(378,138)
-	-	781	-	-	-	781	-	781
-	(463)	-	-	-	-	(463)	-	(463)
-	-	(184)	-	-	-	(184)	-	(184)
(7,399)	-	-	-	-	-	(7,399)	-	(7,399)
(5,034)	-	-	-	-	-	(5,034)	-	(5,034)
-	-	-	-	-	-	-	(1,117)	(1,117)
(12,433)	**39,414**	**597**	**462,805**	**(126,046)**	**(754,774)**	**(390,437)**	**(1,117)**	**(391,554)**
-	-	-	-	-	720,272	720,272	4,568	724,840
(22,818)	**146,438**	**1,307**	**717,562**	**(126,046)**	**720,272**	**2,347,972**	**21,988**	**2,369,960**
-	28,042	-	566,184	126,046	(720,272)	-	-	-
-	-	-	(139,314)	(124,095)	-	(263,409)	-	(263,409)
-	-	(4,014)	-	-	-	(4,014)	-	(4,014)
-	-	-	-	-	-	-	-	-
-	-	955	-	-	-	955	-	955
(9,352)	-	-	-	-	-	(9,352)	-	(9,352)
4,721	-	-	-	-	-	4,721	-	4,721
-	-	-	-	-	-	-	(1,854)	(1,854)
(4,631)	**28,042**	**(3,059)**	**426,870**	**1,951**	**(720,272)**	**(271,099)**	**(1,854)**	**(272,953)**
-	-	-	-	-	116,971	116,971	4,841	121,812
(27,449)	**174,480**	**(1,752)**	**1,144,432**	**(124,095)**	**116,971**	**2,193,844**	**24,975**	**2,218,819**

CONTENTS

Galp Energia, SGPS, S.A. and subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008 (IAS/IFRS)
(Amounts stated in thousands of Euros - tEuros)
(Translation of notes originally issued in Portuguese – Note 37)

1. Introduction

a) Parent company:

Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or the Company), was founded as a State–owned company on 22 April 1999, under Decree-Law 137-A/99, with the name "Galp – Petróleos e Gás de Portugal, SGPS, S.A.", having on 13 September 2000 adopted its present name of Galp Energia, SGPS, S. A..

The Company's head Office is in Lisbon and its corporate object is to manage equity participations in other companies, having, as of the date of its foundation, grouped the State's directly owned participations in the following companies: Petróleos de Portugal – Petrogal, S.A.; GDP – Gás de Portugal, SGPS, S.A. and Transgás – Sociedade Portuguesa de Gás Natural, S.A. ("Transgás, S.A." which in present changed it's designation to Galp Gás Natural, S.A.).

Over the years the Company shareholder structure has undergone several changes, its position as of 31 December 2008 is stated in Note 20.

Part of the Company's shares, representing 25.32% of its capital, are listed on the Euronext Lisbon stock exchange.

b) The Group:

At 31 December 2008 the Galp Group ("the Group") was made up of Galp and its subsidiaries, which include: (i) Petróleos de Portugal – Petrogal, S.A. ("Petrogal") and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP – Gás de Portugal, SGPS, S.A. and its subsidiaries, which operates in the natural gas sector; (iii) Galp Power, SGPS, S.A. and its subsidiaries, which operate in the electricity and renewable energy sector; and (iv) Galp Energia, S.A. which provides all the corporate support services.

b1) Crude oil upstream and downstream operations

Petrogal is the only company operating in the petroleum refining sector in Portugal and has majority control over the distribution of refined petroleum products through the Galp brand, which it owns. Petrogal and its subsidiaries operate in the oil exploration area (upstream), and in the refining and distribution of petroleum and derivative products area (downstream).

b2) Natural gas operations

The natural gas subsidiaries of the GDP – Gás de Portugal, SGPS, S.A. group which operate in: (i) the acquisition, sale to ordinary regime electricity producers and to wholesale in commercialisation of last resort namely through Galp Gás Natural, S.A.; (ii) storage through Transgás Armazenagem, S.A. and (iii) distribution and commercialisation of natural gas through Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., Lusitaniagás – Companhia de Gás do Centro, S.A. and Beiragás – Companhia de Gás das Beiras, S.A., which operate based on concession contracts entered into with the Portuguese State, which where initially set for a period ending in 2028 (2034 for Beiragás). The initial contracts, except for Galp Gás Natural, S.A., were in force up to 2007, inclusive. On 11 April 2008 with effective date on 1 January 2008 the mentioned companies signed new concession contracts, which end in 2045 for storage and 2047 for distribution and commercialisation of natural gas under the new legislation for this sector. At the end of these periods the assets relating to the concessions will be transferred to the Portuguese State and the companies will receive an indemnity corresponding to the book value of these assets at that date, net of depreciation, financial co-participation and grants.

Resolution of the Council of Ministers 169/2005 of 24th of October, which approved the national energy strategy, established as one of the guidelines, the liberalisation and promotion of competition in the energy markets, through change in the respective structures.

Decree-Law 30/2006 of 15th of February, while including the strategic guideline of the Resolution of the Council of Ministers 169/2005 of 24th of October within the national plan, defined a legal framework for the natural gas sector which is coherent and in line with community legislation and the main strategic objectives approved by that Resolution. This framework establishes the organisation and operating principles of the National Natural Gas System, as well as the general rules applicable to the reception, storage and re-gasification of LNG, underground storage, transport, distribution and commercialisation, thus transposing the principles of European Parliament and the Council Directive 2003/55/CE of 26th of June, with the objective of establishing a more competitive and free market. Organisation of the National Natural Gas System is mainly based on the exploration of the public natural gas network, made up of the National Transport Network, Storage and Terminal Installations and by the National Natural Gas Distribution Network. These infrastructures are explored through public service concessions or, in the case of local autonomous distribution networks, through public service licences. In addition, the conditions to be established in complementary legislation will allow private distribution of natural gas through licences granted for that purpose.

The natural gas commercialisation activity is free, being however, subject to the granting of licences by the competent administrative entity, which defines clearly the rights and duties within the perspective of operating transparency. In carrying out their activities, traders can purchase and sell natural gas freely, having the right of access to LNG storage and terminal installations and transport and distribution networks through the payment of a regulated tariff. The free commercialisation of natural gas is subject to a transitory regime establishing a gradual opening up of the market, considering the emerging market statute and the associated derogation.

Under the terms of the above mentioned Decree-Law, the activities relating to the public natural gas network, commercialisation of last resort of natural gas and logistic operation of change in supplier are subject to regulation. Without prejudice to other administrative entities, Entidade Reguladora dos Serviços Energéticos – ERSE (Energy Services Regulating Entity) is responsible for regulating the sector.

In order to implement the separation of the natural gas distribution and commercialisation activities, contracts relating to the transfer of regulated assets were signed between the regional distributors and Galp Gás Natural, S.A.. In addition, commercialisation companies were founded (Note 3) in the regions where the number of clients exceeds 100 thousand, in order to separate the commercialisation activity from the distribution activity.

On 12 July 2008 Order 13/2008 was published, under which the energy services regulator ("ERSE") fixed the rates to be applied by the entities that carry out regulated activities for the gas year 2008-2009, so that the income permitted for that period can be recovered, as established in article 149 of the Tariff Regulations.

The gas year corresponds to the period from 1 July of one year up to 30 June of the following year.

The tariffs to be charged to clients include the energy tariff, the tariff for using the transport network, the tariff for using the overall natural gas system, the tariff for using the distribution system and commercialisation tariff, which remunerate the regulated activities.

The Group Companies carry out the storage, distribution and natural gas commercialisation of last resort activities under that regulation.

b3) Energy generating operations

The operations of the Galp Power group subsidiaries consist of generating and commercialising electric and thermic power.

c) Operations

The Galp Energia group's operations consist of the following:

- The exploration and production business segment ("E&P") is responsible for Galp Energia's upstream operations in the petroleum industry, which consists of the supervision and performance of all the activities relating to the exploration, development and production of hydrocarbons, essentially in Angola, Brazil, Mozambique and East Timor;

- The Petroleum Product Refining and Distribution business segment ("Refining and Distribution") holds the only two refineries in Portugal and also includes all the activities relating to the retail and wholesale commercialisation of petroleum products (including LPG). The Refining and Distribution segment also controls the majority of the petroleum product storage and transport infrastructures in Portugal, which are strategically located for both exporting and distribution of the main products to the consumption centres. This retail distribution activity, using the Galp brand, also includes Spain, Mozambique, Guinea Bissau, Gambia and Swaziland through fully owned subsidiaries of the Group and Angola and Cape Verde through joint ventures;

- The Gas and Power business segment covers the areas of Purchasing, Commercialisation and Distribution of Natural Gas and power co-generation.

  - The Purchasing and Commercialisation of Natural Gas area supplies Natural Gas to large industrial customers with annual consumptions of more than 2 million m^3, power generating companies, and natural gas distribution companies and UAG's ("natural gas distributors"). So as to meet the demand of its customers, Galp Energia also has long term purchase contracts with companies in Algeria and Nigeria;

  - The Natural Gas Distribution area, together with the natural gas distribution companies in which Galp Energia has a significant participation, sell natural gas to residential, commercial and industrial customers with annual consumptions of less than 2 million m^3;

  - The Power area generates electric and thermic power and supplies power to large industrial customers. Galp Energia presently participates in five co-generation plants with an installed capacity of 80 MW. In addition, it participates in wind farms and combined cycle plants, which are still in the investment phase.

The accompanying financial statements are presented in the functional currency Euros, as this is the currency used preferentially in the financial environment in which the Company operates.

2. Significant accounting policies

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. In 2008 there were changes in the accounting policies in relation to those used to prepare the financial information for the preceding year, which are presented in Note 2.24. In addition, no significant prior year material errors were recognised.

2.1. Basis of presentation

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.17), from the accounting records of the companies included in the consolidation (Notes 3 and 4), maintained in accordance with generally accepted accounting principles in the countries of each subsidiary, adjusted in the consolidation process so as to conform to International Financial Reporting Standards as adopted by the European Union, effective for the years beginning 1 January 2008. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"), adopted by the European Union. These standards and interpretations are hereinafter referred to as IAS/IFRS.

On 31 December 2008 ammendments were approved to standards IAS 39 and IFRS 7 – "Reclassification of Financial Instruments" already issued and published in the Official Journal of the European Union ("OJEU") being applicable to the years beginning on or as from 1 July 2008. In addition at 31 December 2008 ammendments to standard IAS 23 – "Borrowing costs" (applicable to the years starting as from 1 January 2009), standard IFRS 2 "Share based payments" (applicable to the years starting as from 1 January 2009), IAS 1 – "Presentation of financial statements" (applicable to the years starting as from 1 January 2009), interpretation IFRIC 13 – "Client loyalty programs" (applicable to the years starting as from 1 July 2008) and interpretation IFRIC 14 – "IAS 19 – Limits over a defined benefits asset, minimum financial requirements and related interaction" (applicable to the years starting as from 1 July 2008), standard IFRS 8 –"Operating segments" (applicable to the years starting as from 1 January 2009), had already been issued and published in OJEU. In 2008 the Galp Energia group decided not to adopt the standards issued by the European Union which are not mandatorily applicable for the current year. Application of these standards is not expected to have a significant impact on the Group financial statements.

Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the accompanying consolidated financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the financial statements.

2.2. Basis of consolidation

The following consolidation methods were used by the Group:

a) Investments in Group companies

Investments in companies in which the Group holds, directly or indirectly, more than 50% in their voting rights in Shareholders' General Meetings and/or has the power to control their financial and operating policies (the definition of control adopted by the Group) were consolidated in these financial statements in accordance with the full consolidation method. The companies consolidated in accordance with the full consolidation method are shown in Note 3.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated balance sheet and income statement in the caption minority interest. Where losses applicable to minority shareholders exceed the minority interest in equity of the subsidiary, the Group absorbs such loss and any additional losses, except where the minority shareholders must and are able to cover such losses. If a subsidiary subsequently reports profits, the Group appropriates all the profits until the amount of the minority shareholders' losses absorbed by the Group have been recovered.

The assets and liabilities of each Group company are recognised at fair value as of the date of acquisition or, as established in IFRS 3, during a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill (Note 2.2.d)). If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as income for the year.

Minority interest includes the third party proportion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the income statement from the date of acquisition to the date of the sale.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for them to conform to the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

Where the Group has, in substance, control over other special purpose entities, even if it does not have direct participation in their capital, they are consolidated in accordance with the full consolidation method. Where such entities exist, they are included in Note 3.

Investments in Group companies are always consolidated.

b) Participations in jointly controlled companies

Participations in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportional consolidation method as from the date joint control is acquired. In accordance with this method, assets, liabilities, income and costs of such companies are included in the accompanying consolidated financial statements, caption by caption, in proportion to the control attributable to the Group. The companies consolidated in accordance with the proportional method are listed in Note 3.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of each jointly controlled entity at the date of acquisition is recognised as goodwill (Note 2.2.d)). If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as income for the year.

Transactions, balances and dividends distributed between companies are eliminated in the consolidation process, in proportion to the control attributable to the Group.

The classification of investments in jointly controlled companies is determined based on inter-participant agreements that regulate the joint control.

The companies consolidated in accordance with the proportional consolidation method are shown in Note 3.

c) Investments in associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds a participation between 20% and 50% in the company's capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost, adjusted by the amount corresponding to the Group's participation in changes in equity (including net result) of the associated company by corresponding entry to the income statement caption "Share of results of associates", as well as by dividends received.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill (Note 2.2.d)) and included in the book value of the investment. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates", after confirmation of the fair value attributed.

Valuations are made of investments in associates when there are facts that might sugest the participation to be impaired, as well as annual valuations of goodwill. If any impairment losses are determined they are recognised in the income statement. When impairment losses recognised in preceding years no longer exist, they are reversed. However impairment of goodwill is not reversed.

When the Group's share of the accumulated loss of an associated company exceeds the book value of the participation, the participation is recorded at zero, except where the Group has assumed commitments to the associated company, in which case the Group recognises the loss by the amount of the joint liability with the associated company.

Unrealised gains and losses on transactions with associated companies are eliminated in proportion to the Group's interest in the associated company, by corresponding entry to the investment in the associate. Unrealised losses are also eliminated, only if the loss doesn't result from the transferred asset being impaired.

The participations in associated companies are shown in Note 4.

d) Goodwill

Positive differences between the cost of investments in Group companies, jointly controlled companies and associated companies and the fair value of the identifiable assets and liabilities of these companies at the date of acquisition, or during a period of 12 months after that date, are recognised as goodwill (in the case it results from goodwill in group companies or jointly controlled companies) (Note 12) or as investments in associates (in the case it results from associated companies).

Differences between the cost of investments in foreign entities and the fair value of the identifiable assets and liabilities at the date of acquisition, or during a period of 12 months after that date, are recognised in their functional currencies and translated to the Group's functional currency (Euros) at the rate of exchange on the balance sheet date. Exchange rate differences resulting from the translation are recorded in equity in the caption "Translation Reserve".

Goodwill on acquisitions prior to the date of transition to IFRS (1 January 2004) was maintained at the amounts recorded in accordance with generally accepted accounting principles in Portugal (deemed cost) as of that date and is subject to impairment tests in accordance with IFRS1.

Goodwill on acquisitions after 1 January 2004 (date of transition to IFRS) as well as net goodwill on earlier acquisitions is not amortised, but is subject to impairment tests at least annually to determine if there are impairment losses. Impairment losses are recorded immediately on the balance sheet as deductions from the amount of the assets by corresponding charge to the income statement caption "Other gains and losses" and are not subsequently reversed.

If the initial recording of a business combination can only be made provisionally at the end of the period in which the concentration was made because the fair values to be attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally, the Galp group records the concentration using the provisional amounts. The amounts determined provisionally are adjusted when the fair values of the assets and liabilities are objectively determined, up to a period of 12 months after the acquisition date. Goodwill or any other gain recognised will be adjusted as from the date of the acquisition by an amount equal to the adjustment of fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, to be recognised or adjusted and the comparative information presented for periods prior to conclusion of the initial recording of the concentration will be presented as if the initial recording had been concluded as of the date of the acquisition. This includes any depreciation, amortisation or other additional profit or loss effect recognised as a result of concluding the initial recording.

e) Foreign currency financial statements translation

Entities operating abroad that have organisational and financial autonomy are recorded as foreign entities.

Assets and liabilities in the financial statements of foreign entities are translated to Euros at the rates of exchange in force on the balance sheet date and income and costs and cash flows in these financial statements are translated to Euros at the average rates of exchange for the year. The resulting exchange differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Translation reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were reversed by corresponding entry to "Retained earnings".

Goodwill and the fair value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of these entities and translated to Euros at the exchange rates in force on the balance sheet date.

When a foreign entity is sold the accumulated exchange difference is transferred from the equity caption "Translation reserve" to the income statement caption "Other gains and losses".

Shareholders' loans in a different functional currency from the parent company, that do not have defined repayment terms are considered as net investments in the foreign entities. The exchange differences arising but not reversed in the consolidation process, in transposing the balances of shareholders' loans to the company's reporting functional currency, are reclassified to the shareholders' equity caption "Translation reserve".

The financial statements of foreign entities included in the accompanying consolidated financial statements were translated to Euros at the following exchange rates:

	At the end of the year		Average for the year	
Currency	**2008**	**2007**	**2008**	**2007**
Gambian Dalasi (a)	38,23	n.a.	33,20	n.a.
Moroccan Dirhams	11,27	11,35	11,35	11,22
US Dollars	1,39	1,47	1,47	1,37
Cape Verde Escudos	110,27	110,27	110,27	110,27
CFA Francs	655,96	655,96	655,96	655,96
Swaziland Lilangeni (a)	13,54	n.a.	11,98	n.a.
Mozambique Meticais	35,98	36,28	35,64	35,67
Brazilian Reais	3,24	2,60	2,67	2,66

(a) not applicable in 2007 as the companies were acquired in 2008.

2.3. Tangible fixed assets

Tangible fixed assets acquired up to 1 January 2004 (date of transition to IFRS) are stated, as allowed under an option included in IFRS 1, at deemed cost, which corresponds to cost, revalued, where applicable, in accordance with the legislation in force up to that date, less accumulated depreciation, impairment loss and government grants.

Tangible fixed assets acquired after that date are recorded at cost less accumulated depreciation, impairment losses and government grants. Cost includes the invoice price, transport and assembly costs and financial costs incurred during the construction phase.

Tangible fixed assets in progress include fixed assets in the construction phase and are recorded at cost less government grants and any impairment losses. Tangible fixed assets in progress are depreciated as from the time the capital expenditure projects are completed or the assets are ready for use.

Depreciation of the deemed cost (for acquisitions up to 1 January 2004) or acquisition cost are calculated on a straight-line basis, as from the year the assets start operating, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life, limited, when applicable, to the concession period.

The average annual depreciation rates used are as follows:

	Rates	
Land and natural resources – public right of free passage	2.20%	3.13%
Buildings and other constructions	2.00%	10.00%
Machinery and equipment	2.20%	12.50%
Transport equipment	16.67%	25.00%
Tools and utensils	12.50%	25.00%
Administrative equipment	5.00%	33.33%
Reusable containers	7.14%	33.33%
Other tangible fixed assets	10.00%	33.33%

The natural gas infrastructures, namely the gas distribution networks, are depreciated over a period of 45 years as this is considered to be the period of economic useful life of these assets.

Recurring multi-annual repair and maintenance costs are expensed in the year when they are incurred. Major overhauls involving the replacement of parts of equipment or of other fixed assets are recorded as tangible fixed assets if the replaced parts are identified and written off, and depreciated over the remaining period of economic useful life of the corresponding fixed assets.

Oil exploration and production

Tangible fixed assets relating to oil exploration and production are recorded at cost, which includes essentially:

(i) costs incurred with the exploration and development of the oil fields, plus overheads and financial costs incurred up to the date production starts, are capitalised in fixed assets in progress. When the oil field starts producing, these costs are transferred from fixed assets in progress to the definitive fixed assets captions and depreciated.

The proved developed reserves and total proved reserves used by the Group to determine the depreciation rate in accordance with the Unit of Production ("UOP") method were determined by a specialised entity.

Development expenses are depreciated in accordance with a coefficient calculated based on the proportion of the volume produced in each depreciation period in relation to the proved developed reserves at the end of the period plus production for the period (UOP Method).

Exploration expenses are depreciated based on a coefficient calculated by the proportion of the volume of production in each depreciation period in relation to the total proved reserves at the end of the period plus production for the period.

Exploration expenses relating to fields which are still in the exploration and development phase are classified as fixed assets in progress;

(ii) costs of acquiring oil exploration and production licences (signature bonus), are depreciated on a straight-line basis, as from the date production starts, over the remaining period of the licence;

All costs incurred in the exploration phase of unsuccessful oil fields are recognised as costs in the income statement for the year in which discontinuance of the exploration and/or development work is acknowledged.

Gains and losses on the sale of fixed assets results from the difference between the sales price and the net book value at the date of sale or write-off. Net book value includes accumulated impairment losses. The gains and losses determined are recognised in the income statement captions "Other operating income" or "Other operating costs".

2.4. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation, government grants and impairment losses. Intangible assets are only recognised if it is probable that they will result in future economic benefits to the Group, they are controllable and can be reliably measured.

Exploration costs not related to upstream activities are recognised as costs for the year.

Development costs are only recognised as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercialising or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are recorded as costs for the year in which they are incurred.

Intangible assets with finite useful life are amortised on a straight-line basis as from the date they start being used, except for assets relating to exploration and production, which are amortised in accordance with the UOP method as described above, as from the beginning of their utilisation.

The amortisation rates are set in accordance with the period of the existing contracts or expected use of the intangible assets.

The Group capitalises costs relating to the conversion of consumption to natural gas, which involves adapting the installations. The Group believes that it can control the future economic benefits resulting from this conversion, through the continued sale of gas to its clients and inclusion of such costs in the prices approved by the General Directorate of Geology and Energy (Dec-law 140/2006 of 26th of July). These costs are amortised on a straight-line annual basis up to the end of the period of the concession of the gas distribution companies. As a result of the change in the concession contract (Introductory Note b2) and corresponding change in the concession period, the amortisation rates of such assets were changed so that the net book value of the assets at 1 January 2008 is amortised up to the end of the new concession period.

Intangible assets include, in addition to the cost of conversion of consumption to natural gas, costs incurred on software development, exclusivity bonuses paid to retailers of Galp products and rights on land utilization costs, which are amortised over the period of the respective contracts (which ranges from ten to twenty years).

2.5. Impairment of non-current assets except goodwill

Impairment tests are made as of the balance sheet date and whenever it is identified that an asset has lost value. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised by charge to the income statement caption "Amortisation, depreciation and impairment loss on fixed assets".

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The rate used to discount cash flows reflects the weighted average cost of capital (WACC) used by the Group for the business segment and country to which the asset belongs. The cash generating unit subject to impairment analysis depends on the business segment: in the refining and distribution segment the cash generating unit is the service station network in the country; in the exploration segment the cash generating unit is the development area; and in the gas & power segment the cash generating unit is the set of assets generating the economic benefits.

Impairment losses recognised in earlier periods are reversed when it is concluded that they no longer exist or have decreased. Such tests are made when there are indications that an impairment recognised in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption "Amortisation, depreciation and impairment loss of fixed assets". However, impairment losses are only reversed up to the amount at which the asset would be recorded (net of amortisation or depreciation) if the impairment loss had not been recorded in an earlier period.

Oil exploration and production

Impairment losses on oil exploration and production assets are determined when:

- Economically feasible reserves are not found;
- The licensing period ends and the exploration licence is not expected to be renewed;
- When an acquired area is returned or abandoned;
- When the expected economic future benefits are less than the investment made.

2.6. Leasing

Lease contracts are classified as:

(i) Finance leases if substantially all the risks and benefits of ownership are transferred; and
(ii) Operating leases where this does not occur.

Finance and operating leases are classified based on the substance rather than the form of the legal contract.

Leases in which the Group is the lessee

Fixed assets acquired under finance lease contracts and the corresponding liabilities are recognised in accordance with the financial method. In accordance with this method the cost of the assets (the lower of the fair value or the discounted amount of the lease instalments) is recognised in tangible fixed assets, the corresponding liability is recorded and interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 2.3, are recorded as financial cost and amortisation and depreciation cost in the income statement of the year to which they relate, respectively. In the case of operating leases, the lease instalments are recorded as costs for the year, on a straight-line basis over the period of the contract, in the income statement caption "External supplies and services".

2.7. Inventories

Inventories are stated as follows:

Inventories (merchandise, raw and subsidiary material, finished and semi-finished products, and work in process) are stated at the lower of cost of acquisition (in the case of merchandise and raw and subsidiary material) or production (in the case of finished and semi-finished products and work in process) or net realisable value.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Where cost exceeds net realisable value, the difference is recorded in the operating cost caption "Cost of sales".

As explained in Note 2.24, in 2008 the Group changed the method for determining cost of sales from FIFO ("First in First Out") to weighted average cost.

Consequently, the cost of inventories used/sold is determined as follows:

a) Raw and subsidiary material

Crude oil – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average cost basis, applicable to a single family of products, which includes all the crude grades.

Other raw materials (excluding general materials) – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average cost basis, by family of products, determined considering the characteristics of the different materials.

General materials – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on an average cost basis.

b) Products and work in process

Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products

Crude oil – corresponds to crude oil produced in the oil exploration and production activity and is held in inventory at 31 December of each year, corresponding to the Company's share of the total inventory of each development area. Such inventories value corresponds to their production cost, which includes direct production costs plus depreciation for the year and provision for abandonment costs.

Oil products – Produced finished and semi-finished products value corresponds to their received production cost, which includes the cost of raw and other materials consumption, direct labour costs and production overheads. If acquired to third parties their value corresponds to their cost, which includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis applied to families of products made up considering the characteristics of the products.

The Petrogal group includes, in the caption finished and semi-finished products, the Tax on Oil Products ("Imposto sobre Produtos Petrolíferos – ISP") relating to the introduction to consumption of finished goods dispatched subject to that tax, which is stated at cost. The cost of sales is determined on a weighted average cost basis.

Other finished and semi-finished products – Production costs include raw materials and variable and fixed production costs. The cost of sales is determined on a weighted average cost basis.

d) Merchandise

Cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average cost basis.

The cost of imported natural gas also includes the costs incurred up to the Portuguese border, relating to transport and rights of passage through Moroccan territory.

As above mentioned, the Petrogal group also includes, in the caption inventories, Tax on Oil Products relating to merchandise already dispatched subject to that tax.

As raw and subsidiary materials and merchandise in transit are not available for consumption or sale, they are segregated from the other inventories and recorded at specific cost.

e) Under/Over Lifting

In the case of oil exploration and production activity, where the Company has underlifted oil in relation to its production quota and the amount underlifted has been lend to other joint venture partners, it is recorded at market price as of the date the loans were granted in the caption "Other receivables" (Note 15). Whenever the market price at the end of the year is lower than the price considered for valuing the quantities lend it is recognised as cost an impairment loss.

When the Company has overlifted oil in relation to its production quota, the amount overlifted is valued at the market price on the date the loan is entered in the caption "Other payables" (Note 25).

The Company considers that in substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through is physical product delivery.

2.8. Government grants and other grants

Government grants are recognised at fair value when it is certain that they will be received and that the Group companies will comply with the conditions required for them to be granted.

Government grants for operating costs are recognised in the income statement in proportion of the costs incurred.

Non repayable government grants for tangible and intangible fixed assets (conversions) are recorded as decreases in the amount of the assets and recognised in the income statement as a decrease in the amount of amortisation and depreciation for the year, in proportion of the amortisation and depreciation of the granted assets.

2.9. Provisions

Provisions are recorded when, and only when, the Group has an obligation (legal or implicit) resulting from a past event in which there probably will be an outflow of resources to resolve it and the amount can be reasonably estimated. Provisions are reviewed and adjusted on each balance sheet date so as to reflect the best estimate at that date. Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan.

2.10. Pension liability

Petrogal, Sacor Marítima and some companies of the GDP group (GDP Gás de Portugal, SGPS, S.A. and Lisboagás – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (GDL)) have assumed the commitment to pay their employees' pension supplements for retirement due to age, disability and pensions to survivors, as well as early retirement and pre-retirement pensions. With the exception of early retirement and pre-retirement pensions, these payments are calculated on an incremental basis in accordance with the number of years of the employee. Early retirement and pre-retirement pensions correspond essencialy to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

Petrogal, Sacor Marítima and the GDP group companies have created autonomous pension funds managed by outside entities ("Fundo de Pensões Petrogal", "Fundo de Pensões Sacor Marítima" and "Fundo de Pensões GDP") to cover their liabilities relating to pension supplements for retirement due to age, incapacity and survivor pensions to current employees and retired personnel and, in the case of Petrogal, also to pre-retired and early retired personnel. However, the Petrogal Pension Fund does not cover the liability for early retirement and pre-retirement pensions, Social Security of pre-retired personnel and the payment of voluntary social insurance and retirement bonuses. These liabilities are covered by specific provisions included in the balance sheet caption "Retirement and other benefit obligations" (Note 24).

In addition, the GDP pension plan does not cover the liability assumed by GDL to reimburse the retirement pension supplements payable by EDP to its retired personnel and pensioners relating to GDL, as well as retirement and survivor supplements payable to retired personnel at the time of creating the Fund. These liabilities are covered by specific provisions included in the balance sheet caption "Retirement and other benefit obligations" (Note 24).

At the end of each accounting period the companies obtain actuarial valuations calculated by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with the market value of the funds and with the balance of the provisions, in order to determine the additional provisions to be recorded.

The actuarial gains and losses determined in a year for each of the benefits granted, resulting from adjustments to the actuarial assumptions, experience adjustments or adjustments to the scheme of benefits are only recorded if the net accumulated amount of these actuarial gains and losses not recognised (Total Deviation) at the end of the period exceeds in absolute amount the greater of: 10% of the total liability or 10% of the market value of the fund, being recognised in the income statement as from the year following that which it is determined, on a straight-line basis in accordance with the expected average number of working years of the employees participating in the benefit plan.

The benefit plans identified by the Petrogal sub-group for determination of these liabilities are:

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement;
- Early retirement;
- Retirement bonus;
- Voluntary social insurance;
- Special flexible retirement age regime under Decree-Law 9/99;
- Defined contribution minimum benefit plan.

The benefit plans identified by the GDP sub-group for determination of these liabilities are:

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement;
- Special flexible retirement age regime under Decree-Law 9/99.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp Energia defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed employees of other group companies to join this fund. Petróleos de Portugal – Petrogal, S.A., GDP – Gás de Portugal, SGPS, S.A., Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and Galp eNova S.A. (on 17 December 2003 Galp eNova S.A. was merged into Galp Energia, S.A.) as associates of the Fund, to allowes their employees choose between this new defined contribution pension plan and the previous defined benefits plan. In the case of options for the new plan the group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is recognised as a cost for that year.

2.11. Other retirement benefits – healthcare, life insurance and defined contribution minimum benefit plan

The Group's costs with respect to healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period in which the employees entitled to these benefits are in service in the respective companies, the liability being reflected in the balance sheet caption "Retirement and other benefit obligations" (Note 24). Payments to the beneficiaries each year are recorded as reductions in the provisions.

At the end of each accounting period the Group obtains actuarial valuations of the amount of its liability, calculated in accordance with the Projected Unit Credit method, and compares this with the provisions recorded in order to determine the additional amount to be recorded.

Actuarial gains and losses for the year are recorded as explained in Note 2.10 above.

2.12. Foreign currency balances and transactions

Transactions are recorded in the individual financial statements of subsidiaries in their functional currencies, at the rates of exchange in force on the dates of the transactions.

All foreign currency monetary assets and liabilities in the individual financial statements of subsidiaries are translated to the functional currency of each subsidiary using the rates of exchange in force at the balance sheet date of each period. Foreign currency non monetary assets and liabilities recorded at fair value are translated to the functional currency of each subsidiary at the rate of exchange in force on the date that fair value is determined.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or the balance sheet date are recorded as income and expenses, respectively, in the consolidated income statement caption "Exchange gain (loss)", except for those relating to non-monetary items, in which case the change in fair value is recorded directly in equity.

When the Group intends to reduce its exposure to exchange rate risk it contracts hedging derivative instruments (Note 2.17.f)).

2.13. Income and accruals basis

Sales income is recognised in the income statement when the risks and benefits of ownership of the assets are transferred to the buyer and the amount of the income can be reasonably measured. Sales are recognised at the fair value of the amount received or receivable, net of taxes, discounts and other costs incurred to realise them.

The sales price of natural gas to electricity producers companies is established in accordance with agreements entered into. The sales price of natural gas to entities subject to regulation is determined by the Government through the General Directorate of Geology and Energy. The selling price of natural gas is fixed quarterly in accordance with a formula established in the concession contract. Meter reading, invoicing and collections relating to the distribution and commercialisation of natural gas are made by the companies themselves or, in the case of meter reading and collections, through external partners.

As mentioned in the Introductory Note, the regulated tariffs used for invoicing natural gas in the national natural gas system are established by ERSE, so that they allow the recovery of the estimated permitted revenue for the 2008-2009 gas year calculated for each regulated activity. Permitted revenue includes, in addition to operating costs for each activity, the following remuneration: (i) commercialisation activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating commercialisation costs plus a commercialisation margin; (ii) activities of reception, transport and storage of natural gas, remuneration of 8% of the fixed assets net of depreciation and grants relating to these activities, (iii) activity of distribution of natural gas, remuneration of 9% of the fixed assets net of depreciation and grants relating to these activities. The permitted revenue of the pass-through activities/functions assumes recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred whenever they exist plus its own remuneration.

As a result of the above mentioned and since each Group commercialisation regulated company hold the credit risk of the tariffs invoiced to the final clients, the Group's regulated companies income include the remuneration/recovery of all the previous activities.

Since the real permitted revenue of the Group's storage, distribution and retail commercialisation of last resort activities that result in the application of the above mentioned remuneration mechanism, is greater by an insignificant amount than the estimated permitted revenue defined by ERSE for the 2008-2009 gas year and assuming on a conservative perspective, despite it being established that this difference will be reflected in the permitted revenue to be defined for the 2010-2011 gas year, the effect of this difference was not recognised. The companies only reflected in its financial statements, in accruals and deferrals captions, the effect of the difference between revenue resulting from application of the regulated tariffs in the invoicing to its clients and the estimated permitted revenue defined by ERSE for the 2008-2009 gas year (Notes 15 and 25).

In addition, as the real permitted revenue from the wholesale commercialisation of last resort activity was significantly less than the income that would result from application of the remuneration mechanism of the tariff regulation for that activity, essentially due to the effective cost of natural gas being greater than that forecast at the time of defining the tariff to recover that cost, regardless of the estimated permitted revenue defined by ERSE for the 2008-2009 gas year being based on new tariffs, the Group recognised in accruals and deferrals captions the difference between the effective cost of natural gas acquired and the sales price used as a result of the defined tariff, referred to as Tariff Deviation (Note 15).

As the natural gas regulation system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to permitted revenue of these companies. Therefore ERSE in chapter V of the Regulation on Commercial Relations, identifies the amount of compensation to be transferred (debited) between companies of the national gas system.

Sales of gas not invoiced are recorded monthly in the caption "Other receivables" based on the estimated amount to be invoiced, and corrected in the income statement in the period in which they are invoiced (Note 15).

Costs and income are recorded in the period to which they relate, independently of when they are paid or received. Where the actual amounts of costs and income are not known they are estimated.

Costs and income attributable to the current period where the payments and receipts will only occur in future periods and payments and receipts which have already occurred but relate to future periods and will be allocated to the income statement in each of these periods by the amounts that correspond to them, are recorded in the captions "Other current assets" and "Other current liabilities".

2.14. Financial costs on loans obtained

Financial costs on loans obtained are recorded as financial costs on an accruals basis.

Financial costs on loans to finance investments in fixed assets are capitalised in fixed assets in progress in proportion to the total costs incurred on the investments, net of government grants received (Note 2.8), up to the time they start operating (Notes 2.3 and 2.4), the remaining financial costs being recorded in the income statement caption "Financial costs" (Note 9). Any interest income on loans obtained directly to finance fixed assets in construction is deducted from the capitalisable financial costs.

Financial costs included in tangible fixed assets are depreciated over the period of useful life of the assets.

2.15. Income tax

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area in which each Galp Energia group head office is located.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each balance sheet date in order to recognise deferred tax assets not recorded previously due to not fulfilling the conditions needed for them to be recorded and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 10).

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

2.16. Non-current assets available for sale

Non-current assets (and groups of assets and liabilities related to them) are classified as available for sale if their book value is expected to be realised through sale and not through their continued use. This condition is considered to exist when the sale is very probable and the asset (and the group of assets and liabilities related to it) is available for immediate sale in its present condition. In addition, actions that allow to conclude that the sale is expected to be realised within a period of 12 months from the date the assets are classified in this caption must be in progress.

Non-current assets (and the groups of assets and liabilities to be sold related to them) classified as available for sale are recorded at the lower of their book value or fair value less costs to sell. These assets are not depreciated.

2.17. Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Group becomes a contractual party to the financial instrument.

a) Investments

Investments are classified as follows:

- Held-to-maturity investments;
- Investments at fair value through profit or loss;
- Available-for-sale investments.

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the balance sheet date. These investments have a defined maturity date which the Group intends and has the ability to retain up to their maturity.

Investments at fair value through profit or loss are classified as current investments.

Available-for-sale investments are classified as non-current assets.

All purchases and sales of these investments are recorded on the date of signing the respective purchase and sale contracts, independently of the financial settlement date.

Investments are initially recorded at cost, which is the fair value of the price paid, including transaction costs.

After initial recognition, investments at fair value through profit or loss and available-for-sale investments are revalued to fair value by reference to their market value at the balance sheet date, with no deduction for transaction costs which could be incurred upon sale. Equity instruments not listed on a regulated market, where it is not possible to reliably estimate their fair value, are maintained at cost less any non-revertible impairment losses.

Gains and losses resulting from changes in the fair value of available-for-sale investments are recognised in the equity caption “Fair value reserve” until the investment is sold, redeemed or in some way disposed of or until the fair value of the investment falls below cost over a long period, at which time the accumulated gain or loss is recognised in the income statement.

Gains and losses resulting from changes in the fair value of investments at fair value through profit or loss are recognised in the income statement.

Held-to-maturity investments are recorded at amortised cost using the effective interest rate, net of repayments of principal and interest received.

b) Receivables

Receivables are recognised at their nominal value less impairment losses recognised in the caption “Provision for impairment of receivables”, so that they are reflected at their net realisable value.

Receivables usually do not bear interest.

c) Equity or liability classification

Financial liabilities and equity instruments are classified in accordance with their contractual substance, independently of their legal form.

d) Loans

Loans are recorded as liabilities at the nominal amount received, net of costs to issue the loans.

Financial costs are calculated at the effective interest rate and recognised in the income statement on an accruals basis.

Financial costs include interest and any origination fees incurred relating to project finance.

e) Trade and other payables

Payables do not usually bear interest and are recognised at their nominal value.

f) Derivatives Instruments

Hedge accounting

The Group uses derivative instruments in managing its financial risks as a way to hedge such risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Group to hedge cash flows correspond fundamentally to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and so they correspond to perfect hedges.

The following criteria are used by the Group to classify derivative instruments as cash flow hedging instruments:

- The hedge is expected to be very effective in offsetting the changes in the cash flow of the risk hedged;
- The hedging effectiveness can be reliably measured;
- There is adequate documentation of the hedge at the beginning of the operation; and
- The hedged transaction is highly probable.

Interest rate hedging instruments are initially recorded at cost, if any, and subsequently revalued to fair value, calculated by independent external entities using generally accepted valuation methods (such as "Discounted Cash flows", Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among others, depending on the type and nature of the derivative financial derivative). Changes in fair value of these instruments are recognised in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects results.

Hedge accounting is discontinued when the derivative instruments mature or are sold. Where the derivative instrument stops qualifying as a hedging instrument, the accumulated fair value differences deferred in the equity caption "Hedging reserves" are transferred to the income statement or added to the book value of the asset which gave rise to the hedging transaction, and subsequent revaluations are recognised directly in the income statement.

A review was made of the Galp Energia group's existing contracts so as to detect embedded derivatives, namely contractual clauses that could be considered as financial derivatives. No financial derivatives that should be recognised at fair value having been identified.

When embedded derivatives exist in other financial instruments or other contracts, they are recognised as separate derivatives in situations in which the risks and characteristics are not intimately related to the contracts and in situations in which the contracts are not reflected at fair value with unrealised gains and losses reflected in the income statement.

In addition, in specific situations the Group also contracts interest rate derivatives to hedge fair value. In such situations the derivatives are recognised at fair value through the income statement. In cases in which the hedged instrument is not measured at fair value (namely loans measured at amortised cost), the effective portion of the hedge is adjusted to the book value of the hedged instrument through the income statement.

Trading instruments
The Group uses derivative financial instruments, essentially crude oil and finished product swaps and options and crude oil options, to hedge refining margin fluctuation risk. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are recognised in the income statement for the period in which they occur. At 31 December 2008 these investments were recorded at fair value.

Instrument recorded at cost
The Group trades financial derivative instruments over electric energy, namely swaps known as VPP's (Virtual power production capacity rights). Such financial instruments, if held, are not stated at fair value as fair value cannot be reliably measured. If the options are exercised at maturity, the Company records the physical purchase of electricity in the caption "Cost of sales" and the physical sale of electricity to clients in the caption "Sales". The position of these financial instruments at 31st December 2008 was immaterial.

g) Cash and cash equivalents
The amounts included in the caption "Cash and cash equivalents" correspond to cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realised immediately with insignificant risk of change in their value.

For cash flow statement purposes the caption "Cash and cash equivalents" also includes bank overdrafts included in the balance sheet caption "Bank loans and overdrafts".

2.18. CO_2 emission licences
CO_2 emitted by the Group's industrial plants and the "CO_2 emission licences" attributed to it under the National CO_2 Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the recording of a provision or (ii) such licences are not sold in the event that they are excessive, in which case income would be recognised.

2.19. Balance sheet classification
Assets realisable and liabilities payable in more than one year from the balance sheet date are classified as non-current assets and non-current liabilities, respectively.

2.20. Subsequent events
Events that occur after the balance sheet date that provide additional information on conditions that existed at the balance sheet date are recognised in the consolidated financial statements. Events that occur after the balance sheet date that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements.

2.21. Segment reporting
All the business and geographic segments applicable to the Group are identified in each period.

Financial information regarding income by business segment identified is provided in Note 8.

2.22. Estimates and judgements
The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgement required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgements and estimates in the preparation of financial statements are: (i) proven crude oil reserves relating to petroleum exploration activity; (ii) goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; and (iv) actuarial and financial assumptions used to calculate retirement benefits.

Crude oil reserves

The estimation of crude oil reserves is an integral part of the decision-making process relating to exploration activity assets and the development of crude oil, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the petroleum exploration and production assets in accordance with the "Unit of Production" method, as well as to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

Estimated proved reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proved reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proved reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being increased, respectively, based on the expected future production. In 2008 and 2007, the Group recorded depreciation of tEuros 60,237 and tEuros 53,352, respectively, of fixed assets relating to the exploration and production of crude oil. If the proved reserves are revalued downwards, future net profit could be affected negatively by increased depreciation cost and provisions for abandonment costs.

The quantity and type petroleum reserves used for accounting purposes are discussed in Note 31.

Goodwill

The Group performs annual impairment tests of goodwill as explained in Note 2.2.d). The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. Goodwill at 31 December 2008 amounted to tEuros 171,506 (Note 12).

Provisions for contingencies

The final cost of legal processes, settlements and other litigation can vary due to estimates based on different interpretations of the rules, opinions and final assessment of the losses. Consequently, any change in circumstances relating to these types of contingency can have a significant effect on the recorded amount of the provision for contingencies.

Environmental liabilities

Galp makes judgements and estimates to calculate provisions for environmental matters (relating essentially to the known requirements of soil decontamination), based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually. At 31 December 2008 and 2007 the provision for environmental liabilities amounted to tEuros 8,839 (Note 26) and tEuros 9,008, respectively.

Actuarial and financial assumptions used to calculate retirement benefit liabilities

See Note 2.10.

2.23. Risk management and hedging

The Group's operations lead to the exposure to risks of: (i) market, as a result of the volatility of prices of oil, natural gas and its derivatives, exchange rates and interest rates; (ii) credit, as a result of its commercial activity; (iii) liquidity, as the Group could have difficulty in having the financial resources necessary to cover its commitments.

The Group has an organisation and systems that enable it to identify, measure and control the different risks to which it is exposed and uses several financial instruments to hedge them in accordance with the corporate directives common to the whole Group. The contracting of these instruments is centralised.

The accounting policies explained in this section contain more details of these hedges.

2.24. Changes in accounting policies

In the year ended 31 December 2008 the Galp Energia group decided to change its accounting policies relating with the method to determine the cost of consumption and sales of inventories and the classification in the income statement of certain costs and income detailed below, having restated the information for the year ended 31 December 2007 presented for comparative purposes:

(i) In 2008 the criteria for valuing the cost of consumption and sales of inventories has change from FIFO to Average Weighted Cost. Galp Energia has used FIFO since 2004, when it started adopting IAS/IFRS, as the LIFO basis is not acceptable under these standards. However, considering the variety of Galp Energia's inventories and their geographical location, it was found that the weighted average cost basis was more appropriate for the Company's reality and is already widely used by companies in the sector. In order to make the periods comparable, these changes were also reflected in 2007;

(ii) Reclassification of expenses relating to the natural gas infrastructures included in the price of acquiring natural gas and previously recorded under the caption External supplies and consequently recorded in cost of sales expenses that after the unbundling operation (transfer of the natural gas infrastructure to REN) are invoiced to the company by the new owner of the infrastructure.

In accordance with the Group, the changes in accounting policies improve the interpretation of the financial statements by its users.

The impact of these changes on the consolidated balance sheet and income statement is as follows:

Balance sheet:

Amounts in tEur

Caption	2007 restated	Effect of change to weighted average cost	2007
Current assets:			
Inventories (Note 17)	1,346,816	75,248	1,422,064
Non-current liabilities:			
Deferred tax liabilities (Note 10)	128,700	(18,893)	147,593

Income statement:

Amounts in tEur

Caption	2007 restated	Effect of change to weighted average cost	Main activity	2007
Cost of sales (Note 7)	10,513,474	75,248	8,276	10,429,950
External supplies and services (Note 7)	621,921	-	(8,276)	630,197
Income tax (Note 10)	249,100	(18,893)	-	267,993

3. Companies included in the consolidation

The companies included in the consolidation their head offices, percentage of interest held and their principal activities at 31 December 2008 and 2007 are as follows:

Company		Head office		Percentage interest held		Main activity
		City	Country	2008	2007	
A) Companies of the Group						
Parent company						
Galp Energia, SGPS, S.A.	(b)	Lisbon	Portugal	–	–	Management of equity participations in other companies as an indirect form of realising business activities.
Subsidiaries:						
Galp Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Galp Energia E&P B.V.	(d)	Amsterdam	Netherlands	100%	–	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Driftal – Plastificantes de Portugal, S.A.	(c)	Lisbon	Portugal	–	100%	Commercialisation of phtalic Plastifiers.
Petrogal sub-group:						
Petróleos de Portugal – Petrogal, S.A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. Sucursal en España	(d)	Madrid	Spain	–	–	Management of participations in other refined products distributor companies in the Iberian peninsula.
Subsidiaries:						
Galp Comercializacion Oil España, S.L. and subsidiaries:	(a)	Madrid	Spain	100%	–	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.
Roc - Retail Operating Company, S.L.	(a)	Madrid	Spain	100%	–	Exploration or direct or indirect management of service stations and related or complementary activities, such as workshops, the sale of lubricants, parts and accessories for motor vehicles, restaurants and hotels.
Galp Energia España, S.A. and subsidiaries:		Madrid	Spain	100%	100%	Obtaining, representation and commercialisation of petroleum products, chemical products and all related matters.
Galpgest – Petrogal Estaciones de Servicio, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
CLG – Compañia Logística del Gas, S.A.		Madrid	Spain	100%	100%	Storage and distribution of petroleum products.
Petróleos de Valência, S.A. Sociedad Unipersonal		Valencia	Spain	100%	100%	Deposit, storage and distribution of petroleum products and chemical products and their derivatives and subproducts.
Galp Serviexpress, S.L.U.		Madrid	Spain	100%	100%	Deposit, storage and distribution of petroleum products and chemical products and their derivatives and subproducts.
Galp Distribuición Oil España, S.A.U. and subsidiaries:	(a)	Madrid	Spain	100%	–	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.
Galp Distribuição Portugal, S.A.	(a)	Lisbon	Portugal	100%	–	All activity directly or indirectly related to the operation and management of service stations, including the exploration of stores and washing facilities in the service stations, as well as import, storage and distribution of petroleum products and derivatives.
Sacor Marítima, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels.
Gasmar - Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.
Tripul – Soc. de Gestão de Navios, Lda.		Lisbon	Portugal	100%	100%	Technical management of ships, crews and supply.
S.M. Internacional – Transp. Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.

Company		Head office City	Country	Percentage interest held 2008	2007	Main activity
Probigalp – Ligantes Betuminosos , S.A.		Amarante	Portugal	60%	60%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products.
Soturis – Sociedade Imobiliária e Turística, S.A.		Lisbon	Portugal	100%	100%	Real estate activities, namely the management, purchase, sale and resale of real estate.
Sopor – Sociedade Distribuidora de Combustíveis, S.A.		Lisbon	Portugal	51%	51%	Distribution, sale and storage of liquid and gas fuel, lubricants and other petroleum derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels.
Eival – Sociedade de Empreendimentos, Investimentos e Armazenagem de Gases, S.A.		Lisbon	Portugal	100%	100%	Wholesale commerce of gas products, lubrificants, thermo domestic products and burning and gas installation material.
Galp Exploração e Produção Petrolifera, Lda. and subsidiaries:		Funchal	Portugal	100%	100%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons.
Galp Exploração Serviços Brasil, Lda.		Recife	Brazil	100%	100%	Business management and consultancy services.
Gite – Galp International Trading Establishment		Vaduz	Liechtenstein	24%	24%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons.
Galpbúzi – Agro-Energia, S.A.	(d)	Cidade da Beira	Mozambique	66.67%	–	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities.
Moçamgalp Agroenergias de Moçambique, S.A.	(d)	Maputo	Mozambique	50%	–	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
Galp Serviexpress – Serv. de Distrib. e Comercialização de Produtos Petrolíferos, S.A.		Lisbon	Portugal	100%	100%	Rendering of transport, storage and commercialisation services for liquid and gas fuels, base oils and other petroleum derivatives to individuals, small companies and farmers in the domestic and foreign markets. Direct and indirect operation of fuel distribution centres and supporting activities, namely service stations, workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial or commercial activity and the rendering of related services.
Galpgeste – Gestão de Áreas de Serviço, Lda. and subsidiaries:		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
C.L.T. – Companhia Logística de Term. Marítimos, Lda.		Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities.
Petrogal Brasil, Lda.		Recife	Brazil	100%	100%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of petroleum and natural gas.
Petrogal Trading Limited		Dublin	Ireland	100%	100%	Crude oil and petroleum product trading.
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations and vehicle assistance.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations.
Galp Gambia, Limited	(a)	Banjul	Gambia	100%	–	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Moçambique, Lda.	(a)	Maputo	Mozambique	100%	–	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Shell Oil Swaziland (PTY) Limited	(a)	Matsapha	Suaziland	100%	–	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Energia Portugal Holdings B.V. and subsidiaries:	(a) (f)	Breda	Netherlands	100%	–	Management of participations in other companies of the energy sector as na indirect form of economic activity.
Galp Comercialização Portugal, Lda. and subsidiaries:	(a) (f)	Lisbon	Portugal	100%	–	Exercise of all activities relating to petroleum, its derivatives and its substitutes in all its forms.
COMG – Comercialização de Gás, Lda	(a) (f)	Lisbon	Portugal	100%	–	Commercialisation of petroleum gas and any free exercise activities which the company decides to dedicate itself to through prior authorisation of the Shareholder's General Meeting.

Company		City	Country	2008	2007	Main activity
		Head office		Percentage interest held		
PPQCGT – Petróleos, Produtos Químicos, Comércio Geral e Turismo, Lda.	(a) (f)	Lisbon	Portugal	100%	–	The exercise of all and any activities related to petroleum, its derivatives and substitutes, exercise of commerce and industry of chemical products and their derivatives, the exercise of commerce of representations and consignments, the exercise of any activities relating to tourism.
CORS – Companhia de Exploração de Estações de Serviço e Retalho de Serviços Automóvel, Lda.	(a) (f)	Lisbon	Portugal	100%	–	Operation of and/or management of service stations and other activities exercised within them, including the management of personnel of the service stations.
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks.
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Importation, storage and distribution of LPG.
Galp Açores – Distrib. e Comercialização de Combustíveis e Lubrificantes, S.A. and subsidiary:		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira – Distrib. e Comercializ. de Combustíveis e Lubrificantes, Lda. and subsidiaries:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
CLCM – Companhia Logistica de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular – Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Tanquisado – Terminais Marítimos, S.A.		Setúbal	Portugal	100%	100%	Development and operation of Marine Terminals.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Combustiveis Líquidos, Lda.		Lisbon	Portugal	99.8%	99.8%	Sale of fuel, lubricants and vehicle accessories and any other business to which the partners agree and that does not require special authorisation.
Blue Flag Navigation – Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport and commercial operation of ships in its own name, as owner or chartered, or in the name of third parties.
Fast Access – Operações e Serviços de Informação e Comércio Electrónico, S.A.		Lisbon	Portugal	100%	100%	Realisation of operations and rendering of information services and electronic commerce for mobile users as well as the rendering of on-line commerce management and operating services.
Tagus Re, S.A.		Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Petrogal Cabo Verde, Lda.		St. Vincent	Cape Verde	100%	100%	Distribution and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations.
Galp Exploração e Produção (Timor Leste), S.A.		Lisbon	Portugal	100%	100%	Commerce and industry of petroleum, including prospecting, research and exploration of hydrocarbons in East Timor.
Galp Investment – Fundo	(e)	Lisbon	Portugal	–	–	Securitisation of credits.
Galp Investment Fund, PLC	(e)	Dublin	Ireland	–	–	Securitisation of credits.
GDP sub-group:						
GDP – Gás de Portugal, SGPS, S.A.:	(b)	Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:						
GDP Serviços, S.A.		Lisbon	Portugal	100%	100%	Business management services.
Beiragás – Companhia de Gás das Beiras, S.A.		Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás – Soc. Distrib. de Gás Natural de Évora, S.A.		Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás – Soc. Distrib. de Gás Natural de Beja, S.A.		Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.

Company		Head office City	Country	Percentage interest held 2008	2007	Main activity
Medigás – Soc. Distrib. de Gás Natural do Algarve, S.A.		Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S.A.		Bucelas	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás – Companhia de Gás do Centro, S.A.	(a)	Aveiro	Portugal	85.25%	85.19%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.		Lisbon	Portugal	100%	100%	Obtain, store and distribute piped combustible gas.
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Galp Gás Natural, S.A. and subsidies:		Lisbon	Portugal	100%	100%	Importation of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem – Soc. Portuguesa de Armazenagem de Gás Natural, S.A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.		Lisbon	Portugal	100%	100%	Supply of energy to companies and purchase and sale of natural gas.
Galp Power sub-group:						
Galp Power, SGPS, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy.
Powercer – Sociedade de Cogeração da Vialonga, S.A.		Lisbon	Portugal	70%	70%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Sinecogeração – Cogeração da Refinaria de Sines, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations.
Galp Power, S.A.		Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Portcogeração, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Central de Ciclo Combinado de Sines, S.A.	(d)	Lisbon	Portugal	100%	–	Production and commercialisation of electric energy, including the conception, construction and operation o a cobined cycle thermal electric plant, as well as the exercise of any other related activities .

In the year ended 31 December 2008 the consolidation perimeter was changed as follows in relation to the preceding year:

a) Companies acquired:

- The Group acquired an additional 0.05469% of the capital of Lusitaniagás - Companhia de Gás do Centro, S.A., for tEuros 90, resulting in goodwill of tEuros 38 (Note 12), therefore becoming holder of 85.25% of the capital of that company.

- The Galp Energia group acquired petroleum product distribution business in Mozambique and the fuel distribution business in Swaziland and Gambia from Royal Dutch Shell. This acquisition was carried out as follows:

  On 16 September the subsidiaries Petrogal, S.A. and Petrogal Moçambique, Lda., acquired 99.99% and 0.01%, respectively, of the capital from Shell Moçambique, Limitada, for tEuros 5.943, resulting in goodwill of tEuros 2,491 (Note 12). After the acquisition Shell Moçambique, Limitada changed its name to Galp Moçambique, Lda;

  On 31 October the subsidiary Petrogal, S.A. and Galp Energia, SGPS, S.A., acquired 99.98% and 0.02% respectively of the capital of Shell Marketing Gambia Limited, for tEuros 6,447, resulting in goodwill of tEuros 2,175 (Note 12). After the acquisition Shell Marketing Gambia Limited changed its name to Galp Gambia, Limited;

  On 21 November the subsidiaries Petrogal, S.A. and Galp Energia, SGPS, S.A., acquired 99.99% and 0.01% respectively of the capital of Shell Oil Swaziland (PTY) Limited, for tEuros 18,117, resulting in goodwill of tEuros 14,913 (Note 12).

- The Galp Energia group acquired the Agip fuel distribution network in the Iberian Peninsula from Eni. S.p.A. This acquisition was carried out on 1 October 2008 as follows:

  The subsidiary Petrogal, S.A. through its branch in Spain acquired 100% of the capital of Agip España, S.A.U. (the respective subsidiary Agip Portugal – Combustíveis, S.A.), for tEuros 176,512, resulting in goodwill of tEuros 71,983 (Note 12). After the acquisition Agip España, S.A.U. changed its name to Galp Distribuición Oil España, S.A.U. and Agip Portugal – Combustíveis, S.A. changed its name to Galp Distribuição Portugal, S.A.

- The Galp Energia group acquired the fuel distribution business from ExxonMobil and part of the lubricants business of the subsidiaries of ExxonMobil in Portugal and Spain. The acquisition was carried out on 1 December 2008 as follows:

The subsidiary Petróleos de Portugal – Petrogal, S.A. - Sucursal en España acquired all the capital of Esso Española, S.L. (the respective subsidiary Roc-Retail Operating Company, S.L.), for tEuros 174,900 resulting in goodwill of tEuros 46,684 (Note 12). After the acquisition Esso Española, S.L. changed its name to Galp Comercializacion Oil España, S.L.;

The subsidiary Petróleos de Portugal - Petrogal, S.A. acquired all the capital of ExxonMobil Portugal Holdings B.V. (and respective subsidiaries Esso Portuguesa, Lda.; Esso Gás, Limitada; Exxon Portuguesa Lda.; and CORS – Companhia de Exploração de Estações de Serviço e Retalho de Serviços Automóvel, Lda.), for tEuros 146,000 resulting in goodwill of tEuros 16,000 (Note 12). After the acquisition the companies:

- ExxonMobil Portugal Holdings B.V. changed its name to Galp Energia Portugal Holdings B.V.;
- Esso Portuguesa, Lda. changed its name to Galp Comercialização Portugal, Lda.;
- Esso Gás, Limitada, changed its name to COMG -Comercialização de Gás, Lda.;
- Exxon Portuguesa, Lda. changed its name to PPQCGT - Petróleos, Produtos Químicos, Comércio Geral e Turismo, Lda.

The acquisitions in 2008 had the following impact on the financial statements of Galp Energia:

	Total	Galp Distribución Oil España, S.A.U. and subsidiaries	Shell Oil Swaziland (PTY) Limited	Galp Gambia, Limited	Galp Moçambique, Lda.	Galp Comercializacion Oil Espanã, S.L. e subsidiárias	Galp Energia Portugal Holdings B.V. (ex - ExxonMobil Portugal Holding B.V.)
							(f)
Non-current assets							
Tangible and intangible assets (Note 13)	297,409	179,280	2,200	2,390	1,835	111,704	-
Investments in associates	2,264	-	-	-	4	2,260	-
Deferred tax assets (Note 10)	19,460	4,207	-	-	-	15,253	-
Other receivables	5,019	4,531	-	-	-	488	-
Current assets							
Inventories	265,339	196,437	844	18,227	1,255	48,576	-
Clients	204,828	182,527	3,921	10,977	898	6,505	-
Recoverable current income tax	2,793	313	-	-	114	2,366	-
Other receivables	11,466	3,037	265	2,228	543	5,393	-
Non-current liabilities							
Provisions (Note 26)	(2,215)	(2,215)	-	-	-	-	-
Deferred tax liabilities (Note 10)	(15,565)	(15,565)	-	-	-	-	-
Loans	(30,137)	(30,137)	-	-	-	-	-
Other payables	(706)	(91)	(615)	-	-	-	-
Current liabilities							
Loans	(164,355)	(157,344)	-	-	-	(7,011)	-
Current income tax payable	(2,226)	(1,290)	(870)	-	(66)	-	-
Other payables	(377,070)	(246,628)	(5,033)	(30,193)	(4,790)	(90,425)	-
Total acquired / integrated	216,304	117,062	712	3,629	(208)	95,109	-
Positive acquisition difference (Note 12)	154,246	71,983	14,913	2,175	2,491	46,684	16,000
Fair value of equity acquired (Notes 4 and 12)	130,000	-	-	-	-	-	130,000
Net cost of acquisition	500,550	189,045	15,625	5,804	2,283	141,793	146,000
Cash and cash equivalent	27,369	(12,533)	2,492	643	3,660	33,107	-
Net equity acquired / integrated	527,919	176,512	18,117	6,447	5,943	174,900	146,000

b) Companies merged:

- The subsidiary GDP – Gás de Portugal, SGPS, S.A. was merged into Galp Energia, SGPS, S.A., effective as of 1 January 2008. Consequently the former subsidiaries (GDP Distribuição, SGPS, S.A. and related subsidiaries) are presented as owned by Galp Energia, SGPS, S.A.. In addition, in 2008 GDP Distribuição, SGPS, S.A. changed its name to GDP – Gás de Portugal, SGPS, S.A.

c) Companies sold and liquidated:

- In the first half of 2008 Driftal – Plastificantes de Portugal, S.A. (a subsidiary of GDP – Gás de Portugal, SGPS, S.A. merged into Galp Energia), was dissolved. Its results generated up to the date of its liquidation were included in the consolidated income statement.

d) Companies founded:

- Galp Energia SGPS, S.A. subscribed for all the share capital of Galp Energia E&P B.V., which was founded in August 2008 and did not operate in that year.

- On 22 September 2008 Petrogal, S.A. founded a branch in Spain, Petróleos de Portugal – Petrogal, S.A. Sucursal en España, to which it transferred its participation in the subsidiary Galp Energia España, S.A. and respective subsidiaries.

- The subsidiary Galp Exploração e Produção Petrolífera, Lda. subscribed for 66.67% of Galpbúzi – Agro-Energia, S.A., which was founded on 23 April 2008.

- The subsidiary Galp Exploração e Produção Petrolífera, Lda. subscribed for 50% of the capital of Moçamgalp Agroenergias de Moçambique, S.A., which was founded on 24 March 2008.

- The subsidiary Galp Power, SGPS, S.A. subscribed for all the share capital of Galp Central de Ciclo Combinado de Sines, S.A., which was founded on 9 January 2008.

e) Securitisation operation:

- In 2003 Petrogal entered into a securitisation operation of accounts receivable with Galp Investment Fund, PLC (“Fund”) for a maximum amount of tEuros 210,000 (Note 23), which had a maturity of 5 years and a legal maturity of 7 years. The transactions were made through another vehicle with head office in Portugal - Galp Investment – Fundo – which acquired the receivables and place them with Galp Investment Fund PLC. As these funds were vehicles founded solely for this operation and considering the accounting requirements of the IAS/IFRS regarding this type of operation the assets and liabilities of the Funds, which consist essentially accounts receivable from clients of Petrogal and bonds issued by the Fund, respectively, were consolidated in the

Group's financial statements in prior years. This operation was liquidated on 14 July 2008 as established in the management regulations of the Fund. Therefore at 31 December 2008 no credit securitisation operation balances are reflected in the consolidated balance sheet.

f) Companies not consolidated:

- Although Galp Energia Portugal Holdings B.V. and related subsidiaries are included in the above schedule, they were not consolidated by the Group as the participation acquired on 1 December 2008 was subject to restrictions imposed by the European Union, and so part of its assets and operations must be sold in the short term. As the operations that must be sold are still under review, the Group opted not to consolidate the assets, liabilities and operations that will be maintained by the Group. Therefore the fair value of the financial participation acquired for tEuros 130,000 is reflected in the caption "Investments in associates." (Note 12).

The jointly controlled companies at 31 December 2008 and 2007 are as follows:

Company	Head office		Percentage interest held		Main activity
	City	Country	2008	2007	
B) Jointly controlled companies					
Galp Power sub-group:					
Ventinveste, S.A. and subsidiaries:	Lisbon	Portugal	34%	34%	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
Ventinveste Eólica, SGPS, S.A.	Lisbon	Portugal	34%	34%	Management of equity investments in other comapnies as an indirect form of carrying out economic activities and the construction and operation of wind farms.
Parque Eólico da Serra do Oeste, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico de Torrinheiras, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms
Parque Eólico de Vale do Chão, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico do Cabeço Norte, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico de Vale Grande, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico do Douro Sul, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico do Pinhal Oeste, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Parque Eólico do Planalto, S.A.	Lisbon	Portugal	34%	34%	Construction and operation of wind farms.
Petrogal sub-group:					
C.L.C. – Companhia Logística de Combustíveis, S.A.	Aveiras de Cima	Portugal	65%	65%	Installation and operation of liquid and gas storage facilities, as well as the related transport structures,other industrial, commercial and investigation activities and of services related to those activities.
Caiageste – Gestão de Áreas de Serviço, Lda.	Elvas	Portugal	50%	50%	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
Sigás – Armazenagem de Gás, A.C.E.	Sines	Portugal	60%	60%	The conception and construction of underground LPG storage facilities the complementary surfece installations needed to move the products. Management and operation of the underground storage facilities and installations and GPL tanks and spheres.
Asa – Abastecimento e Serviços de Aviação, Lda.	Lisbon	Portugal	50%	50%	Aircraft fuel services.

Except for C.L.C. – Companhia Logística de Combustíveis, S.A., Sigás – Armazenagem de Gás, A.C.E., Caiageste – Gestão de Áreas de Serviço, Lda., Asa – Abastecimento e Serviços de Aviação, Lda., and Ventinveste, S.A., which were included in the consolidation in accordance with the proportional method as explained in Note 2.2 line b) all the other companies referred to above (except for Galp Energia Portugal Holdings B.V. and subsidiaries) were included in the consolidation in accordance with the full consolidation method.

The companies included in the consolidation in accordance with the proportional consolidation method at 31 December 2008 had the following impact (corresponding to the amounts appropriated) on the consolidated financial statements:

	Impact of proportional consolidation (a)				
Subsidiaries	Assets	Liabilities	Income	Costs	Result for the year
C.L.C. – Companhia Logística de Combustíveis, S.A.	121,120	(68,611)	28,368	(17,489)	10,879
Caiageste – Gestão de Áreas de Serviço, Lda.	150	(121)	584	(622)	(38)
Sigás – Armazenagem de Gás, A.C.E.	14,721	(14,721)	4,285	(4,285)	-
Asa – Abastecimento e Serviços de Aviação, Lda.	113	(107)	431	(430)	1
Ventinveste, S.A. (b)	6,013	(5,772)	323	(531)	(208)
	142,117	**(89,332)**	**33,991**	**(23,357)**	**10,634**

(a) Before consolidation eliminations
(b) The amounts represent the consolidated accounts of the Ventinveste group, including only the wind generated electricity subsidiaries

4. Investments in associates

Investments in associated companies, their head offices and the percentage or interest held in them at 31 December 2008 and 2007 are as follows:

	Head office		Percentage or interest held		Book value		Financial information on the associate				
Company	City	Country	2008	2007	2008	2007	Assets	Liabilities	Income	Result for the year	Main activity
Galp Energia Portugal Holding B.V. (n)	Amsterdam	Netherlands	100%	–	130,000	–	–	–	–	–	All direct or indirect activities relating to the operation and management of service stations, including stores and washing facilities included, as well as importation, storage and distribution petroleum products and its derivatives.
Compañia Logística de Hidrocarburos CLH, SA (f) (j)	Madrid	Spain	5.00%	5.00%	59,826	60,425	1,826,694	1,581,062	599,206	162,487	Installation and operation of liquid and gas storage facilities and related transport structures.
EMPL – Europe Magreb Pipeline, Ltd. (a)	Madrid	Spain	27.40%	27.40%	39,729	30,259	383,589	238,593	194,218	118,113	Construction and operation of the natural gas pipeline between Morocco and Spain.
Gasoduto Al-Andaluz, S.A. (a)	Madrid	Spain	33.04%	33.04%	17,649	16,793	96,125	42,708	28,813	9,603	Construction and operation of Tarifa-Córdoba gas pipeline.
Gasoduto Extremadura, S.A. (a)	Madrid	Spain	49.00%	49.00%	15,070	14,303	43,918	13,163	20,330	7,881	Construction and operation aof Córdoba-Campo Maior gas pipeline.
Empresa Nacional de Combustíveis – Enacol, S.A.R.L (g) (l)	Mindelo	Cape Verde	40.43%	33.21%	13,072	7,918	59,628	33,632	91,612	3,471	Commercialisation of hydrocarbonates and related activities.
Setgás – Sociedade de Produção e Distribuição de Gás, S.A. (h)	Setúbal	Portugal	45.00%	45.00%	12,608	10,242	120,815	92,815	23,820	4,595	Production and distribution of natural and its substitute gases.
Tagusgás – Empresa de Gás do Vale do Tejo, S.A. (b)	Santarém	Portugal	41.33%	41.31%	3,721	3,745	59,830	50,828	14,509	226	Production and distribution of natural gas and other piped combustible gases.
MDA – Mobil Disa Aviacioms S.A. (i)	Santa Cruz de Tenerife	Spain	50.00%	–	2,260	–	–	–	–	–	Rendering of aeronautical petroleum refuelling services directly or through companies in that sector.
Metragaz, S.A. (a)	Tânger	Morocco	26.99%	26.99%	1,444	1,413	11,090	5,741	15,179	1,041	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
Terparque – Armazenagem de Combustíveis, Lda. (d)	Angra do Heroísmo	Portugal	23.50%	23.50%	1,190	1,238	25,701	20,634	–	(616)	Construction and/or operation of storage facilities for combustibles.
Brisa Access, S.A. (g)	Cascais	Portugal	7.50%	7.50%	755	570	13,386	3,325	16,943	2,524	Rendering of any assistance services to motorists.
Gásfomento – Sistemas e Instalações de Gás, S.A. (b)	Lisbon	Portugal	20.00%	20.00%	144	68	3,608	2,885	7,309	366	Activities relating to construction and civil engineering in general, project and construction and maintenance of installations.
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	Bissau	Guinea-Bissau	–	45.00%	–	–	–	–	–	–	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal.

Company	Head office – City	Head office – Country	Percentage or interest held 2008	Percentage or interest held 2007	Book value 2008	Book value 2007	Financial information on the associate – Assets	Liabilities	Income	Result for the year	Main activity
Ecogen – Serviços de Energia Descentralizada, S.A. (c)	Bucelas	Portugal	-	35.00%	-	112	-	-	-	-	Rendering of import and export services, commercialisation and supply of electric energy producing equipment.
Energin – Sociedade de Produção de Electricidade e Calor, S.A. (c) (m)	Lisbon	Portugal	35.00%	35.00%	-	1,669	36,119	36,715	40,308	(1,639)	Co-generation and sale of electric and thermic power.
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda. (e) (l) (m)	Luanda	Angola	49.00%	49.00%	-	-	32,759	35,228	4,165	2,568	Distribution and Commercialisation of liquid fuel, lubricants and other petroleum derivatives, operation of service stations and automobile assistance and related services.
					297,468	148,755					
Less: provision for joint responsibilities (Note 26)					(1,285)	(2,006)					
					296,183	**146,749**					

(a) Participation held by Galp Gás Natural, S.A..
(b) Participation held by GDP – Gás de Portugal, SGPS, S.A..
(c) Company dissolved on 30 June 2008.
(d) Participation held by Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A..
(e) Participation held by Petrogal Angola, Lda..
(f) Participation held by Galp Energia España, S.A..
(g) Participation held by Petróleos de Portugal – Petrogal , S.A..
(h) Participation held by GDP – Gás de Portugal, SGPS, S.A. and Petróleos de Portugal – Petrogal , S.A..
(i) Participation held by Galp Comercializacion Oil España, S.L. acquired in 2008..
(j) Although the Group's participation is only of 5%, it has significant influence and so the participation is stated as explained in Note 2.2 c).
(l) In 2008 the Group acquired 7.22% of the capital of this subsidiary for tEuro 4,399 resulting in goodwill of tEuro 2,562.
(m) At 31 December 2008 the provision for equity participations in associates, representing the Group's joint commitment to the associated companies that had negative equity are listed as follows (Note 26).
(n) Participation held by Petróleos de Portugal – Petrogal, S.A. acquired in 2008. This company was not consolidated as explained in Note 3f).

	2008	2007
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	246	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	1,039	2,006
	1,285	**2,006**

The changes in the caption "Investments in associates" in the year ended 31 December 2008 were as follows:

Company	Beginning balance	Increase in participation (a)	Gain / loss	Exchange translation adjustment	Hedging reserves adjustment	Result of previous years	Dividends	Transfers / adjustments	Ending balance
Investments									
Galp Energia Portugal Holding B.V. (b)	-	130,000	-	-	-	-	-	-	130,000
Compañia Logística de Hidrocarburos CLH, S.A.	60,425	6,675	8,124	-	-	(1,395)	(14,003)	-	59,826
EMPL – Europe Magreb Pipeline, Ltd.	30,259	-	32,363	4,776	-	-	(27,669)	-	39,729
Gasoduto Al-Andaluz, S.A.	16,793	-	3,173	-	-	-	(2,317)	-	17,649
Gasoduto Extremadura, S.A.	14,303	-	3,862	-	-	-	(3,095)	-	15,070
Empresa Nacional de Combustíveis - Enacol, S.A.R.L .	7,918	4,399	1,192	-	-	336	(773)	-	13,072
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	10,242	-	2,073	-	-	293	-	-	12,608
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	3,745	2	93	-	4	(123)	-	-	3,721
MDA – Mobil Disa Aviacioms S.A. (d)	-	2,260	-	-	-	-	-	-	2,260
Metragaz, S.A.	1,413	-	281	9	-	-	(259)	-	1,444
Terparque – Armazenagem de Combustíveis, Lda.	1,238	81	(145)	-	-	16	-	-	1,190
Brisa Access, S.A.	570	-	189	-	-	(4)	-	-	755
Gásfomento – Sistemas e Instalações de Gás, S.A.	68	-	73	-	-	3	-	-	144
Ecogen – Serviços de Energia Descentralizada, S.A. (c)	112	-	(1)	-	-	(1)	-	(110)	-
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	1,669	-	(579)	-	-	(12)	(1,324)	246	-
	148,755	**143,417**	**50,698**	**4,785**	**4**	**(887)**	**(49,440)**	**136**	**297,468**
Provision for investment in associates									
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	-	-	-	-	-	-	-	(246)	(246)
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(2,006)	-	1,268	(64)	-	(237)	-	-	(1,039)
	(2,006)	**-**	**1,268**	**(64)**	**-**	**(237)**	**-**	**(246)**	**(1,285)**
	146,749	**143,417**	**51,966**	**4,721**	**4**	**(1,124)**	**(49,440)**	**(110)**	**296,183**

(a) Includes increase in investments, purchase price adjustments and supplementary capital contributions.
(b) See Note 3.
(c) Company liquidated during the year.

In accordance with the contract for the purchase of the investment in CLH – Compañia Logistica de Hidrocarboros, S.A., the cost of the investment is revised annually for a period up to 10 years as from the date of the contract, based on the amount of sales. The additional amount paid in 2008 amounted to tEuros 6,675.

The consolidated income statement caption "Share of results of associates" for the year ended 31 December 2008 is made up as follows:

Effect of applying the equity method:	
Associated companies	51,966
Prior year adjustments in associated companies	(1,124)
Prior year adjustments in group companies	(2,362)
Others	(89)
	48,391

Dividends received in 2008 amounted to tEuros 49,440. However, tEuros 46,816, corresponding to the amount approved by the respective Shareholders' General Meetings, has been reflected in the caption "Investments in associates". The difference of tEuros 2,624 corresponds to exchange gain at the time of payment, which has been reflected in the income statement caption "Exchange gain (loss)".

As explained in Note 2.2 d), goodwill in associated companies is included in the caption "Investments in associates", the amount at 31 December 2008 being made up as follows:

Compañia Logística de Hidrocarburos CLH, S.A.	50,199
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	2,562
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	172
	52,933

5. Investments in other companies

The Group's investments in other companies, the head office of the companies and the percentage or interest held at 31 December 2008 and 2007 are as follows::

	Head office		Percentage of capital held		Book value	
Company	Town	Country	2008	2007	2008	2007
Agência de Energia do Porto	Porto	Portugal	-	-	13	13
Agene – Agência para a Energia, S.A.	Amadora	Portugal	10.98%	10.98%	114	114
Ambélis – Agência para a Modernização Económica de Lisboa, S.A.	Lisbon	Portugal	2.00%	2.00%	20	20
CCCP – Cooperativa de Consumo de Pessoal da Petrogal, CRL	Lisbon	Portugal	0.07%	0.07%	(b)	(b)
Central-E, S.A.	Lisbon	Portugal	0.70%	0.70%	2	2
Clube Financeiro de Vigo	Vigo	Spain	-	-	19	19
Cooperativa de Habitação da Petrogal, CRL	Lisbon	Portugal	0.07%	0.07%	7	7
EDEL – Empresa Editorial Electrónica, Lda.	Lisbon	Portugal	2.22%	2.22%	(b)	(b)
FINA – Petróleos de Angola, S.A.	Luanda	Angola	0.44%	-	144	-
Imopetro – Importadora Moçambicana de Petróleos, Lda.	Maputo	Mozambique	15.38%	15.38%	7	7
OEINERGE – Agência Municipal Energia e Ambiente de Oeiras	Oeiras	Portugal	1.45%	1.45%	1	1
Omegás – Soc. D'Étude du Gazoduc Magreb Europe	Tânger	Morrocos	5.00%	5.00%	35	35
P.I.M. – Parque Industrial da Matola, S.A.R.L.	Maputo	Mozambique	1.50%	1.50%	18	18
PME Capital – Sociedade Portuguesa de Capital de Risco, S.A.	Porto	Portugal	1.82%	1.82%	499	499
PME Investimentos – Sociedade de Investimento, S.A.	Lisbon	Portugal	1.82%	1.82%	499	499
Ventinveste Industrial, SGPS, S.A. (a)	Oliveira de Frades	Portugal	34.00%	34.00%	17	17
					1,395	**1,251**
Impairment of associates						
Ambélis – Agência para a modernização Económica de Lisboa, S.A.					(7)	(7)
PME Capital – Sociedade Portuguesa de Capital de Risco, S.A.					(52)	(52)
PME Investimentos – Sociedade de Investimento, S.A.					(145)	(145)
P.I.M. – Parque Industrial da Matola, S.A.R.L.					(18)	-
					(222)	**(204)**
					1,173	**1,047**

a) Participation valued at cost, because the Group doesn't held control or significant effluence in the Entity
b) Investments less than tEuros 1.

Other investments are recorded at cost as explained in Note 2.2 paragraph c).The net book value of these investments amounts to tEuros 1,173.

6. Operating income

The Group's operating income for the years ended 31 December 2008 and 2007 is made up as follows:

Captions	2008	2007
Sales:		
Merchandise	5,709,436	4,326,473
Products	9,151,023	8,106,551
	14,860,459	**12,433,024**
Services rendered	225,324	127,089
Other operating income		
Supplementary income	57,970	60,236
Gain on fixed assets	5,615	11,680
Operating grants	6,230	5,169
Internally generated assets	18,111	10,483
Prior year adjustments	5,347	5,028
Others	8,836	8,475
	102,109	**101,071**
	15,187,892	**12,661,184**

Sales of fuel include the Tax on Petroleum Products.

Sales by geographic area are shown in Note 8.

The caption “Sales” includes tEuros (581) relating to the adjustment between estimated permitted revenue for the first half of the 2008-2009 gas year and the amount of revenue relating to the following activities:

	Accrued income (Note 15)	Accrued costs (Note 25)
Commercialisers of last resort	5,866	(1,883)
Distribution of natural gas	1,020	(5,483)
Storage of natural gas	-	(101)
Total	6,886	(7,467)

The increase in the caption services rendered results essentially from the changes in the regulations introduced in the natural gas sector.

In accordance with ERSE and as a result of the separation of the distribution and commercialization of natural gas activities remuneration relating to the distribution activity started being classified in the caption “Services rendered”. In addition, as explained in Note 2.13, as the Company has the credit risk relating to collections from the final natural gas clients of the tariffs for using the transport network and global use of the system debited to the Group by REN Gasodutos, which amounted to tEuros 13,237. This caption also includes that amount.

The Group recognised the amounts debited in the cost of sales caption “Merchandise” (Note 7) and related income invoiced to its clients, as well as the difference between the amounts invoiced and the amount incurred as cost in the caption “Services rendered”.

The caption “Sales” includes tEuros 32,325 relating to the difference between the cost of acquiring natural gas from the Group’s suppliers and the sales prices defined by ERSE for the 2008-2009 gas year, which are updated quarterly, resulting from the matter explained in Note 2.13.

The caption “Supplementary income” includes essentially, income relating to operating rates, publicity space rates and automatic washing rates among other rates charged to retailers for using the GALP brand.

7. Operating costs

Operating costs for the years ended 31 December 2008 and 2007 are made up as follows

Captions	2008	2007	
Cost of sales			
Merchandise	3,892,818	2,519,738	(a)
Raw and subsidiary materials	7,086,378	5,565,560	(a)
Tax on Oil Products	2,483,747	2,505,526	
Variation in production	(130,831)	(81,212)	(a)
Decrease in inventories (Note 17)	384,365	1,441	(a)
Financial derivatives	9,510	2,421	
	13,725,987	**10,513,474**	(a)
External supplies and services:			
Subcontracts	8,109	7,226	(a)
Rental costs	56,852	45,179	
Maintenance and repairs	59,506	55,213	
Publicity	21,315	23,994	
Transport of goods	103,191	95,939	
Insurance	20,945	22,052	
Commission	14,281	11,918	
Storage and filling	60,558	50,655	
Port services and fees	9,470	21,547	
Other specialised services	205,956	197,427	
Other external supplies and services	66,987	47,246	
Other costs	52,903	43,525	
	680,073	**621,921**	(a)
Employee costs:			
Remuneration of the statutory boards (Note 29)	5,827	5,526	
Remuneration of personnel	199,497	185,765	
Social charges	42,064	38,530	
Retirement benefits - pensions and insurances (Note 24)	30,550	39,948	
Other insurance	7,361	8,666	
Other costs	6,596	2,771	
	291,895	**281,206**	
Amortisation, depreciation and impairment:			
Depreciation and impairment of tangible fixed assets (Note 13)	219,539	225,588	
Amortisation and impairment of intangible fixed assets (Note 13)	20,131	31,262	
	239,670	**256,850**	
Provision and impairment of receivables:			
Provisions and reversals (Note 26)	25,073	11,057	
Provision for pensions	(31)	-	
Impairment loss on trade receivables (Note 16)	11,431	9,143	
Impairment loss on other receivables (Note 15)	5,369	605	
	41,842	**20,805**	
Other operating costs:			
Other taxes	9,228	8,646	
Loss on fixed assets	13,017	7,283	
Other operating costs	18,855	15,408	
	41,100	**31,337**	
	15,020,567	**11,725,593**	(a)

(a) These amounts were restated considering the changes in accounting classification mentioned in Note 2.24.

The caption “Cost of merchandise sold” includes tEuros 13,237 relating to costs debited by REN Gasodutos as explained in Note 6. In addition, REN Gasodutos debits Galp Gás Natural for using the national natural gas transport network, which amounted to tEuros 70,071 for the year ended 31 December 2008.

The increase in the caption “Decrease in inventories” was due to the decrease in the market price of petroleum products and derivatives, inventories at the end of the year having to be adjusted to these prices, in accordance with the accounting policy adopted by the Group (Note 2.7).

The amount of tEuros 30,550 recorded in the caption “Retirement benefits” includes tEuros 2,228, of which tEuros 1,020 relates to contributions for the year of the companies associated with the Galp Energia defined contribution Pension Fund in benefit of its employees, and tEuros 1,184 relating to pre-retirements and early retirements contracted in 2008, which will only become effective in 2009.

The amount of tEuros 25,073 relating to Provisions and Reversals includes essentially an increase in the provision to cover the difference between the price of natural gas between Galp Gás Natural, S.A. and Nigeria Liquefied Natural Gas Limited, relating to the NLNG 2 natural gas purchase contract in the amount of tEuros 16,000 (Note 26).

In May and June 2007 NLNG revised the natural gas price formula for two contracts entered into with the Group, NLNG 2 and NLNG Plus. Galp Energia's disagreement relating to the process and the conditions proposed resulted in the process being sent to the Arbitration Court. NLNG requested revision of the price of natural gas based on its interpretation of the contract, which Galp considered to be incorrectly founded. At 31 December 2007 Galp recorded a provision of tEuros 14,000 to cover a possible unfavourable decision by the Arbitration Court.

At the end of 2008 the Arbitration Court pronounced itself in favour of the NLNG Plus contract, having decided to revise the price formula.

This decision resulted in an increase in the price of natural gas for the period from May 2007 to December 2008, with an impact on the regulated and unregulated natural gas market.

The impact on the Company's accounts for 2008 was of tUSD 156,975, equivalent to tEuros 112,793, of which tEuros 110,276 in cost of sales and tEuros 2,517 in inventories.

This decision has also an impact on the price of natural gas that NLNG will invoice Galp in the future, which will be reflected on the market.

In the case of the NLNG 2 contract, Galp intends to follow a negotiation route with NLNG (Note 26).

8. Segment information

Business segments

For strategic reasons the Group is currently organised in the following four business segments:

- Gas and Power (which includes the purchase and transport of natural gas and electricity);
- Refining and Distribution of Petroleum Products;
- Exploration and Production;
- Other.

Following is information on the previously identified segments at 31 December 2008 and 2007, the Gas and Power segment being divided, for greater detail, between the natural gas and power areas:

	Natural Gas		Refining and distribution of petroleum products		Exploration and production	
	2008	2007 Restated (a)	2008	2007 Restated (a)	2008	2007
Income						
Sales and services rendered	1,906,408	1,424,897	13,223,870	11,115,421	200,179	232,539
Inter-segments	91,753	42,623	1,687	3,374	203,634	200,354
External	1,814,655	1,382,274	13,222,183	11,112,047	(3,455)	32,185
EBITDA (1)	**252,357**	**251,699**	**(12,491)**	**757,673**	**199,199**	**204,929**
Non cash costs						
Amortisation, depreciation and adjustments	(23,924)	(30,086)	(142,983)	(167,666)	(69,179)	(54,912)
Provisions (net)	(15,357)	(9,294)	(18,758)	(7,757)	(7,829)	(3,976)
Segment results	**213,074**	**212,318**	**(174,231)**	**582,250**	**122,190**	**146,041**
Net financial items	23,949	62,626	(47,140)	(26,786)	(2,812)	7,663
Income tax	(63,607)	(55,940)	83,607	(129,175)	(48,952)	(66,580)
Minority interest	(2,842)	(3,036)	(688)	(661)	-	-
Net income IFRS/IAS	**170,574**	**215,967**	**(138,452)**	**425,628**	**70,427**	**87,124**

At 31 December 2008 and 2007						
Other information						
Assets by segment (2)						
Investment (3)	86,873	73,916	211,301	73,958	-	-
Other assets	1,430,501	1,318,316	4,407,718	3,907,924	693,494	569,675
Total consolidated assets	**1,517,374**	**1,392,232**	**4,619,019**	**3,981,882**	**693,494**	**569,675**
Total consolidated liabilities	**938,545**	**608,462**	**3,600,319**	**2,656,299**	**239,458**	**185,947**

(1) EBITDA - Operating results plus amortisation, depreciation, adjustments and provisions.
(2) Net amount.
(3) In accordance with the equity method.
(a) These amounts were restated considering the changes in accounting classification mentioned in Note 2.24.

Geographical segments

Income from sales and services rendered and total assets for the years ended 31 December 2008 and 2007 relate essentially to operations in Portugal. Exploration and production activities are carried out essentially in Angola. In addition, there are some operations relating to the distribution and sale of fuel in Spain. Its respective income from sales and services rendered and total assets for the years ended 31 December 2008 and 2007 are as follows:

	Income from sales and services rendered		Total assets	
Geographical area	2008	2007	2008	2007
Spain	3,270,199	2,263,334	1,455,667	800,498

	Power		Others		Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007 Restated (a)
	35,896	30,259	127,082	103,846	(407,653)	(346,849)	15,085,783	12,560,113
	121	2	110,457	100,496	(407,653)	(346,849)	-	-
	35,775	30,257	16,625	3,350	-	-	15,085,783	12,560,113
	5,771	**2,652**	**4,030**	**(4,236)**	**(29)**	**529**	**448,837**	**1,213,247**
	(3,042)	(2,999)	(542)	(1,187)	-	-	(239,670)	(256,850)
	123	222	(21)	1	-	-	(41,842)	(20,805)
	2,852	**(125)**	**3,469**	**(5,423)**	**(29)**	**529**	**167,325**	**935,590**
	(2,653)	(1,104)	16,013	(3,521)	29	(529)	(12,614)	38,349
	(374)	757	(3,573)	1,839	-	-	(32,899)	(249,100)
	(1,311)	(871)	-	-	-	-	(4,841)	(4,568)
	(1,486)	**(1,343)**	**15,907**	**(7,105)**	**0**	**0**	**116,971**	**720,272**
	17	1,798	450	130	-	-	298,641	149,802
	141,823	93,004	1,551,120	451,944	(1,900,297)	(816,250)	6,324,359	5,524,613
	141,840	**94,802**	**1,551,570**	**452,074**	**(1,900,297)**	**(816,250)**	**6,623,000**	**5,674,415**
	139,552	**91,634**	**1,386,604**	**578,363**	**(1,900,297)**	**(816,250)**	**4,404,181**	**3,304,455**

9. Financial income and costs

Financial income and financial costs for the years ended 31 December 2008 and 2007 are made up as follows

	2008	2007
Financial income:		
Interest on bank deposits	5,215	8,201
Other financial income	4,113	4,625
Interest and other income - related companies (Note 29)	3,284	3,820
Financial costs:	**12,612**	**16,646**
Interest on bank loans and overdrafts	(45,423)	(27,125)
Interest capitalised in fixed assets	2,099	976
Securitisation of accounts receivable - Financial costs (Note 23)	(4,045)	(10,614)
Other financial costs	(15,983)	(13,341)
Interest - related companies (Note 29)	(233)	(210)
	(63,585)	**(50,314)**

As explained in Note 2.14, the Group has the policy of capitalising in tangible and intangible fixed assets in progress, the interest cost on loans obtained for the purpose of financing those assets. The percentage of interest capitalised is proportional to the amount of capital expenditure incurred in accordance with the provisions of IAS 23 – Borrowing Costs.

In the year ended 31 December 2008 the Group capitalised in fixed assets in progress, the amount of tEuros 2,099 relating to financial costs incurred on loans to finance capital expenditure incurred on fixed assets during their construction, which includes essentially the amount of tEuros 1,937 relating to the Sines Refinery Central Cogeneration project.

10. Income tax

Since 31 December 2001 the companies with head offices in continental Portugal in which the Group has a participation greater than 90% have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S.A..

However, estimated income tax of the Company and its subsidiaries is recorded based on their tax results which, for the year ended 31 December 2008, amounted to income tax recoverable of tEuros 3,874.

The following matters could affect income tax payable in the future:

(i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (Social Security can be reviewed for a period of 10 years up to 31 December 2000, inclusive and five years as from 2001), except when there are tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended. In 2001 the tax authorities reviewed Petrogal's tax returns, their proposed corrections being summarised in paragraph (ii) below. In addition, in 2004 Petrogal's tax returns for the years 2000 to 2002 were inspected by the tax authorities, their proposed corrections being summarised in paragraph (iii) below. In 2006 Petrogal's tax return for the year 2003 was inspected by the tax authorities, their proposed corrections being summarised in paragraph (iv) below. In addition, in 2007, 2004 year was subject to a tax inspection, the corrections being described in paragraph (v) below. The Group's tax returns for the years 2005 to 2008 are still subject to review. Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the consolidated financial statements as of 31 December 2008 and 2007.

(ii) As mentioned in paragraph (i) above, in 2001 the corporate income tax returns for the years 1997, 1998 and 1999 were inspected by the tax authorities, which resulted in proposed additional assessments of tEuros 68, tEuros 429 and tEuros 3,361, respectively, communicated to Petrogal. As Petrogal does not agree with the proposed additional assessments, it contested those for the years 1998 and 1999 and Petrogal's management believes that the basis presented in the appeals are valid. In 2006 the appeal relating to the year 1998 was denied. As Petrogal does not agree with the denial, it presented a legal appeal against the decision. Consequently, the financial statements as of 31 December 2008 do not include any provision for this contingency.

(iii) As mentioned in paragraph (i) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in additional assessments communicated to Petrogal of tEuros 740, tEuros 10,806 and tEuros 2,479, respectively, of which tEuros 11,865 has been paid. Petrogal has appealed against the additional assessment for the year 2001. Therefore, based on the principle of prudence, Petrogal has recorded a provision of tEuros 7,394 to cover the additional assessments (Note 26).

(iv) As mentioned in paragraph (i) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of tEuros 12,098, which corresponds to an additional assessment communicated to Petrogal of tEuros 5,265, of which tEuros 2,568 was paid in 2008 and recognised in the income statement for the current year.

(v) As mentioned in paragraph (i) above, in 2007 the corporate income tax return for the year 2004 was inspected by the tax authorities, which resulted in an increase in taxable income of tEuros 5,227, which corresponds to an additional assessment communicated to Petrogal of tEuros 1,626, which was paid in full and recognised in the income statement for the current year.

(vi) As a result of the oil research and production operations in Angola, the Group is also subject to the payment of Tax on Petroleum Income (Imposto sobre o Rendimento do Petróleo - IRP), determined based on the Angolan tax regime, applied to production sharing agreements in which the Group participates. At 31 December 2008 additional assessments of USD 3,650,434, USD 4,500,922, USD 5,373,961 and USD 7,949,024 for the years 2003, 2004, 2005 and 2006 respectively, were subject to payment. At 31 December 2008 the Group had a provision for this matters in the total amount of tEuros 6,425 resulting from an internal study made based on the conclusions of the final report for 2002 IRP assessment of the Commission for the Review of Unofficial Assessments (Comissão de Revisão de Liquidações Oficiosas), the commission being made up of members of the Ministry of Finance, Ministry of Petroleum, members of the National Directorate of Taxes of Angola and of the companies that are partners in Block 14. In addition, and since part of the correction to the amounts of the additional IRP assessment corresponds to costs not accepted for recovery of cost-oil, and as such, costs that the Company cannot recover in future years, the total amount of the provision includes a provision for part of the profit-oil to be ceded to the concessionaire under the production sharing agreement for the years 2003 to 2006 in the amount of tEuros 3,498.

(vii) In accordance with current legislation tax losses in Portugal can be carried forward during a period of 6 years after they are incurred for deduction from taxable income arising during that period. At 31 December 2008 the tax losses carried forward amounted to approximately tEuros 134,027 and corresponded essentially to companies with head offices in Spain and Brazil in the amounts of tEuros 122,003 and tEuros 11,682, respectively. The tax losses of the companies with head offices in Spain can be carried forward during a period of 15 years. There is no time limit for the period in which tax losses can be carried forward in Brazil. The Group has recognised deferred tax assets relating to the tax losses carried forward only for the subsidiaries in which there is a strong probability of their recovery.

(viii) In accordance with current fiscal legislation, gains and losses resulting from recognition of the results of subsidiaries and associated companies through application of the equity method are not considered as income or expenses for Corporate Income Tax purposes in the year they are recognised for accounting purposes, dividends being taxed in the year they are attributed, except for the profits of the subsidiary EMPL, liquidated in the beginning of 2009.

Income tax for the years ended 31 December 2008 and 2007 are made up as follows:

	2008	2007 (a)	
Current income tax	191,464	202,379	
Excess/insuficiency of income tax for the preceding year	2,120	(1,591)	
Deferred tax	(160,685)	48,312	(a)
	32,899	**249,100**	(a)

(a) These amounts were restated considering the change in accounting policy referred to in Note 2.24).

Following is a reconciliation of the income tax for the years ended in 31 December 2008 and 2007 and details of deferred taxes:

	2008	2007 (a)
Profit before Income Tax in accordance with IFRS/IAS:	**154,711**	**973,940**
Adjustment to Portuguese Accounting Standards	453,911	(203,490)
Restated profit before Income Tax in accordance with Portuguese Accounting Standards	**608,622**	**770,450**
Adjustment for tax effect (accumulated effect) (b)	(30,486)	55,010
Taxable profit before Income Tax	**578,136**	**825,460**
Increase in taxable income	**177,758**	**245,927**
Non tax deductible provisions	72,583	111,912
Non tax deductible social costs	1,485	7,283
Other increases	101,842	126,520
Application of the equity method	1,848	212
Decrease in taxable income	**(168,419)**	**(350,168)**
Decrease/utilisation of provisions taxed in previous years	(50,416)	(100,589)
Excess estimated income tax	(3,233)	(2,596)
Other deductions	(60,863)	(180,717)
Application of the equity method	(52,690)	(55,221)
Negative amounts for tax purposes	(1,217)	(16,068)
Loss of companies outside the tax consolidation perimeter	-	5,023
Taxable income	**587,475**	**721,219**
Income tax	183,234	194,901
Municipal surcharge	6,852	6,833
Autonomous taxation	1,378	645
Estimated current income tax for the year	**191,464**	**202,379**
Deferred tax and excess estimate for the year	(158,565)	46,721
Income tax	32,899	249,100
Effective tax rate	21.26%	25.58%

(a) These amounts were restated considering the change in accounting policy referred to in Note 2.24).
(b) This amount corresponds to the sum of the results before income tax for the year in accordance with the Portuguese accounting standards (POC), of all the companies included in the consolidation perimeter in the years ended 31 December 2008 and 2007 and is affected by inclusion of the results obtained by the consolidation of income and costs between the Group companies.

In accordance with article 15.º of Decree-Law 35/2005 of 17 February, entities that prepare accounts in accordance with International Accounting Standards must, for tax purposes, maintain organised accounts in accordance with Portuguese Accounting Standards and the legal requirements for their respective business sectors.

In the year ended 31 December 2008 the Tax on Petroleum Income paid by its subsidiary Galp Exploração e Produção Petrolífera, S.A. in Angola, amountes of tEuros 53,030, and includes essentially tEuros 58,089 relating to Tax on Petroleum Income on sales and crude oil lend, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates and tEuros 1,265 relating to the difference between the estimated excess cost-oil for Block 14, recognised in taxes at 31 December 2007, and the amount liquidated in 2008 resulting from updating of the final tax reference price for the 4th quarter of 2007, published by The Ministry of Petroleum of Angola.

As regards the amount of IRP on the sale of crude oil, the subsidiary Galp Exploração e Produção Petrolífera, S.A. recognised in its financial statements the amount of tEuros 6,410 relating to tax resulting from sales made out of overliftings (Note 2.7 e)). For the effects of calculating the respective tax effects it is used the tax reference price of the date of the sale, which corresponds to that used to determine and pay IRP to the Ministry of Finance of Angola.

Deferred taxes

The balance of deferred tax assets and liabilities at 31 December 2008 and 2007 are made up as follows

	Deferred tax 2008		Deferred tax 2007 (a)	
	Assets	Liabilities	Assets	Liabilities
Accounting revaluations	-	(4,947)	-	(5,197)
Non tax deductible provisions	25,664	-	23,212	-
Tax losses carried forward	47,965	-	5,510	-
Pension benefits	65,896	(5,300)	64,647	(5,300)
Adjustments to accruals and deferrals	16,471	(274)	5,945	(2,673)
Overlifting adjustments	6,410	-	-	-
Reinvested capital gain	-	(300)	-	(1,442)
Adjustments to inventories	580	(4)	4	(113,176)
Financial instruments	966	(30)	3	(378)
Adjustments to tangible and intangible assets	17,235	-	18,248	-
Double economical taxation	13,413	-	12,843	-
Dividends	-	(3,879)	-	-
Others	5,434	(3,511)	1,479	(534)
	200,034	**(18,245)**	**131,891**	**(128,700)**

(a) These amounts were restated considering the change in accounting policy referred to in Note 2.24).

The significant increase in deferred taxes relating to tax losses carried forward is due essentially to changes in the consolidation perimeter as explained in Note 3, namely Galp Distribuición Oil España and Galp Comercializacion Oil España in the amounts of tEuros 19,282 and tEuros 12,304 respectively.

The decrease in deferred taxes relating to adjustments to inventories is due to the fact of the change in the criteria for valuing cost of sales to the weighted average cost for purposes of generally accepted accounting principles in Portugal and for IAS/IFRS purposes (Note 2.24).

The changes in deferred taxes for the years ended 31 December 2008 and 2007 were as follows:

	Deferred tax 2008		Deferred tax 2007 (a)	
	Assets	Liabilities	Assets	Liabilities
Beginning balance	**131,891**	**(128,700)**	**145,497**	**(92,927)**
Effect on results:				
Accounting revaluations	-	250	-	(396)
Non tax deductible provisions	2,452	-	(15,497)	-
Tax losses carried forward	26,135	15,458	(6,313)	-
Pension benefits	1,249	-	3,792	-
Adjustments to accruals and deferrals	(2,839)	2,399	(1,692)	822
Overlifting adjustments	6,410	-	-	-
Reinvested capital gain	-	1,142	-	183
Adjustments to inventories	576	113,172	(157)	(36,973)
Financial instruments	(86)	348	(693)	1,274
Adjustments to tangible and intangible assets	(1,013)	-	1,520	-
Double Economical Taxation	570	-	5,238	-
Dividends	-	(3,879)	-	-
Others	815	(2,474)	691	(111)
	34,269	**126,416**	**(13,111)**	**(35,201)**
Effect on equity:				
Financial derivatives	1,049	-	(75)	(109)
CTA	13,365	-	-	-
Other reserves (Note 21)	-	-	-	(463)
Changes in the consolidation perimeter:	19,460	(15,565)	-	-
Other adjustments:	-	(396)	(420)	-
Ending balance	**200,034**	**(18,245)**	**131,891**	**(128,700)**

(a) These amounts were restated considering the change in accounting policy referred to in Note 2.24.

The change in deferred taxes reflected in the equity caption “Hedging reserves” in the amount of tEuros 955 refers to change in deferred taxes of financial derivatives of consolidated companies in the amount of tEuros 1,049 less deferred taxes relating to minority interest in the amount of tEuros 94.

11. Earnings per share

Earnings per share for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007	
Net income			
Net income for purposes of calculating earnings per share (net profit for the year)	116,971	720,272	(a)
Number of shares			
Weighted average number of shares for earnings per shares calculation (Note 20)	829,250,635	829,250,635	
Basic earnings per share (amounts in Euros)	0.14	0.87	(a)

(a) These amounts were restated considering the change in accounting policy referred to in Note 2.24.

As there are no situations that give rise to dilution, the diluted earnings per share are the same as the basic earnings per share.

12. Goodwill

The difference between the amounts paid for the acquisition of participations in Group companies and the fair value of the equity acquired at 31 December 2008 is made up as follows::

			Proportion of equity acquired as of the acquisition date		Goodwill	
Subsidiaries	Year of acquisition	Cost	%	Amount	2008	2007
Galp Distribuición Oil España, S.A.U.	2008	176,512	100.00%	104,529	71,983	-
Galp Comercializacion Oil España, S.L.	2008	174,900	100.00%	128,216	46,684	-
Galp Energia Portugal Holdings B.V.	2008	146,000	100.00%	130,000	16,000	-
Galp Swaziland (PTY) Limited	2008	18,117	100.00%	3,204	14,913	-
Petroleos de Valencia, S.A.	2005	13,937	100.00%	6,099	7,838	7,838
Galpgest – Petrogal Estaciones de Servicio, S.A.	2003	16,290	100.00%	9,494	6,265	6,265
Galp Moçambique, Lda.	2008	5,943	100.00%	3,452	2,491	-
Galp Gambia, Lda.	2008	6,447	100.00%	4,272	2,175	-
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S.A.	2006	3,094	25.00%	1,454	1,640	1,640
Probigalp – Ligantes Betuminosos, S.A.	2007	720	10.00%	190	530	530
Gasinsular – Combustíveis do Atlântico, S.A.	2005	50	100.00%	(353)	403	403
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.	2005	858	67.65%	580	278	278
Lusitaniagás – Companhia de Gás do Centro, S.A.	2002/3 and 2007/8	685	1.083%	366	255	217
Beiragás – Companhia de Gás das Beiras, S.A.	2003/6 and 2007	152	0.94%	107	51	51
					171,506	**17,222**

Goodwill on acquisitions prior to the date of transition to IFRS is recorded as explained in Note 2.2.d).

The changes in goodwill in 2008 and 2007 are as follows:

Balance at 1 January 2007	**17,032**
Increase due to the acquisition of investments (Note 3):	
Probigalp – Ligantes Betuminosos, S.A. (acquisition of 10%)	530
Lusitaniagás – Companhia de Gás do Centro, S.A. (acquisition of 0,16%)	118
	648
Allocation of impairment losses to the net value of the service stations:	
Adjustmentd of cost of Galpgest – Petrogal Estaciones de Servicio, S.A.	(458)
Balance at 31 December 2007	**17,222**
Increase due to the acquisition of investments (Notes 3 and 4):	
Lusitaniagás – Companhia de Gás do Centro, S.A. (acquisition of 0,05469%)	38
Galp Distribuición Oil España, S.A.U. (acquisition of 100%)	71,983
Galp Swaziland (PTY) Limited (acquisition of 100%)	14,913
Galp Gambia, Lda. (acquisition of 100%)	2,175
Galp Moçambique, Lda. (acquisition of 100%)	2,491
Galp Comercializacion Oil España, S.L. (acquisition of 100%)	46,684
Galp Energia Portugal Holdings B.V. (acquisition of 100%)	16,000
	154,284
Balance at 31 December 2008	**171,506**

As result of the acquisition of investments in the year ended 31 December 2008, the Group recognised goodwill of tEuros 154,284. In the year ended 31 December 2009 the Group will allocate the fair value to the assets, liabilities and contingent liabilities as of the date of acquisition as required by IFRS 3. Consequently these amounts are subject to change during the twelve months following acquisition of the entities acquired, under the provisions of IFRS 3 – Business combinations.

13. Tangible and intangible fixed assets

	Tangible Fixed Assets			
	2008			
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment
Cost:				
Balance at 1 January:	200,335	708,084	4,214,978	23,025
Additions	210	2,792	64,347	1,112
Write-offs/sales	(2,543)	(8,452)	(69,395)	(1,878)
Adjustments (Note 3)	994	1,095	8,218	(176)
Transfers	3,769	20,979	175,380	1,224
Changes in the consolidation perimeter	73,624	150,882	85,664	1,284
Cost at 31 December	**276,389**	**875,380**	**4,479,192**	**24,591**
Accumulated impairments at 1 January	(4,296)	(16,316)	(22,935)	(70)
Increase in impairment	(158)	–	–	–
Reversal of impairment	1,018	4,291	3,691	4
Utilisation of impairment	–	–	29	–
Balance of impairments at 31 December	**(3,436)**	**(12,025)**	**(19,215)**	**(66)**
Balance of investment subsidies at 1 January	(122)	(5,731)	(282,799)	–
Increase in investment subsidies	(1,106)	(525)	(1,907)	–
Decrease in investment subsidies	76	–	1,221	–
Write-offs/sales	–	–	246	–
Adjustments	(994)	(520)	(9,080)	–
Balance of investment subsidies at 31 December	(2,146)	(6,776)	(292,319)	–
Balance at 31 December	**270,807**	**856,579**	**4,167,658**	**24,525**
Accumulated depreciation and impairment losses:				
Balance at 1 January:	(3,215)	(419,592)	(2,948,420)	(20,798)
Depreciation for the year	(175)	(30,471)	(176,551)	(1,172)
Write-offs/sales	63	5,131	59,182	1,827
Adjustments	(7)	311	1,510	59
Transfers	(1)	72	386	(341)
Changes in the consolidation perimeter (Note 3)	–	(60,261)	(54,764)	(600)
Balance at 31 December	(3,335)	(504,810)	(3,118,657)	(21,025)
Balance of recognised subsidies at 1 January	2	2,662	102,042	–
Increase in investment subsidies	–	286	8,131	–
Decrease in investment subsidies	–	(261)	(28)	–
Write-offs/sales	(2)	–	(521)	–
Adjustments	248	386	1,447	–
Balance of recognised subsidies at 31 December	248	3,073	111,071	–
Accumulated balance	**(3,087)**	**(501,737)**	**(3,007,586)**	**(21,025)**
Net amount:				
at 31 December	**267,720**	**354,842**	**1,160,072**	**3,500**

Tangible fixed assets are recorded in accordance with the accounting policies explained in Note 2.3. The depreciation rates used are indicated in the same note.

The non repayable government grants attributed to the Group to finance tangible and intangible fixed assets (conversions) are reflected as deductions from the corresponding assets and recognised in the consolidated income statement as a deduction from depreciation and amortisation for the year, in proportion to depreciation of the subsidised assets, as explained in Note 2.8.

The change in the consolidation perimeter is due to the entry of fixed assets of the companies referred to in Note 3 as of the date of their acquisition.

Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Advances on account of tangible assets	Total tangible fixed assets	2007 Total tangible fixed assets
4,387	130,926	154,231	108,433	503,311	6,197	6,053,907	5,804,081
203	2,112	577	2,727	621,284	42	695,406	431,902
(135)	(5,748)	(2,705)	(664)	(7,685)	–	(99,205)	(179,615)
(1)	(241)	19	(38)	(17,365)	1,941	(5,554)	(3,812)
576	7,410	5,195	1,881	(237,824)	–	(21,410)	1,351
–	25,408	–	47,233	4,340	–	388,435	–
5,030	**159,867**	**157,317**	**159,572**	**866,061**	**8,180**	**7,011,579**	**6,053,907**
(73)	(4,540)	(1)	(2,557)	(2,833)	–	(53,621)	(81,676)
–	–	–	–	(8,997)	–	(9,155)	(21,344)
10	1	–	36	–	–	9,051	14,311
–	–	–	–	1,736	–	1,765	35,088
(63)	**(4,539)**	**(1)**	**(2,521)**	**(10,094)**	**–**	**(51,960)**	**(53,621)**
(8)	(769)	–	–	(2,556)	–	(291,985)	(305,254)
–	–	–	(311)	(407)	–	(4,256)	(9,457)
–	–	–	–	–	–	1,297	2,568
–	–	–	–	82	–	328	20,158
–	–	–	–	–	–	(10,594)	–
(8)	(769)	–	(311)	(2,881)	–	(305,210)	(291,985)
4,959	**154,559**	**157,316**	**156,740**	**853,086**	**8,180**	**6,654,409**	**5,708,301**
(3,726)	(111,941)	(136,162)	(62,179)	–	–	(3,706,033)	(3,591,416)
(322)	(7,294)	(5,217)	(6,665)	–	–	(227,867)	(224,537)
132	5,520	2,652	490	–	–	74,997	113,267
1	350	(3)	(125)	–	–	2,096	(3,299)
30	–	–	(1)	–	–	145	(48)
–	(13,842)	–	(23,613)	–	–	(153,080)	–
(3,885)	(127,207)	(138,730)	(92,093)	–	–	(4,009,742)	(3,706,033)
7	755	–	–	–	–	105,468	101,513
–	15	–	–	–	–	8,432	5,982
–	–	–	–	–	–	(289)	–
–	–	–	–	–	–	(523)	(2,027)
–	–	–	306	–	–	2,387	–
7	770	–	306	–	–	115,475	105,468
(3,878)	**(126,437)**	**(138,730)**	**(91,787)**	**–**	**–**	**(3,894,267)**	**(3,600,565)**
1,081	**28,122**	**18,586**	**64,953**	**853,086**	**8,180**	**2,760,142**	**2,107,736**

	Intangible Fixed Assets		
	2008		
	Installation costs	Research and development costs	Industrial property and other rights
Cost:			
Balance at 1 January:	3,027	10,549	233,646
Additions	53	105	14,220
Write-offs/sales	(8)	(33)	(5,866)
Adjustments	(96)	(7,749)	(2,122)
Transfers	–	–	28,215
Changes in the consolidation perimeter (Note 3)	1,520	4,088	57,648
Gross cost at 31 December	**4,496**	**6,960**	**325,741**
Accumulated impairments at 1 January	–	(5)	(7,291)
Increase in impairment	–	–	–
Reversal of impairment	–	–	1,740
Balance of impairments at 31 December	**–**	**(5)**	**(5,551)**
Balance of investment subsidies at 1 January	–	(8,044)	(570)
Increase in investment subsidies	–	–	–
Decrease in investment subsidies	–	–	–
Write-offs/sales	–	–	–
Adjustments	(1)	7,806	–
Balance of investment subsidies at 31 December	(1)	(238)	(570)
Balance at 31 December	**4,495**	**6,717**	**319,620**
Accumulated amortisation and			
impairment losses:	(2,959)	(8,387)	(121,793)
Balance at 1 January:	(18)	(110)	(16,138)
Amortisation for the year	8	33	2,260
Write-offs/sales	91	5,785	(46)
Adjustments	–	–	1,380
Transfers	(1,102)	(4,017)	(14,108)
Changes in the consolidation perimeter (Note 3)	**(3,980)**	**(6,696)**	**(148,445)**
Balance at 31 December	1	6,587	412
Balance of recognised subsidies at 1 January	–	354	220
Increase in investment subsidies	–	–	–
Decrease in investment subsidies	–	–	(158)
Write-offs/sales	–	(6,157)	–
Adjustments	1	784	474
Accumulated balance	**(3,979)**	**(5,912)**	**(147,971)**
Net:			
At 31 December	**516**	**805**	**171,649**

Tangible fixed assets are recorded in accordance with the accounting policies explained in Note 2.4. The amortisation rates used are indicated in the same note.

Amortisation and depreciation of fixed assets for 2008 are made up as follows

	Tangible fixed assets	Intangible fixed assets
Amortisation and depreciation for the year	(227,867)	(25,020)
Increase in investment subsidies	8,432	3,149
Increase in impairment	(9,155)	-
Decrease in impairment	9,051	1,740
Amortisation and depreciation (Note 7)	**(219,539)**	**(20,131)**

Main occurrences in 2008

The increase in the tangible and intangible fixed assets captions in the amount of tEuros 740,498 includes essentially:

(i) Oil Exploration and Production segment

- tEuros 110,341 relating to research and development costs in Block 14 in Angola;
- tEuros 51,569 relating to research and development costs in blocks in Brazil;
- tEuros 12,541 relating to research costs on Block 32 in Angola;
- tEuros 5,459 relating to research costs on blocks in East Timor;
- tEuros 5,166 relating to natural gas research costs in Angola;
- tEuros 2,776 relating to research costs on Block 4 in Mozambique.

(ii) Gas and Power segment

- tEuros 47,582 relating to the construction of natural gas infraestructures (networks, branches, lots and other facilities);
- tEuros 42,075 relating to the commencement of activities regarding the conception and construction of the Sines and Porto Co-generation Centrals;
- tEuros 15,639 relating to investments in co-participation of shared networks and re-conversion of consumption to natural gas.

Goodwill	Re-conv. of consumption to natural gas	Intangible assets in progress	Advances to suppliers of intangible assets	Total intangible assets	2007 Total intangible assets
11,366	304,111	14,330	207	577,236	570,170
274	21	29,131	1,288	45,092	33,733
(411)	206	–	–	(6,112)	(32,343)
–	(681)	361	(117)	(10,404)	6,909
–	28,250	(28,814)	–	27,651	(1,233)
18,231	–	34	–	81,521	–
29,460	**331,907**	**15,042**	**1,378**	**714,984**	**577,236**
(236)	–	–	–	(7,532)	(7,313)
–	–	–	–	–	(4,470)
–	–	–	–	1,740	4,251
(236)	**–**	**–**	**–**	**(5,792)**	**(7,532)**
–	(38,939)	45	–	(47,508)	(44,449)
–	(24,121)	–	–	(24,121)	(3,885)
–	–	–	–	–	62
–	–	–	–	–	764
–	–	(45)	–	7,760	–
–	(63,060)	–	–	(63,869)	(47,508)
29,224	**268,847**	**15,042**	**1,378**	**645,323**	**522,196**
(10,768)	(81,278)	–	–	(225,185)	(204,735)
(117)	(8,637)	–	–	(25,020)	(32,344)
–	(416)	–	–	1,885	13,962
–	768	–	–	6,598	(2,096)
–	(99)	–	–	1,281	28
(240)	–	–	–	(19,467)	–
(11,125)	**(89,662)**	**–**	**–**	**(259,908)**	**(225,185)**
–	5,491	–	–	12,491	11,093
–	2,575	–	–	3,149	1,301
–	–	–	–	–	135
–	–	–	–	(158)	(38)
–	14,663	–	–	8,506	–
–	22,729	–	–	23,988	12,491
(11,125)	**(66,933)**	**–**	**–**	**(235,920)**	**(212,694)**
18,099	**201,914**	**15,042**	**1,378**	**409,403**	**309,502**

(iii) Petroleum Products Refining and Distribution segment

- tEuros 273.767 relating to the Sines and Porto refineries, of which tEuros 25,434 relates to Conformity projects (to comply with legal requirements, relating to the environment, hygiene and security, product specification, as well as those in anticipation of compliance with future requirements), tEuros 67,952 relating to the substitution of equipment following the major repairs carried out on the Sines refinery, tEuros 4,912 relating to substitution of pipes, tEuros 5,582 relating to revamping of units, tEuros 59,875 relating to phase II of the land surface rights of the Sines refinery, tEuros 28,646 relating to of the Porto Refinery conversion project, and tEuros 42,431 relating to the Sines refinery conversion project;
- tEuros 52,205 relating to operation of the Sines Terminal for the Administration of the Port of Sines (Administração do Porto de Sines - APS) under the Bulk Liquid and Integrated Management of Waste of the Port of Sines Concession Contract;
- tEuros 27,847 relating to the retail Business Sector, essentially in the remodelling of service stations and convenience stores, business expansion and development of the information systems.

In 2008 intangible and tangible fixed assets, comprising mostly fully amortised and depreciated items, were sold as a result of updating the fixed assets register during the year and include:

(i) tEuros 9,613 relating to the sale of natural gas assets;
(ii) tEuros 7,344 relating to the return of blocks with investment in research operated by the Group in Brazil.

In 2008 intangible and tangible assets which were mostly fully amortised and depreciated were written off as a result of updating the fixed assets register during the year and substitution of equipment in the Sines refinery as a result of the shut-down in 2008 in the amount of tEuros 37,678.

At 31 December 2008 the following impairment losses, totalling tEuros 57,752, relating to adjustments to the amount of fixed assets, had been recognised:

(i) tEuros 32,726 to cover impairment of service stations in the Portuguese and Spanish networks;
(ii) tEuros 8,446 to cover impairment of the monobuoy;
(iii) tEuros 6,913 to cover financial impairment of blocks operated in Brazil;
(iv) tEuros 6,310 to cover impairment of the installations in Aveiro;
(v) tEuros 2,318 to cover impairment of blocks operated in Angola.

Tangible and intangible fixed assets in progress (including advances on account of tangible and intangible assets, less grants and impairment losses) at 31 December 2008 are made up as follows:

	Gross assets (net of impairment)	Investment subsidies	Net assets
Research and exploration of petroleum in Angola and Congo	308,832	–	308,832
Industrial investment relating to the refineries	135,538	–	135,538
Conversion projects of the Sines and Porto refineries	94,791	–	94,791
Oil research and development in Brazil	92,089	–	92,089
Co-generation plants in Sines and Porto	80,781	–	80,781
Renewal and expansion of the network	58,024	(722)	57,302
Oil research on the Portuguese coast, Mozambique and Timor	17,898	–	17,898
Substitution of cargo arms of the terminal and tubes at Porto Leixões	17,287	–	17,287
Combined cycle co-generation plant - Sines	10,239	–	10,239
Underground storage of natural gas	8,391	(1,938)	6,453
Construction of a ship	5,792	–	5,792
Research of gas in Angola	5,166	–	5,166
Other projects	45,739	(221)	45,518
	880,567	**(2,881)**	**877,686**

14. Government grants

Government grants received and receivable at 31 December 2008 and 2007 are as follows:

	Amount received		Amount receivable	
Program	2008	2007	2008	2007
Energy Program	114,242	115,753	465	–
Interreg II	19,176	19,176	–	–
Protede	19,708	19,708	–	–
Economy Operating Program	213,678	204,296	2,293	227
Dessulphurisation of Sines	39,513	39,513	–	–
Dessulphurisation of Porto	35,307	35,307	–	–
Others	11,608	12,342	–	–
Total	**453,232**	**446,095**	**2,758**	**227**

These grants for investment are recognised in the income statement in accordance with the estimated period of useful life of the respective tangible and intangible fixed assets, as explained in Note 2.8. In the year ended 31 December 2008, the amount of tEuros 11,581(Note 13) was recognised, of which tEuros 8,432 relates to tangible fixed assets and tEuros 3,149 relates to intangible fixed assets.

In addition, in 2008 grants of tEuros 7,090 were received relating to the incentive programs for expansion of the natural gas network.

The amount of tEuros 2,758 reflected in the caption "Other receivables" corresponds to incentive programs for expansion of the natural gas network (Note 15).

15. Other receivables

The non-current and current captions "Other receivables" at 31 December 2008 and 2007 are made up as follows:

	2008		2007	
Captions	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Corporate Income Tax	21	–	133	–
Value Added Tax - Reimbursement requested	19,413	–	9,730	–
Others	1,512	–	924	53
ISP - Tax on petroleum products	25,595	–	17,699	–
Recovery of VAT of clients	20,617	–	–	–
Advances to suppliers of fixed assets	20,317	–	12,665	–
Other receivables - associated, related and participated companies (Note 29)	19,433	764	5,073	722
Loans to associated, related and participated companies (Note 29)	10,543	43,260	–	48,457
Receivable from the Block 14 consortium in Angola (excess profit-oil receivable)	9,058	–	–	–
Advances to suppliers	8,082	–	2,848	–
Contract ceding the rights to use telecommunications infrastructures	6,951	–	13,089	539
Advances to the operator Petrobras	5,186	–	3,149	–
Subsidies receivable (Note 14)	2,758	–	227	–
Spanish Bitumen process (Note 26)	2,568	–	–	–
Pension fund payment recovery	2,117	–	1,887	–
Personnel	2,069	–	1,862	–
Means of payment	1,767	–	9,763	–
Loans to clients	547	2,239	614	2,447
Captive bank accounts EIB loan	–	96	–	3,615
Others	85,938	5,238	46,645	1,024
	244,492	**51,597**	**126,308**	**56,857**
Accrued income:				
Sales and services rendered not yet invoiced	121,142	–	131,120	–
Crude oil swap Block 14	12,028	–	8,685	–
Accrued interest	3,237	–	5,531	–
Sale of finished goods to be invoiced by the service stations	2,188	–	4,532	–
Commercial discount on purchases	1,708	–	1,084	–
Income permitted - ERSE regulation (Note 6)	6,886	–	–	–
Tariff deviation (Note 6)	32,325	–	–	–
Other	21,054	–	7,305	–
	200,568	**–**	**158,257**	**–**
Deferred costs:				
Costs relating to service station concession contracts	43,349	–	35,137	–
Retirement benefits (Note 24)	–	31,959	–	32,110
Catalyser costs	6,527	–	3,198	–
Prepaid rent	2,099	–	207	–
Interest and other financial costs	727	37	1,095	41
Prepaid insurance	349	–	411	–
Other	12,986	148	9,929	141
	66,037	**32,144**	**49,977**	**32,292**
	511,097	**83,741**	**334,542**	**89,149**
Impairment of other receivables	(10,622)	–	(4,493)	–
	500,475	**83,741**	**330,049**	**89,149**

The changes in the caption "Impairment of other receivables" in the year ended 31 December 2008 were as follows:

Caption	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Change in perimeter	Ending balance
Other receivables	4,493	5,818	(449)	(84)	316	528	10,622

The increases and decreases in impairment losses on other receivables in the net amount of tEuros 5,369 were recognised in the caption "Provision for impairment of receivables" (Note 7).

The amount of tEuros 25,292 in the caption "Other debtors – ISP" corresponds to the amount receivable from the Customs House relating to the exemption of biofuels from ISP, which is under a tax suspense regime in accordance with Circular 79/2005 of 6 December.

The amount of tEuros 6,951 under current assets results from Contracts Ceding the Rights to Use Telecommunications Infrastructures, of which the most significant is the ceding contract entered into between Galp Gás Natural, S.A. and Onitelecom on 1 July 1999 for a 20 year period, and is being received in successive equal annual instalments of tEuros 5,860 up to 31 July 2009, each instalment being increased by interest at market rates. Income resulting from the contract is deferred in the liability caption "Other payables" and recognised in the income statement on a straight-line basis over the period of the contract, which ends on 1 June 2019.

The caption “Means of payment” in the amount of tEuros 1,767 corresponds to amounts receivable for sales by visa/multibanco cards, which at 31 December 2008 were pending collection.

The receivable of tEuros 20,197 in the asset caption “Other receivables - associated, related and participated companies” refers to companies that were not consolidated by the full consolidation method.

The caption “Recovery of VAT of clients” includes tEuros 14,286 relating to AP - Amoníacos de Portugal, S.A. and tEuros 6,331 relating to EDP - Gestão e Produção de Energia, S.A. regarding to recovery of VAT, the amount of tEuros 14,286 having already been received in 2009.

The caption “Other debtors – Pension fund payment recovery”, in the amount of tEuros 2,117, corresponds to amounts receivable from BPI Pensões relating to pensions processed in December and not yet reimbursed.

The accrued income caption “Sales and services rendered not yet invoiced” refers essentially to natural gas consumed, for which the corresponding invoices are issued in the following month by Galp Gás Natural, S.A., and Transgás, S.A. in the amounts of tEuros 49,907 and tEuros 46,538, respectively.

The amount of tEuros 12,028 in the accrued income caption “Crude oil swap Block 14” relates to hedging transactions carried out in December 2008, for which the financial flows will be realised in January 2009. These operations were realised to smooth the price of Brent on sales transactions from Block 14 in 2008 and, as they are swaps indexed to the monthly price of Brent, they generate real transactions monthly, the cost/income having to be recognised in the month to which the hedge relates.

The amount of tEuros 3,237 reflected in the accrued income caption “Accrued interest”, includes tEuros 2,710 relating to interest to be invoiced to E3G – Telecomunicações, S.A. for ceding the right to use infrastructures.

The amount of tEuros 2,188 in the caption “Sale of finished goods by the service stations to be invoiced” relates to amounts purchased in 2008 through Galp Frota cards, only invoiced in 2009.

Deferred costs relating to service station concession contracts are amortised over the period of the concessions, which varies from 20 to 25 years.

Following is an aging schedule of other receivables as of 31 December 2008 and 2007:

Aging of other receivables		Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue more than 730 days	Total
2008	Gross	511,193	27,656	18,270	27,198	1,297	1,868	7,356	594,838
	Adjustments	(316)	(13)	(2)	(5,877)	(169)	(350)	(3,895)	(10,622)
		510,877	**27,643**	**18,268**	**21,321**	**1,128**	**1,518**	**3,461**	**584,216**
2007	Gross	400,703	12,754	277	2,161	1,399	664	5,733	423,691
	Adjustments	-	-	(13)	(140)	(150)	(286)	(3,904)	(4,493)
		400,703	**12,754**	**264**	**2,021**	**1,249**	**378**	**1,829**	**419,198**

The amount of tEuros 18,260 overdue up to 180 days includes tEuros 10,658 relating to a request for recovery of VAT of the subsidiary C.L.T. – Companhia Logística de Terminal Marítimos, Lda.

The amount of tEuros 27,198 overdue up to 365 days refers essentially to recovery of VAT of clients in the amount of tEuros 14,286 of AP – Amoníacos de Portugal, S.A. and tEuros 6,331 of EDP – Gestão e Produção de Energia, S.A., the amount of tEuros 14,286 having already been received in 2009.

The Group considers as amounts not yet due, the balance of other receivables which are not yet overdue. Overdue balances which have not been subject to adjustments correspond to receivables for which there are payment agreements or which are expected to be collected.

16. Trade receivables

The caption “Trade receivables” at 31 December 2008 and 2007 is made up as follows

Captions	2008	2007
Clients, current accounts	955,952	1,061,513
Clients – doubtful accounts	100,984	78,226
Clients – notes receivable	14,813	4,568
	1,071,749	1,144,307
Impairment of trade receivables	(84,045)	(67,248)
	987,704	1,077,059

The changes in the caption “Impairment of trade receivables” in 2008 were as follows:

Captions	Beginning balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimeter	Changes in perimeter
Impairment of trade receivables	67,248	33,855	(22,424)	(4,948)	666	9,648	84,045

The increase and decrease in the caption “Impairment of trade receivables” in the net amount of tEuros 11,431 was recorded in the caption “Provision and impairment loss of receivables” (Note 7).

Following is an aging schedule of trade receivables as of 31 December 2008 and 2007:

Aging of other receivables		Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue more than 730 days	Total
2008	Gross	678,164	192,507	79,208	24,870	16,261	6,858	73,881	1,071,749
	Adjustments	(104)	(949)	(1,687)	(12,914)	(9,501)	(4,365)	(54,525)	(84,045)
		678,060	**191,558**	**77,521**	**11,956**	**6,760**	**2,493**	**19,356**	**987,704**
2007	Gross	848,788	193,847	19,173	15,536	6,853	13,806	46,304	1,144,307
	Adjustments	-	-	(4)	(6,665)	(3,850)	(10,898)	(45,831)	(67,248)
		848,788	**193,847**	**19,169**	**8,871**	**3,003**	**2,908**	**473**	**1,077,059**

The amount of tEuros 73,881 overdue more than 730 days includes tEuros 10,592 relating to the contract entered into between Galp Gás Natural, S.A. and Onitelecom. This amount has not been adjusted as the Group considers that there is no collection risk.

The Group considers as amounts not yet due, the balance of other receivables which are not overdue. Overdue balances which have not been subject to adjustments correspond to receivables for which there are payment agreements or which are expected to be collected.

17. Inventories

Inventories at 31 December 2008 and 2007 are made up as follows

Captions	2008	2007	
Raw, subsidiary and consumable materials:			
Crude oil	211,866	250,482	(a)
Other raw materials	37,732	44,529	
Raw material in transit	64,960	180,673	
	314,558	**475,684**	
Adjustments to raw, subsidiary and consumable materials	(114,370)	(6,217)	(a)
	200,188	**469,467**	
Finished and semi-finished products:			
Finished products	421,473	352,998	(a)
Semi-finished products	277,135	237,624	(a)
Finished products in transit	758	15,423	
	699,366	**606,045**	
Adjustments to finished and semi-finished products	(210,737)	(107)	(a)
	488,629	**605,938**	
Work in progress	223	365	
Merchandis	522,545	272,256	(a)
Merchandise in transit	383	48	
	522,928	**272,304**	
Adjustments to merchandise	(135,520)	(1,307)	(a)
	387,408	**270,997**	
Advances on account of purchases	46	49	
	1,076,494	**1,346,816**	

Merchandise at 31 December 2008, in the amount of tEuros 522,545 corresponds essentially to natural gas in the gas pipelines in the amount of tEuros 54,743, inventories of crude oil derivative products of the subsidiary Galp Distribuición Oil España, Galp Distribuição Portugal, S.A. and the group Galp Comercializacion Oil España, S.L. in the amounts of tEuros 149,249, tEuros 216,542, tEuros 6,172 and tEuros 49,796 respectively.

At 31 December 2008 the Group's responsibility to competitors for strategic reserves, which can only be satisfied by delivery of the products, amounted to tEuros 190,611 and is reflected in the caption "Advances on account of sales" (Note 25).

In November 2004, under Decree-law 339-D/2001 of 28 December, Petrogal together with Petrogal Trading Limited entered into a contract to purchase, sell and exchange crude for finished products for the constitution of strategic reserves with "Entidade Gestora de Reservas Estratégicas de Produtos Petroliferos, EPE" ("EGREP"). Under the contract entered into in 2004 the crude acquired by EGREP, which is not reflected in the financial statements, is stored in a non-segregated form in Petrogal's installations, where it must remain so that EGREP can audit it in terms of quantity and quality, whenever it so wishes. In accordance with the contract, Petrogal must, when so required by EGREP, exchange the crude sold for finished products, receiving in exchange an amount representing the refining margin as of the date of exchange.

The changes in the caption "Impairment of inventories" in the year ended 31 December 2008 were as follows:

Captions	Beginning balance (a)	Increases	Decreases	Utilisation	Adjustments	Change in perimeter	Ending balance
Impairment of raw, subsidiary and consumable material	6,217	104,728	(2,727)	(109)	6,261	–	114,370
Impairment of finished and semi-finished products	107	209,910	–	–	720	–	210,737
Impairment of merchandise	1,307	72,660	(206)	(4)	(480)	62,243	135,520
	7,631	**387,298**	**(2,933)**	**(113)**	**6,501**	**62,243**	**460,627**

The net increase in impairment, in the amount of tEuros 384,365 was recorded by corresponding entry to the operating cost caption "Inventories consumed and sold" in the income statement (Note 7).

(a) These amounts were restated considering the changes in the Company's accounting policies as explained in Note 2.24.

18. Other investments

Other investments at 31 December 2008 and 2007 are made up as follows:

Captions	2008	2007
Derivatives over interest rates	–	1,216
Financial instruments (Note 28)	**–**	**1,216**
Other securities and investments	4,789	259
Other current investments	**4,789**	**259**
	4,789	**1,475**

Financial instruments at 31 December 2008 and 2007 are recorded at fair value as of those dates (Note 28).

Other current investments at 31 December 2008 and 2007 are made up as follows:

Captions	2008	2007
Derivatives over commodities (Note 28)	114	99
Derivatives over interest rates (Note 28)	–	591
Financial instruments	**114**	**690**
Shares in participated companies	7	11
Other negotiable securities	–	2,628
Term deposits	1,884	2,260
Demand deposits	898	567
Other current investments (Note 19)	**2,789**	**5,466**
	2,903	**6,156**

The decrease in 2008 is due essentially to the closure of financial derivatives over commodities and interest rate due to their natural maturity in 2008. The Group's financial derivatives at 31 December 2008 are described in Note 28.

19. Cash and cash equivalents

The caption "Cash and cash equivalents" at 31 December 2008 and 2007 is made up as follows:

Captions	2008	2007
Cash	14,971	3,301
Demand deposits	93,037	78,651
Term deposits	9,441	2,713
Other negotiable securities	2,414	4,063
Other treasury applications	7,305	18,448
Cash and cash equivalents in the balance sheet	**127,168**	**107,176**
Other current investments (Note 18)	2,789	5,466
Bank overdrafts (Note 23)	(368,792)	(129,552)
Cash and cash equivalents in the cash flow statement	**(238,835)**	**(16,910)**

The caption "Other treasury applications" includes applications of cash surplus of the following Group companies:

Petrogal Brasil, Lda.	1,167
Galp Exploração Serviços Brasil, Lda.	2,238
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.	2,200
Powercer – Sociedade de Cogeração da Vialonga, S.A.	1,700
	7,305

20. Share capital

Capital structure

The capital structure at 31 December 2008 was unchanged in relation to the preceding year. The Company's fully subscribed and paid up share capital consists of 829,250,635 shares (Note 11) of 1 Euro each, divided into the following categories:

Type of shares	December 2008	December 2007
A shares	40,000,000	40,000,000
B shares	789,250,635	789,250,635
Total number of shares	**829,250,635**	**829,250,635**

In accordance with article 4 of Galp Energia, SGPS, S.A.'s by laws, the A shares have the following special rights:

(i) Election of the President of the Board of Directors can only be approved by a majority of A share votes;

(ii) Any decision aimed at authorising the signing of parity group or subordination contracts, and any decisions which in any way can endanger the safety of the supply of petroleum, gas, electricity or related products, cannot be approved in a first or second calling against a majority of class A votes.

Shareholder structure

The shareholder structure was changed as follows in 2008 in relation to 31 December 2007, given that during the year ended 31 December 2008 Banco BPI and Iberdrola, S.A. sold Galp Energia SGPS, S.A. shares in different transactions in the Euronext Lisbon regulated market. After the sales the qualified participations of Banco BPI and Iberdrola, calculated in terms of voting rights in accordance with article 20 of the Portuguese Securities Market Code, became less than 2%.

As a result of the above, the Company's fully subscribed and paid up share capital at 31 December 2008 was held as follows:

	N.º of Shares	% of Capital
Amorim Energia, B.V.	276,472,161	33.34%
Caixa Geral de Depósitos, S.A.	8,292,510	1.00%
Eni S.p.A.	276,472,160	33.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%
Other shareholders	209,934,290	25.32%
	829,250,635	**100.00%**

Capital management

Galp Energia SGPS, S.A. complies with the requirements of Portuguese legislation contained in the Commercial Company Code.

21. Other reserves

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been utilized.

At 31 December 2008 and 2007 this captions were made up as follow:

	2008	2007
Legal reserve	146,966	118,924
Free reserves	27,977	27,977
Special reserve	(463)	(463)
	174,480	**146,438**

In 2008 the caption legal reserve was increased by tEuros 28,042 as a result of appropriating profit for the year ended 31 December 2007. This amount is less than 5% of the result for 2007 determined in accordance with IAS/IFRS. This results from the fact that this is a Portuguese legal requirement and, consequently, the legal reserve must be determined based on statutory profit for 2007 in accordance with Portuguese generally accepted accounting principles (the Official Chart of Accounts), which amounted to tEuros 560,842 for that year.

The amount of tEuros 463 in the caption "Special reserve" corresponds to a correction of deferred tax – revaluations, in the equity of the subsidiary Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (Note 10).

22. Minority interest

The equity caption "Minority interest" at 31 December 2008 and 2007 refers to the following subsidiaries:

		Balance at 1 January	Capital and reserves	Dividends granted	Prior year results	Exchange translation reserves	Hedging reserves	Net result for the year	Balance at 31 December 2008
Lusitaniagás – Companhia de Gás do Centro, S.A.	(a)	11,285	(11)	–	(372)	–	(54)	2,019	12,867
Beiragás – Companhia de Gás das Beiras, S.A.		5,608	–	–	(120)	–	(145)	823	6,166
Sopor – Sociedade Distribuidora de Combustíveis, S.A.		3,090	–	(39)	–	–	–	(15)	3,036
Saaga – Sociedade Açoreana de Armazenagem. de Gás, S.A.		1,823	–	–	(143)	–	–	154	1,834
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		1,224	–	(350)	–	–	(33)	922	1,763
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		944	–	–	(78)	–	–	276	1,142
Probigalp – Ligantes Betuminosos, S.A.		667	–	(106)	–	–	–	111	672
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		351	–	–	(70)	–	–	235	516
Powercer – Sociedade de Cogeração da Vialonga, S.A.		203	–	(187)	–	–	(22)	389	383
Gite – Galp International Trading Establishment		35	–	–	–	2	–	–	37
Galpbúzi – Agro-Energia, S.A.	(b)	–	10	–	–	–	–	(5)	5
Combustiveis Líquidos, Lda.		2	–	–	–	–	–	–	2
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda.		(301)	–	–	–	–	–	14	(287)
CLCM – Companhia Logistica de Combustíveis da Madeira, S.A.	(c)	(2,943)	–	–	–	–	(136)	(82)	(3,161)
		21,988	**(1)**	**(682)**	**(783)**	**2**	**(390)**	**4,841**	**24,975**

(a) Acquisition by the Group of an additional 0.05469 % of the capital of Lusitaniagás – Companhia de Gás do Centro, S.A., the Group's participation being increased to 85.25%.
(b) The Group subscribed for 66.67% of the capital of Galpbúzi – Agro-Energia, S.A., which was founded on 23 April 2008.
(c) At 31 December 2008 this subsidiary had negative shareholders' equity. Consequently, the Group only recognised accumulated losses in proportion to its participation in that subsidiary as the other shareholders have the capacity and intention to cover the losses, and so the minority interest balance is a debit.

23. Loans

Details of loans

Loans obtained at 31 December 2008 and 2007 are made up as follows:

	December 2008		December 2007	
	Current	Non-current	Current	Non-current
Bank loans				
Domestic loans	284,602	1,089,140	171,418	93,311
Foreign loans	30,187	215,549	27,915	186,866
Bank overdrafts (Note 19)	368,792	–	129,552	–
Discounted Notes	1,084	–	1,294	–
Renewable credit lines	–	–	4,000	–
	684,665	**1,304,689**	**334,179**	**280,177**
Other loans obtained:				
IAPMEI	284	255	1,588	536
	684,949	**1,304,944**	**335,767**	**280,713**
Project Finance Fees	–	(866)	–	(1,001)
	684,949	**1,304,078**	**335,767**	**279,712**
Bonds:				
Lisboagás, S.A. 1998 issue	1,711	–	–	15,772
Galp Investment Fund, 2003 issue	–	–	–	210,000
	1,711	**–**	**–**	**225,772**
	686,660	**1,304,078**	**335,767**	**505,484**

The non-current loans, excluding project finance fees, at 31 December 2008 are repayable as follows:

2010	99,712
2011	411,175
2012	571,539
2013	19,957
2014 and subsequent years	202,561
	1.304.944

Domestic and foreign loans at 31 December 2008 and 2007 are made up of the following currencies:

		December 2008		December 2007	
	Currency	Total amount	Amount due (mEuros)	Total amount	Amount due (mEuros)
United States dollars	USD	3,176	1,279	3,020	1,469
Meticais	MZM	57,893	1,609	-	-
Cape Verde francs	CFA	229,585	184	229,585	269
Euros	EUR	1,678,026	1,566,524	647,459	477,772
			1,569,596		**479,510**

The average interest rates on the loans and bank overdrafts in 2008 and 2007 were 5.10% and 4.63%, respectively.

Nature of the main loans

Bank loans
At 31 December 2008 the Group subscribed for underwritten commercial paper programs totalling tEuros 1,165,000, of which tEuros 600,000 was medium and long term and tEuros 565,000 was short term. Of these amounts the Group had used up tEuros 550,000 of medium and long term loans as it is the Group's intention to maintain them up to 2012, and their renewal depends only on the Group, and short term loans of tEuros 200,000.

In addition, the Group has recognised medium and long term loans of tEuros 524,992 relating essentially to project finance realised by the companies Petróleos de Portugal – Petrogal, S.A. Sucursal en España, CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and Beiragás – Companhia de Gás das Beiras, S.A..

The loans bear interest at the Euribor rate, for the period of the issues, in force on the second business day prior to the subscription date, plus variable spreads defined in the contractual conditions of the commercial paper programs subscribed for by the Company. The interest rates are applied to the amount of each issue and remain unchanged during the period of the issue.

The Group contracted a medium and long term loan of tEuros 58,000 from the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and operation of a co-generating installation in the Sines refinery. The loan bears interest at the Euribor six month rate plus a variable spread.

In 2008 the Group contracted an additional medium and long term loan of tEuros 50,000 from the European Investment Bank for the exclusive purpose of constructing and operating a co-generating plant in the Porto refinery. The loan bears interest at a fixed rate adjusted periodically.

The loans from the European Investment Bank in the amount of tEuros 127,705 are granted by Banking Syndicates.

Petrogal has issued comfort letters in favour of Group and associated companies, relating to short term credit lines, in the amount of tEuros 662,791.

Bonds
Lisboagás GDL- Sociedade Distribuidora de Gás Natural de Lisboa, S.A. 1998 Issue

On 12 August 1998 Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. issued bonds totalling tEuros 49,880 at par, for private subscription, which were fully subscribed for and paid up.

If the Portuguese State ceases to be direct or indirect majority shareholder of GDP – Gás de Portugal, SGPS, S.A. or if GDP – Gás de Portugal, SGPS, S.A. ceases to have a direct majority participation in Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., the bondholders can demand early redemption of their bonds.

As the Portuguese State stopped being the major shareholder of Galp Energia SGPS, S.A., the Company published the corresponding announcement on 22 September 2006 and received requests for early redemption of the bonds in the amount of tEuros 34,107 and so the amount of the bonds is now tEuros 15,772.

On 12 August 2008, in exercising a put option, the Company received requests for early repayment of bonds totalling tEuros 14,062 and so the total amount of the bonds outstanding is tEuros 1,711.

The bonds are redeemable at par in five equal annual instalments on the due dates of the 22nd, 24th, 26th, 28th, and 30th coupons.

However, the bonds can be redeemed early, in part or in full, at par, at the issuer's option (call option), as from the due date of the 10th coupon, inclusive and on the respective interest payment dates.

The bondholders can also demand early redemption of the bonds or of the remaining outstanding principal of the bonds, at par, on the due dates of the 20th, 22nd, 24th, 26th and 28th coupons.

Interest is payable half yearly in arrears at a rate corresponding to the Euribor 6 month rate in force on the second to last working day preceding the beginning of each interest period plus 8 basis points.

Galp Investment Fund 2003 Issue
In 2003 Petrogal, S.A. entered into an accounts receivable securitisation operation with Galp investment Fund, PLC ("the Fund"), in the amount of tEuros 210,000, with a maturity of 5 years. In order to cover this amount, the Fund issued tEuros 199,500 of "A Notes" and tEuros 10,500 of "B Notes", which bear interest at the Euribor rate plus 50 basis points and 95 basis points, respectively. In 2008 the total amount of tEuros 210,000 was paid by Galp Investment Fund, PLC to the subscribers of the credit securitisation units in accordance with their maturity terms. With this operation Petrogal incurred financial expenses of tEuros 4,045 for the year (Note 9).

24. Retirement and other benefit obligations

As explained in Notes 2.10 and 2.11 some Group companies assumed liabilities relating to retirement benefits. As the Group recognises its post employment benefits in accordance with IAS 19, which establishes that the rate to be used for discounting post employment benefits must be determined based on market interest rates for high quality company bonds, in 2008 the rate of discount was changed from 5.45% to 6.10%. This change in actuarial assumptions resulted in an actuarial gain through decrease in the past service liability of the Petrogal Pension Plan and GDP Pension Plan.

In 2008 Petrogal and the GDP Group companies contributed with tEuros 2,358 and tEuros 1,602, respectively, to their Pension Funds to partially cover their liabilities.

The minimum liability of Petrogal and the GDP group at 31 December 2008, calculated in accordance with the method and assumptions required by the Institute of Insurance of Portugal, amounted to tEuros 324,759 and tEuros 29,064, respectively.

At 31 December 2008 and 2007 the Petrogal Pension Fund, Sacor Marítima Pension Fund, Saaga Pension Fund and GDP Pension Fund assets were as follows in accordance with a report of the fund management entity:

	2008	2007
Bonds:		
Fixed rate Euro Bonds	188,500	194,442
Variable rate Euro Bonds	19,128	24,499
Other non Euro Bonds	5,507	9,241
Shares:		
European	41,305	58,522
Other shares	10,892	21,732
Hedge Funds	1,676	14,835
Derivatives	–	2
Indirect real estate	12,254	4,976
Galp Building (part)	35,692	32,300
Cash	17,912	4,799
Others	–	101
Total	**332,866**	**365,449**

Evolution of the pension fund assets in 2008 and 2007 were as follows:

	2008	2007
Beginning balance	365,023	369,719
Contributions to the fund	3,960	8,771
Estimated return on the assets	18,790	18,504
Actuarial gain/(loss)	(30,909)	(8,052)
Pensions paid in the year	(24,723)	(23,919)
Saaga initial liabilites	725	–
Ending balance	**332,866**	**365,023**

The composition of the Group's Pension Fund assets in 2007 was different from the final balance of the evolution of the Pension Fund assets due to the fact that at 31 December 2007 the company Gasfomento – Sistemas e Instalações de Gás, S.A. belonged to the GDP Group Pension Fund and it was not included in the consolidation perimeter at that date.

At 31 December 2008 and 2007 the Group had the following provisions to cover the liability for pensions and other benefits:

	Group	
	2008	2007
Retirement benefits		
Current personnel	764	639
Early retirement	28,043	24,303
Pre-retirement	25,964	30,139
Retired personnel	4,684	5,034
Retirement bonus	6,183	5,943
Flexible retirement age	9,906	9,906
Relating to the Pension Fund	5,353	5,518
	80,897	**81,482**
Other benefits:		
Healthcare	169,825	167,557
Life assurance	2,586	2,384
Defined contribution plan minimum benefit	2,588	2,129
	174,999	**172,070**
	255,896	**253,552**

The caption pre-retirement in the amount of tEuros 25,964 includes tEuros 153 relating to the cost of pre-retirements granted to the employees of Sacor Marítima, that will be used up to 2011 and 2013.

The company Petrogal recorded provisions of tEuros 1,184 in the caption retirement benefits to cover its future liability for early retirements and pre-retirements.

The assumptions used to calculate the retirement benefits are those considered by the Group and the entity specialised in the actuarial studies as those that best meet the obligations established in the pension plan, and are as follows:

	Group	
	2008	2007
Asset remuneration rate	5.00% - 5.60%	5.20% - 5.60%
Technical interest rate	6.10%	5.45%
Salary increase rate	3.00%	3.00%
Pension increase rate	1.50%	1.50%
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90
Retired personnel mortality table	TV 88/90	TV 88/90
Disability table	EVK80-50%	EVK80-50%
Normal retirement age	65	65
Method	Projected credit unit	Projected credit unit
Liability and corresponding coverage:		
i) Liability relating to the pension fund:		
Current personnel	64,437	65,750
Pre-retired personnel	10,365	12,563
Early retired personnel	16,207	17,727
Retired personnel and pensioners	258,097	269,520
	349,106	**365,560**
Coverage relating to the pension fund:		
By the pension fund assets	332,866	365,023
Provision for retirement benefit liability	5,353	5,518
By accruals and deferrals (Note 15)	(31,684)	(31,855)
Unrecognised (gain) and loss (Note 2.10)	42,571	26,874
	349,106	**365,560**
ii) Liability not relating to the pension fund:		
Current personnel	534	592
Pre-retired personnel	28,761	33,713
Early retired personnel	22,436	20,602
Retirement bonus	6,149	6,165
Retired personnel	5,520	6,151
Voluntary social insurance	365	396
Flexible retirement age (DL 9/99)	11,075	11,075
Total	**74,841**	**78,694**
Covered by provisions:		
Current personnel	726	639
Pre-retired personnel	25,504	30,058
Early retired personnel	27,167	24,303
Retirement bonus	6,183	5,943
Retired personnel	4,684	5,034
Voluntary social insurance (Note 15)	(275)	(255)
Flexible retirement age (DL 9/99)	9,906	9,906
Sub-Total	**73,895**	**75,628**
(Gain) and loss not recognised:		
Current personnel	(192)	(47)
Pre-retired personnel	3,257	3,655
Early retired personnel	(4,731)	(3,701)
Retirement bonus	(34)	222
Retired personnel	836	1,117
Voluntary social insurance	640	651
Flexible retirement age (DL 9/99)	1,169	1,169
Sub-Total	**945**	**3,066**
Total	**74,841**	**78,694**

The Group has distinct asset return rates between 5.00% and 5.60% for the Petrogal group and 5.30% for the GDP group. These differences are due to the application profile of the Funds' assets, which depend on the position of their portfolios, which have resulted in different return rates.

Evolution of the Group's pension liability in 2008 was as follows:

	Group		
	Relating to the pension fund	Not relating to the pension fund	Total
Total liability at 31 December 2007	365,560	78,694	444,254
Current service cost	2,993	272	3,265
Interest cost	19,295	3,340	22,635
Benefits paid in the year	(24,723)	(13,845)	(38,568)
Pre-retired and early retired personnel starting during the year	–	8,565	8,565
Actuarial (gain) / loss for the year	(15,039)	(2,185)	(17,224)
Initial liability of Saaga	1,020	–	1,020
Total liability at 31 December 2008	**349,106**	**74,841**	**423,947**
Costs for 2008			
Interest and current service cost	22,288	3,612	25,900
Pre-retirements and early retirements in the year	–	7,635	7,635
Expected return on assets	(18,790)	–	(18,790)
Amortisation of the "corridor" excess	(3)	(69)	(72)
	3,495	**11,178**	**14,673**

The current service cost and interest cost, net of the expected return on fund assets, totalling tEuros 7,110, was recorded in the caption "Employee costs" (Note 7).

The increase of tEuros 7,915 in the Group's liability for pre-retirements and early retirements in the year ended 31 December 2008 was recorded by corresponding entry to: (i) the amount of tEuros 280 relating to pre-retirements and early retirements negotiated in 2007 (Note 26); and (ii) employee costs for the year in the amount of tEuros 7,635.

The actuarial (Gain)/Loss for the year amounted to tEuros 17,224 and is made up as follows:

- (Gain)/Loss due to change in the discount rate from 5.45% to 6.10% – tEuros (25,179);
- (Gain)/Loss due to actuarial experience– tEuros 7,955.

As a result of the corridor excess at 31 December 2007, the amount of tEuros 72, corresponding to amortisation for the year 2008, was recognised in the caption "Employee costs" (Note 7).

As explained in Note 2.10 on 31 December 2002 the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution Pension Fund, giving the employees the possibility of choosing between the new defined contribution pension plan and the existing defined benefits plan. In 2008 the amount of tEuros 1,021 was recognised in the caption "Employee costs", relating to contributions for the year of the companies associated with the Galp Energia defined contribution Pension Fund, in benefit of their employees, by transfer of that amount to the fund managing entity.

As explained in Note 2.10, actuarial gains and losses are recognised in the financial statements, only to the extent that they exceed the 10% limit defined for the corridor, and are amortised as from the year following that in which they were determined, as explained below.

The following table summarises, by benefit plan, the liability included in the "corridor" mechanism and its maximum interval (10%).

Benefits	Unrecognised (gain) and loss	"Corridor" interval (10%)	Excess of the "corridor" interval	Amount to be recognised in 2009
Petrogal group				
Retirement supplement (Fund)	40,617	31,851	9,015	2,592
Pre-retirements	3,206	2,694	512	146
Early retirements	(4,731)	2,244	(2,487)	(707)
Retirement bonus	(34)	615	-	-
Voluntary social insurance	640	37	603	172
Flexible retirement age (DL 9/99)	1,156	1,078	78	-
	40,854	**38,519**	**7,721**	**2,203**
GDP group				
Retirement supplement (Fund)	1,954	3,059	-	-
Retirement supplement (not covered by the Fund)	762	579	236	59
Pre-retirements	51	182	-	-
Flexible retirement age (DL 9/99)	13	30	-	-
	2,780	**3,850**	**236**	**59**
Other Groups				
Retirement supplement (Fund)	**(118)**	**27**	**(92)**	**(6)**

The accumulated gains and losses not recognised of the Petrogal group, relating to the liability for pre-retirements, early retirements, voluntary social insurance and flexible retirement age (DL 9/99) exceed the 10% "corridor" limit by the net amount of tEuros 7,721. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans which, at 31 December 2008, was of 3.52 years for Petrogal, 4.91 years for Sacor Marítima and 21.81 years for Saaga. Consequently, costs, net of income, in the amount of tEuros 2,203 resulting from amortisation of the excess of the "corridor", will be recognised in 2009.

The accumulated gains and losses not recognised of the GDP group, relating to the liability for retirement supplements (not covered by the Fund) exceeds the limits of the 10% "corridor" by the net amount of tEuros 236. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans, which at 31 December 2008, was 4.33 years for Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., and 7.65 years for GDP. Consequently, costs, net of income, in the amount of tEuros 59, resulting from amortisation of the excess of the "corridor", will be recognised in 2009.

The accumulated gains and losses not recognised of the remaining companies relating to retirement pension supplements (covered by the Fund) exceeds the limits of the 10% "corridor" by tEuros 92. This amount will be recognised as cost and/or income in future years based on the expected average future period of service of the employees covered by the plans, which at 31 December 2008, was of 14.21 years for Galp Energia, S.A.. Consequently, net income of tEuros 6, resulting from amortisation of the excess of the "corridor", will be recognised in 2009

Other retirement benefits – Healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor)

As explained in Note 2.11, at 31 December 2008 the Group had a provision to cover its liability for healthcare, past service life insurance of current personnel and the full amount of the liability for the remaining personnel and for the defined contribution plan minimum benefit. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

	Healthcare		Life insurance		Defined contribution plan minimum benefit	
	2008	2007	2008	2007	2008	2007
Technical interest rate	6.10%	5.45%	6.10%	5.45%	6.10%	5.45%
Cost increase rate	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%
Current and pre-retired employee mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90
Disability table	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%	EVK80-50%
Normal retirement age	65	65	65	65	65	65

	2008	2007
Method	Projected credit unit	Projected credit unit
Liability and corresponding coverage:		
i) Healthcare		
Total liability:	**170,910**	**188,014**
Coverage:		
Liability for retirement benefits and other benefits	169,825	167,557
(Gain) and loss not recognised (Note 2.11)	1,085	20,457
	170,910	**188,014**
ii) Life insurance		
Total liability:	**2,828**	**2,951**
Coverage:		
Liability for retirement benefits and other benefits	2,586	2,384
(Gain) and loss not recognised (Note 2.11)	242	567
	2,828	**2,951**
iii) Defined contribution plan minimum benefit		
Total liability:	**2,288**	**2,060**
Coverage:		
Liability for retirement benefits and other benefits	2,588	2,129
(Gain) and loss not recognised (Note 2.11)	(300)	(69)
	2,288	**2,060**

Evolution of the liability and the related costs of Petrogal, the GDP group companies and other Group companies for healthcare, life insurance and defined contribution plan minimum benefit in 2008 was as follows:

	Healthcare	Life insurance	Defined contribution minimum benefit plan	Total
Total liability at 31 December 2007	188,014	2,951	2,060	193,025
Current service cost	2,269	103	350	2,722
Interest cost	9,972	157	112	10,241
Benefits paid in the year	(10,635)	(172)	–	(10,807)
Actuarial (Gain) / Loss for the year	(18,769)	(234)	(234)	(19,236)
Initial Liability of Saaga	59	23	–	82
Total liability at 31 December 2008	**170,910**	**2,828**	**2,288**	**176,027**
Costs for 2008				
Interest cost and current service cost	12,241	260	462	12,963
Amortisation of the "corridor" excess	600	88	(2)	686
	12,841	**348**	**460**	**13,649**

Current service and interest cost totalling tEuros 12,963 was recorded by the above companies in the consolidated income statement caption "Employee costs".

As a result of the excess of the "corridor" at 31 December 2007, tEuros 686 relating to amortisation of the excess for the year, based on the estimated average future period of service of each company, was recorded in 2008 in "Employee costs".

The actuarial (Gain)/Loss for the year relating to healthcare amounted to tEuros 18,770 and is made up as follows:

- (Gain)/Loss due to change in the discount rate from 5.45% to 6.10% – tEuros (13,680);
- (Gain)/Loss due to actuarial experience – tEuros (5,090).

As explained in Note 2.11, actuarial gains and losses are recognised in the financial statements, only to the extent that they exceed the 10% limits defined for the "corridor", and are amortised as from the year following that in which they were determined, as explained below.

The following table summarizes, by benefit plan, the liability included in the "corridor" mechanism, and the limits thereof:

Benefits	Unrecognised (gain) and loss	"Corridor" interval (10%)	Excess of the "corridor" interval	Amount to be recognised in 2009
Petrogal group				
Healthcare	1,834	16,117	-	-
Life insurance	224	239	-	-
Defined contribution plan minimum benefit	(195)	114	(82)	(4)
	1,863	**16,470**	**(82)**	**(4)**
GDP group				
Healthcare	(670)	935	(1,354)	(229)
Life insurance	61	32	37	9
Defined contribution plan minimum benefit	(67)	19	(48)	(3)
	(676)	**986**	**(1,365)**	**(223)**
Other Groups				
Healthcare	(79)	39	(40)	(2)
Life insurance	(43)	12	(33)	(1)
Defined contribution plan minimum benefit	(38)	96	58	-
	(160)	**147**	**(15)**	**(3)**
	1,027	**17,603**	**(1,462)**	**(230)**

The "corridor" excess, in the amount of tEuros 1,462, relating to the liability for healthcare, life insurance and defined contribution plan minimum benefit, will be recognised as a cost in future years based on the average expected period of service of the employees covered by the plans (Petrogal 3.52; Lisboagás 4.33; Beiragás 24.57; Galp Energia, S.A. 27.06 for life assurance and 16.70 for health insurance; Galp Power 24.61; GDP 8.57; Lusitaniagás 24.72; Galp Exploração 28.09; Galp Gás Natural 22.21; Saaga 21.81 and Sacor Marítima 4.91). Therefore in 2009 costs net of income, in the amount of tEuros 229, relating to amortisation of the "corridor" excess, will be recognised in the caption "Employee costs".

25. Other payables

The non-current and current caption "Other payables" at 31 December 2008 and 2007 is made up as follows:

	2008		2007	
Caption	Current	Non-current	Current	Non-current
State and Other Public Entities:				
ISP – Tax on petroleum products	177,279	–	179,874	–
Value Added Tax	170,868	–	175,316	–
Other taxes	8,381	9	6,125	13
Social Security contributions	5,426	–	4,677	–
Personal and Corporate Income Tax Withheld	4,639	–	4,383	–
Advances on account of sales (Note 17)	190,611	–	302,375	–
Suppliers of fixed assets	221,917	247	115,680	683
Overlifting – Block 14 partners	26,739	–	49,247	–
Guarantee deposits and guarantees received	15,671	–	15,141	–
Personnel	4,397	–	2,495	–
Credit balances of clients	3,630	–	1,416	–
Advances from customers	850	–	756	–
Loans – Associated, participated and related companies (Note 29)	–	2,902	–	3,756
Loans – Other shareholders	–	4,669	–	3,914
Other payables – Associated, participated and related companies (Note 29)	364	–	26	–
Other payables – Other shareholders	173	–	202	–
Other creditors	21,841	3,243	16,826	2,915
	852,786	**11,070**	**874,539**	**11,281**
Accrued costs:				
Vacation pay, vacation subsidy and corresponding personnel costs	34,445	–	25,636	–
External supplies and services	30,705	–	24,151	–
Productivity bonus	18,070	–	16,766	–
Permited revenue – ERSE regulation (Note 6)	7,467	–	–	–
Discounts, bonuses and volume discounts on sales	6,161	–	8,704	–
Fast Galp prizes	4,618	–	5,312	–
Accrued interest	4,619	–	1,717	–
Accrued insurance premiums	1,300	–	1,930	–
Financial costs	917	–	1,794	–
Accrued personnel costs – others	86	–	308	–
Other accrued costs	6,988	–	3,526	–
	115,376	**–**	**89,844**	**–**
Deferred costs:				
Services rendered	6,441	–	6,236	–
Fibre optics	4,263	42,508	4,263	47,167
Others	3,155	2,578	6,184	3,309
	13,859	**45,086**	**16,683**	**50,476**
	982,021	**56,156**	**981,066**	**61,757**

The amount of tEuros 26,739 in the caption "Overlifting – Block 14 partners" corresponds to the Group's liability for lifting crude in excess of its production quota and is stated at market value (Note 2.7 e)).

The amount of tEuros 15,671 reflected in the caption "Guarantee deposits and guarantees received" includes tEuros 13,551 relating to Petrogal's liability at 31 December 2008 for guarantees received for ceding gas bottles, recorded at cost, which corresponds, approximately, to their fair value.

The amount of tEuros 4,669 in the caption "Loans – Other shareholders" corresponds essentially to:

- tEuros 960, tEuros 960 and tEuros 480 recorded as medium and long term payable to E.E.M. – Empresa de Electricidade da Madeira, S.A., Procomlog – Combustíveis e Logística, Lda. and AIE – Atlantic Island Electricity (Madeira) Produção, Transporte e Distribuição de Energia, S.A., relating to supplies obtained by the subsidiary CLCM – Distribuição e Comercialização de Combustíveis e Lubrificantes, Lda., which bear interest at market rates and do not have defined repayment dates.
- tEuros 1,356 recorded as a medium and long term liability payable to EDP Cogeração, S.A. relating to supplies obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bears interest at market rates and does not have defined repayment dates.
- The amount of tEuros 474 recorded as a medium and long term liability payable to Companhia Finerge – Gestão de Projectos Energéticos, S.A. relating to supplies obtained by the subsidiary Powercer – Sociedade de Cogeração da Vialonga, S.A., which bears interest at market rates and does not have defined repayment dates.
- The amounts of tEuros 341, tEuros 48 and tEuros 48 recorded a medium and long term liabilities payable to REpower Portugal – Sistemas Eólicos, S.A., Parque Eólico da Penha da Gardunha, Lda. and à Eviva Energy, S.A., relating to supplies obtained by the subsidiary Ventinveste, S.A., which bear interest at market rates and do not have defined repayment dates.

The amount of tEuros 4,618 in the accrued costs caption "Fast Galp prizes" corresponds to Petrogal's liability for Fast Galp card points issued but not yet claimed up to 31 December 2008, which are expected to be exchanged for prizes in subsequent years.

Income relating to the cession of rights to use telecommunications infrastructures contract reflected in the "Deferred income – Fibre optics" caption is recognised in the income statement over the period of the contract. Deferred income at 31 December 2008 to be recognised in future years amounts to tEuros 46,771.

26. Provisions

The changes in provisions in the year ended 31 December 2008 were as follows:

Captions	Beginning balance	Increases	Decreases	Utilisation	Adjustments	Change in perimeter (Note 3)	Ending balance
Legal processes	10,357	2,991	(1,536)	(444)	222	–	11,590
Investments	2,006	264	–	(1,085)	100	–	1,285
Taxes	14,307	5	(871)	(1)	–	52	13,492
Environment	9,008	280	–	(449)	–	–	8,839
Other risks and charges	46,893	28,561	(3,448)	(10,118)	211	2,163	64,262
	82,571	**32,101**	**(5,855)**	**(12,097)**	**533**	**2,215**	**99,468**

The increase in provisions net of decreases was recorded by corresponding entry to the following consolidated income statement captions:

Provisions (Note 7)	25,073
Financial costs	1,173
	26,246

Legal processes

The amount of tEuros 11,590 in the caption "Legal processes" includes tEuros 4,993 with respect to liabilities for the payment of taxes for occupation of the subsoil by the Petrogal group relating to differences between the Group and the Municipal Council of Matosinhos.

Investments

The provision for investments represents the Group's joint liability to the following associated companies that have negative equity (Note 4):

Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	1,039
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	246
	1,285

Taxes

The caption provision for taxes in the amount of tEuros 13,492 includes essentially:

(i) tEuros 7,394 to cover the tax contingency relating to additional assessments for taxes of the subsidiary Petrogal for the years 2001 and 2002 (Note 10);
(ii) tEuros 3,377 to cover the tax risk relating to sale of the participation of ONI, SGPS, to Galp Energia, S.A.;
(iii) tEuros 2,547 relating to Municipal Contribution, currently Municipal Tax on Properties, for the years from 1998 to 2007 relating to the transport of natural gas transferred to REN – Rede Eléctrica Nacional, S.A. in 2006, but for which the responsibility is of Galp Gás Natural, S.A.. The amount of Municipal Tax on Properties has not yet been fixed by the tax authorities.

Environment

The amount of tEuros 8,839 reflected in the caption "Environment" is to cover costs of decontaminating some installations occupied by the company where it has been decided to decontaminate due to legal requirements.

Other risks and charges

The increase of tEuros 28,561 in the provision for other risks and charges refers essentially to:

(i) tEuros 16,000 relating to an increase in the provision relating to a difference between Galp Gás Natural, S.A. and Nigeria Liquefied Natural Gas Limited ("NLNG") (Note 7);
(ii) tEuros 7,026 relating to an increase in the provision for the cost of abandoning Block 14 which is estimated by applying, to the total estimated abandonment cost, a coefficient corresponding to the proportion of the volume of production in each amortisation period, to the volume of proved developed reserves at the end of that period plus production for the period;
(iii) tEuros 2,836 to provide for the payment of ISP to the suppliers of Biofuels;
(iv) tEuros 1,831 relating to an increase in the provision for additional assessments relating to revision of costs of IRP and profit-oil.

The decrease of tEuros 3,448 refers essentially to reversal of the provision recorded in 2007 to cover the claim made by EDP in the securities reserve area, as the Group believes that payment of that amount is not probable.

The total other provisions for risks and charges utilised, in the amount of tEuros 10,118, includes essentially:

(i) tEuros 6,095 relating to part of the payment of the fine of the "Spanish Bitumen" process (fines relating to EU competition rights) that was processed in the General Directorate of Competition of the European Union, in which Petrogal was condemned to pay tEuros 8,663. The Company contested the claim as it did not agree with the decision of the courts, having recognised the amount of tEuros 2,568 in other receivables (Note 15).
(ii) tEuros 2,612 relating to part of the payment to a supplier of flushing services rendered at the Leixões Ocean terminal.

The caption "Provisions for other risks and charges" in the amount of tEuros 64,262 at 31 December 2008 corresponds essentially to the following:

(i) tEuros 30,000 to cover a difference between Galp Gás Natural, S.A. and Nigeria Liquefied Natural Gas Limited ("NLNG") as explained in Note 7, considering the expectations as a result of the decision taken by the Arbitration Court regarding the difference of NLNG Plus;
(ii) tEuros 17,622 to cover the cost of abandoning the exploration installations in Blocks 1 and 14 in Angola. This provision is to cover the total costs to be incurred by Galp Exploração at the end of the useful production life of those oil fields;
(iii) tEuros 6,425 to cover additional tax assessments relating to revision of costs of IRP and profit-oil in Angola (Note 10);
(iv) tEuros 2,836 relating to a provision for ISP on Biofuels;
(v) tEuros 1,150 relating to interest due to the non acceptance of the write off of the Leixões Ocean Terminal as tax deductible cost in 2002.

27. Trade payables

The trade payables caption at 31 December 2008 and 2007 is made up as follows:

	2008	2007
Suppliers - current accounts	504,571	713,749
Suppliers - invoices pending	488,641	241,680
Suppliers - Notes payable	54	124
	993,266	**955,553**

The caption "Suppliers – invoices pending" corresponds essentially to purchases of crude oil raw material, natural gas and goods in transit as of those dates.

28. Other financial instruments

The Group uses financial derivatives to hedge interest rate and refining margin fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, which affect the amount of assets and future cash flows resulting from its operations.

In addition, the Group is exposed to market fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, which affect the amount of assets and expected future cash flows resulting from its operations.

The increase in the fair value reflected in Assets and Liabilities and, consequently, in the fair value of Equity in the year ended 31 December 2008, in the negative amount of tEuros 4,500, refers essentially to cash flow hedges. Therefore the fair value of the efficient portion of the hedge is reflected in the equity caption attributable to equity holders of the parent "Hedging reserves", in the amount of tEuros 4,014, less tEuros 480 attributable to minority shareholders, plus tEuros 6 relating to fair value fluctuations of associated companies.

The changes in fair value reflected in Equity for the year ended 31 December 2007 amounted to tEuros 686 of wich, tEuros 781 of the fair value being attributable to equity holders of the parent, less tEuros 105 relating to Minority interest, plus tEuros 200 relating to change in fair value of associated companies.

The Group's derivative financial instruments evolved as follows in 2008 and 2007:

	Assets		Liabilities	
Interest rate derivatives	Non-current	Current	Non-current	Current
Fair value at 1 January 2007	1,121	269	(252)	(667)
Purchased during the year	–	–	–	–
Sold during the year	(272)	16	153	39
Increase /(decrease) on the sale reflected in the income statement	272	(16)	(153)	(39)
Increase /(decrease) in fair value reflected in the income statement	–	(19)	37	627
Increase /(decrease) in fair value reflected in equity	95	341	210	40
Fair value at 31 December 2007	1,216	591	(5)	–
Purchased during the year	–	–	–	–
Sold during the year	(687)	(811)	(208)	–
Increase /(decrease) on the sale reflected in the income statement	687	811	208	–
Increase /(decrease) in fair value reflected in the income statement	–	(316)	–	(12)
Increase /(decrease) in fair value reflected in equity	(1,216)	(275)	(3,009)	–
Fair value at 31 December 2008	–	–	(3,014)	(12)

Interest cost and income from interest rate derivatives are reflected in Financial costs and income.

The accounting effect on Cost of Sales for the years ended 31 December 2008 and 2007 is as follows:

	Assets		Liabilities	
Commodity derivatives	Non-current	Current	Non-current	Current
Fair value at 1 January 2007	**–**	**6,874**	**–**	**(2,260)**
Purchased during the year	–	3,550	–	–
Sold during the year	–	(5,549)	–	(5,021)
Increase /(decrease) on the sale reflected in the income statement	–	199	–	5,021
Increase /(decrease) in fair value reflected in the income statement	–	(4,975)	–	2,260
Increase /(decrease) in fair value reflected in equity	–	–	–	–
Fair value at 31 December 2007	**–**	**99**	**–**	**–**
Purchased during the year	–	–	–	–
Sold during the year	–	2,773	–	(3,131)
Increase /(decrease) on the sale reflected in the income statement	–	(2,773)	–	3,131
Increase /(decrease) in fair value reflected in the income statement	–	15	–	(1,491)
Increase /(decrease) in fair value reflected in equity	–	–	–	–
Fair value at 31 December 2008 (Note 18)	**–**	**114**	**–**	**(1,491)**

The Galp Energia group also trades financial instruments known as Commodity Futures. Given their high liquidity, as they are traded on the Stock Exchange, they are classified as Cash. The gain and loss on Commodity Futures were also classified as Cost of sales. As the futures are traded on the Stock Exchange, subject to the Clearing House, the gain and loss is recognised continuously in the Income Statement as follows:

	Assets		Liabilities	
Commodity futures	Non-current	Current	Non-current	Current
Fair value at 1 January 2007	**–**	**904**	**–**	**–**
Purchased during the year	–	25,745	–	–
Sold during the year	–	(20,785)	–	–
Increase /(decrease) on the sale reflected in the income statement	–	(4,926)	–	–
Fair value at 31 December 2007	**–**	**938**	**–**	**–**
Purchased during the year	–	122,442	–	–
Sold during the year	–	(113,386)	–	–
Increase /(decrease) on the sale reflected in the income statement	–	(9,534)	–	–
Fair value at 31 December 2008	**–**	**460**	**–**	**–**

In 2008 the Galp Energia group purchased financial derivatives in auctions (known as VPP's – Virtual Electric Power Production capacity), namely options over electric energy. Because of the complexity of valuing this type of derivative as it is not storable and the MIBEL market (Mercado Ibérico de Electricidade – Iberian Electricity market) is still considered a recent market, it was decided that the mark to market of these financial derivatives is not yet reliably measurable. Therefore Galp Energia records these financial derivatives at cost. At 31 December 2008 there were no open positions.

The purchase of electricity underlying the exercise of options is recorded in the caption "Cost of sales" and its sale in the caption "Sales". The impact at 31 December 2008 in the "Cost of sales" caption amounts to tEuros 2,135 and in the "Sales" caption amounts to tEuros 2,434.

The Group's derivative financial instruments at 31 December 2008 were as follows:

Type of derivative over interest rate	Interest Rate	Nominal value	Maturity	Fair value of the derivatives in tEuros
Liability				
	Cash-flow hedge			
Collar	Pays between 3.25% and 1.75%	tEur 13,440	2010	(40)
	Receives Euribor 6m			
Caps	Pays Cap of 3.25%	tEUR 4,610	2010	(12)
	Receives Euribor 6m			
Cap with "Knock out"	Pays Euribor 12m with Cap 3.49% with knock-out of 5.25%	tEUR 5,755	2010	(17)
	Receives Euribor 3m			
Interest rate Swaps	Pays between 3.17% and 6.24%	tEUR 325,395	2010 to 2013	(2,945)
	Receives between Euribor 3m and 6m			
	Other Financial Derivatives			
Interest rate Swaps	Pays 3.94%	tEUR 10,000	2009	(12)
	Receives Euribor 3m			
				(3,026)

Type of derivative over Commodities	Nature	Maturity	Fair value of the derivatives in tEuros
Assets			
Swaps	Propane gas	2009	114
			114
Liabilities			
Swaps	Natural gas	2009	(1,491)
			(1,491)
		Total Assets	**114**
		Non-current	-
		Current (Note 18)	114
		Total Liabilities	**(4,517)**
		Non-current	(3,014)
		Current	(1,503)

Fair value was determined by banking entities based on generally accepted models and valuation techniques.

29. Balances with related parties

Balances and transactions with related parties in 2008 and 2007 are as follows:

Receivables

	2008						
		Non-current					Current
	Total of related parties	Loans granted (Note 15)	Other receivables (Note 15)	Trade receivables	Loans granted (Note 15)	Other receivables (Note 15)	Accruals and deferrals
Associated and participated companies:							
Galp Comercialização Portugal, Lda. (a)	28,647	–	–	7,250	10,543	10,769	85
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	15,239	3,058	–	5,710	–	5,530	941
Gasoduto Al-Andaluz, S.A.	13,105	12,450	–	–	–	–	655
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	12,654	11,079	–	918	–	638	19
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	9,969	8,868	–	1,101	–	–	–
Gasoduto Extremadura, S.A.	8,513	7,625	–	–	–	–	888
Setgás Comercialização, S.A.	5,853	–	–	3,890	–	50	1,913
EMPL – Europe Magreb Pipeline, Ltd.	3,457	–	–	(3)	–	150	3,310
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	2,890	–	764	1,436	–	658	32
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	1,916	–	–	773	–	1,143	–
Terparque – Armazenagem de Combustíveis, Lda.	497	–	–	497	–	–	–
Gásfomento – Sistemas e Instalações de Gás, S.A.	177	–	–	180	–	(5)	2
Galp Energia Portugal Holdings B.V.	120	–	–	–	–	120	–
Metragaz, S.A.	23	–	–	(5)	–	–	28
Moçamgalp Agroenergias de Moçambique, S.A.	16	–	–	–	–	16	–
Brisa Access, S.A.	7	–	–	7	–	–	–
COMG-Comercialização de Gás, Lda.	4	–	–	–	–	4	–
	103,087	**43,080**	**764**	**21,754**	**10,543**	**19,073**	**7,873**
Related companies:							
Ventinveste Industrial, SGPS, S.A.	374	37	–	–	–	340	(3)
FINA – Petróleos de Angola, S.A.	148	–	–	–	–	–	148
Agene – Agência para a Energia, S.A.	91	90	–	1	–	–	–
Eni, S.p.A.	85	–	–	74	–	11	–
Cooperativa de Habitação da Petrogal, CRL	53	53	–	–	–	–	–
Italgás	8	–	–	–	–	9	–
PME Capital – Sociedade Portuguesa de Capital de Risco, S.A.	1	–	–	1	–	–	–
	760	**180**	**–**	**76**	**–**	**360**	**145**
	103,847	**43,260**	**764**	**21,830**	**10,543**	**19,433**	**8,018**

	2007					
		Non-current				Current
	Total of related parties	Loans granted (Note 15)	Other receivables (Note 15)	Trade receivables	Other receivables (Note 15)	Accruals and deferrals (Note 15)
Associated and participating companies:						
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	16,096	10,283	–	1,935	2,145	1,733
Gasoduto Al-Andaluz, S.A.	15,354	14,769	–	–	–	585
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	12,464	9,976	–	2,479	–	9
Gasoduto Extremadura, S.A.	10,701	9,841	–	–	–	860
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	7,156	2,849	–	2,085	1,589	633
EMPL – Europe Magreb Pipeline, Ltd.	3,056	–	–	–	196	2,860
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	1,937	596	722	614	5	–
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	1,235	–	–	368	867	–
Other associated and participated companies	118	–	–	16	210	(108)
	68,117	**48,314**	**722**	**7,497**	**5,012**	**6,572**
Related companies:						
Eni, S.p.A.	7,097	–	–	1	19	7,077
Other related companies	(150)	143	–	5	42	(340)
	6,947	**143**	**–**	**6**	**61**	**6,737**
	75,064	**48,457**	**722**	**7,503**	**5,073**	**13,309**

(a) Company not consolidated as explained in Note 3 f).

The medium and long term loans to associated companies at 31 December 2008 correspond essentially to loans granted by subsidiary companies:

- Galp Gás Natural, S.A., to Gasodutos Al Andaluz e Extremadura in the amounts of tEuros 12,450 and tEuros 7,625, respectively. Interest on the loans for 2008, amounting to tEuros 1,376, of which tEuros 546 relates to the Extremadura Pipeline and tEuros 830 relates to the Al-Andaluz Pipeline were capitalised in this caption.

- GDP – Gás de Portugal, SGPS, S.A. to Setgás – Sociedade de Produção e Distribuição de Gás, S.A. and Tagusgás – Empresa Gás do Vale do Tejo, S.A. in the amounts of tEuros 8,303 and tEuros 3,058, respectively. Interest on these loans for 2008 amounted to tEuros 827, of which tEuros 618 relating to Setgás – – Sociedade de Produção e Distribuição de Gás, S.A. and tEuros 209 relating to Tagusgás – Empresa Gás do Vale do Tejo, S.A., were capitalised in this caption.

- Petróleos de Portugal – Petrogal, S.A., to Setgás – Sociedade de Produção e Distribuição de Gás, S.A., in the amount of tEuros 2,775. Interest on these loans for 2007 amounted to tEuros 209.

- Galp Power, SGPS, S.A. to Energin – Sociedade de Produção de Electricidade e Calor, S.A. in the amount of tEuros 8,868. Interest on these loans for 2007 amounted to tEuros 587.

These loans bear interest at market rates and do not have defined repayment dates.

Payables

	2008				
	Total of related parties	Non-current	Current		
		Loans obtained (Note 25)	Trade payables	Other payables (Note 25)	Accruals and deferrals
Associated companies					
EMPL – Europe Magreb Pipeline, Ltd.	12,076	–	12,076	–	–
Gasoduto Extremadura, S.A.	1,877	–	1,877	–	–
Gasoduto Al-Andaluz, S.A.	1,788	–	1,788	–	–
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	1,178	–	958	–	220
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	873	–	666	–	207
Gásfomento – Sistemas e Instalações de Gás, S.A.	369	–	51	318	–
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	316	–	302	14	–
Setgás Comercialização, S.A.	93	–	–	(2)	95
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	34	–	1	33	–
Brisa Access, S.A.	24	–	23	1	–
Galp Comercialização Portugal, Lda.	8	–	8	–	–
	18,636	**–**	**17,750**	**364**	**522**
Related companies					
Eni, S.p.A.	16,320	2,902	10,480	–	2,938
Central-E, S.A.	(84)	–	(84)	–	–
	16,236	**2,902**	**10,396**	**–**	**2,938**
	34,872	**2,902**	**28,146**	**364**	**3,460**

	2007				
	Total of related parties	Non-current	Current		
		Loans obtained (Note 25)	Trade payables	Other payables (Note 25)	Accruals and deferrals
Associated companies					
EMPL - Europe Magreb Pipeline, Ltd.	12,666	–	12,666	–	–
Gasoduto Al-Andaluz, S.A.	889	–	889	–	–
Gasoduto Extremadura, S.A.	909	–	909	–	–
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	963	–	937	26	–
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	262	–	239	–	23
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	691	853	1,706	–	(1,868)
Other associated and participated companies	(42)	–	(73)	–	31
	16,338	**853**	**17,273**	**26**	**(1,814)**
Related companies					
Eni, S.p.A.	4,331	2,903	246	–	1,182
	4,331	**2,903**	**246**	**–**	**1,182**
	20,669	**3,756**	**17,519**	**26**	**(632)**

The amount of tEuros 2,902 reflected as a long term payable to Eni, S.p.A. corresponds to shareholders' loans obtained by the subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A., which bear interest at market rates and do not have a defined repayment plan..

Transactions

	2008			
	Operating costs	Operating income	Financial costs (Note 9)	Financial income (Note 9)
Associated and participated companies:				
Moçamgalp Agroenergias de Moçambique, S.A.	–	(16)	–	–
Galp Comercialização Portugal, Lda.	39	(20,631)	–	(85)
Brisa Access, S.A.	232	(108)	–	–
Ecogen – Serviços de Energia Descentralizada, S.A.	–	(1)	–	–
EMPL – Europe Magreb Pipeline, Ltd.	–	(2,849)	–	–
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	–	(24,246)	–	(587)
Gásfomento – Sistemas e Instalações de Gás, S.A.	23	(166)	–	–
Gasoduto Al–Andaluz, S.A.	–	(70)	–	(830)
Gasoduto Extremadura, S.A.	–	(27)	–	(546)
Metragaz, S.A.	–	(456)	–	–
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	2	6,796	–	(149)
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	–	(41)	–	–
Setgás Comercialização, S.A.	95	(20,209)	–	–
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	3,345	(1,953)	–	(827)
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	1,514	(8,924)	–	(260)
Terparque – Armazenagem de Combustíveis, Lda.	–	(443)	–	–
	5,250	**(73,344)**	**–**	**(3,284)**
Related companies:				
Agene – Agência para a Energia, S.A.	–	(7)	–	–
Central-E, S.A.	164	(3)	–	–
Eni, S.p.A.	1,865	(90,415)	233	–
PME Capital – Sociedade Portuguesa de Capital de Risco, S.A.	–	(34)	–	–
PME Investimentos – Sociedade de Investimento, S.A.	–	(3)	–	–
	2,029	**(90,462)**	**233**	**–**
	7,279	**(163,806)**	**233**	**(3,284)**

	2007			
	Operating costs	Operating income	Financial costs (Note 9)	Financial income (Note 9)
Associated and participated companies:				
Brisa Access, S.A.	205	–	–	–
Ecogen – Serviços de Energia Descentralizada, S.A.	–	(6)	–	–
EMPL – Europe Magreb Pipeline, Ltd.	–	(3,094)	–	(904)
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	–	(25,075)	–	(521)
Gásfomento – Sistemas e Instalações de Gás, S.A.	(22)	–	–	–
Gasoduto Al-Andaluz, S.A.	–	556	–	(886)
Gasoduto Extremadura, S.A.	–	792	–	(618)
Metragaz, S.A.	–	(414)	–	–
Empresa Nacional de Combustíveis – Enacol, S.A.R.L.	–	1,816	–	–
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	–	(1,752)	–	–
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	94	(16,559)	–	(697)
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	176	(7,611)	–	(194)
Terparque – Armazenagem de Combustíveis, Lda.	11	(6)	–	–
	464	**(51,353)**	**–**	**(3,820)**
Related companies:				
Eni, S.p.A.	1,966	(117,268)	210	–
	1,966	**(117,268)**	**210**	**–**
	2,430	**(168,621)**	**210**	**(3,820)**

The amount of tEuros 73,344 in the caption "Operating income" corresponds essentially to sales and services rendered.

The amount of tEuros 90,415 in the caption "Operating income" relating to Eni, S.p.A., refers essentially to sales of natural gas.

Remuneration of the members of the corporate boards

Remuneration of the Administrators of Galp Energia for the years 2007 and 2008 amounted to tEuros 5,526 and tEuros 5,827, respectively, of which tEuros 3,562 and tEuros 3,762 correspond to basic remuneration, tEuros 1,255 and tEuros 1,265 to bonuses, tEuros 501 and tEuros 592 payments to the defined contribution pension funds and tEuros 208 and tEuros 209 to other benefits, respectively (Note 7).

Remuneration of the Administrators of Galp Energia designated by the shareholders Eni, S.p.A., Amorim Energia, B.V. and Iberdrola S.A. are included in the caption "External supplies and services and amounted to tEuros 1,711 and tEuros 1,864, respectively, for the years 2007 and 2008.

In accordance with the current policy, remuneration of the administrators of Galp Energia includes all the remuneration due for the positions exercised in the Galp Energia group.

30. Dividends

Dividends out of net profit for 2007 attributed to the Group's shareholders amounted to tEuros 265,360 in accordance with a decision of the Shareholders' General Meeting held on 6 May 2008. Interim dividends of tEuros 126,046 have been paid during the year ended 31 December 2007 and the balance of tEuros 139,314 have been paid in the year ended 31 December 2008.

In addition, in accordance with a decision of the Shareholders' General Meeting held on 24 September 2008, an interim dividend of tEuros 124,095 was paid out of profit for 2008.

In 2008 dividends of tEuros 594 were paid, of which tEuros 57 relates to the subsidiaries of the Petrogal group and tEuros 537 relates to the subsidiaries of the Galp Power group.

Consequently as mentioned before, in the year ended 31 December 2008 the Group paid dividends of tEuros 264,003.

31. Petroleum reserves

Galp's petroleum reserves are subject to independent valuation by a duly qualified company. The methodology used is established in accordance with the Petroleum Resources Management System ("PMRS"), approved in March 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers. Consequently, the reserves reported in this report and used for accounting purposes are the result of a evaluation study carried out as of 31 December 2008 by the company DeGolyer and MacNaughton.

The reserves can be related to concession contracts or production sharing agreements ("PSA"). Presently, Galp's total reserves relate to a single PSA in Angola.

In accordance with the rules established by the market and approved by the above mentioned entities, the reference price used to project future income, as from which the net entitlement reserves are estimated, must be the average price of the year. In 2008 the average reference price for brent that was consequently used to value Galp's reserves was of $97.0/bbl. Therefore Galp's reserves suffered a decrease resulting from the increase in the price of petroleum in relation to the preceding year.

At 31 December 2008 and 2007 the developed and undeveloped proved net entitlement reserves, as well as the average reference price for determining them are as follows:

amounts in Mbbl

Proved reserves:	2008	2007
Developed	6,891	8,311
Undeveloped	12,911	14,804
Total proved reserves	19,802	23,115
Price per barrel in USD	$97	$72,30

The variation in approved petroleum reserves between the periods results from production for the year, changes in the estimates, new discoveries resulting from investments made and variation in the selling price of the petroleum barrel.

The decrease in reserves had a direct impact in the amount of depreciation, the recording of which in accordance with production units is explained in Note 2.3.

32. Financial risk management

Risk management

Galp Energia is exposed to several types of market risk (price risk, exchange rate and interest rate risk) inherent in the petroleum and natural gas industries, which affect the Group's results. The main market risks result from fluctuation of the price of crude oil and derivatives and exchange rate.

Market risk

a) Commodity price risk

Because of the nature of its business, Galp Energia is exposed to the risk of volatility of the international price of crude oil and derivatives and natural gas. The constant change in the price of crude oil and refined products generates uncertainty and has a significant impact on operating results.

The Company controls and manages this risk through the oil derivatives market, to protect the refining margin and inventories from adverse market changes.

The Group controls and manages risk in the natural gas market through the establishment of purchase and sale contracts with similar indexing, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used for the reference price in the oil and natural gas markets. As Galp Energia's Group financial statements have as functional currency the Euros, this factor, among others, exposes the operations to exchange risk. Given that the operating margin is related mainly to US dollars, the Company is exposed to fluctuations in the rates of exchange, which can contribute positively or negatively to income and margins.

As this is a currency risk relating to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flow and especially of the balance sheet is based on the price levels of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed. At 31 December 2008 there were no exchange hedging contracts in force.

c) Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to interest bearing bank indebtedness. The objective of managing interest rate risk is to reduce the volatility of financial costs on the income statement. The interest rate risk management policy is aimed at reducing exposure to variable rates through fixing interest rate risk on indebtedness, using simple derivatives such as swaps.

d) Sensitivity analysis to market risks resulting from financial instruments, as required by IFRS 7

The analysis prepared by the Group in conformity with IFRS 7 is intended to illustrate the sensitivity of results before taxes, and equity to potential variations of the price of brent, exchange rates and interest rates of financial instruments, defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the balance sheet as of 31 December 2008 and 2007. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Under and Overlifting, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments subject to more than one market risk, in which case the sensitivity analysis is made of one variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is not usually found.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Therefore, the sensitivity analysis serves as an example and does not represent the actual current loss or gain, or other variations in equity.

The following assumptions were considered in the sensitivity analysis of the commodity:

- Price variation of +/- 10% of the price of the commodity;
- Correlation between market risks was ignored;
- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in proved petroleum reserves in relation to changes in the price of a barrel of brent was not calculated.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate variation of +/-10%;
- The sensitivity analysis includes significant balances in foreign currency with Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

The following assumptions were considered in the sensitivity analysis of interest rates:

- Parallel dislocation of 0.50% in the time structure of interest rates;
- The analysis of interest rate risk includes variable interest rate loans and interest rate financial derivatives;
- The result before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects Equity.

Following is a summary of the sensitivity analysis made of the financial instruments reflected on the balance sheet:

Sensitivity analysis

		2008		2007	
		Income statement	Equity	Income statement	Equity
+/-1 USD/BBL variation in Brent	tEUR	n.a		-/+325	
+/-10% variation in the in the price of the underlying derivatives over commodities	tEUR	-724/-1,940		n.d.	
+/- 10% variation in USD/EUR	tEUR	-/+3,032		-/+12,353	
+/- 0.5% parallel dislocation in the interest rate	tEUR	-/+4,694	+3,991/-3,567	-2,115/+2,393	+611/-506

Note: USD/BBL - USD/Barrel of Brent
n.a. - not applicable for 2008
n.d. - not available for 2007

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's difficulty in obtaining the financial resources necessary to meet its operating and investment commitments.

The Galp Energia Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit facilities, for amounts not fully used but that are at its disposal. These credit facilities can cover all loans that are repayable in 12 months. The available short and medium and long term facilities not used are sufficient to meet any immediate needs.

Credit risk

Credit risk results from potential non-compliance by third parties with contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp Energia and are implemented in the various business segments. The credit risk position limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

33. Contingent assets and contingent liabilities

Contingent assets

Following the sale in 1999 of 40% of OPTEP SGPS, S.A.'s share capital, corresponding to 440,000 shares with a nominal value of Euros 5 per share, the base selling price of tEuros 189,544 was contractually established, of which tEuros 74,818 was attributed to the 093X segment and tEuros 114,726 to the E3G/Edinet segment.

The sale by GDP, SGPS, S.A. (currently called Galp Energia, SGPS, S.A. for purposes of the merger carried out in 2008) and Transgás, S.A. (currently called Galp Gás Natural, S.A.) to EDP, S.A. was established with the condition that if OPTEP SGPS, S.A., 093X or any other entity directly or indirectly controlled or participated in by EDP sells or in any other way disposes of, to a third party, a participation equivalent to 5% of Optimus, that is 450,000 shares with a nominal value of Euros 5 per share, during a period of 3 years as from the date of signature of the agreement (24 June 1999), the difference between the amount of tEuros 74,818 and the sales price would be divided between the parties, as follows:

tEuros for each 220,000 shares	EDP	GDP group
Between 37,409 and 42,397	0%	100%
Between 42,397 and 52,373	25%	75%
More than 52,373	75%	25%

On 28 September 2000 the parties GDP SGPS, S.A., Transgás SGPS, S.A., currently called GDP Distribuição, SGPS., S.A. for purposes of the merger carried out in 2006), Transgás, S.A. and EDP, S.A. made an amendment to the agreement, under which the deadline for dividing any potential gain on the future sale of Optimus shares was extended to 31 December 2003.

On 22 March 2002 EDP announced the sale of the participation in OPTEP SGPS, S.A., the company that holds a 25.49% participation in Optimus, to Thorn Finance, S.A.. The sales price was fixed at tEuros 315,000, which means that Thorn Finance valued Optimus at tEuros 1,235,779, which is higher than the value established between the parties, which was tEuros 748,197. Therefore, there will be an upside of tEuros 30,253 payable by EDP, S.A., to be divided equally between GDP SGPS, S.A. (merged into Galp Energia SGPS, S.A. effective as of 1 January 2008) and Transgás SGPS, S.A. (currently called GDP Distribuição SGPS, S.A. as a result of the merger in 2006).

As EDP has not agreed to the GDP group's expectations, this account receivable has not been recorded.

Contingent liabilities

At 31 December 2008 the Company and subsidiaries had the following contingent liabilities:

(i) At 31 December 2008 the Group had a contingent liability under a court action regarding the re-privatisation process of Driftal - Plastificantes de Portugal, S.A., liquidated in 2008 (Note 3 b), involving an indemnity request of tEuros 19,952. The Company's Board of Directors, supported by the opinion of its lawyers, believes that the Company will not incur any costs as a result of this process and so no provision has been recorded for this matter. However a bank guarantee of that amount has been given.

(ii) Several municipal councils are demanding payments totalling tEuros 31,188, relating to licences for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and commercialisation concessionaires. As the Group companies do not agree with the municipal councils they have contested the assessments, the majority of the processes being in progress. Guarantees have been provided for these processes.
In the course of negotiating the Concession Contract between the General Directorate of Energy and Geology and the Company, it was agreed, among other matters, that the Concessionaire has the right to reflect, on the entities commercialising gas and on the final consumers, the full amount of the subsoil occupation rates assessed by the local governments in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil occupation rates paid each year will be reflected on the entities commercialising gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation rates will also be reflected on each municipality, based on the amount assessed by it.

(iii) A claim by Nigeria Liquefied Natural Gas Limited ("NLNG") that is under arbitration (Note 26).

(iv) At 31 December 2008 the Group had a contingent liability relating to an arbitration process between the subsidiary CLCM and MASA, under which the supplier of fixed assets is claiming the amount of tEuros 22,861. The Board of Directors of the subsidiary, based on the legal opinion of its lawyers, believes that this process will not result in any charge to CLCM, other than the amount of tEuros 150 included in the caption provisions;

(v) Additional Corporate Income Tax assessments totalling tEuros 23,148 (Note 10);

(vi) Processes relating to additional payments of IRP in Angola totalling tEuros 15,430, corresponding to tUSD 21,474 (Note 10).

Other financial commitments

The Group's financial commitments not included in the balance sheet as of 31 December 2008 are as follows:

- tEuros 29,911 relating to orders of tangible fixed assets not yet delivered;
- tEuros 1,084 relating to notes receivable not yet due, discounted in the banking system;
- tEuros 302,572, tEuros 5,963, tEuros 609 and tEuros 23,722 relating to the liability under the Petrogal, Sacor Marítima, Saaga and the GDP Group pension plans, respectively (Note 24);
- tEuros 40,855 and tEuros 1,860 relating to the liability of the Petrogal group under pension plan (Note 24) not reflected in the financial statements as they are within the 10% "corridor" limit (Notes 2.10 and 2.11) or because they correspond to the "corridor" excess not yet recognised in the income statement;
- tEuros 2,780 relating to the liability of the GDP group under pension plans (Note 24), not reflected in the financial statements as they are within the 10% "corridor" limit (Notes 2.10 and 2.11) or because they correspond to the "corridor" excess not yet recognised in the income statement;
- In 2008 utilisation of the so called 1st generation biodiesel (FAME), which is obtained by transesterification of vegetable oils, continued to be used as a component of motor vehicle diesel fuel. Considering that as from January 2010 it will be mandatory to incorporate 5.75% (v/v) of biodiesel in diesel fuel and bearing in mind that FAME has some physical-chemical properties that impair its ability to be used as a component of diesel fuel, Galp Energia started a biodiesel production facility project to produce 2nd generation biodiesel (greendiesel), acquiring an Ecofining process licence from UOP/ENI, which includes a combined hydrogenation and isomerisation treatment that enables biodiesel with excellent physic-chemical qualities to be produced from animal and vegetable fat. The project in progress aims at producing 300,000 t/a of greendiesel and should be completed in 2011.
- On 18 September 2007 a contract was signed between Ventinveste, S.A. and Direcção Geral de Energia e Geologia (DGEG). The contract has the objective of providing the capacity to inject power into the Public Service Electric System Network and identifying the Reception Points relating to electric energy produced by wind farms.

The contract establishes the following specific obligations, at an estimated cost of tEuros 619,776 excluding discount of the remuneration of the electric energy produced by the wind farms:

a) construction and operation of wind farms, corresponding to tEuros 460,000;
b) allow a discount on the remuneration of the electric energy produced by the wind farms;
c) implement an industrial project, corresponding to tEuros 27,150;
d) make an indirect industrial investment of tEuros 39,206;
e) create 692 direct jobs in the Industrial Project, corresponding to tEuros 16,733;
f) create 635 jobs as a result of the indirect industrial investment, corresponding to tEuros 15,354;
g) provide functions that contribute to the technical management of the system, corresponding to tEuros 19,500;
h) contribute with tEuros 41,833 to the creation of an Innovation Incentive Fund.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee in the amount of tEuros 25,332 and guarantee given by the shareholders of Galp Power, Martifer and Enersis divided in equal parts, corresponding to approximately 10% of the total Direct Investment, i.e., tEuros 50,665. The amount of the guarantee will be reduced each half year based on the contracted investment realised in the preceding half year.

In guarantee of compliance with the specific obligations relating to the industrial project, the amount covered by the bank guarantee can never be less than tEuros 902, as from the start of operations up to the latest of the following dates: (i) end of the 9 year term as from the date the Industrial project starts operating; or (ii) date on which the ratio Exports/Sales reaches 60% regarding production up to that time, in which the bank guarantee will be reduced to an amount corresponding to multiplication of the number of years remaining to complete the minimum term of 17 years of useful life of the Industrial project by tEuros 113, the maximum amount guaranteed being progressively reduced each year by tEuros 113 up to the end of the 17 year period.

In addition, the shares of Ventinveste Eólica, SGPS, S.A. and Ventinveste Indústria, SGPS, S.A. were pledged in guarantee.

The full amount of the assets and liabilities of this contract have not been recognised since at 31 December 2008 all these Investments and obligations had not been implemented.

Galp Power, SGPS, S.A., as a shareholder of Ventinveste, S.A. has the commitment and responsibility under the contract and other agreements made with DGEG to comply in full and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

In guarantee of the loan contracted by Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A. the surface rights over a plot of land in the municipality of Pombal, acquired by the Company for a period of 15 years, was mortgaged in favour of BES Investimento and BES, up to a maximum of tEuros 28,237.

Galp Power SGPS, S.A. constituted itself as guarantor and principle payer of a loan of the subsidiary Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.. The guarantee is limited to 65% which corresponds to the participation in the company, up to a maximum of tEuros 11,700.

Guarantees given

At 31 December 2008 the guarantees given amounted to tEuros 138,132 and tUSD 78,284, made up essentially of the following:

- Guarantees of tEuros 23,692 given in benefit of the Tax Administration;
- Guarantee of tEuros 19,952 given to the Lisbon Court, 2nd Jurisdiction, 1st Section under a legal process relating to re-privatisation of Driftal;
- Guarantees of tEuros 6,652 in benefit of the Lisbon Tax Court, formerly called Court of the 1st Instance – 5th Court – 1st Section, in guarantee of a payment demanded by the Municipal Council of Lisbon, with respect to legal processes relating to occupation rates of the subsoil;
- Guarantees of tEuros 23,705 given to Municipal Councils under legal processes relating to occupation of the subsoil;
- Guarantees of tEuros 5,500 given to the Portuguese State with respect to the obligations and duties resulting from the Concession Contract to operate the natural gas regional distribution networks of Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S.A., Lusitaniagás – Companhia de Gás do Centro, S.A. and Beiragás – Companhia de Gás das Beiras, S.A.;
- Guarantees of tEuros 1,478 in favour of Direcção Geral de Geologia e Energia in guarantee of full compliance with the obligations assumed by the Company under the plan to construct the infrastructures relating to operation of the natural gas autonomous local networks in Vila Real, Bragança and Chaves;
- Guarantees of tEuros 5,000 given to the Portuguese State with respect to the obligations and duties resulting from the Concession Contract relating to the public service underground storage of natural gas given by the Portuguese State to Transgás Armazenagem, S.A.;
- Guarantees of tEuros 94 given to the Courts by Caixa Geral de Depósitos due to litigation relating to rights-of-way;
- Guarantees and pledges relating to 27.4% (participation of Galp Gás Natural, S.A.) of the following amounts of credit granted to EMPL - Europe Maghreb Pipeline, Limited:

	Type	Galp Gás Natural's
BEI	Bank	56,364
ICO	Bank	21,920
		78,284

- Guarantee of tEuros 1,000 given in favour of the entity MEFF Euro services S.A.U., S.V. for the Company's participation in the Electricity Auction;
- Guarantees in the amount of tEuros 995 in benefit of Instituto de Estradas de Portugal under line a), article 15 of Decree-Law 13/71 of 23/1 with the objective of obtaining a licence to install natural gas pipelines parallel to, and crossing roads;
- At 31 December 2008 there were guarantees totalling tEuros 47,110 given to third parties on account of group and associated companies;
- At 31 December 2008 there were also guarantees of tEuros 2,948 in favour of third parties in guarantee of good and full execution of and compliance with the obligations resulting from contracts entered into between the parties.

34. Information regarding environmental matters

The main challenges facing refining operations are compliance with the objectives of reducing greenhouse gas emissions in the period from 2008 to 2012 defined in the Kyoto Protocol, reducing the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

Decree-Law 233/2004 of 14 December with the text given to it by 243-A/2004 of 31 December and as amended by Decree-Law 230/2005 of 29 December establishes the greenhouse gas emissions trading regime (Diploma CELE), which applies to the industrial activity gas emissions listed on Appendix I thereof, which includes the Galp Energia group's installations.

Order 2836/2008, which approves the existing list of installations participating in Emissions Trading for the 2008-2012 period and related initial granting of Emission Licences (EL), was published in Diário da República (Journal of the Republic). The Group believes that the quantity of greenhouse gas emission licences granted for the refining and co-generating sectors of the Group for the 2008-2012 period in accordance with the Order are sufficient to cover the needs of the installations currently operating considering the production profiles for the five year period.

The following table shows the installations operated by the Group and related annual emission licences granted under PNALE II (Plano Nacional de Alocação de Licenças de Emissão), as well as the quantities of greenhouse effect gas emissions (Ton/CO_2) per installation:

Company	Installations	Licences Ton/CO_2 attributed PNALE II	Gases emitted in 2008	Accumulated Ton/CO_2 licences on hand
Petrogal	Sines refinery	2.137.550	1.828.182	309.368
	Porto refinery	1.098.025	1.121.765	(23.740)
		3.235.575	**2.949.947**	**285.628**
Carriço Cogeração	Co-generation	161.539	113.021	48.518
Powercer	Co-generation	47.192	39.419	7.773
		208.731	**152.440**	**56.291**
		3.444.306	**3.102.387**	**341.919**

The accumulated licences on hand at 31 December 2007, and so relating to the 2005-2007 period (PNALE I), were used to cover the greenhouse gas emissions in 2007. The remaining licences on hand that were not used lost their validity for the 2008-2012 period.

The Galp Energia group has not recognised in its financial statements the valuation or devaluation of these licences. If it acquires or sells licences it will record them.

However, if an insufficiency of licences occurs the appropriate provisions will be recorded, if that becomes appropriate. However as detailed above, only the estimated emissions of the Porto refinery installation for the year exceeded the estimated volume of gas emission licences issued. This deficit, if it is verified, can be compensated between installations of the Galp Energia group. The licences allocated to the Group at 31 December 2008 exceed the volume of gases emitted and so no provision was recorded for the year.

35. Subsequent events

The main subsequent events that occurred after 31 December 2008 were as follows:

Fire in the Sines refinery

In January 2009 there was a fire in the utilities plant of the Sines refinery that supplies electricity to the refinery. It was expected that the refinery would remain stopped for a period of up to six weeks. However, it started operating at the end of February 2009, a few days before the period communicated. The incident did not result in any personal or environmental damage. The Galp Energia insurance program covers operating loss, material damage and third party responsibility risks. Up to this date no amounts have been quantified.

Rescission of the agreement with Sonae Distribuição to operate service stations in the Continente network

The Galp Energia group rescinded the agreement relating to cession of the operation of eight service stations at Continente hypermarkets. The agreement, that included service stations integrated by Sonae Distribuição in its acquisition of the former Carrefour Portugal in December 2007, was entered into in February 2008 and still awaited a decision of the Competition Authority.

36. Approval of the financial statements

The financial statements were approved by the Board of Directors on 25 March 2009. However, they are still subject to approval by the Shareholders' General Meeting under the terms of current Portuguese legislation.

37. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2.1) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The accountant
Carlos Alberto Nunes Barata

The board of directors
Francisco Luís Murteira Nabo

Manuel Ferreira De Oliveira

Manuel Domingos Vicente

Fernando Manuel dos Santos Gomes

José António Marques Gonçalves

André Freire de Almeida Palmeiro Ribeiro

Carlos Nuno Gomes da Silva

Rui Paulo da Costa Cunha e Silva Gonçalves

João Pedro Leitão Pinheiro de Figueiredo Brito

Alberto Maria Chiarini

Claudio De Marco

Paolo Grossi

Camillo Gloria

Fabrizio Dassogno

Giuseppe Ricci

Luigi Piro

Joaquim José Borges Gouveia

Reports and opinions

Auditors' report

Consolidated financial statements

(Translation of a report originally issued in Portuguese – Note 37)

Introduction

1. For the effects of the article 245 of the Portuguese Securities Market Code we present our Auditors' Report on the consolidated financial information contained in the consolidated Board of Directors' Report and the consolidated financial statements of Galp Energia, SGPS, S.A. ("the Company") and subsidiaries ("the Group") for the year ended December 31, 2008, which comprise the consolidated balance sheet that presents a total of 6,623,000 thousand Euros and shareholder's equity of 2,218,819 thousand of Euros, including consolidated net profit of 116,971 thousand of Euros, the consolidated income statement by nature, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors' is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated cash flows and their consolidated statement of changes in equity; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union which is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position and results of it's operations.

3. Our responsibility is to examine the financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4. Our examination was performed in accordance with the Auditing Standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination is planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the consolidated Board of Directors' Report is consistent with the other consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. and subsidiaries as of 31 December 2008, the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union consistently applied, except for the matter described in the Note 2.24 of the Notes to the Consolidated Financial Statements, and the information contained therein is, in terms of the definitions included in the Auditing Standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Lisbon, March 25, 2009

Deloitte & Associados, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

Statutory auditors' report

Consolidated financial statements

(Translation of a report originally issued in Portuguese)

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S.A. ("Company") for the year end December, 31, 2008, which comprise the consolidated balance sheet as of 31 December 2008 (that presents a total of 6,623,000 thousand euros and shareholder's equity of 2,218,819 thousand euros, including consolidated net profit of 116,971 thousand euros), the consolidated income statement by nature, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended and the corresponding notes. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated cash flows and their consolidated statement of changes in equity, the adoption of adequate accounting policies and criteria and the maintenance of appropriate systems of internal control and the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position and results of operations.

3. Our responsibility is to issue a professional and independent opinion based on our examination of those financial statements.

Scope

4. Our examination was performed in accordance with the Auditing Standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used, assessing the adequacy of the accounting policies used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements.

5. Our examination also included verifying that the consolidated financial information included in the consolidated Board of Directors' Report is consistent with the other consolidated financial statements.

6. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. and subsidiaries as of 31 December 2008, the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union, their uniform application between years, except for the situation described in Note 2.24 of the Notes.

Lisbon, March 25, 2009

P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC,
Represented by Pedro João Reis de Matos Silva

Statement of compliance by the board of directors

According to article 245, first paragraph c) of the Portuguese Securities Code.

The board of directors declares that to the best of their knowledge the information mentioned on the article 245, first paragraph a) of the Portuguese Securities Code for the individual and consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, (ii) includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole and (iii) includes a accurate description of the principal risks that Galp Energia's operations face.

The board of directors

Chairman:
Francisco Murteira Nabo

Vice-chairman:
Manuel Ferreira De Oliveira

Directors:
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito
Alberto Chiarini
Claudio De Marco
Paolo Grossi
Camillo Gloria
Fabrizio Dassogno
Giuseppe Ricci
Luigi Piro
Joaquim José Borges Gouveia

Supervisory board's report and opinion

Consolidated financial statements

(Translation of a report originally issued in Portuguese)

Dear shareholders,

In the performance of its duties in 2008, the supervisory board had the opportunity to closely follow the company's progress in all respects relevant to its remit. In this work, the supervisory board relied on the cooperation of:

- The chairman of the board of directors, the chairman of the executive committee, and the executive director responsible for corporate finance, accounting and treasury;
- Administratively responsible people by internal audit and accounting and treasury departments;
- The statutory auditors elected on the general meeting held on May 6 2008, where shareholders approved a new supervisory model for the Company;
- The external auditors, who also are the statutory auditors of Galp Energia SGPS, S.A. and all the companies where it has majority control.

All these people and entities provided complete answers to the questions posed by the supervisory board, namely regarding the manner in which they perform their supervisory and risk control duties and the procedures used.

In a year characterised by the extreme volatility in crude oil prices and worsening of the economic crisis without precedent in the last decades, in particularly in the financial sector, the supervisory board is grateful for being able to testify the high standards of professionalism with which activities were discharged but also the extreme care in adopting applicable international best practice.

The supervisory board is also grateful for being able to testify the ongoing growth of the Company's business through the execution of the investment plan previous approved and through taking advantage of acquisition opportunities.

Upon close of the financial year, the supervisory board reviewed in particular the accounting treatment of assets likely to attract discretionary or subjective valuation. The questions asked to the internal departments, the external auditors and the statutory auditors regarding the criteria and principles used in treating these situations on the consolidated balance sheet and profit and loss account were all answered to the entire satisfaction of the supervisory board. In this respect and as an additional source of comfort and security, the following should be emphasised:

- The strengthening of the internal audit department;
- The conservative approach to accounting for expenses incurred in oil exploration and production;
- The conservative approach to making, at year end, provisions and adjustments to accounts as well as evaluating contingencies;
- The detail provided in the notes to the consolidated financial statements whose explanations were considered, in all instances, to be satisfactory.

Dear shareholders,

Upon being informed by the statutory auditors of the content of the statutory audit report and, with which we are in agreement, our opinion is that:

- The consolidated management report for 2008 and the accompanying corporate governance and sustainability reports should be approved;
- The consolidated accounts (the consolidated balance sheet, the consolidated profit and loss account by nature, the consolidated cash flow statement, the consolidated statement of changes in equity and the respective notes) for the 2008 financial year should be approved.

The supervisory board declares that to the best of their knowledge the information mentioned on the article 245, first paragraph a) of the Portuguese Securities Code for the consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, (ii) includes a fair review of the development of the business and the performance and position of Galp Energia, SGPS, S.A. and the undertakings included in the consolidation taken as a whole and (iii) includes a accurate description of the principal risks that Galp Energia's operations face.

Lastly, the supervisory board wishes to express its gratitude to the board of directors and the executive committee of Galp Energia SGPS, S.A. whose cooperation materially simplified at all times the performance of the supervisory board's duties.

Lisbon, April 6, 2009

Chairman - Daniel Bessa Fernandes Coelho

Member - José Gomes Honorato Ferreira

Member - José Maria Rego Ribeiro da Cunha

Glossary and acronyms

Glossary

API gravity
Gravity expressed in API, defined by the American Petroleum Institute as the following formula:
$API^o = (141.5/g) - 131.5$
Where g is the density of the crude oil at 60 degrees Fahrenheit (15.6ºC). It is used worldwide to refer to the density of crude oil. The higher the API gravity, the lighter the crude oil.

Aromatics
A group of unsaturated cyclic hydrocarbons characterised by having at least one benzene ring and known as aromatics for their distinctive sweet odour. Common aromatics include benzene, toluene and xylene.

Atmospheric distillation
Crude oil distillation at atmospheric pressure. By this process, oil components are separated into fractions such as light gasoline, heavy gasoline, gasoil and heavy products. After receiving adequate treatment, these fractions become the components of finished refined products.

Barrel of oil (bbl)
A unit volume measurement used for petroleum, based on the volume of one barrel, equal to 0.15891 m3 for a crude oil barrel at 60 degrees Fahrenheit (15.6ºC).

Base oil
The main component of lubricant blends, obtained from distillates after being subjected to several processes.

Biodiesel
Diesel fuel that contains components derived from raw materials such as vegetable oils and animal fat.

Biofuel
Any fuel that is derived from biomass, such as alcohol, bioethanol and biodiesel.

Bitumen
Solid, semi-solid or viscous mixture of hydrocarbons, obtained by primary distillation of crude oil or as a product of residual vacuum distillation. It is waterproof and sticky and is primarily used for paving roads, though it also has industrial uses.

Brent
A light North Sea crude oil, that since July 2006 incorporates also Forties and Oseberg grades. This basket of crudes has an average API of 38.9º API.

Brent dated
The price for prompt shipments of Brent crude as reported by price agencies. It is the price benchmark for the vast majority crude oils sold in Europe, Africa and the Middle East and one of the most important benchmarks for spot market prices.

Catalytic reforming or platforming
The conversion of a lighter fraction (such as heavy gasoline), obtained through primary distillation, into a heavier fraction based on aromatics (reformate) and with higher octane level, thus constituting a major blending component for finished gasoline. These reactions are obtained in the presence of a catalyst (platinum) and produce significant quantities of hydrogen. Reformates are also the main feedstock for the petrochemical industry (production of benzene, toluene and xylene).

CO_2
Carbon dioxide, a colourless gas, heavier than air, from which it is one of its natural components. It is produced through natural processes such as the carbon cycle and by the combustion of fossil fuels.

Cogeneration
Generation technique for combined electricity and heat production. The advantage of cogeneration is the ability to capture the heat produced by the fuel whereas in classical electricity generation this heat is lost. This process also allows the same facility to meet the heating (hot water or steam) and electricity needs of both industrial and local authority customers. This system improves the energy efficiency of the generation process and reduces fuel use.

Coke
Solid residue with high carbon content resulting from the thermal decomposition of refined petroleum residues.

Combined Cycle Gas Turbine (CCGT)
Electric power plant that usually integrates a gas turbine and a steam turbine. CCGTs have a first-cycle gas turbine that generates electricity through the combustion of gas. The exhaustion gases (heat) out of this process are converted into steam in a heat recovery steam generator, which then fuels a second-cycle steam turbine, producing more electricity.

Commodity
Largely homogeneous product, produced in large quantities by many different producers, with the items from each different producer being considered substitutes, more or less of undifferentiated quality. Some examples of commodities are oil, cereals and metals.

Complexity
A key industry measure referring to an oil refinery's ability to process feedstock such as heavier and higher sulphur content crude oils into value-added products. Generally, the higher the complexity and the more flexible the range of feedstock, the better positioned the refinery is to take advantage of lower-priced crude oils, resulting in incremental gross margin opportunities for the refinery. A refinery's complexity is measured by a "complexity index" which is separately calculated by different industry organisations, among them energy consultants Solomon Associates and Nelson. A refinery's complexity index is calculated by assigning a complexity factor to each of the refinery's units, based primarily on the level of technology used in the unit's construction and taking as a reference point a primary crude-oil distillation plant that is attributed a complexity factor of 1.0. Each unit's complexity index is calculated by multiplying the unit's complexity factor by the unit's capacity. A refinery's complexity is equal to the weighted average of the complexity indices of all units including the distillation unit. A refinery with a complexity index of 10.0 is considered ten times more complex than a refinery equipped only with atmospheric distillation for the same amount of throughput.

Condensates
Liquid hydrocarbons found at the surface and, under normal conditions of temperature and atmospheric pressure, recovered from natural gas reservoirs. Condensates are mainly composed of pentane and other heavier products.

Contingent resources
Quantities of petroleum that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of possible reasons, for example due to maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan), technological issues (new technology needs to be developed and tested in order to produce the volumes commercially) or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). Volumes that fall into this category cannot be referred to as reserves.

Conversion
Refers to the several treatments (catalytic or thermal) whose main impact is on the carbon connections. It can be more or less intense depending on the conditions imposed. This process is usually associated with the conversion of fuel oil into lighter and more valuable fractions (gasoil, gasoline and petroleum gases). In a modern refinery, these processes are increasingly significant.

Crack spreads
Difference between the price of the final product and the price of crude oil.

Cracking
The refining process of breaking down the larger, heavier, lower-value and more complex hydrocarbon molecules into simpler, lighter and higher-value molecules. Cracking is carried out either at high temperatures and pressures (thermal cracking) or with the aid of a catalyst (catalytic cracking) which enables, for the same temperatures, a deeper and more selective conversion of heavier fractions.

Crude utilisation rate
Ratio of the total amount of crude oil processed through crude oil distillation units to the operable capacity of these units.

Desulphuration
A purification process designed to eliminate sulphur and, at the same time, oxygen, nitrogen and metals from petroleum-refined products. Desulphuration can be made through catalytic or chemical methods.

Diesel
Blend of hydrocarbons used as a fuel for ignition by compression engines ("Diesel cycle"). Its characteristics, such as its behaviour in low temperatures, vary a lot between regions or countries where it is used.

Distilates
Any petroleum product produced by distillation of crude oil.

Distillation
Method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may be at atmospheric pressure or in vacuum, depending on the desired products.

Emissions
Releases of gases into the atmosphere. In the context of global climate change, they include potentially climate-changing greenhouse gases, e.g. the release of carbon dioxide during fuel combustion.

Fatty acid methyl ester (FAME)
First generation biodiesel obtained by transesterification.

Fluid catalytic cracking (FCC)
Cracking process using a fluid catalytic agent that is continuously regenerated. It is an effective method to increase the gasoline yield from crude oil.

Foot
Imperial unit for measuring length which is equivalent to 30.48 cm in the metric system.

Free float
Percentage of the shares in a listed company which is freely traded on the market, i.e. which is not held by strategic investors.

Fuel oil
Blend of hydrocarbons mainly used for heat production in thermal installations. There are several types of fuel oil with different viscosity levels that limit each type's uses.

Gasoline
Fuel for internal combustion engines in automobiles that use the "Otto cycle". It must comply with specifications regarding its physical and chemical characteristics, the most important of which is resistance to self-inflammation.

Generation
The process of producing electric energy by transforming other forms of energy. The amount of energy can be expressed in joules, kilowatt-hours, calories or British thermal units, and all these units can be applied to all kinds of energy irrespective of their source.

Greenhouse effect
The result of trapping radiant infrared energy in a closed space. The greenhouse effect produced by carbon dioxide in the atmosphere has the possible consequence of keeping the earth's surface warmer than it would otherwise be.

Hedge funds
Investment portfolios managed by means of advanced or risk strategies – i.e. the short sale of assets or the use of derivative instruments – with a view to achieving superior returns typically for a restricted number of professional investors. These portfolios are usually composed of financial assets that may include equities linked to oil development.

Henry Hub
A monthly pricing benchmark for natural gas in the United States. The United States has distinct markets for natural gas (spot and futures markets). Natural gas futures are traded on the New York Mercantile Exchange (NYMEX). This is the most widely quoted US natural gas price. The NYMEX natural gas contract calls for delivery at a location in Northwest Louisiana called Henry Hub. However, less than 1% of all futures contracts are ever held to delivery. The NYMEX natural gas contract serves instead as a benchmark for monthly pricing. This benchmark is referred to as "Henry Hub".

Hydrocracking
A cracking process that uses hydrogen in the presence of a catalyst to convert heavier fractions of hydrocarbons that have higher ebullition levels and are less valuable into lighter and more valuable fractions. The presence of hydrogen allows the fractions to operate more selectively and at lower temperatures, thus yielding higher returns. The products resulting from this process are saturated compounds with significant stability characteristics.

Isomerisation
Transformation, in the presence of a catalyst and hydrogen, of straight-chain paraphynic hydrocarbons into branched-chain hydrocarbons. Its main purpose is to obtain a light fraction with high octane index, an important blending component for gasoline.

Jet fuel
Fuel for jet engines used in aviation.

Kerosene
A petroleum product used as a fuel in aviation (jet engines) or as a heating or lighting fuel. It contains additives in order to achieve the necessary safety conditions for its use.

Liquefied Natural Gas (LNG)
Liquid that results when natural is cooled to approximately –160ºC at atmospheric pressure. LNG's volume is approximately 1/600 of the volume of natural gas, making it more efficient for transportation.

Liquefied Petroleum Gas (LPG)
A mixture of C3 and C4 hydrocarbons that is gaseous in normal temperature and atmospheric pressure conditions but can be liquefied by increasing the pressure or lowering the temperature, enabling it to be transported and stored. The most common types are propane and butane.

Lubricants
Products obtained by blending base oils and additives following specific formulations depending on their final utilisation. The percentage of additives in lubricants can reach 40%. Lubricants have three major applications: automobiles, industry and marine.

MTBE
Methyl tertiary butyl ether, an oxygenate component (performance-enhancing fuel additive) used in the production of gasoline.

Naphtha
A light fraction of refined crude oil between gases and petroleum. It is used as feedstock by the petrochemical industry as its cracking supplies several products and it can also be used as a component for gasoline (light naphtha) or to produce reformate (heavy naphtha).

Net entitlement production
Production percentage of the rights for exploration and production of hydrocarbons in a concession after the effect of production-sharing agreements.

Octane index
Conventional scale used to characterise in figures the fuel's ability to resist detonation when burned in an internal combustion engine using the Otto cycle. The higher the figure, the higher the fuel's ability to resist detonation.

Offshore exploration
Crude oil exploration that takes place on the sea. Offshore exploration is said to be conducted on shallow water, deep water or ultra-deep water depending on depth: less than 1,000 feet, between 1,000 and 5,000 feet and more than 5,000 feet, respectively.

Onshore exploration
Crude oil exploration that takes place on land.

Petrochemicals
An intermediate product of oil refining which is used as a feedstock for polymers and various other chemical products.

Probable reserves (P50)
Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to that used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven.

Prospective resources
Quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations by application of future development projects. The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Proved reserves (P90)
Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Establishment of current economic conditions should include relevant historical petroleum prices and associated costs. In general, reserves are considered proven if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Refinery
An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen, etc.) or feedstock for other industries (such as the petrochemical industry).

Regasification
Processing LNG in order to convert it into its natural gaseous state by thermal exchange with water or air

Renewable energy
Energy available from natural and permanent sources that can be exploited economically in present conditions or in the near future.

Replacement cost adjusted results (RCA)
In addition to using the replacement cost method, adjusted profit excludes non recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the company's profit and do not reflect its operational performance.

Replacement cost results (RC)
As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at WAC. 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. According to this method, the cost of goods sold is valued at replacement cost, i.e. at the average cost of the raw materials in the month when the sales were realised and irrespective of the inventories held at the start or the end of the period. The replacement cost method is not accepted by either Portuguese GAAP or IFRS and is therefore not used to value inventories. The method does not reflect the replacement cost of other assets.

Rotterdam cracking refining margin or Rotterdam benchmark
Also known as Rotterdam benchmark, it is the most commonly used refining margin benchmark in Europe. The refining margins are usually compared with benchmark margins for three major global refining centres. These are the US Gulf Coast (USGC), North West Europe (NWE – Rotterdam) and Singapore. In each case they are based on a single crude oil appropriate for that region and have optimised product yields based on a generic refinery configuration (cracking, hydrocracking or coking) appropriate for that region. The margins are on a semi-variable basis which means they are calculated after all variable costs and fixed energy costs have been deducted. The Northwest Europe Refining Margin is determined by using as a reference point the prices achieved by refinery products in the Antwerp-Rotterdam-Amsterdam region.

Spot market
With respect to commodities such as oil, a term used to describe the international trade in one-off cargoes or shipments of commodities such as crude oil in which prices closely follow demand and availability

Take or pay
An obligation usually contained in gas contracts which commits one party to purchase agreed quantities of gas whether delivery effectively occurs or not.

Tank farm
An installation used by trunk and gathering pipeline companies, crude oil producers and terminal operators (except refineries) to store crude oil and oil products.

Vacuum distillation
Distillation process at a lower pressure than atmospheric pressure. The residue (heavier fractions) of the atmospheric distillation is subject to vacuum distillation in order to separate it without decomposing the residue by lowering the pressure and consequently its ebullition levels. It is used, for example, in the production of base oils.

Wind farm
A group of wind turbines interconnected to a common utility system through a system of transformers, distribution lines and (usually) one substation. Operation, control and maintenance functions are often centralised through a network of computerised monitoring systems, supplemented by visual inspection.

Wind power
Kinetic energy present in wind motion which can be converted into mechanical energy for driving pumps, mills and electric power generators.

Working interest production
Production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Acronyms

Amorim Energia: Amorim Energia, B.V.
ANP: National Petroleum, Natural Gas and Biofuels Agency
BAT: Best available tehniques
Bbl: Barrel of oil
BBLT: Benguela, Belize, Lobito, Tomboco
Bcm: Billion cubic metres
Boe: Barrel of oil equivalent
Boepd: Barrels of oil equivalent per day
Bopd: Barrels of oil per day
CCGT: Combined cycle gas turbine
CDP: Conceptual Development Plan
CGD: Caixa Geral de Depósitos, S.A.
CMVM: Portuguese Securities Market Regulator
CO's: Company Operated
CPT: Compliant Piled Tower
CSE: Center South East
CURr: Last-resort retail marketing
DEMAC: Degolyer and Macnaughton
DGEG: Portuguese Energy and Geology Directorate
DO's: Dealer Operated
E&P: Exploration & Production
ECB: European Central Bank
EIA: Energy Information Administration
EMPL: Europe Magrebe Pipeline
ENH: Empresa Nacional de Hidrocarbonetos
Eni: Eni, S.p.A.
EPC: Engineering, Procurement and Construction
EPCI: Engineering, Procurement, Construction and Installation
EPS: Earnings per share
ERSE: Entidade Reguladora dos Serviços Energéticos (Energy Regulator)
€: euro
FCC: Fluid Catalytic Cracking
FED: American Federal Reserve
FEED: Front-End Engineering & Design
FIFO: First in, First Out
FPSO: Floating, Production, Storage and Offloading
G&P: Gas & Power
Galp Energia: Galp Energia, SGPS, S.A., Company or Group
GBP: British pound
GDP: Gross Domestic Product
HSE: Health, Safety and Environment
IBAMA: Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis
IEA: International Energy Agency
INETI: Instituto Nacional de Engenharia, Tecnologia e Inovação
IOC's: International Oil Companies
JPY: Japanese Yen
Kboepd: Thousand barrels of oil per day
Kbopd: Thousand barrels of oil per day
LNG: Liquefied Natural Gas
LPG: Liquefied Petroleum Gas
M€: Million of euros
m³: cubic metre
Mbbl: Million of barrels
Mbopd: Million of barrels of oil per day
mmbtu: Thousand of british thermal unit
Mton: Million tonnes
NOC's: National Oil Companies
OECD: Organisation for Economic Co-operation and Development
OMIP: Iberian Energy Market Operator
OPEC: Organization of the Petroleum Exporting Countries
OTC: Over-the-counter markets
PDVSA: Petróleos de Venezuela, S.A.
PGAAP: Portuguese General Accepted Accounting Principles
PSA: Production Sharing Agreement
PSC: Portuguese Securities Code
R&D: Research & Development
R&M: Refining & Marketing
RAB: Regulated Asset Base
RCA: Replacement cost adjusted
REN: Rede Eléctrica Nacional, S.A.
RSL: Refining, supply and logistics
SPE: Society of Petroleum Engineers
SROC: Statutory Audit Firm
SXEP: DJ Europe STOXX Oil & Gas index
TAN: Total Acid Number
TGL: Liquid Bulk Terminal
TL: Tômbua-Lândana
Ton: tonne
US: United States of America
Usd: Currency unit of the United States of America
USSR: Union of Soviet Socialist Republic
VGO: Vacuum Gasoil
VR: Vented Riser
VSS: Vortex Separation System
WAC: Weighted Average Cost
WPC: World Petroleum Council

Disclaimer

This Annual Report & Accounts contains forward-looking statements about the results of Galp Energia's operations as well as some company plans and objectives about those results. The terms "anticipates", "believes", "estimates", "expects", "predicts", "aims", "plans" and other similar ones aim to identify such forward-looking statements. As a result of their nature, forward-looking statements involve risks and uncertainties as they are associated with events and circumstances that may occur in the future. Real outcomes and developments may as a result of several factors differ significantly from outcomes, either express or implicit, in the statements. These include but are not limited to changes in costs, economic conditions or regulatory framework.

Forward-looking statements only refer to the date when they were made and Galp Energia has no obligation to update them in the light of new data or future developments or otherwise explain the reasons actual outcomes are possibly different.

+ Edition

galp energia

+ Translation

[S]

+ Design and conception

White Rabbit

+ Non-identified photos

Manuel Aguiar and Image Bank

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