



# FIRST HALF 2008 REPORT & ACCOUNTS

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## KEY FIGURES

### Financial data

Million euros				
	First half			
	2007	2008	Change	% Ch.
Turnover	5,885	7,537	1,651	28.1%
EBITDA	646	847	201	31.1%
EBITDA replacement cost	505	444	(61)	(12.0%)
<b>EBITDA replacement cost adjusted<sup>1</sup></b>	<b>500</b>	<b>449</b>	<b>(51)</b>	<b>(10.2%)</b>
Operating profit	517	725	208	40.2%
Operating profit replacement cost	376	322	(54)	(14.3%)
<b>Operating profit replacement cost adjusted<sup>1</sup></b>	<b>379</b>	<b>316</b>	<b>(63)</b>	<b>(16.5%)</b>
Net profit	401	524	123	30.7%
Net profit replacement cost	283	218	(64)	(22.7%)
<b>Net profit replacement cost adjusted<sup>1</sup></b>	<b>285</b>	<b>214</b>	<b>(72)</b>	<b>(25.1%)</b>

<sup>1</sup> Adjusted figures exclude inventory effects and other non recurrent items.

### Market indicators

	First half			
	2007	2008	Change	% Ch.
Rotterdam cracking refining margin <sup>1</sup> (Usd/bbl)	3.5	1.7	(1.8)	(52.4%)
Rotterdam hydroskimming + aromatics + base oil refining margin <sup>1</sup> (Usd/bbl)	2.3	(2.0)	(4.3)	n.m.
Henry hub natural gas price <sup>2</sup> (Usd/MMbtu)	7.4	10.0	2.7	36.2%
Average brent dated price <sup>3</sup> (Usd/bbl)	63.3	109.1	45.9	72.5%
Average exchange rate <sup>4</sup> (Eur/Usd)	1.33	1.53	0.2	15.2%
Euribor - six month <sup>4</sup> (%)	4.1	4.7	0.6	15.7%

<sup>1</sup> Source: Platts. For a complete description of the calculation methodology of Rotterdam margins, see "Definitions".

<sup>2</sup> Source: Reuters.

<sup>3</sup> Source: Platts.

<sup>4</sup> Source: European Central Bank. Euribor 360.

### Operating data

	First half			
	2007	2008	Change	% Ch.
Average working production (kbbbl/day)	17.1	14.7	(2.4)	(14.1%)
Average net entitlement production (kbbbl/day)	12.5	10.6	(1.9)	(15.1%)
Galp Energia refining margin (Usd/bbl)	6.6	3.5	(3.0)	(46.1%)
Raw materials processed (million tonnes)	7.1	7.1	(0.1)	(1.0%)
Oil sales direct clients (million tonnes)	4.7	4.6	(0.0)	(0.5%)
Natural gas sales (million m <sup>3</sup> )	2,466	2,950	484	19.6%
Power generation <sup>1</sup> (GWh)	781	774	(7)	(0.8%)

<sup>1</sup> Includes unconsolidated companies where Galp Energia has a significant interest.

# FINANCIAL REVIEW

## 1. INCOME STATEMENT

Million euros				
	First half			
	2007	2008	Change	% Ch.
Turnover	5,885	7,537	1,651	28.1%
Operating expenses	(5,265)	(6,707)	1,441	27.4%
Other operating revenues (expenses)	26	17	(9)	(34.2%)
<b>EBITDA</b>	<b>646</b>	<b>847</b>	<b>201</b>	<b>31.1%</b>
Depreciations and provisions	(129)	(122)	(7)	(5.4%)
<b>Operating profit</b>	<b>517</b>	<b>725</b>	<b>208</b>	<b>40.2%</b>
Net profit from associated companies	32	22	(10)	(31.2%)
Net profit from investments	1	(0)	(1)	n.m.
Net interest expenses	(20)	(14)	7	33.1%
Profit before tax and minority interests	530	733	204	38.4%
Income tax	(126)	(206)	81	64.2%
Minority Interests	(3)	(3)	(0)	(4.3%)
<b>Net profit</b>	<b>401</b>	<b>524</b>	<b>123</b>	<b>30.7%</b>
<b>Net profit</b>	<b>401</b>	<b>524</b>	<b>123</b>	<b>30.7%</b>
Inventory effect	(118)	(306)	187	158.0%
<b>Net profit replacement cost</b>	<b>283</b>	<b>218</b>	<b>(64)</b>	<b>(22.7%)</b>
Non recurrent items	3	(5)	(7)	n.m.
<b>Net profit replacement cost adjusted</b>	<b>285</b>	<b>214</b>	<b>(72)</b>	<b>(25.1%)</b>

### FIRST HALF

Net profit according to IFRS in the first half of 2008 was €524 million, up €123 million or 30.7% yoy. This rise followed from inventory gains which more than doubled compared to 2007 as the prices of crude and oil products soared in international markets.

In adjusted terms, net profit fell by 25.1% yoy to €214 million. Improved operating performance at the Gas & Power and Exploration & Production business

segments was not enough to offset the unfavourable performance of the Refining & Marketing business segment.

Additionally, the €81 million rise in income tax following increased Angolan crude sales, coupled with the increase in deferred tax arising from the inventory effect, penalized IFRS net profit (See the Income tax section for further explanation).

## OPERATING RESULTS

Million euros				
	First half			
	2007	2008	Change	% Ch.
Exploration & Production	71	85	14	19.5%
Refining & Marketing	343	462	119	34.8%
Gas & Power	100	171	70	70.1%
Others	3	8	4	121.7%
<b>Operating profit</b>	<b>517</b>	<b>725</b>	<b>208</b>	<b>40.2%</b>
<b>Operating profit</b>	<b>517</b>	<b>725</b>	<b>208</b>	<b>40.2%</b>
Inventory effect	(142)	(403)	261	184.7%
<b>Operating profit replacement cost</b>	<b>376</b>	<b>322</b>	<b>(54)</b>	<b>(14.3%)</b>
Non recurrent items	3	(5)	(9)	n.m.
<b>Operating profit replacement cost adjusted</b>	<b>379</b>	<b>316</b>	<b>(63)</b>	<b>(16.5%)</b>

### FIRST HALF

IFRS operating profit in the first half of 2008 rose 40.2% yoy to €725 million. In adjusted terms, i.e. excluding the inventory effect and non-recurrent events, operating profit fell 16.5% yoy to €316 million. Replacement cost adjusted operating profit at the Gas & Power business segment – on the back of rising natural gas sales – and at the Exploration & Production business segment – by way of rising

benchmark crude prices in international markets – gave a positive contribution. Nevertheless, these segments' favourable performance could not offset the lower profit at the Refining & Marketing business segment which was adversely affected by a depreciating US dollar against the euro and a backdrop of deteriorated international refining margins.

## 2. ANALYSIS OF INCOME STATEMENT ITEMS

### SALES AND SERVICES RENDERED

Million euros				
	First half			
	2007	2008	Change	% Ch.
Exploration & Production	93	155	61	65.8%
Refining & Marketing	5,240	6,644	1,404	26.8%
Gas & Power	666	916	250	37.6%
Others	50	58	8	16.4%
Consolidation adjustments	(163)	(236)	(72)	(44.3%)
	<b>5,885</b>	<b>7,537</b>	<b>1,651</b>	<b>28.1%</b>

Sales and services rendered in the first half of 2008 rose 28.1% yoy to €7,537 million. This rise spanned across all business segments as prices of crude, oil products and natural gas advanced in international markets.

In addition, the Gas & Power segment benefited from rising sales volumes.

## OTHER NET OPERATING REVENUES

Million euros				
	First half			
	2007	2008	Change	% Ch.
<b>Other net operating revenues</b>	<b>26</b>	<b>17</b>	<b>(9)</b>	<b>(34.2%)</b>
Non recurrent items	(6)	9	15	n.m.
<b>Adjusted other net operating revenues</b>	<b>20</b>	<b>26</b>	<b>6</b>	<b>29.9%</b>

Other net operating revenues fell by 34.2% yoy in the first half of 2008 following the entry under other operating costs in the second quarter of 2008 of the cost of abandoning 10 Brazilian onshore blocks, classed as a non-recurrent event for the amount of €9.4 million.

Amounts entered in 2007 were restated to account for the new treatment of Angola's IRP and make them comparable with the amounts presented for the first half and the second quarter of 2008.

## OPERATING COSTS

Million euros				
	First half			
	2007	2008	Change	% Ch.
Cost of goods sold	4,837	6,262	1,425	29.5%
Supply and services	298	309	10	3.4%
Personnel costs	130	136	6	4.5%
	<b>5,265</b>	<b>6,707</b>	<b>1,441</b>	<b>27.4%</b>

### FIRST HALF

Operating costs in the first half of 2008 increased by 27.4% yoy to €6,707 million. The cost of goods sold accounted for 98.9% of the total change in operating costs and posted the largest increase – 29.5% – as the price of crude oil and other commodities soared. At replacement cost, the cost of goods sold amounted to €6,666 million or 6.4% above the IFRS amount. The 33.9% yoy increase reflected the rising prices of crude and oil products in international markets.

Supply and services cost amounted to €309 million. They are, however, not directly comparable with the 2007 figures as these include €4.7 million in natural gas storage costs which are now entered under cost of goods sold. Making the periods comparable, the supply and services costs rose 5.1% as a result of (i)

higher production costs in the Exploration & Production business segment, namely maintenance costs at the BBLT and Kuito fields, and the overall increase in the cost of industry services and equipment, (ii) higher maintenance and repair costs, mainly in the Sines refinery as it prepared for the general stop scheduled for September and October, (iii) higher energy costs, mainly electricity at the refineries, and (iv) higher costs of storage and filling services, namely in Spain, following the higher level of activity in this country.

Personnel costs increased 4.5% yoy as remuneration and social charges rose and severance costs followed from a restructured staff base.

## EMPLOYEES

	December 31, 2007	June 30, 2008	Change vs Dec 31, 2007
Exploration & Production	62	64	2
Refining & Marketing	4,747	4,829	82
Gas & Power	462	469	7
Corporate & Others	527	528	1
<b>Total on site employees</b>	<b>5,798</b>	<b>5,890</b>	<b>92</b>
Service stations employees	2,243	2,302	59
<b>Total off site employees</b>	<b>3,555</b>	<b>3,588</b>	<b>33</b>

At the end of the first half of 2008, Galp Energia had 5,890 employees, of which 2,302 were at the service stations. The main change compared to the end of 2007 occurred in the Refining & Marketing business segment, where the addition of 82 staff consisted of 21 new employees for the Sines and Porto refineries

to substitute for employees approaching retirement and 59 employees at service stations as an additional directly managed service station came on stream in Spain and seasonal staff had to be hired to cover the holiday period.

## DEPRECIATION

Million euros					
	First half				
	2007	2008	Change	% Ch.	
Exploration & Production	26	29	2	7.9%	
Refining & Marketing	77	60	(17)	(22.3%)	
Gas & Power	15	17	2	10.1%	
Others	1	0	(0)	(71.6%)	
	<b>119</b>	<b>105</b>	<b>(14)</b>	<b>(11.7%)</b>	
<b>Depreciations</b>	<b>119</b>	<b>105</b>	<b>(14)</b>	<b>(11.7%)</b>	
Non recurrent items	(4)	12	15	n.m.	
<b>Adjusted depreciations</b>	<b>115</b>	<b>117</b>	<b>1</b>	<b>1.2%</b>	

### FIRST HALF

Depreciation charges in the first half of 2008 declined 11.7% yoy to €105 million.

The Refining & Marketing business segment reduced depreciation by 22.3% as impairment charges in Spain fell €10.5 million. This fall stemmed from a change in impairment tests which are now carried out by country and not by station as before. Apart from this effect, depreciation declined as some assets, namely at the Sines refinery, reached the end of their economic life.

The Exploration & Production business segment raised depreciation by 7.9% following the changes in the value of production and proven and probable reserves that resulted from DeGolyer and MacNaughton's update report as of 31 December 2007.

In adjusted terms, that is, isolating the reduction in impairment charges in the Refining & Marketing business segment, depreciation in the first half of 2008 was virtually in line with a year earlier.



## PROVISIONS

Million euros				
	First half			
	2007	2008	Change	% Ch.
Exploration & Production	2	2	(0)	(15.4%)
Refining & Marketing	5	0	(5)	(92.8%)
Gas & Power	3	15	13	n.m.
Others	-	(1)	(1)	n.m.
	<b>10</b>	<b>17</b>	<b>7</b>	<b>67.8%</b>
<b>Provisions</b>	<b>10</b>	<b>17</b>	<b>7</b>	<b>67.8%</b>
Non recurrent items	(4)	(1)	3	79.1%
<b>Adjusted provisions</b>	<b>6</b>	<b>16</b>	<b>10</b>	<b>162.4%</b>

Provisions in the first half of 2008 went up by €6.9 million yoy to €17.2 million. This increase arose from the Gas & Power business segment where, for prudential reasons, a provision of €13.4 million was made for the negotiation of natural gas contracts with major suppliers. This provision was partly offset by the €4.4 million decrease in doubtful accounts provisions, mostly in the Refining & Marketing business segment.

In adjusted terms, provisions increased by €10.1 million as they included non-recurrent events in the first half of 2007, namely a provision for ongoing litigation and another for a debt related to strategic reserves services rendered by the Gas & Power business segment. The latter provision was also made in the first half of 2008, though for a lower amount.

## RESULTS FROM ASSOCIATES

In the first half of 2008, results from associates were €22.0 million. This amount included the return on equity holdings in international gas pipelines (EMPL, Metragaz, Gasoducto Al Andaluz and Gasoducto Extremadura) which amounted to €18.5 million, up 6.3% yoy.

Nevertheless, the results of associates present a €10.0 million reduction yoy. Most of this decrease resulted from the fact that in the first half of 2007 CLH posted a capital gain on the disposal of assets.

## FINANCIAL INCOME

Financial losses in the first half of 2008 were €13.6 million, a €5.9 million improvement from the first half of 2007. This was mainly due to favourable exchange differences in contrast with a year earlier. Despite rising interest rates, lower average debt in the period kept interest charges stable at €18.6 million.

## INCOME TAX

Million euros (except otherwise noted)				
	First half			
	2007	2008	Change	% Ch.
<b>Income tax IFRS<sup>1</sup></b>	<b>126</b>	<b>206</b>	<b>81</b>	<b>64.2%</b>
<i>Effective income tax</i>	<i>24%</i>	<i>28%</i>	<i>4.4 p.p.</i>	<i>n.m.</i>
Inventory effect	(23)	(97)	74	321.8%
<b>Income tax replacement cost</b>	<b>103</b>	<b>109</b>	<b>6</b>	<b>6.2%</b>
Non recurrent items	(1)	(1)	(0)	(29.7%)
<b>Income tax replacement cost adjusted</b>	<b>102</b>	<b>108</b>	<b>6</b>	<b>6.0%</b>
<i>Effective income tax</i>	<i>26%</i>	<i>33%</i>	<i>7.2 p.p.</i>	<i>n.m.</i>

<sup>1</sup> Includes IRP paid in Angola.

### INTRODUCTORY NOTE

Income tax shown in Galp Energia's income statement consists of three different items: (i) oil income tax payable in Angola, (ii) an estimate of company income tax due in each period and (iii) deferred tax reflecting temporary differences between tax assets and liabilities for accounting and tax purposes.

Taxable income is calculated according to the tax principles accepted in Portugal, which are similar to Portuguese GAAP. According to this method, inventories are valued using LIFO rather than IAS-prescribed FIFO or AC.

For prudential reasons, Galp Energia recognises as deferred tax – and therefore with an impact on profits – the difference between tax payable according to FIFO and LIFO. This means inventories are valued in each period using both methods – FIFO and LIFO – and applying the marginal tax rate to gains, if any.

### EXPLANATION OF THE INCOME TAX RECORD

Income tax soared €80.7 million between the first half of 2007 and the first half of 2008.

In the first half of 2008 deferred tax of €65.5 million in respect of the difference between the FIFO and LIFO inventory valuation criteria was recognised as the prices of crude and oil products rose in the period despite a reduction of €19.6 million related with Galp

Energia España. At 30 June 2008, deferred tax in the company's balance sheet as a result of the adjustment between the two criteria amounted to €177.2 million.

As for the other income tax components, the IRP increased by €33.0 million to €52.0 million as profit oil rose and cost oil fell between the periods under review, after the rise in the benchmark price of crude and the ensuing increase in the IRP tax base, i.e. sales.

Tax for the first half of 2008 was estimated at €69.6 million in line with the first half of 2007 as improved results in Gas & Power were offset by a deteriorating performance in Refining & Marketing.

The effective tax rate according to IFRS was 28.1% in the first half of 2008 compared to 23.7% a year earlier. Without the effect of the IRP, the effective rate would have been 22.7% in the first half of 2008 and 20.9% in the first half of 2007.

According to the replacement cost adjusted method, effective tax rate for the first half 2008 would have been 33.3% compared to 26.1% in the first half of 2007. Excluding the effect of IRP, the effective tax rate in the first quarter of 2008 would have been 20.6% against 22.3% in the same period last year.

### 3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)			
	December 31, 2007	June 30, 2008	Change vs Dec 31, 2007
Fixed assets	2,584	2,689	105
Strategic stock	566	894	328
Other assets (liabilities)	(170)	(319)	(149)
Working capital	180	355	175
	<b>3,160</b>	<b>3,619</b>	<b>459</b>
Short term debt	336	644	309
Long term debt	505	493	(12)
<b>Total debt</b>	<b>841</b>	<b>1,138</b>	<b>296</b>
Cash	107	325	218
<b>Total net debt</b>	<b>734</b>	<b>812</b>	<b>78</b>
<b>Total shareholder's equity</b>	<b>2,426</b>	<b>2,807</b>	<b>380</b>
<b>Capital employed</b>	<b>3,160</b>	<b>3,619</b>	<b>459</b>
Net debt to equity	30%	29%	(1 p.p.)

In the first six months of the year, fixed assets increased €105 million to €2,689 million, which partly reflected capital spending in the period.

The value of strategic stocks reached €894 million compared to €566 million at 31 December 2007. This gain illustrates the impact of prices in international markets – which was higher in the second quarter – on the unit revaluation of strategic obligations, namely the gasoline and middle distillate.

Other assets and liabilities fell €149 million compared to the end of 2007, which resulted from an increase of

€92.8 million in income tax payable – since no tax was payable at the end of 2007 and no advance payments had been made up to June 2008 – and a €50.3 million increase in deferred tax liabilities.

Working capital rose by €175 million to €355 million since the end of. This increase reflected rising receivables as sales increased and the higher valuation of inventories in line with the rise in prices of crude and oil products in international markets.

## DEBT

Million euros (except otherwise noted)						
	December 31, 2007		June 30, 2008		Change vs Dec 31, 2007	
	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	226	210	16	210	(210)
Bank debt	171	280	234	268	64	(12)
Commercial paper	165	-	200	210	35	210
Cash	(107)	-	(325)	-	(218)	-
<b>Net debt</b>	<b>734</b>		<b>812</b>		<b>78</b>	
Average life (years)	2.75		2.39		(0.36)	
Net debt to equity	30%		29%		(1.3 p.p.)	

Total debt at the end of the first half of 2008 amounted to €1,138 million or an increase of €296 million compared to the end of 2007. Net debt also rose to €812 million as a result of the €139 million dividend payment in June and increased capital expenditure in the period, which was partially offset by cash flow generation. The net debt-to-equity ratio decreased 1.3 percentage points compared to December 2007, to 28,9% at the end of June.

The average life of the debt decreased from 2.8 years at the end of 2007 to 2.4 years as short-term debt increased its weight in the funding structure. This was the result of the reclassification as short-term debt of the unpaid balance of a securitisation issue ahead of its final maturity in July 2008. At the end of June, 43.4% of total debt was long term – versus 65.7% at the end of March – and 58.4% was on a floating rate basis.

Compared to the first half of 2007, the average cost of debt increased 42 basis points to 5.03%, in line with the increase in benchmark market rates.

Net debt attributable to minority interests amounted to €28.2 million at 30 June 2008.

## 4. CASH FLOW<sup>1</sup>

Million euros		
	First half	
	2007	2008
Operating profit	517	725
Non cash costs	119	105
Change in working capital	(135)	(175)
<b>Cash flow from operating activities</b>	<b>501</b>	<b>655</b>
Net capital expenditures and disposals	(166)	(211)
Change in strategic stocks holdings	(24)	(328)
<b>Cash flow from investing activities</b>	<b>(190)</b>	<b>(539)</b>
Financial Investments	1	6
Interest expenses	(18)	(18)
Taxes	(105)	(58)
Subsidies	7	2
Dividends paid / received	(230)	(124)
Others	4	(2)
<b>Cash flow from financing activities</b>	<b>(341)</b>	<b>(195)</b>
<b>Total</b>	<b>(30)</b>	<b>(78)</b>

### FIRST HALF

Cash outflow in the first half of 2008 was €78 million – a further €48 million compared to the first half of 2007 – as operating cash inflow did not fully offset cash outflows from investing and financing activities, particularly as a result of dividend payments.

Operating cash flow rose to €655 million from €501 million in the first half of 2007 as IFRS-based operating profit increased 40.2% to €725 million. This operating profit includes an inventory effect of €403 million following the rise in prices of crude and oil products in the first six months of 2008.

Cash outflow from investing activities soared to €539 million following the rise in value of strategic inventories in the first half of 2008, which reflected the impact of the unit revaluation of strategic obligations in line with market developments in 2008.

Cash outflow from financing activities declined to €195 million, a €147 million improvement on the first half of 2007. The decrease is explained by the lower dividends paid in the first half of 2008 as the dividend payable for financial 2007 was split into two instalments – in November 2007 and May 2008 – complemented by adjustments to tax payments in the first half of 2008.

<sup>1</sup> This consolidated cash flow statement was prepared for management purposes and is therefore not directly comparable with the consolidated cash flow statement in the consolidated financial statements appended to this report.

## 5. CAPITAL EXPENDITURE

Million euros				
	First half			
	2007	2008	Change	% Ch.
Exploration & Production	81	118	37	45.0%
Refining & Marketing	41	68	27	66.6%
Gas & Power	38	30	(8)	(20.4%)
Others	2	0	(2)	(93.5%)
	<b>162</b>	<b>216</b>	<b>54</b>	<b>33.4%</b>

### FIRST HALF

Capital spending in the first half of 2008 rose €54 million yoy to €216 million.

Just over half of that amount - €118 million - was channelled to the Exploration & Production business segment, namely to (i) works on Block 14, particularly the development of the Tômbua-Landana field and the appraisal of the Lucapa discovery, for an amount of €63.6 million, (ii) drilling and appraisal of exploration wells on Angola's Block 32, (iii) exploration activities on the Brazilian offshore for an amount of €25.8 million, including the drilling of the Júpiter and Bem-te-vi wells and the bonuses paid in the ninth bidding round for an amount of €10 million, (iv) exploration activities on the Brazilian onshore basins of Potiguar and Espírito Santo, with the drilling of ten wells giving rise to two discoveries and (v) exploration activities in Mozambique encompassing 2D and 3D seismic acquisition and interpretation.

In Refining & Marketing, €68 million - a larger amount than in the first half of 2007 - were spent mostly on the refinery conversion project.

In the Gas & Power business segment, expenditure was channelled to extension of the secondary distribution network of natural gas for an approximate length of 274 km and the connection of 27 thousand natural gas clients, both new and converted. More specifically in Power, work proceeded for the construction of wind farms. Currently, both environmental licensing and basic and concept engineering are in process. Investments were also made on cogeneration to be installed at the Sines refinery with a view to starting operations after the plant's stop for maintenance in September and October.

# SEGMENT REVIEW

## 1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)				
	First half			
	2007	2008	Change	% Ch.
Turnover	93	155	61	65.8%
<b>Operating profit</b>	<b>71</b>	<b>85</b>	<b>14</b>	<b>19.5%</b>
Non recurrent items	4	9	5	114.9%
<b>Operating profit replacement cost adjusted</b>	<b>75</b>	<b>94</b>	<b>19</b>	<b>25.0%</b>
<b>Average working production (kbbbl/day)</b>	<b>17.1</b>	<b>14.7</b>	<b>(2.4)</b>	<b>(14.1%)</b>
<b>Average net entitlement production (kbbbl/day)</b>	<b>12.5</b>	<b>10.6</b>	<b>(1.9)</b>	<b>(15.1%)</b>
<b>Total net entitlement production (million bbl)</b>	<b>2.3</b>	<b>1.9</b>	<b>(0.3)</b>	<b>(14.6%)</b>
Kuito (million bbl)	0.2	0.2	(0.0)	(9.0%)
BBLT (million bbl)	2.0	1.7	(0.3)	(15.6%)
TL (million bbl)	0.1	0.1	(0.0)	(2.9%)
Average realized sale price <sup>1</sup> (Usd/bbl)	65.2	112.9	47.8	73.3%
<b>Total sales<sup>2</sup> (million bbl)</b>	<b>1.9</b>	<b>1.9</b>	<b>(0.0)</b>	<b>(1.8%)</b>
<b>Net total assets</b>	<b>570</b>	<b>700</b>	<b>131</b>	<b>22.9%</b>

<sup>1</sup> Considers the effective sales and the loans granted and received.

<sup>2</sup> Considers effective sales.

### EXPLORATION & PRODUCTION OPERATIONS

#### FIRST HALF

Working interest production declined 14.1% yoy to 14.7 thousand barrels as operational difficulties continued on the BBLT, the field weighting heaviest in production, with 79.9% of the total and a daily production in the first half of 2008 of 11.7 thousand barrels.

Net entitlement production declined a similar 14.6% in the first six months of 2008, with BBLT's 1,654 thousand barrels accounting for 85.9% of total production.

Two cargoes were sold in the first half of 2008, one in March and the other in June, for a total of 1.9 million barrels. Considering both the actual cargoes and the overlifting, the average sales price was 112.9 Usd/bbl. Like a year earlier, sales in the first half of 2008 were not closed at a premium to the Brent. Both in 2007 and 2008, sales came from production at the BBLT where the quality of the crude is very similar to the Brent, with an API density of 39.3°.

### OPERATING PROFIT

#### FIRST HALF

Replacement cost adjusted operating profit rose by 25.0% yoy to €94 million. The Exploration & Production business segment accounted for 29.7% of Galp Energia's total replacement cost adjusted operating profit. The rise in the segment's profit was driven by a €61 million increase in sales and rendered services coupled with a 73.3% higher average sales price, which offset the 14.6% decline in net entitlement production and the rise in operating costs.

Upon a detailed review of operating costs, in particular unit costs, it becomes apparent that the rise in production costs to €14.1 million or, in unit terms, from 5.1 Usd/bbl to 11.2 Usd/bbl, stemmed not only from falling production impairing the dispersion of fixed costs but also from the widespread increase in prices of both equipment and ancillary services in international markets. Operational troubles arising at the BBLT field put additional pressure on maintenance and accounted for €5.8 million of higher production costs.

Depreciation charges amounted to €28.6 million or 22.7 Usd/bbl in unit terms, to be compared with 13.0 Usd/bbl a year earlier. This increase resulted from the changes brought into the valuation of production and proven and probable reserves coming out of the

update as of 31 December 2007 by industry consultants DeGolyer & MacNaughton.



## 2. REFINING & MARKETING

Million euros (except otherwise noted)				
	First half			
	2007	2008	Change	% Ch.
Turnover	5,240	6,644	1,404	26.8%
<b>Operating profit</b>	<b>343</b>	<b>462</b>	<b>119</b>	<b>34.8%</b>
Inventory effect	(152)	(401)	249	163.7%
Non recurrent items	1	(15)	(16)	n.m.
<b>Operating profit replacement cost adjusted</b>	<b>191</b>	<b>45</b>	<b>(146)</b>	<b>(76.3%)</b>
Rotterdam cracking refining margin <sup>1</sup> (Usd/bbl)	3.5	1.7	(1.8)	(52.4%)
Rotterdam hydroskimming + aromatics + base oil refining margin <sup>1</sup> (Usd/bbl)	2.3	(2.0)	(4.3)	n.m.
Galp Energia refining margin (Usd/bbl)	6.6	3.5	(3.0)	(46.1%)
Crude processed (k bbl)	48,223	48,768	545	1.1%
Raw material processed (million tonnes)	7.1	7.1	(0.1)	(1.0%)
<b>Total refined product sales (million tonnes)</b>	<b>8.0</b>	<b>8.0</b>	<b>(0.0)</b>	<b>(0.3%)</b>
<b>Sales to direct clients (million tonnes)</b>	<b>4.7</b>	<b>4.6</b>	<b>(0.0)</b>	<b>(0.5%)</b>
Wholesale	2.1	2.2	0.1	3.1%
Retail	1.3	1.2	(0.1)	(4.1%)
LPG	0.2	0.2	(0.0)	(6.9%)
Others	1.1	1.1	(0.0)	(2.2%)
<b>Exports (million tonnes)</b>	<b>1.3</b>	<b>1.4</b>	<b>0.1</b>	<b>5.7%</b>
<b>Number of service stations</b>	<b>1,041</b>	<b>1,024</b>	<b>(17)</b>	<b>(1.6%)</b>
<b>Number of c-stores</b>	<b>207</b>	<b>225</b>	<b>18</b>	<b>8.7%</b>
<b>Net total assets</b>	<b>4,056</b>	<b>4,780</b>	<b>724</b>	<b>17.9%</b>

<sup>1</sup> Source: Platts. For a complete description of the calculation methodology of Rotterdam margins, see "Definitions".

### REFINING & MARKETING OPERATIONS

#### FIRST HALF

In the first half of 2008, the volume of processed raw materials declined 1.0% yoy to 7.1 million tonnes. Crude oil processed increased, however, by 1.1% and accounted for 93.0% of total raw materials. This increase impacted the refineries' utilisation rate which increased from 85.9% in the first half of 2007 to 86.4% in the first half of 2008.

In the first half of 2008, light crude and condensates accounted for 49.2% of the total, followed by heavy crude with 20.3% and medium crude with 30.5%, which was in line with a year earlier. The production profile showed a reduction in the weight of fuel oil to 17.6% and gasoline while the weight of diesel rose by 2 percentage points to 35.9%. Middle distillates and gasoline accounted for 41.5% and 22.7% of the total, respectively.

Total sales reached 8.0 million tonnes which was virtually in line with the first half of 2007 after rising exports made up for lower sales in the Iberian market. Sales to other operators fell yoy which led this category to a lower share of the total.

A closer look at exports, which increased 5.7% yoy, shows (i) a 11.9% rise in gasoline, primarily to the United States and (ii) a 8.7% rise in fuel oil that offset lower exports of other products. Gasoline now accounts for 39.0% of exports against 36.8% a year earlier. Fuel oil continues to be the second most exported product category, with a weight of 34.8%, followed by chemicals which account for 12.4%.

In the first half of 2008, sales to direct clients declined 0.5% which was in line with the trend for the Iberian market. Galp Energia could, however, take advantage of growing markets such as those for aircraft and marine bunkers in order to raise sales, thereby offsetting shortfalls in other markets, such as retail.

The cover ratio of refining throughput by marketing of oil products, as measured on the basis of production in the last three years, was 70.1% or 1.3 percentage points below the ratio a year earlier.

At the end of the first half of 2008, Galp Energia had 1,024 service stations, fourteen less than at the end of 2007 and one less than at the end of March. This was the result of efforts to rationalise the network that have mostly been directed at Portugal.

In the first half of 2008 fifteen new non-fuel stores opened, twelve of which in Portugal. This favourable trend in the number of non-fuel stores follows from Galp Energia's intent to expand the convenience business as a way of extracting higher returns from marketing assets.

## OPERATING PROFIT

### FIRST HALF

IFRS-based operating profit went up by 34.8% yoy in the first half of 2008 as the inventory effect stepped up from €152 million to €401 million on the back of a steeper rise in the price of crude and oil products in the first half of 2008. In adjusted terms, operating profit tumbled €146 million or 76.3% yoy. This change was related to (i) slumping international refining

margins – as an example, the Rotterdam cracking margin, the benchmark for the Sines refinery, fell by 52.4% while the benchmark for the Porto refinery posted negative levels around 2 Usd/bbl – (ii) the depreciation of the US dollar against the euro, (iii) the unfavourable €59.4 million time lag effect which resulted from the sluggish adjustment of terms agreed with market operators to price changes in international markets. In the first half of 2007, this effect amounted to €32.3 million which is explained by steeper price rises in the first half of 2008.

In unit terms, Galp Energia's refining margin dropped 46.1% to 3.5 Usd/bbl, with a steeper fall in euros by 53.2% to 2.3 Eur/bbl. The refining margin suffered also from consumption and losses that accounted for 8.4% of raw materials processed. In euro or energy cost terms, this item was, however, more important given the sharp 72.5% rise in crude prices between the two periods.

In terms of the refineries' cash costs in euros, the yoy change was almost non-existent. In US dollars there was a slight rise from 1.6 Usd/bbl to 1.8 Usd/bbl.

The marketing of oil products was relatively stable in comparison with the first half of 2007.

### 3. GAS & POWER

Million euros (except otherwise noted)				
	First half			
	2007	2008	Change	% Ch.
Turnover	666	916	250	37.6%
<b>Operating profit</b>	<b>100</b>	<b>171</b>	<b>70</b>	<b>70.1%</b>
Inventory effect	11	(2)	(12)	n.m.
Non recurrent items	(2)	1	2	n.m.
<b>Operating profit replacement cost adjusted</b>	<b>109</b>	<b>170</b>	<b>60</b>	<b>55.2%</b>
Supply	61	118	57	92.9%
Infrastruture	48	50	2	4.3%
Power	(0)	1	1	n.m.
<b>NG supply total sales volumes (million m<sup>3</sup>)</b>	<b>2,466</b>	<b>2,950</b>	<b>484</b>	<b>19.6%</b>
<b>Liberalised market sales volumes (million m<sup>3</sup>)</b>	<b>1,263</b>	<b>1,706</b>	<b>443</b>	<b>35.1%</b>
Electrical	826	1,155	329	39.8%
Industrial	-	35	35	n.m.
Trading	437	517	80	18.3%
<b>Regulated market sales volumes (million m<sup>3</sup>)</b>	<b>1,203</b>	<b>1,243</b>	<b>41</b>	<b>3.4%</b>
Industrial	954	967	13	1.4%
Commercial	27	40	13	46.4%
Residential	104	109	4	4.0%
Other supply companies	117	127	10	8.8%
<b>NG distribution clients<sup>1</sup> (thousands)</b>	<b>781</b>	<b>841</b>	<b>60</b>	<b>7.7%</b>
<b>Power generation<sup>2</sup> (GWh)</b>	<b>781</b>	<b>774</b>	<b>(7)</b>	<b>(0.8%)</b>
<b>Sales of electricity to the grid<sup>2</sup></b>	<b>283</b>	<b>241</b>	<b>(42)</b>	<b>(14.8%)</b>
<b>Natural gas net fixed assets<sup>3</sup></b>	<b>727</b>	<b>740</b>	<b>13</b>	<b>1.7%</b>
<b>Net total assets</b>	<b>1,488</b>	<b>1,704</b>	<b>216</b>	<b>14.5%</b>

<sup>1</sup> Includes unconsolidated companies where Galp Energia holds a significant interest.

<sup>2</sup> Includes Energin, a company consolidated under the equity method, where Galp Energia holds 35%. In the first half 2008 Energin power generation and sales to grid were 457 GWh and 123 GWh, respectively.

<sup>3</sup> Excludes financial investment.

#### GAS & POWER OPERATIONS

##### FIRST HALF

Sales of natural gas in the first half of 2008 rose by 19.6% yoy to 2,950 million cubic metres. The liberalised market accounted for 57.8% of the total against 51.2% in 2007.

This rise reflected higher volumes sold to the electricity sector and trading activities, with increases of 39.8% and 18.3%, respectively. This trend was aided once again by low rainfall in the first half of the year compared to the first half of 2007, which encouraged the use of natural gas for power generation both in Portugal and Spain and led to higher sales in trading.

Sales of natural gas in Spain to the industrial sector, which started in early 2008, achieved a volume of 35 million cubic metres.

The volume of natural gas that was transported on the networks belonging to the distribution companies totalled, in the first half of 2008, 790 million cubic metres.

Power generation declined 0.8% to 774 GWh. Galp Energia's cogenerations used 80.3 million cubic metres of natural gas that accounted for 8.3% of the Portuguese industrial market. Sales of electricity to the grid dropped 14.8% yoy ahead of the annual stop for maintenance by the cogeneration plant at Carrigo in the first quarter of 2008 and the unscheduled stop of

the Energin cogeneration plant for 2 months in the second quarter of 2008.

## OPERATING PROFIT

### FIRST HALF

Replacement cost adjusted operating profit in the first half of 2008 surged 55.2% yoy to €170 million. The Gas & Power business segment now accounts for 53.6% of Galp Energia's total replacement cost adjusted operating profit. Rising profits in this business segment stemmed primarily from larger sold volumes, but also from rising margins in some sub-segments, namely trading, as a result of the increase in LNG prices in the international and in the electricity segment following the rise in the Brent. Supply activities therefore account for the increase in

operating profit as they almost doubled yoy to €118 million. The infrastructure business was stable at €50 million.

In the first half of 2008 a provision of €13.4 million was made for prudential reasons in respect of the negotiation of contracts for the supply of natural gas with major suppliers.

The Power business reported in the first half of 2008 a unit margin of 9.4 Eur/MWh, below the 14.0 Eur/MWh a year earlier, due to the stop of Energin's cogeneration plant. Sales of 241 GWh of electricity to the grid were made at a price of 95.4 Eur/MWh.

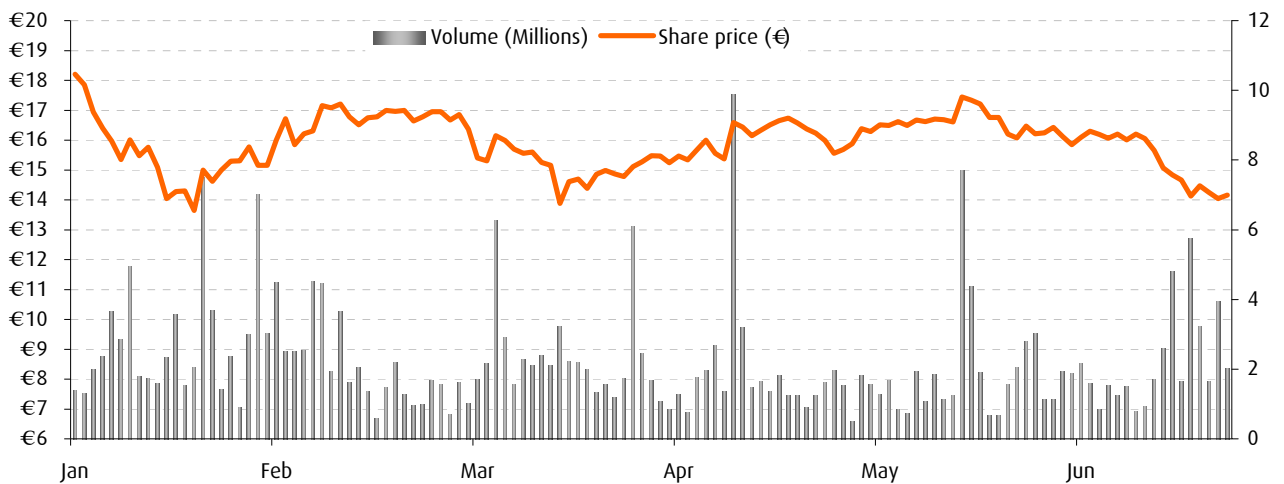
## THE GALP ENERGIA SHARE

### FIRST HALF

The Galp Energia share retreated 23.0% in the first half of 2008. The highest price in the period - €18.95 - was achieved on 2 January. Since the initial public offering (IPO) on 23 October 2006, the share gained 143.7%. In the period, 282.4 million shares were

traded for a daily average of 2.2 million shares. At 30 June 2008, Galp Energia's market capitalisation was €11,742 million.

### Galp Energia share evolution



## MATERIAL EVENTS IN THE FIRST HALF 2008

### MAJOR HOLDING

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

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

On June 9, Fidelity International Limited ("FIL") notified Galp Energia that the mutual funds and other investment accounts managed by affiliates of FIL have reached a qualified shareholding above the 2% threshold, approximately 2.01% of Galp Energia share capital and corresponding voting rights.

On 25 June, Banco BPI announced that it had reduced to 1.977% Galp Energia share capital and voting rights, ceasing the ownership of a direct qualified shareholding in Galp Energia.

### NEW BOARD MEMBERS

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

### RESIGNATION OF BOARD MEMBERS

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

### ANNUAL GENERAL SHAREHOLDING MEETING RESOLUTIONS

Galp Energia announced on 6 May, that Galp Energia, SGPS, S.A.'s Annual General Meeting, on May 6,

approved the items proposed on the agenda as follows:

1. Ratification of the Board's resolution of 19 September 2007 to appoint Francesco Antonietti and Angelo Fanelli as members of the Company's Board of Directors, as well as the Board's resolution of 20 December 2007 to appoint Enrico Grigesi as a member of the Company's Board of Directors;
2. The management report, individual and consolidated accounts, for the year 2007, as well as remaining reporting documents;
3. Proposal for application of profits which approved a dividend of 0.320€/share;
4. A resolution expressing the shareholders' vote of thanks to the Board of Directors, the Supervisory Board and each one of their members;
5. A resolution on the authorization to be a member of the Board of Directors on Galp Energia's competing companies and on the definition of the access regime to Galp Energia's sensitive information by Board Members that may be proposed that are in one of the situations described on number 3 of article 398. of the Commercial Companies Code;
6. The approval of the list proposed by Amorim Energia, B.V., Caixa Geral de Depósitos, S.A. and Eni S.p.A, of the Governing Bodies for the period 2008-2010;
7. The election of the Statutory Auditor for the period 2008-2010;
8. The changes to articles number 17 and 18 of Galp Energia's articles of association.

## DESIGNATION OF GALP ENERGIA'S NEW GOVERNING BODIES

Galp Energia announced on May 7, the new governing bodies designated for the 2008-2010 period.

### Board of Directors

<b>Chairman</b>	Francisco Luís Murteira Nabo
<b>Vice-Chairman</b>	Manuel Ferreira De Oliveira
<b>Members</b>	Manuel Domingues 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
	Cláudio De Marco
	Paolo Grossi
	Camillo Gloria
	Fabrizio Dassogno
	Giuseppe Ricci
	Luigi Piro
	Joaquim José Borges Gouveia

### Executive Committee

Manuel Ferreira De Oliveira	CEO
Claudio De Marco	CFO
Fernando Manuel dos Santos Gomes	Exploration & Production
André Freire de Almeida Palmeiro Ribeiro	Refining, Supply and Logistics
Carlos Nuno Gomes da Silva	Marketing of oil products
Fabrizio Dassogno	Gas & Power

The designation of Corporate secretary was made on May 9.

## DIVIDEND PAYMENT

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

## EXPLORATION & PRODUCTION

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

The consortium formed by Petrobras and Galp Energia for the exploration of Block BM-S-24 in ultra-deep water on the Santos basin announced on 21 January 2008 that the Júpiter well had proved the existence of

a large seam of natural and condensated gas in the pre-salt, with the discovery located in reservoirs close to 5,100 metres deep. The width of the hydrocarbon seam exceeds 120 metres and the size of this structure may be similar to Tupi's. Galp Energia has a 20% share in the consortium that explores the BM-S-24.

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

Galp Energia and PDVSA on 13 May signed in Caracas five cooperation agreements related with energy projects for oil, natural gas and renewable areas. These agreements follow the Memorandum of Understanding signed last October in Lisbon by the two companies. The major agreements included the development of two liquefaction plants at Gran Mariscal de Ayacucho industrial complex (CIGMA) and the development of Boyacá 6 at the Orinoco Belt.

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

On the May 21 the contractor group for BM-S-8 in ultra deep water of Santos Basin in Brazil announced that the 1-SPS-52A (Bem-te-vi) well proved the existence of oil in the pre-salt reservoirs of Santos Basin. Preliminary tests indicate an API gravity of 25-28°, which is in line with other oil identified in the pre-salt of Santos Basin. The exploration well is located 250 kilometres from the coast of the State of São Paulo in a water depth of 2,139 meters. The final well's depth is 6,773 meters.

## REFINING & MARKETING

### GALP ENERGIA AND SONAE DISTRIBUIÇÃO AGREE SALE OF CONTINENTE OUTLETS

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

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

On 13 March Galp Energia signed a partnership agreement with the Portuguese Engineering, Technology and Innovation Institute (“INETI”) and the company Algafuel. The purpose of the agreement is to form a consortium that will develop a project for the production of biomass and biofuel from microalgae crops and the attendant capture of CO<sub>2</sub>.

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

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

### **COUNCIL OF MINISTERS APPROVES THE DRAFT OF THE INVESTMENT CONTRACT FOR THE CONVERSION PROJECT OF GALP ENERGIA’S REFINERIES**

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

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

On April 18, Galp Energia and ExxonMobil Mediterranea srl. announced that an agreement has been signed for the sale of shares of Esso Espanola, SL (“Esso Spain”) and ExxonMobil Portugal Holdings BV,

owner of Esso Portuguesa LDA (“Esso Portugal”) to Galp Energia. The transaction represents a petroleum product sales volume of around one million tons per year and includes ExxonMobil’s retail station network in the two countries, currently totalling 130 service stations, and its Industrial, Wholesale, LPG and Aviation fuels businesses.

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

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

### **PORTUGUESE COMPETITION AUTHORITY APPROVES CONCENTRATION OF GALP ENERGIA / LIQUID BULK TERMINAL OF SINES PORT**

On 27 June Galp Energia received a notice from the Portuguese Competition Authority containing its final decision of non-opposition to the concentration of Galp Energia / Liquid Bulk Terminal of Sines Port following the concentration file sent to the Portuguese Competition Authority. Through this concession Galp Energia will operate the largest liquid bulk terminal in Portugal, which in 2007 has received 834 vessels for commercial activity and handled 16.7 million tonnes of cargo, becoming the most relevant national gate for refined products.

## **GAS & POWER**

### **GALP ENERGIA ACQUIRES FIRST CLIENT OF NATURAL GAS IN SPAIN**

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



### **GALP ENERGIA ENTERS THE ELECTRICITY MARKET**

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

### **GALP ENERGIA AND THE PORTUGUESE STATE SIGN NATURAL GAS CONCESSION CONTRACTS**

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

### **ERSE RELEASES NATURAL GAS TARIFFS AND PRICES**

On 18 June Entidade Reguladora dos Serviços Energéticos (“ERSE”), Portugal’s energy regulator, published yesterday “Tarifas e Preços de Gás Natural para o ano gás de 2008-2009”, a document containing the pricing grid for natural gas in Portugal. These tariffs are based on revenues allowed for gas year 2008-2009 for each regulated natural gas activity, which are the sum of the cost of capital (rate of return on regulated assets plus depreciation), operating costs and the tariff deviation – defined as the difference between estimated allowed revenues for year n-2 and actual revenues – if any. For last resort supply activities, allowed revenues include, in addition to

operating costs, depreciation and the tariff deviation, a commercialization margin covering the financial risk borne by last resort suppliers as a result of their working capital management. This commercialization margin consists of the application of a rate of return to the product of the weighted difference between the average number of payment and collection days and the sum of costs accepted for the relevant activity. The regulated asset base underlying the activities of underground storage and distribution of natural gas is €17 and €1,016 million respectively.

### **AWARDS CONCEDED**

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

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

## EVENTS AFTER THE CLOSE OF FIRST HALF 2008

### TAX CHANGE

On 10 July the Portuguese council of ministers has approved today a measure to create an additional tax rate for the companies engaged on the production and distribution of refined products. There is an obligation of using FIFO methods for valuing oil stocks for tax purposes by the companies engaged on the production and distribution of refined products. The extraordinary gains arising from the adoption of these methods are subject to a 25% autonomous tax rate.

As an Oil & Gas company and presenting its financial statements according with the IAS, Galp Energia has been recognizing, for prudential reasons, in deferred taxes with impact in results, the difference between the tax to be paid using FIFO as method for valuing stocks and LIFO method, currently being used for tax purposes.

The change proposed today by the Portuguese council of ministers:

1. doesn't have any impact in terms of net profit reported according with IFRS, as Galp Energia is already reflecting on its financial statements the utilization of FIFO for valuing stocks, being that effect accounted as deferred taxes;

2. in financial terms, considering the new valuing stocks method for tax purposes, may led to an anticipation of the tax payment, which as an example as of 31 March 2008 would be around 110 million euros.

### AWARDS CONCEDED

On July 1, Galp Energia was awarded at the Investor Relations & Governance Awards 2008, sponsored by Deloitte, which honour the best practices and investor relations professionals in Portugal. Galp Energia won "The Best Stock Exchange Performance" and "The Best Investor Relations Officer".

## BOARD OF DIRECTORS STATEMENT OF COMPLIANCE

In accordance with the terms of article 246, N°1, c) of the Portuguese Securities Code, the Board of Directors of Galp Energia, SGPS, S.A. declares that:

To the best of their knowledge the information mentioned on article 246, N°1, a) of the Portuguese Securities Code 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; and the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, together with an description of the major risks and uncertainties for the remaining six months of the financial year.

Lisbon, 28 August 2008

### The Board of Directors

**Chairman:**

Francisco Luís Murteira Nabo

**Vice-Chairman:**

Manuel Ferreira De Oliveira

**Members:**

Claudio De Marco

Fabrizio Dassogno

Fernando Manuel dos Santos Gomes

Carlos Nuno Gomes da Silva

André Freire de Almeida Palmeiro Ribeiro

José António Marques Gonçalves

João Pedro Leitão Pinheiro de Figueiredo Brito

Luigi Piro

Manuel Domingues Vicente

Rui Paulo da Costa Cunha e Silva Gonçalves

Alberto Chiarini

Paolo Grossi

Camillo Gloria

Giuseppe Ricci

Joaquim José Borges Gouveia

## APPENDIX

### GOVERNING BODIES

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

#### Board of Directors

**Chairman:**

Francisco Luís Murteira Nabo

**Vice-chairman:**

Manuel Ferreira De Oliveira

**Other directors:**

Claudio De Marco

Fabrizio Dassogno

Fernando Manuel dos Santos Gomes

Carlos Nuno Gomes da Silva

André Freire de Almeida Palmeiro Ribeiro

José António Marques Gonçalves

João Pedro Leitão Pinheiro de Figueiredo Brito

Luigi Piro

Manuel Domingues Vicente

Rui Paulo da Costa Cunha e Silva Gonçalves

Alberto Chiarini

Paolo Grossi

Camillo Gloria

Giuseppe Ricci

Joaquim José Borges Gouveia

#### Executive Committee

**Chairman:**

Manuel Ferreira De Oliveira

**Other executive 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 member:**

Amável Alberto Freixo Calhau

#### Statutory Auditors

**Standing:**

Pedro João Reis de Matos Silva

**Deputy:**

António Campos Pires Caiado

#### General Meeting Board

**Chairman:**

Daniel Proença de Carvalho

**Vice-chairman:**

Victor Manuel Pereira Dias

**Secretary:**

Pedro António do Vadre Castelino Alvim

#### Company Secretary

**Standing:**

Rui Maria Diniz Mayer

**Deputy:**

Maria Helena Claro Goldschmidt

#### Remuneration Committee

**Chairman:**

Caixa Geral de Depósitos, S.A.

**Other members:**

Amorim Energia, B.V.

Eni S.p.A

## MANDATORY NOTICES AND FILINGS

### SHAREHOLDERS WITH MAJOR DIRECT OR INDIRECT HOLDINGS

Article 448, paragraph 4 of the Companies Code and Article 20 of the Securities Code

Shareholders	No. 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%
Fidelity International Limited	16,628,682	2.01%	2.01%
Parpública - Participações Públicas, (SGPS), S.A.	58,079,514	7.00%	7.00%
Other Shareholders	193,305,608	23.31%	23.31%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	

### TREASURY SHARES

Articles 66 d) and 325-A, paragraph 1 of the Companies Code

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

At 30 June 2008, Galp Energia had no treasury shares.

### SHARES HELD AT 30 JUNE 2008 BY MEMBERS OF THE EXECUTIVE AND SUPERVISORY BODIES OF GALP ENERGIA, SGPS, S.A.

According to Articles 447, paragraph 5 of the Companies Code

Board members	Total of shares 31.12.2007	Acquisition			Disposal			Total of shares 30.06.2008
		Date	Number of shares	Value	Date	Number of shares	Value	
Francisco Luís Marteira Nabo	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	-	08.01.2008	560	17.80	0	0	0	-
		04.02.2008	861	16.77	0	0	0	-
		06.02.2008	7,498	16.10	0	0	0	-
		06.02.2008	5,864	16.00	0	0	0	-
		07.02.2008	28,382	16.59	0	0	0	-
	40,475	0	0	0.00	0	0	0	83,640
Claudio De Marco	-	-	-	-	-	-	-	-
Carlos Nuno Gomes da Silva	2,410	-	-	-	-	-	-	2,410
Fernando Manuel dos Santos Gomes	1,900	-	-	-	-	-	-	1,900
André Freire de Almeida Palmeiro Ribeiro	950	-	-	-	-	-	-	950
Fabrizio D'Assogno	-	-	-	-	-	-	-	-
José António Marques Gonçalves	3,900	17.03.2008	2,500	14.50	-	-	-	6,400
João Pedro Leitão Pinheiro de Figueiredo Brito	-	-	-	-	-	-	-	-
Manuel Domingos Vicente	-	-	-	-	-	-	-	-
Camillo Glória	-	-	-	-	-	-	-	-
Rui Paulo da Costa Cunha e Silva Gonçalves	-	-	-	-	-	-	-	-
Alberto Chiarini	-	-	-	-	-	-	-	-
Paolo Grossi	-	-	-	-	-	-	-	-
Giuseppe Ricci	-	-	-	-	-	-	-	-
Luigi Piro	-	-	-	-	-	-	-	-
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
<b>Supervisory board members</b>								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
José Gomes Honorato Ferreira	-	-	-	-	-	-	-	-
José Maria Rego Ribeiro da Cunha	-	-	-	-	-	-	-	-
Amável Alberto Fresto Calhau	-	-	-	-	-	-	-	-
<b>Statutory auditors</b>								
Deloitte & Associados, SROC, S.A.	-	-	-	-	-	-	-	-

### MAJOR TRANSACTIONS BETWEEN RELATED PARTIES IN THE FIRST SIX MONTHS

Article 246, paragraph 3 c) of the Securities Code

In the first six months there were no relevant transactions between related parties.

## **SUPERVISORY BOARD STATEMENT OF COMPLIANCE**

In accordance with the terms of article 246, N°1, c) of the Portuguese Securities Code, the Statutory Board of Galp Energia, SGPS, S.A. declares that:

To the best of their knowledge the information mentioned on article 246, N°1, a) of the Portuguese Securities Code 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; and the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, together

with an description of the major risks and uncertainties for the remaining six months of the financial year.

### **The Supervisory Board**

#### **Chairman:**

Daniel Bessa Fernandes Coelho

#### **Members:**

José Gomes Honorato Ferreira

José Maria Rego Ribeiro da Cunha Chairman

# CONSOLIDATED ACCOUNTS

## GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE HALF YEARS ENDED 30 JUNE 2008 AND 2007 (IFRS/IAS)

(Amounts expressed in thousands of Euros – tEuros)

(Translation of consolidated income statements by nature originally issued in Portuguese – Note 29)

	Notes	June 2008	June 2007 (a)
<b>Operating income:</b>			
Sales	5	7,471,635	5,823,681
Services rendered	5	64,915	61,762
Other operating income	5	38,696	40,310
<b>Total operating income</b>		<b>7,575,246</b>	<b>5,925,753</b>
<b>Operating costs:</b>			
Cost of sales	6	6,262,482	4,837,088
External supplies and services	6	308,591	298,441
Employee costs	6	135,635	129,778
Amortisation, depreciation and impairment losses on fixed assets	6	105,170	119,044
Provisions and impairment of receivables	6	17,182	10,239
Other operating costs	6	21,431	14,052
<b>Total operating costs</b>		<b>6,850,491</b>	<b>5,408,642</b>
<b>Net operating income</b>		<b>724,755</b>	<b>517,111</b>
Financial income	8	6,629	7,480
Financial costs	8	(24,449)	(25,131)
Exchange gain (loss)		4,998	(2,070)
Share of results of associates	9	21,968	31,925
Income / (costs) on financial instruments	22	(8)	793
Other gains and losses		(726)	(521)
<b>Net income before tax</b>		<b>733,167</b>	<b>529,587</b>
Income tax expense		(206,332)	(125,675)
<b>Net income before minority interest</b>		<b>526,835</b>	<b>403,912</b>
Net income attributable to minority interest		(2,774)	(2,898)
<b>Net income attributable to equity holders of the parent</b>		<b>524,061</b>	<b>401,014</b>
<b>Earnings per share (in Euros)</b>	10	<b>0.63</b>	<b>0.48</b>

(a) amounts restated in relation to the approved financial statements for the half year ended 30 June 2007 (Note 2.1)

The accompanying notes form an integral part of the consolidated statement of income by nature for the half year ended 30 June 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 BALANCE SHEET AS OF 30 JUNE 2008 AND 31 DECEMBER 2007 (IFRS/IAS)**

(Amounts expressed in thousands of Euros – tEuros)

(Translation of balance sheets originally issued in Portuguese – Note 29)

ASSETS	Notes	June 2008	December 2007
<b>Non-current assets:</b>			
Tangible fixed assets	11	2,197,047	2,107,736
Goodwill		17,222	17,222
Other intangible fixed assets	11	324,189	309,502
Investments in associates		149,141	148,755
Investments in other companies		1,022	1,047
Other receivables	13	86,286	89,149
Deferred tax assets		129,010	131,891
Other investments	16	1,762	1,475
<b>Total non-current assets</b>		<b>2,905,679</b>	<b>2,806,777</b>
<b>Current assets:</b>			
Inventories	15	1,895,234	1,422,064
Trade receivables	14	1,184,727	1,077,059
Other receivables	13	371,599	330,049
Other investments	16	34,002	6,156
Income tax recoverable		-	382
Cash and cash equivalents	17	325,136	107,176
<b>Total current assets</b>		<b>3,810,698</b>	<b>2,942,886</b>
<b>Total assets:</b>		<b>6,716,377</b>	<b>5,749,663</b>
EQUITY AND LIABILITIES	Notes	June 2008	December 2007
<b>Equity:</b>			
Share capital	18	829,251	829,251
Share premium		82,006	82,006
Translation reserve		(29,398)	(22,818)
Other reserves		174,481	146,438
Hedging reserves		1,340	1,307
Retained earnings		1,200,787	717,562
Interim dividends		-	(126,046)
Consolidated net profit attributable to equity holders of the parent	10	524,061	776,627
<b>Equity attributable to equity holders of the parent</b>		<b>2,782,528</b>	<b>2,404,327</b>
Minority interest		23,993	21,988
<b>Total equity</b>		<b>2,806,521</b>	<b>2,426,315</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Loans	19	477,494	279,712
Bonds	19	15,772	225,772
Other payables	20	61,736	61,757
Retirement and other benefit obligations		257,041	253,552
Deferred tax liabilities		197,881	147,593
Other financial instruments	22	-	5
Provisions	21	91,277	82,571
<b>Total non-current liabilities</b>		<b>1,101,201</b>	<b>1,050,962</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	19	434,299	335,767
Bonds	19	210,000	-
Trade payables		931,793	955,553
Other payables	20	1,111,884	981,066
Other financial instruments	22	27,911	-
Income tax		92,768	-
<b>Total current liabilities</b>		<b>2,808,655</b>	<b>2,272,386</b>
<b>Total liabilities</b>		<b>3,909,856</b>	<b>3,323,348</b>
<b>Total equity and liabilities</b>		<b>6,716,377</b>	<b>5,749,663</b>

The accompanying notes form an integral part of the balance sheet as of 30 June 2008.

**THE ACCOUNTANT**
**THE BOARD OF DIRECTORS**

Carlos Alberto Nunes Barata

Francisco Luís Murteira Nabó

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

Cláudio De Marco

Paolo Grossi

Camillo Gloria

Fabrizio Dassogno

Giuseppe Ricci

Luigi Piro

Joaquim José Borges Gouveia



**GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES**
**CONSOLIDATED CASH FLOW STATEMENTS FOR THE HALF YEARS ENDED 30 JUNE 2008 AND 2007**

(Amounts expressed in thousands of Euros – tEuros)

(Translation of consolidated cash flow statements originally issued in Portuguese – Note 29)

	Notes	June 2008	June 2007
<b>Operating activities:</b>			
Cash receipts from customers		7,707,441	5,750,016
Cash paid to suppliers		(5,814,293)	(3,737,492)
Cash paid to employees		(95,051)	(93,768)
Cash paid/received relating to tax on petroleum products		(1,200,641)	(1,275,986)
Cash (paid)/received relating to income tax		(57,970)	(87,635)
Cash paid to early retired and pre-retired personnel		(6,198)	(7,035)
Cash paid relating to insurance costs of retired personnel		(5,130)	(5,340)
Other (payments)/receipts relating to operating activities		(195,518)	(173,081)
<b>Net cash from operating activities (1)</b>		<b>332,640</b>	<b>369,679</b>
<b>Investing activities:</b>			
Cash receipts relating to:			
Investments		715	1,500
Tangible fixed assets		2,004	3,703
Investment subsidies	12	1,947	6,575
Interest and similar income		1,792	2,895
Dividends	4	15,424	21,714
Loans granted		747	168
		<b>22,629</b>	<b>36,555</b>
Cash payments relating to:			
Investments		(95)	(836)
Tangible fixed assets		(242,180)	(152,205)
Intangible fixed assets		(29,533)	(14,319)
Loans granted		(335)	-
		<b>(272,143)</b>	<b>(167,360)</b>
<b>Net cash from/(used in) investing activities (2)</b>		<b>(249,514)</b>	<b>(130,805)</b>
<b>Financing activities:</b>			
Cash receipts relating to:			
Loans obtained		248,080	13,357
Interest and similar income		1,152	1,317
Discounted notes		1,214	5,266
		<b>250,446</b>	<b>19,940</b>
<b>Financing activities:</b>			
Cash receipts relating to:			
Loans obtained		(21,972)	(48,287)
Loans obtained		(12,058)	(7,197)
Interest and similar costs		(11,402)	(13,802)
Dividends/results distributed	23	(139,371)	(252,206)
Discounted notes		(853)	(4,480)
Payment of principal and interest on lease contracts		(58)	(46)
Interest on lease contracts		(3)	(1)
Bond interest		(276)	(772)
		<b>(185,993)</b>	<b>(326,791)</b>
<b>Net cash from/(used in) financing activities (3)</b>		<b>64,453</b>	<b>(306,851)</b>
Net increase / (decreased) in cash and cash equivalents (4) = (1) + (2) + (3)		147,579	(67,977)
Effect of foreign exchange rate changes		1,213	(2,164)
Cash and cash equivalents at the beginning of the period	17	(16,910)	822
Cash and cash equivalents at the end of the period	17	131,882	(69,319)

The accompanying notes form an integral part of the consolidated cash flow statement for the half year ended 30 June 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

Cláudio De Marco

Paolo Grossi

Camillo Gloria

Fabrizio Dassogno

Giuseppe Ricci

Luigi Piro

Joaquim José Borges Gouveia

**GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEARS ENDED 30 JUNE 2008 AND 2007**

(Amounts expressed in thousands of Euros – tEuros)

(Translation of consolidated cash flow statements originally issued in Portuguese – Note 29)

Changes in the period	Notes	Share capital	Share premium	Translation reserve	Other reserves
<b>Balance at 31 December 2006</b>		829,251	82,006	(10,385)	107,024
Appropriation of profit to reserves		-	-	-	39,877
Dividends distributed		-	-	-	-
Other increases / decreases in hedging reserves	22	-	-	-	-
Other changes		-	-	-	(463)
Adjustments relating to the recognition of deferred taxes on financial derivatives		-	-	-	-
Differences arising on translation of foreign currency financial statements (Group companies)		-	-	(1,509)	-
Differences arising on translation of foreign currency financial statements (Associated companies)		-	-	(1,067)	-
Changes in minority interest		-	-	-	-
<b>Total increases / decreases directly in equity</b>		-	-	(2,576)	39,414
Net income attributable to the shareholders and minority interest		-	-	-	-
<b>Balance at 30 June 2007</b>		829,251	82,006	(12,961)	146,438
<b>Balance at 31 December 2007</b>		829,251	82,006	(22,818)	146,438
Appropriation of profit to reserves		-	-	-	28,043
Dividends distributed/Interim dividends	23	-	-	-	-
Other increases / decreases in hedging reserves	22	-	-	-	-
Other changes		-	-	-	-
Adjustments relating to the recognition of deferred taxes on financial derivatives		-	-	-	-
Differences arising on translation of foreign currency financial statements (Group companies)		-	-	(4,143)	-
Differences arising on translation of foreign currency financial statements (Associated companies)		-	-	(2,437)	-
Changes in minority interest		-	-	-	-
<b>Total increases / decreases directly in equity</b>		-	-	(6,580)	28,043
Net income attributable to the shareholders and minority interest	10	-	-	-	-
<b>Balance at 30 June 2008</b>		829,251	82,006	(29,398)	174,481

The accompanying notes form an integral part of the consolidated statement of changes in equity for the half year ended 30 June 2008.

**THE ACCOUNTANT**

Carlos Alberto Nunes Barata

**THE BOARD OF DIRECTORS**

Francisco Luís Murteira Nabo

Manuel Domingos Vicente

José António Marques Gonçalves

Carlos Nuno Gomes da Silva

João Pedro Leitão Pinheiro de Figueiredo Brito

Claudio De Marco

Camillo Gloria

Giuseppe Ricci

Joaquim José Borges Gouveia

Manuel Ferreira De Oliveira

Fernando Manuel dos Santos Gomes

André Freire de Almeida Palmeiro Ribeiro

Rui Paulo da Costa Cunha e Silva Gonçalves

Alberto Maria Chiarini

Paolo Grossi

Fabrizio Dassogno

Luigi Piro

Hedging reserves	Retained earnings	Interim dividends	Net profit for the period	Sub-Total	Minority interest	Total
710	254,757	-	754,774	2,018,137	18,537	<b>2,036,674</b>
-	714,897	-	(754,774)	-	-	-
-	(252,092)	-	-	(252,092)	-	(252,092)
1,232	-	-	-	1,232	-	1,232
-	-	-	-	(463)	-	(463)
(268)	-	-	-	(268)	-	(268)
-	-	-	-	(1,509)	-	(1,509)
-	-	-	-	(1,067)	-	(1,067)
-	-	-	-	-	(88)	(88)
964	462,805	-	(754,774)	(254,167)	(88)	(254,255)
-	-	-	401,014	401,014	2,898	403,912
1,674	717,562	-	401,014	2,164,984	21,347	2,186,331
1,307	717,562	(126,046)	776,627	2,404,327	21,988	2,426,315
-	748,584	-	(776,627)	-	-	-
-	(265,360)	126,046	-	(139,314)	-	(139,314)
(11)	-	-	-	(11)	-	(11)
-	1	-	-	1	-	1
44	-	-	-	44	-	44
-	-	-	-	(4,143)	-	(4,143)
-	-	-	-	(2,437)	-	(2,437)
-	-	-	-	-	(769)	(769)
33	483,225	126,046	(776,627)	(145,860)	(769)	(146,629)
-	-	-	524,061	524,061	2,774	526,835
1,340	1,200,787	-	524,061	2,782,528	23,993	2,806,521

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**GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 30 JUNE 2008**

(Translation of notes originally issued in Portuguese – Note 29)

(Amounts stated in thousands of Euros - tEuros)

## **1. INTRODUCTORY NOTE**

### **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.” now called Galp Gás Natural, S.A.).

In the period ended 30 June 2008 the subsidiary GDP - Gás de Portugal, SGPS, S.A. was merged into Galp Energia, SGPS, S.A. with effect as from 1 January 2008 and the subsidiary GDP Distribuição, SGPS, S.A., that holds the Group’s participations in the natural gas area, changed its name to GDP - Gás de Portugal, SGPS, S.A..

Over the years the Company has undergone several changes which, together with its position as of 30 June 2008, are explained in Note 18.

Some of the Company’s shares are listed in the Euronext Lisbon stock exchange.

### **b) The Group:**

At 30 June 2008 the Galp Group (“the Group”) was made up of Galp and its subsidiaries, which included: (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. (previously called GDP Distribuição, SGPS, S.A.) and its subsidiaries, which operate 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) and 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 it 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 and production area (upstream), essentially in Angola and Brazil, 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 the acquisition, sale to electricity generators on an ordinary basis and sale to the last resort wholesaler, namely Galp Gás Natural, S.A.; storage, Transgás Armazenagem, S.A.; distribution and commercialisation of natural gas, namely 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 end in 2045 in the case of storage contracts and 2047 in the case of natural gas distribution and commercialisation contracts. At the end of this period the assets relating to the concessions will be transferred to the Portuguese State, the companies receiving an indemnity corresponding to the book value of these assets, net of depreciation, financial co-participations and non-repayable grants.

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

Decree-Law 30/2006 of 15 February, while including the strategic guidelines of the Resolution of the Council of Ministers 169/2005 of 24 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 26 June, with the objective of establishing a more competitive free market. Organisation of the National Natural Gas System is based fundamentally on exploitation 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 exploited 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 permit 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 fare. 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, last resort commercialisation 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 in the regions where the number of clients exceeds 125 thousand, in order to separate the commercialisation activity from the distribution activity.

### b3) Electricity generating operations

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

### c) Operations

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

- The exploration and production segment (“E&P”) is responsible for Galp Energia’s upstream operations in the petroleum industry, which consisting 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 segment (“Refining and Distribution”) has the only two refineries in Portugal and also includes all the activities relating to the retail and wholesale commercialisation of petroleum products (including LNG). 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 distributing the products to the main consumption centres. The Galp brand retail commercialisation activities are also extended to Spain, Mozambique and Guinea-Bissau with subsidiaries fully owned by the Group and joint ventures in Angola and Cape Verde.
- The Gas and Power segment covers the Purchasing, Commercialising and Distribution of Natural Gas and electric power generation.
  - i) The Purchasing and Commercialisation of Natural Gas area supplies Natural Gas to large industrial customers with annual consumptions of more than 2 million m<sup>3</sup>, electric power generating companies and the 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.

- ii) The Natural Gas Distribution and Commercialisation 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<sup>3</sup>.
- iii) The Power area, which currently generates electric and thermic power, supplies power to large industrial customers. Galp Energia presently has participations in three co-generation plants with an installed capacity of 80 MW. In addition, it has a participation in wind farms and a combined cycle plant, 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 Galp Energia Group’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, from the accounting records of the companies included in the consolidation, prepared in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process, to conform to International Financial Reporting Standards as adopted by the European Union, effective for the years beginning 1 January 2005. 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 SIC and IFRIC interpretations, issued by the International Financial Reporting Interpretation Committee (“IFRIC”) and Standing Interpretation Committee (“SIC”). These standards and interpretations are hereinafter referred to as IFRS.

The Company’s Board of Directors believes that the accompanying consolidated financial statements and notes that follow fairly present the interim consolidated financial information in accordance with IAS 34 – Interim Financial Reporting. Therefore, estimates were used that affect the reported amounts of Assets and Liabilities, as well as the reported amounts of Income and Costs for the reported period. However, the estimates and assumptions used by the Board of Directors were based on the best information available regarding the events and transactions in progress as of the time of approval of the financial statements.

In the half year ended 30 June 2008 only the material variations required by IFRS 7 – Financial Instruments: Disclosure of Information, were disclosed. For the remaining disclosures required by this standards, see the consolidated notes to the financial statements as of 31 December 2007.



## 2.1 Changes in accounting policies

In the year ended 31 December 2007 the Galp Energia Group decided to change its accounting policies regarding classification, in the financial statements, of the following costs and income, having restated the information for the half year ended 30 June 2007, presented for comparative purposes:

- (i) Tax on petroleum income (Imposto sobre o rendimento do petróleo - IRP). As the tax on petroleum income incurred by the subsidiary Galp Exploração in Angola corresponds to tax on income more than a specific tax on the sale of products, it is classified in the caption "Income tax", while in 2006 it was classified in the caption "Other operating costs".
- (ii) Insurance policies issued and paid in the Galp Energia Group. The costs and income relating to some insurance policies issued and paid, not directly related to the reinsurance activities of the subsidiary TagusRE, were classified in the caption "External supplies and services" and "Services rendered" in the consolidated income statement. The Group believes that the directly related insurance policies issued and paid should be presented by their net amount, so avoiding the presentation of the same amount of costs and income in the financial statements.

In accordance with the Group, the changes in accounting policies improve the interpretation of the financial statements by its users.

The effects of these changes in the consolidated income statement, is as follows:

Captions	Notes	2007 restated	Petroleum income tax (IRP)	Insurance policies	June 2007
Services rendered	5	61,762	-	(8,256)	70,018
External supplies and services	6	298,441	-	(8,256)	306,697
Other operating costs	6	14,052	(19,036)	-	33,088
Income tax		(125,675)	(19,036)	-	(106,639)

Additional information on the other accounting policies used in preparing the interim consolidated financial statements and other information can be found in the Company's consolidated financial statements as of 31 December 2007 and accompanying notes.

### 3. COMPANIES INCLUDED IN THE CONSOLIDATION

In the half year ended 30 June 2008 the consolidation perimeter was changed as follows in relation to 31 December 2007.

- a) The subsidiary Driftal - Plásticos de Portugal S.A. was dissolved in the first half of 2008.
- b) 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, for the purpose of generating and commercialising electric

energy, including the conception, construction and operation of a combined cycle thermoelectric plant, as well as the exercise of other related activities.

- c) The subsidiary Galp Exploração e Produção Petrolífera, S.A. subscribed for 67% of the share capital of Galpbuzi Agro-Energia, S.A., which was founded on 23 April 2008 for the purpose of promoting the development of the production of non-edible vegetable oil in Mozambique for subsequent export, as well as the exercise of any related activities.

The companies included in the consolidation by the proportional consolidation method had the following impact (corresponding to the appropriated amounts) on the on the consolidated financial statements as of 30 June 2008:

Company	Contribution for Proportional Consolidation (a)				Net result for the period
	Assets	Liabilities	Income	Costs	
C.L.C. - Companhia Logística de Combustíveis, S.A.	125,658	(78,503)	14,445	(8,919)	5,526
Caiageste - Gestão de Áreas de Serviço, Lda.	177	(125)	297	(311)	(14)
Sigás - Armazenagem de Gás, A.C.E.	15,791	(15,729)	2,200	(2,137)	63
Asa - Abastecimento e Serviços de Aviação, Lda.	104	(97)	206	(205)	1
Ventinveste, S.A. (b)	1,177	(1,273)	20	(107)	(87)
	<u>142,907</u>	<u>(95,727)</u>	<u>17,168</u>	<u>(11,679)</u>	<u>5,489</u>

(a) Before consolidation's eliminations.

(b) This amounts represents the Ventinveste Group Consolidation, including only all subsidiaries of wind power activities.

#### 4. INVESTMENTS IN ASSOCIATES

In the half year ended 30 June 2008 dividends of tEuros 15,424 were received, of which:

- tEuros 3,319 paid by Companhia Logística de Hidrocarburos CLH, S.A. ("CLH");
- tEuros 6,184 paid by EMPL-Europe Magreb Pipeline, Ltd.;
- tEuros 3,095 paid by Gasoduto Estremadura S.A.;
- tEuros 2,317 paid by Gasoduto Al Andaluz, S.A.;
- tEuros 509 paid by Empresa Nacional de Combustíveis Enacol S.A.R.L..

## 5. OPERATING INCOME

The Group's operating income for the half years ended 30 June 2008 and 2007 is made up as follows:

Captions	June 2008	June 2007
Sales:		
of merchandise	2,570,786	2,021,324
of products	4,900,849	3,802,357
	7,471,635	5,823,681
Services rendered	64,915	61,762 (a)
Other operating income:		
Supplementary income	24,362	23,549
Gain on fixed assets	696	3,049
Operating subsidies	3,300	2,057
Other	10,338	11,655
	38,696	40,310
	7,575,246	5,925,753

(a) This amount was restated considering the changes in accounting policies referred to in Note 2.

Sales of fuel include Tax on Petroleum Products (ISP).

The caption "Supplementary income" for 2008 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.

## 6. OPERATING COSTS

The results for the half years ended 30 June 2008 and 2007 were affected by the following operating costs captions:

<b>CAPTIONS</b>	<b>June 2008</b>	<b>June 2007</b>
<b>Cost of sales:</b>		
Merchandise	1,544,072	1,155,442
Raw and subsidiary materials	3,717,042	2,509,299
Tax on Oil Products (ISP)	1,176,232	1,244,451
Variation in production	(173,018)	(81,363)
Decrease in inventories	(286)	4,307
Financial derivatives	(1,560)	4,952
	<b>6,262,482</b>	<b>4,837,088</b>
<b>External supplies and services:</b>		
Subcontracts	4,446	6,222 (b)
Rent and leasing	23,459	20,261 (b)
Maintenance and repairs	27,852	23,300
Publicity	11,550	11,296
Merchandise transportation	44,291	48,210 (b)
Insurance	10,033	11,421 (a)
Commission	5,834	5,783
Storage and filling	26,870	25,600
Port services and taxes	9,142	10,301 (b)
Other specialised services	100,309	94,685 (b)
Other external supplies and services	23,872	22,703 (b)
Other costs	20,933	18,659 (b)
	<b>308,591</b>	<b>298,441</b>
<b>Employee costs:</b>		
Remuneration of the statutory boards (Note 24)	3,039	2,295
Remuneration of personnel	90,628	87,095
Social charges	18,814	17,901
Retirement benefits - pensions and insurance	16,724	18,211
Other insurance	3,550	3,515
Other costs	2,880	761
	<b>135,635</b>	<b>129,778</b>
<b>Amortisation, depreciation and impairment (Note 11):</b>		
Depreciation and impairment of tangible fixed assets	93,384	105,177
Amortisation and impairment of intangible fixed assets	11,786	13,867
	<b>105,170</b>	<b>119,044</b>
<b>Provision and impairment of receivables:</b>		
Provisions and reversals	16,802	5,339
Impairment loss on trade receivables (Note 14)	389	4,846
Impairment loss on other receivables (Note 13)	(9)	54
	<b>17,182</b>	<b>10,239</b>
<b>Other operating costs:</b>		
Other taxes	4,116	4,574
Loss on fixed assets	10,173	152
Other operating costs	7,142	9,326 (a)
	<b>21,431</b>	<b>14,052</b>
	<b>6,850,491</b>	<b>5,408,642</b>

(a) This amount was restated considering the changes in accounting policies referred to in Note 2.

(b) In the half year ended 30 June 2008 changes were made in the classification of the respective external supplies and services captions. The comparative financial statements were restated using the same criteria.

The amount of tEuros 16,802 relating to Provisions and Reversals includes essentially an increase of tEuros 13,421 in the provision to cover the difference between Galp Gás Natural, S.A. and Nigeria Liquefied Natural Gas Limited, relating to the price of gas.

## 7. SEGMENT REPORTING

### Business segments

For strategic reasons the Group is currently organised in the following four business segments, with the following business units:

- Gas and Power;
- Refining and Distribution of Petroleum Products;
- Exploration and Production;
- Others.

The segment "Others" includes the holding company Galp Energia, S.G.P.S., S.A. and companies with different activities, namely Tagus Re, S.A. and Galp Energia, S.A..

Following is financial information for the segments identified above, regarding operating results for the half years ended 30 June 2008 and 2007 and balances as of 30 June 2008 and 31 December 2007:

	Natural gas		Refining and distribution of petroleum		Exploration and production		Electricity		Others		Eliminations		Consolidated	
	2008	2007 (a)	2008	2007 (a)	2008	2007 (a)	2008	2007 (a)	2008	2007 (a)	2008	2007 (a)	2008	2007 (a)
<b>Income</b>														
Sales and services rendered	899,297	651,257	6,644,001	5,240,097	154,569	93,233	16,443	14,457	57,830	49,676	(235,590)	(163,277)	7,536,550	5,885,443
Inter-segment	34,071	21,339	1,236	1,589	145,602	92,770	283	-	54,398	47,579	(235,590)	(163,277)	-	-
External	865,226	629,918	6,642,765	5,238,508	8,967	463	16,160	14,457	3,432	2,097	-	-	7,536,550	5,885,443
<b>EBITDA (1)</b>	<b>200,420</b>	<b>116,985</b>	<b>521,963</b>	<b>424,712</b>	<b>115,015</b>	<b>99,460</b>	<b>2,547</b>	<b>1,234</b>	<b>7,037</b>	<b>3,958</b>	<b>125</b>	<b>44</b>	<b>847,107</b>	<b>646,393</b>
<b>Non cash costs</b>														
Amortisation and adjustments	(15,296)	(13,794)	(59,623)	(76,725)	(28,573)	(26,481)	(1,515)	(1,472)	(163)	(572)	-	-	(105,170)	(119,044)
Provisions (net)	(15,492)	(2,633)	(387)	(5,347)	(1,906)	(2,254)	(3)	(5)	606	-	-	-	(17,182)	(10,239)
<b>Segment results</b>	<b>169,632</b>	<b>100,558</b>	<b>461,953</b>	<b>347,640</b>	<b>84,536</b>	<b>70,725</b>	<b>1,029</b>	<b>(243)</b>	<b>7,480</b>	<b>3,386</b>	<b>125</b>	<b>45</b>	<b>724,755</b>	<b>517,111</b>
Financial results	13,485	21,773	(16,754)	(7,238)	8,171	6,082	(1,040)	(587)	4,675	(2,509)	(125)	(45)	8,412	12,476
Income tax	(43,433)	(27,360)	(109,484)	(79,157)	(52,367)	(20,007)	(193)	576	(853)	273	-	-	(206,332)	(125,675)
Minority interest	(1,853)	(2,080)	(417)	(475)	-	-	(504)	(343)	-	-	-	-	(2,774)	(2,898)
<b>Net income IFRS/IAS</b>	<b>137,831</b>	<b>92,891</b>	<b>335,296</b>	<b>255,770</b>	<b>40,340</b>	<b>56,799</b>	<b>(708)</b>	<b>(596)</b>	<b>11,302</b>	<b>(3,856)</b>	<b>-</b>	<b>-</b>	<b>524,061</b>	<b>401,014</b>
<b>At 30 June 2008 and 31 December 2007</b>														
<b>OTHER INFORMATION</b>														
<b>Assets by Segment (2)</b>														
Investments (3)	79,664	73,916	69,892	73,958	-	-	157	1,798	450	129	-	-	150,163	149,802
Other assets	1,522,320	1,319,524	4,710,046	3,981,962	700,342	569,675	99,750	93,003	1,496,897	451,946	(1,963,141)	(816,251)	6,566,214	5,599,861
<b>Activos Totales Consolidados</b>	<b>1,601,984</b>	<b>1,393,441</b>	<b>4,779,938</b>	<b>4,055,921</b>	<b>700,342</b>	<b>569,675</b>	<b>99,907</b>	<b>94,801</b>	<b>1,497,347</b>	<b>452,074</b>	<b>(1,963,141)</b>	<b>(816,251)</b>	<b>6,716,377</b>	<b>5,749,663</b>
<b>Passivos Totales Consolidados</b>	<b>1,062,871</b>	<b>608,141</b>	<b>3,225,137</b>	<b>2,675,512</b>	<b>308,281</b>	<b>185,947</b>	<b>96,950</b>	<b>91,633</b>	<b>1,179,758</b>	<b>578,362</b>	<b>(1,963,141)</b>	<b>(816,251)</b>	<b>3,909,856</b>	<b>3,323,348</b>

(1) EBITDA = Segment Result/EBIT + Amortisations + Provisions

(2) Net amount.

(3) In accordance with the equity method.

(4) Restated values by approved statements in half year ended 30 de June 2007 (Nota 2)

## 8. FINANCIAL INCOME AND FINANCIAL COSTS

Financial income and financial costs for the half years ended 30 June 2008 and 2007 are made up as follows:

	<u>June 2008</u>	<u>June 2007</u>
<u>Financial income:</u>		
Interest on bank deposits	2,515	4,066
Other financial income	2,264	1,999
Interest and other income relating to related companies	1,850	1,415
	<u>6,629</u>	<u>7,480</u>
<u>Financial costs:</u>		
Interest on bank loans and overdrafts	(14,286)	(13,770)
Interest capitalised in fixed assets	879	169
Securitisation of accounts receivable - Financial costs (Note19)	(4,210)	(5,308)
Other financial costs	(6,566)	(5,983)
Interest - related companies	(266)	(239)
	<u>(24,449)</u>	<u>(25,131)</u>

The Group has the policy of capitalising in tangible and intangible fixed assets in construction, interest on loans obtained. The percentage of interest capitalised is proportional to the amount of capital expenditure incurred, in accordance with the borrowing cost accounting standards.

## 9. RESULTS RELATING TO PARTICIPATIONS IN ASSOCIATED COMPANIES

The results of participations in associated companies in the half years ended 30 June 2008 and 2007 were as follows:

	<u>June 2008</u>	<u>June 2007</u>
EMPL - Europe Maghreb Pipeline, Ltd.	14,889	14,676
CLH - Companhia Logística de Hidrocarburos, S.A.	2,850	7,795
Gasoduto Extremadura, S.A.	1,962	1,446
Gasoduto Al-Andaluz, S.A.	1,594	1,102
Número Um - Reparação de Automóvel, Lda.	-	945
Others - net gain	673	5,961
	<u>21,968</u>	<u>31,925</u>

## 10. EARNINGS PER SHARE

Earnings per share for the half years ended 30 June 2008 and 2007 are as follows:

	June 2008	June 2007
<b>Net income</b>		
Net income for purposes of calculating earnings per share (net profit for the half year)	524,061	401,014
<b>Number of shares</b>		
Weighted average number of shares for earnings per shares calculation (Note 18)	829,250,635	829,250,635
<b>Basic earnings per share (amounts in Euros)</b>	<b>0.63</b>	<b>0.48</b>

As there are no situations that give rise to dilution, the diluted earnings per share is the same as the basic earnings per share.

## 11. TANGIBLE AND INTANGIBLE FIXED ASSETS

	June 2008			December 2007		
	Gross cost	Accumulated depreciation and impairment	Net Carrying Amount	Gross cost	Accumulated depreciation and impairment	Net Carrying Amount
<b>Tangible Fixed Assets</b>						
Land and natural resources	198,467	(3,316)	195,151	195,917	(3,213)	192,704
Buildings and other constructions	704,430	(430,858)	273,572	686,037	(416,930)	269,107
Machinery and equipment	3,965,352	(2,921,754)	1,043,598	3,909,244	(2,846,378)	1,062,866
Transport equipment	23,405	(20,970)	2,435	22,955	(20,798)	2,157
Tools and utensils	4,271	(3,803)	468	4,306	(3,719)	587
Administrative equipment	128,657	(114,057)	14,600	125,617	(111,186)	14,431
Reusable Containers	155,257	(138,044)	17,213	154,230	(136,162)	18,068
Other tangible assets	107,330	(65,492)	41,838	105,876	(62,179)	43,697
Tangible assets in progress	600,284	-	600,284	497,922	-	497,922
Advances on account of tangibles assets	7,888	-	7,888	6,197	-	6,197
	<u>5,895,341</u>	<u>(3,698,294)</u>	<u>2,197,047</u>	<u>5,708,301</u>	<u>(3,600,565)</u>	<u>2,107,736</u>
<b>Intangible Assets</b>						
	Gross cost	Accumulated depreciation and impairment	Net Carrying Amount	Gross cost	Accumulated depreciation and impairment	Net Carrying Amount
Installation costs	2,944	(2,876)	68	3,027	(2,958)	69
Research and development costs	2,659	(1,877)	782	2,500	(1,800)	700
Industrial property and other rights	244,274	(127,941)	116,333	225,785	(121,381)	104,404
Re-conv. Of consumption to natural gas	279,000	(81,888)	197,112	265,172	(75,787)	189,385
Goodwill	11,366	(11,055)	311	11,130	(10,768)	362
Intangible assets in progress	9,347	-	9,347	14,375	-	14,375
Advances to suppliers of intangible assets	236	-	236	207	-	207
	<u>549,826</u>	<u>(225,637)</u>	<u>324,189</u>	<u>522,196</u>	<u>(212,694)</u>	<u>309,502</u>

Tangible and intangible fixed assets are recorded in accordance with the accounting policies defined by the Group, which are explained in the Notes to the financial statements as of 31 December 2007.

The non repayable grants attributed to the Group to finance tangible and intangible fixed assets (essentially re-conversions to natural gas) 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 and amortisation of the subsidised assets.

Main occurrences in the half year ended 30 June 2008:

The main changes in the half year in the gross tangible and intangible fixed assets of the GDP sub-group (acquisition, transport, distribution and commercialisation of natural gas) were as follows:

- Increase of tEuros 9,927 in the company Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A., relating to natural gas networks, branches, meters, other infrastructures and re-conversion of consumption to natural gas;
- Increase of tEuros 2,889 in the company Lusitaniagás – Companhia de Gás do Centro, S.A. relating to natural gas networks, branches, meters and other infrastructures and re-conversion of consumption to natural gas;
- Decrease of tEuros 3,572 in the company Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, of which tEuros 1,287 corresponds to natural gas meters and tEuros 2,285 to items of the low and medium pressure natural gas network. These assets had a net book value of tEuros 147;

The main changes in the half year in the gross tangible and intangible fixed assets of the Petrogal sub-group (exploration, production, refining and distribution of petroleum products) were as follows:

- Increase of tEuros 7,566 and tEuros 63,592 in exploration and development of crude oil in Angola Block 32 and Block 14, respectively, and tEuros 1,934 in the Mozambique Rovuma Block;
- Decrease of tEuros 9,635 relating to the write off of Blocks abandoned in Brazil;
- Increase of tEuros 25,779 in the research of oil in blocks operated and not operated in Brazil;
- Increase of tEuros 6,566 in the research of oil in blocks not operated in East Timor;
- Increase of tEuros 3,139 in Galp Energia Spain, relating to propane gas installations in customers and investment made in the service station network, amounting to tEuros 221 and tEuros 2,918, respectively;
- Signature bonuses of tEuros 15,955 paid for the acquisition of participations in seven additional offshore blocks in the ninth round of bids (one in the Campos basin, three in the Santos basin and three in the Pernambuco-Paraíba basin) and farmin agreement bonus to research blocks in Timor, in the amounts of tEuros 9,831 and tEuros 6,124, respectively;



- tEuros 4,884 relating essentially to the modernisation of service station equipment, convenience stores, expansion of operations and development of the information systems;
- tEuros 16,599 invested in the Sines and Oporto refineries, tEuros 19,642 relating to conversion projects in the Sines and Oporto refineries and tEuros 8,732 in other industrial projects;
- tEuros 3,183 relating to modernisation of the gas bottle filling line, to adapt the networks and acquire new gas bottles;
- tEuros 1,275 relating to the construction of a ship;

In the first half of 2008 tangible and intangible fixed assets in the net amounts of tEuros 3,072 and tEuros 185, respectively, which were mostly fully depreciated or amortised, were written off as a result of updating the fixed assets records.

Tangible and intangible fixed assets in progress at 30 June 2008 are made up as follows:

	Gross	Investment grants	Net asset
Petroleum research in blocks in Angola	296,413	-	296,413
Petroleum research in blocks in Brazil	98,771	-	98,771
Industrial investment relating to the refineries	40,711	-	40,711
Co-generation plants	40,623	-	40,623
Renewal and expansion of the service station network	32,696	-	32,696
Reconversion of the refineries projects	25,930	-	25,930
Oil research and exploration in East Timor	12,690	-	12,690
Industrial equipment - Porto refinery	9,479	-	9,479
Strategic storage infrastructure construction	7,087	(1,549)	5,538
Combined cycle plant of Sines	5,776	-	5,776
Construction of a ship	5,634	-	5,634
Leixões - Tubes on the Porto refinery	4,044	-	4,044
Studies and licences - Porto and Sines refinery	3,659	-	3,659
Fire protection system - Porto refinery	2,978	-	2,978
Construction of natural gas re-conversion infrastructure network	2,733	(1,006)	1,727
Wind farms	2,356	-	2,356
"Monobóia" - installation and spare parts	2,017	-	2,017
Other projects	18,589	-	18,589
	<u>612,186</u>	<u>(2,555)</u>	<u>609,631</u>

The change in accumulated amortisation, depreciation and impairment between 30 June 2008 and 31 December 2007 in the amount of tEuros 110,672, includes tEuros 105,170 recorded by corresponding entry to amortisation, depreciation and impairment losses on fixed assets (Note 6) and the balance of tEuros 5,502 corresponds to assets written off.

## 12. GOVERNMENT GRANTS

Government grants received and receivable at 30 June 2008 and 31 December 2007 are as follows:

Program	Amount received		Amount receivable	
	2008	2007	2008	2007
Energy program	115,753	115,753	-	-
Interreg II	19,176	19,176	-	-
Protede	19,708	19,708	-	-
Operating Economy Program	206,243	204,296	8	227
Desulphurisation of Sines	39,513	39,513	-	-
Desulphurisation of Porto	35,307	35,307	-	-
Others	12,342	12,342	-	-
<b>Total</b>	<b>448,042</b>	<b>446,095</b>	<b>8</b>	<b>227</b>

Government grants of tEuros 1,947 were received in the first half of 2008.

## 13. OTHER RECEIVABLES

The non-current and current "Other receivables" caption at 30 June 2008 and 31 December 2007 is made up as follows:

Captions	June 2008		December 2007	
	Current	Non-current	Current	Non-current
State and other public entities				
Corporate Income Tax - Special payments on account	89	-	133	-
VAT- Reimbursements requested	12,723	-	9,730	-
Others	362	80	924	53
Advances to suppliers of fixed assets	48,157	-	12,665	-
Advances to suppliers	16,521	-	2,848	-
Debit balances with suppliers	20,110	-	29,367	-
Tax on Petroleum Products ("ISP")	14,640	-	17,699	-
Contract ceding the rights to use telecommunications infrastructures	13,089	539	13,089	539
Other receivables - associated, related and participated companies	10,355	674	5,073	722
Means of payment	3,534	-	9,763	-
Pension Fund - recovery of payments	1,930	-	1,887	-
Personnel	1,706	-	1,862	-
Advances to the operator Petrobrás	1,229	-	3,149	-
Loans to customers	525	2,444	614	2,447
Government grants (Note 12)	8	-	227	-
Loans to associated, related and participated companies	-	47,864	-	48,457
Captive bank deposits linked to EIB loan	-	2,126	-	3,615
Other receivables	51,866	1,399	17,278	1,024
	<u>196,844</u>	<u>55,126</u>	<u>126,308</u>	<u>56,857</u>
Accrued income:				
Sales and services rendered not yet invoiced	108,576	-	135,652	-
Accrued interest	7,474	-	5,531	-
Block 14 crude oil swap	2,799	-	8,685	-
Accrued discount receivable on purchases	1,206	-	1,084	-
Other accrued income	5,126	-	7,305	-
	<u>125,181</u>	<u>-</u>	<u>158,257</u>	<u>-</u>
Deferred costs:				
Costs relating to service station concession contracts	33,824	-	35,137	-
Prepaid insurance	6,097	-	411	-
Cataliser costs	2,613	-	3,198	-
Interest and other financial costs	864	41	1,095	41
Prepaid rent	181	-	207	-
Retirement benefits	-	30,812	-	32,110
Other deferred costs	10,845	307	9,929	141
	<u>54,424</u>	<u>31,160</u>	<u>49,977</u>	<u>32,292</u>
	<u>376,449</u>	<u>86,286</u>	<u>334,542</u>	<u>89,149</u>
Impairment of other receivables	(4,850)	-	(4,493)	-
	<u>371,599</u>	<u>86,286</u>	<u>330,049</u>	<u>89,149</u>

The changes in the caption "Impairment of other receivables" in the half year ended 30 June 2008 were as follows:

CAPTIONS	Beginning balance	Increase	Decrease	Utilisation	Transfers/ Adjustments	Ending balance
Other receivables	4,493	77	(86)	(84)	450	4,850
	<u>4,493</u>	<u>77</u>	<u>(86)</u>	<u>(84)</u>	<u>450</u>	<u>4,850</u>

The increase and decrease in impairment losses on other receivables in the net negative amount of tEuros 9 were recognised in the caption "Provision for impairment of receivables" (Note 6).

The significant increase in the caption "Advances to suppliers of fixed assets" corresponds essentially to advances paid to the operator Cabinda Gulf Oil Company, LTD. to research and produce oil from Block 14.

The caption "Advances to suppliers" includes tEuros 6,863 paid to the supplier Nioc Nacional, Iranian Oil Corporation, for the delivery of crude oil.

The amount of tEuros 14,640 in the caption “Other receivables – Tax on oil products ISP” refers to the amount receivable from the Customs relating to exemption from ISP of bio-fuels, which is under a tax suspension regime in accordance with Circular 79/2005 of 6 December.

The amount of tEuros 13,089 reflected under current assets and tEuros 539 reflected under non-current assets results from Contracts Ceding the Rights to Use Telecommunications Infrastructures entered into 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 this contract is recorded in deferred income and recognised in the income statement on a straight-line basis over the period of the contract, which ends on 1 June 2019.

The amount of tEuros 10,355 reflected in the caption “Other receivables- associated, related and participated companies” refers to companies not consolidated by the full consolidation method.

The caption “Means of payment” in the amount of tEuros 3,534 corresponds to amounts receivable for sales by visa/multibanco cards, which at 30 June 2008 were pending collection.

The caption “Pension fund - Recovery of payments”, in the amount of tEuros 1,930, corresponds to amounts not yet reimbursed by the Pension Fund (BPI Pensões), relating to pensions processed and paid directly by the Group in June.

The non-current loans to associated companies correspond essentially to loans conceded by the following subsidiaries:

- Loans of tEuros 14,769 and tEuros 9,841 by Galp Gás Natural, S.A. to Gasodutos Al Andaluz and Extremadura, respectively. Interest on these loans for the half year ended 30 June 2008 amounted to tEuros 715, of which tEuros 429 corresponds to Gasoduto Extremadura and tEuros 286 to Gasoduto Al-Andaluz, were capitalised in this caption.
- Loans of tEuros 7,685 and tEuros 2,849 by 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., respectively. Interest on these loans for the half year ended 30 June 2008 amounted to tEuros 403, of which tEuros 299 relates to Setgás - Sociedade de Produção e Distribuição de Gás, S.A. and tEuros 104 to Tagusgás - Empresa Gás do Vale do Tejo, S.A. were capitalised in this caption.
- Loan of tEuros 9,422 by Galp Power , SGPS, S.A. to Energin - Sociedade de Produção de Electricidade e Calor, S.A.. Interest on this loan for the half year ended 30 June 2008 amounted to tEuros 632.
- Loan of tEuros 3,206 by Petróleos de Portugal - Petrogal, S.A. to Setgás - Sociedade de Produção e Distribuição de Gás, S.A.. Interest on this loan for the half year ended 30 June 2008 amounted to tEuros 101.

These loans bear interest at normal market rates and do not have defined repayment dates.

The accrued income caption “Sales and services rendered not yet invoiced” refers essentially to: i) tEuros 91,232 relating to natural gas consumed for which the corresponding invoices were issued in the following month; (ii) tEuros 3,167 relating to the sale of finished goods corresponding to consumption for the first half of 2008 using Galp Frota cards only invoiced by the service stations in the second half of 2008.

The amount of tEuros 7,474 reflected in the accrued income caption “Accrued interest” includes tEuros 5,872 corresponding to interest for ceding the rights to use infrastructures to be charged to E3G-Telecomunicações S.A..

The amount of tEuros 2,799 reflected in the accrued income caption “Block 14 crude oil swap” relates to hedging transactions carried out in the month June 2008 for which the financial flows will be realized in the month of July 2008. These operations were carried out to smooth the price of Brent on block 14 sales transactions in the first half of 2008 and, as they refer to swaps indexed to the monthly price of Brent, they generate actual monthly transactions the cost/income of which being recognized in the month to which the operation relates.

Deferred costs relating to service station concession contracts are amortised over the period of the concessions, which varies from 20 to 25 years.

The amount of tEuros 6,097 reflected in the caption “Prepaid insurance” corresponds to insurance premiums paid in the first half of 2008 to be expensed in the second half of 2008.

#### 14. TRADE RECEIVABLES

The caption “Trade receivables” at 30 June 2008 and 31 December 2007 is made up as follows:

CAPTIONS	June 2008	December 2007
Clients, current accounts	1,168,367	1,061,513
Clients - doubtful accounts	79,185	78,226
Clients - notes receivable	4,264	4,568
	<u>1,251,816</u>	<u>1,144,307</u>
Impairment of trade receivables	<u>(67,089)</u>	<u>(67,248)</u>
	<u>1,184,727</u>	<u>1,077,059</u>

The increase and decrease in the caption “Impairment of trade receivables” in the net amount of tEuros 389 was recorded in the caption “Provision and impairment of receivables” (Note 6).

The changes in the caption “Impairment of trade receivables” in the first half of 2008 were as follows:

CAPTIONS	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Ending balance
Impairment of trade receivables	869				13	882
Adjustments to doubtful receivables	66,379	12,578	(12,189)	(453)	(108)	66,207
	<u>67,248</u>	<u>12,578</u>	<u>(12,189)</u>	<u>(453)</u>	<u>(95)</u>	<u>67,089</u>

## 15. INVENTORIES

Inventories at 30 June 2008 and 31 December 2007 are made up as follows:

Captions	2008	2007
Raw, subsidiary and consumable materials:		
Crude oil	459,273	262,884
Other raw materials	54,950	44,529
Raw material in transit	125,020	180,673
	639,243	488,086
Adjustments to raw, subsidiary and consumable materials	(9,511)	(10,063)
	629,732	478,023
Finished and semi-finished products:		
Finished products	491,898	376,498
Semi-finished products	342,424	255,778
Semi-finished products	-	15,423
	834,322	647,699
Adjustments to finished and semi-finished products	(178)	(7)
	834,144	647,692
Work in process	320	365
Merchandise	432,224	297,926
Merchandise in transit	48	48
	432,272	297,974
Adjustments to merchandise	(1,282)	(2,039)
	430,990	295,935
Advances on account of purchases	48	49
	1,895,234	1,422,064

Merchandise at 30 June 2008, in the amount of tEuros 432,224, includes essentially natural gas in the pipelines in the amount of tEuros 56,998 and inventories of crude oil derivative products of the subsidiary Galp Energia España, S.A. in the amount of tEuros 348,879.

At 30 June 2008 the Group's responsibility to competitors for strategic reserves, which can only be satisfied by the delivery of products, amounted to tEuros 409,893 and is recorded in the caption "Advances on account of sales" (Note 20).

In November 2004, under Decree-law 339-D/2001 of 28 December, Petrogal and 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 Petrolíferos, 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.

## 16. OTHER INVESTMENTS

Other non-current investments at 30 June 2008 and 31 December 2007 are made up as follows:

<b>Captions</b>	<b>2008</b>	<b>2007</b>
Derivatives over commodities	1,641	1,216
Financial Instruments (Note 22)	1,641	1,216
Other treasury applications	121	259
Other non-current investments	121	259
	<b>1,762</b>	<b>1,475</b>

Financial instruments at 30 June 2008 and 31 December 2007 are recorded at fair value as of those dates (Note 22).

The current assets caption "Other investments" at 30 June 2008 and 31 December 2007 are made up as follows:

<b>Captions</b>	<b>2008</b>	<b>2007</b>
Derivatives over commodities	27,368	99
Derivatives over interest rates	406	591
Financial Instruments (Note 22)	27,774	690
Equity investments in participated companies	6	11
Other negotiable securities	3,606	2,628
Term deposits	2,238	2,260
Demand deposits	378	567
Other current investments (Note 17)	6,228	5,466
	<b>34,002</b>	<b>6,156</b>

The increase in the first half of 2008 is due essentially to the realisation of derivative financial contracts over commodities. The Group's financial derivatives at 30 June 2008 are described in Note 22.

## 17. CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" at 30 June 2008, 31 December 2007 and 30 June 2007 is made up as follows:

<b>CAPTIONS</b>	<b>June 2008</b>	<b>December 2007</b>	<b>June 2007</b>
Cash	10,061	3,301	16,166
Demand deposits	67,084	78,651	129,662
Term deposits	4,698	2,713	6,774
Other negotiable securities	10,014	4,063	7,662
Other treasury applications	233,279	18,448	21,408
<b>Cash and cash equivalents in the balance sheet</b>	<b>325,136</b>	<b>107,176</b>	<b>181,672</b>
Other current investments (Note 16)	6,228	5,466	4,769
Bank overdrafts (Note 19)	(199,482)	(129,552)	(255,760)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>131,882</b>	<b>(16,910)</b>	<b>(69,319)</b>

The captions "Other treasury applications" and "Other negotiable securities" at June 2008 include applications of cash surplus of the following Group companies:

Galp Investment Fund, PLC	210,000
CLCM - Companhia Logistica de Combustíveis da Madeira, S.A.	6,500
Petrogal Brasil, Lda.	5,185
Galp Exploração Serviços Brasil, Lda	3,507
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	2,000
Carrigo Cogeração Sociedade de Geração de Electricidade e Calor, S.	1,800
Powercer - Sociedade de Cogeração da Vialonga, S.A.	1,800
Galp Serviexpress, S.L.U.	1,246
Petróleos de Valência, S.A. Sociedad Unipersonal	1,200
Other group companies	41
	<u>233,279</u>

In the first half of 2008 the subsidiary Petrogal, S.A. repaid the advances received (realised under the accounts receivable securitisation operation) from Galp Investment Fund, PLC in the total amount of tEuros 210,000, which was applied by Galp Investment Fund, PLC considering the final repayment to subscribers of the securitisation units realised in July 2008, and consequent liquidation of the fund on that date (Note 19).

## 18. SHARE CAPITAL

### Capital structure

The capital structure was not changed in the first half of 2008. The fully subscribed and paid up capital consists of 829,250,635 shares (Note 10) of 1 Euro each, divided into the following categories:

<u>Class of share</u>	<u>June 2008</u>	<u>December 2007</u>
A shares	40,000,000	40,000,000
B shares	789,250,635	789,250,635
	<u>829,250,635</u>	<u>829,250,635</u>
Total number of shares	<u>829,250,635</u>	<u>829,250,635</u>
Nominal value of the shares	<u>829,251</u>	<u>829,251</u>

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 subject to the following changes in the half year ended 30 June 2008 in relation to 31 December 2007:

In the first half of 2008 Fidelity International Limited became holder of a qualified participation, representing 2.01% of the voting rights, calculated in accordance with article 20 of the Securities Market Code.

In the first half of 2008 Banco BPI, S.A. sold, in several transactions, shares in Galp Energia SGPS, S.A. in the Euronext Lisbon regulated market. After the sale Banco BPI's qualified participation, calculated in accordance with article 20 of the Securities Market Code, was less than 2%.

After these matters, the Company's fully subscribed and paid up capital at 30 June 2008 was held by the following entities:

	N.º of Shares	Nominal value	% Capital
Amorim Energia, B.V.	276,472,161	1 Euro	33.34%
Caixa Geral de Depósitos, S.A.	8,292,510	1 Euro	1.00%
ENI S.p.A	276,472,160	1 Euro	33.34%
Fidelity International Limited	16,628,682	1 Euro	2.01%
Parpública – Participações Públicas, (SGPS), S.A.	58,079,514	1 Euro	7.00%
Other shareholders	193,305,608	1 Euro	23.31%
	<b>829,250,635</b>		<b>100%</b>

## 19. LOANS

Loans obtained at 30 June 2008 and 31 December 2007 are made up as follows:

	June 2008		December 2007	
	Current	Non-current	Current	Non-current
Bank loans:				
Domestic loans	206,849	302,027	171,418	93,311
Foreign loans	23,611	176,343	27,915	186,866
Bank overdrafts (Note 17)	199,482	-	129,552	-
Discounted notes	1,652	-	1,294	-
Renewable credit lines	2,030	-	4,000	-
	<b>433,624</b>	<b>478,370</b>	<b>334,179</b>	<b>280,177</b>
Other loans:				
IAPMEI	675	58	1,588	536
	<b>434,299</b>	<b>478,428</b>	<b>335,767</b>	<b>280,713</b>
Project Finance Fees	-	(934)	-	(1,001)
	<b>434,299</b>	<b>477,494</b>	<b>335,767</b>	<b>279,712</b>
Bonds:				
Lisboagás, S.A. - 1998 Issue	-	15,772	-	15,772
Galp Investment Fund - 2003 Issue	210,000	-	-	210,000
	<b>210,000</b>	<b>15,772</b>	<b>-</b>	<b>225,772</b>
	<b>644,299</b>	<b>493,266</b>	<b>335,767</b>	<b>505,484</b>

The non-current loans, excluding project finance fees, at 30 June 2008 are repayable as follows:

2009	24,945
2010	38,658
2011	27,740
2012	231,679
2013 and subsequent years	171,178
	<u>494,200</u>

Non-current loans repayable in 2010 decreased approximately tEuros 210,000 since the repayable date for the Galp Investment Fund bonds changed to the second half of 2008.

The domestic and foreign loans at 30 June 2008 and 31 December 2007 are made up as follows:

Currency	June 2008		December 2007		
	Total amount	Amount due (tEuros)	Total amount	Amount due (tEuros)	
United States of America Dollars	USD	3,020	1,287	3,020	1,469
Cape Verde Francs	CFA	229,585	227	229,585	269
Euros	EUR	897,223	707,316	647,459	477,772
			<u>708,830</u>		<u>479,510</u>

The average interest rates for the Company's bank overdrafts, including commission and other charges, at 30 June 2008 and 31 December 2007 were of 5.03% and 4.63%, respectively.

### Nature of the main loans

#### Bank loans

At 30 June 2008 the Company had contracted commercial paper loans totalling tEuros 1,165,000, divided between tEuros 600,000 medium and long term and tEuros 565,000 short term. Of these amounts contracted, tEuros 210,000 in the medium and long term have been used, as the Company's intends to maintain this loan until 2012 and the renewal is only depending on the Company, and tEuros 200,000 in the short term.

In addition, the Group has recorded medium and long term domestic loans of tEuros 92,097 relating, essentially, to project finance obtained by the companies CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and Beiragás – Companhia de Gás das Beiras, S.A..

These loans bear interest at the Euribor rate for the term of the issue in force on the second working day prior to the subscription date, plus variable spreads defined in accordance with the conditions contracted in the commercial paper programs subscribed to by the Company. The interest rate referred to applies to the amount of each issue and remains unchanged during the period of the issue.

Of the amount of tEuros 196,255 (of which tEuros 176,343 is medium and long term) relating to the European Investment Bank loan, tEuros 58,000 is to cover the construction and operation of a co-generating installation in the Sines refinery and the remaining amount is guaranteed by Banking Syndicates.

Petrogal has issued comfort letters to third parties in favour of group and associated companies, relating to short term credit lines, in the amount of tEuros 526,851.

## Bonds

### i) 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.

Currently, after early redemption requests in 2006 in the amount of tEuros 34,107, relating to these bonds, the total amount of the bonds is of tEuros 15,772.

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.

### ii) Galp Investment Fund - 2003 Issue

In 2003 Petrogal, S.A. entered into an accounts receivable securitisation operation with Galp Investment Fund, PLC in the amount of tEuros 210,000, with an expected maturity term 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 July 2008 the amount of tEuros 210,000 was paid by Galp Investment Fund PLC to the subscribers of the securitisation credit units in accordance with the above mentioned maturity terms (Note 17). With this operation Petrogal incurred financial costs for the year of tEuros 4,210 (Note 8).

## 20. OTHER PAYABLES

The non-current and current caption "Other payables" at 30 June 2008 and 31 December 2007 is made up as follows:

Captions	June 2008		December 2007	
	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Tax on Petroleum products - ISP	161,932	-	179,874	-
VAT payable	196,275	-	175,316	-
Other taxes	5,738	16	6,125	13
Social security	6,987	-	4,677	-
Corporate Income Tax withheld by third parties	5,175	-	4,383	-
Loans - Associated, participated and related companies	-	7,625	-	7,670
Other payables - Associated, participated and related companies	122	-	228	-
Advances on account of sales	410,557	-	302,375	-
Suppliers of fixed assets	101,367	585	115,680	683
Overlifting - Blocks 1 and 14 partners	56,413	-	49,247	-
Guarantee deposits and guarantees received	13,335	-	15,141	-
Personnel	2,871	-	2,495	-
Customers' credit balances	709	-	1,416	-
Advances from customers	-	-	756	-
Other creditors	37,121	3,237	16,826	2,915
	<u>998,602</u>	<u>11,463</u>	<u>874,539</u>	<u>11,281</u>
Accrued costs:				
Vacation pay, vacation subsidy and corresponding personnel costs	18,663	-	25,636	-
External supplies and services	27,666	-	24,151	-
Proactivity bonus	9,767	-	16,766	-
Trade discount and bonus allowed	9,554	-	8,704	-
Fast GALP prizes	5,288	-	5,312	-
Accrued personnel costs- others	334	-	308	-
Financial costs	1,378	-	1,794	-
Accrued interest	2,499	-	1,717	-
Accrued insurance premiums	8,749	-	1,930	-
Other accrued costs	5,088	-	3,526	-
	<u>88,986</u>	<u>-</u>	<u>89,844</u>	<u>-</u>
Deferred income:				
Fibre optics	2,132	46,969	4,263	47,167
Services rendered	14,759	-	6,236	-
Others	7,405	3,304	6,184	3,309
	<u>24,296</u>	<u>50,273</u>	<u>16,683</u>	<u>50,476</u>
	<u>1,111,884</u>	<u>61,736</u>	<u>981,066</u>	<u>61,757</u>

The caption "Advances on account of Sales" includes tEuros 409,893 relating to the Group's liability to competitors for strategic reserves (Note 15).

The amount of tEuros 56,413 in the caption "Overlifting - Blocks 1 and 14 partners" corresponds to the Group's liability for lifting crude in excess of its production quota and is stated at market value.

The amount of tEuros 13,335 reflected in the caption "Guarantee deposits and guarantees received" includes tEuros 12,998 relating to Petrogal's liability at 30 June 2008 for guarantees received for ceding gas bottles, recorded at cost, which corresponds, approximately, to their fair value.

The amount of tEuros 7,625 in the caption "Loans - associated, participated and related companies" is essentially made up as follows:

- tEuros 2,902 relating to shareholders' loans from Eni, S.p.a, to the subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A., which bear interest at market rates and do not have defined repayment dates;
- tEuros 887, tEuros 887 and tEuros 444 relating to shareholders' loans 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.. by the subsidiary CLCM- Companhia Logística de Combustíveis de Madeira, S.A., which bear interest at market rates and do not have defined repayment dates;
- tEuros 1,253 relating to shareholders' loans to Companhia Portuguesa de Produção de Electricidade, S.A.. by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bear interest at market rates and do not have defined repayment dates;
- tEuros 443 relating to shareholders' loans to Companhia Finerge - Gestão de Projectos Energéticos, S.A. by the subsidiary Powercer - Sociedade de Cogeração da Vialonga, S.A., which bear interest at market rates and do not have defined repayment dates.
- tEuros 808 relating to shareholders' loans to partners of the consortium Ventinveste.

The amounts in the accrued costs caption "External supplies and services" at 30 June 2008 and 31 December 2007 correspond to the accrual of several cost for which the Group had not yet received the corresponding invoices at those dates.

The amount of tEuros 5,288 in the accrued costs caption "Fast Galp prizes" corresponds to Petrogal's liability for Fast Galp card points issued but not yet claimed at 30 June 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 caption is recognised in the income statement over the period of the contract. Deferred income at 30 June 2008 to be recognised in future years amounts to tEuros 49,101.

## 21. PROVISIONS

The caption provisions at 30 June 2008 and 31 December 2007 is made up as follows:

Captions	June 2008	December 2007
Legal processes	10,212	10,357
Investments	1,583	2,006
Taxes	13,605	14,307
Environment	8,715	9,008
Other risks and charges	57,162	46,893
	91,277	82,571

### Legal processes

The amount of tEuros 10,212 in the caption “Legal processes” at 30 June 2008 includes tEuros 4,397 relating to the liability for processes regarding the payment of subsoil occupation rates of the of the Petrogal Group.

### Investments

The provision for investments in the amount of tEuros 1,583, which represents the Group’s joint liability with its associated companies that have negative equity, refers to Sonangal - Soc. Distribuidora e Comercialização de Combustíveis, Lda..

### Taxes

The caption “Taxes” in the amount of tEuros 13,605 includes essentially: (i) tEuros 2,547 relating to Municipal Property Tax (Imposto Municipal sobre Imóveis - IMI) for the years 2000 to 2007; (ii) tEuros 3,377 to cover the tax risk relating to the sale of the participation in ONI, SGPS to Galp Energia, S.A. and (iii) tEuros 7,394 to cover a tax contingency relating to the correction to taxable income of the subsidiary Petrogal S.A. for the years 2001 and 2002.

### Environment

The amount of tEuros 8,715 in the caption “Environment” is to cover costs of decontaminating the soil of some installations occupied by the Company where, due to legal requirements, it has been decided to decontaminate.

### Other risks and charges

The provision of tEuros 57,162 for other risks and charges at 30 June 2008 corresponds essentially to:

- i) tEuros 12,417 to cover the cost of abandoning the installations in Blocks 1 and 14. The provision is to cover all the costs to be incurred by Galp Exploração at the end of the useful life of the oil fields. The provision for costs of abandoning of Block 14 have been 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 proven developed reserves at the end of that period plus production for the period;

- ii) tEuros 4,819 to cover additional Petroleum Income Tax assessments in Angola;
- iii) tEuros 27,421 to cover the difference in the price of natural gas between Galp Gás Natural, S.A. and Nigeria Liquefied Natural Gas Limited (“NLNG”), submitted to arbitration by the latter, relating to interpretation and application of certain provisions of two liquid natural gas supply contracts. Galp Gás Natural, S.A. contests the position adopted by NLNG in the process in question, as it considers that NLNG’s position has no foundation. The court is expected to make its decision in the current year;
- iv) tEuros 2,612 to cover a claim for flushing services of the Leixões Ocean Terminal;
- v) tEuros 4,860 to cover a claim by EDP relating to safety reserves;
- vi) 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;
- vii) tEuros 465 to cover costs relating to retail posts;
- viii) tEuros 660 to cover pre-retirement costs already negotiated, to be incurred in 2008.

## 22. OTHER FINANCIAL INSTRUMENTS – FINANCIAL DERIVATIVES

The Group has the policy of using 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 future cash flows resulting from its operations.

The decrease of tEuros 253 in the fair value reflected in Assets and Liabilities, and consequently in the fair value of Equity in the half year ended 30 June 2008 is due essentially to interest rate financial derivatives hedging cash flows. Therefore the fair value of the efficient portion of the hedge, in the amount of tEuros 11, less tEuros 117 attributable to the minority interests, and tEuros 147 relating to fair value fluctuations of associated companies is reflected in the equity caption “Hedging reserves”.

The changes in fair value reflected in Equity in the half year ended 30 June 2008 amounted to tEuros 1,129, of which tEuros 1,232 corresponds to the shareholders, less tEuros 223 which corresponds to minority interests, plus tEuros 326 which refers to variation in the fair value of associated companies.

The changes in the Group’s derivative financial instruments in the half years ended 30 June 2008 and 2007 are as follows:

Derivates over interest rate	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
<b>Fair value at 1 January 2007</b>	<b>1,121</b>	<b>269</b>	<b>(252)</b>	<b>(667)</b>
Purchased during the half year	-	-	-	-
Interest rate paid/(received) during the half year	(69)	304	-	39
Decrease / (increase) on the sale reflected in the income statement	67	(304)	-	(39)
Increase / (decrease) in fair value reflected in the income statement	2	152	64	579
Increase / (decrease) in fair value reflected in equity	893	22	188	26
<b>Fair value at 30 June 2007</b>	<b>2,014</b>	<b>443</b>	<b>-</b>	<b>(62)</b>
<b>Fair value at 1 January 2008 (Note 16)</b>	<b>1,216</b>	<b>591</b>	<b>(5)</b>	<b>-</b>
Purchased during the half year	-	-	-	-
Interest rate paid/(received) during the half year	(336)	(529)	(2)	-
Decrease / (increase) on the sale reflected in the income statement	336	529	2	-
Increase / (decrease) in fair value reflected in the income statement	(87)	79	-	-
Increase / (decrease) in fair value reflected in equity	512	(264)	5	-
<b>Fair value at 30 June 2008 (Note 16)</b>	<b>1,641</b>	<b>406</b>	<b>-</b>	<b>-</b>

Financial instruments with an impact on cost of sales at 30 June 2008 and 2007 are those related to derivatives and futures over commodities. The changes in the balance sheet and statement of profit and loss of these instruments are as follows:

Derivates over Commodities	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
<b>Fair value at 1 January 2007</b>	<b>-</b>	<b>6,874</b>	<b>-</b>	<b>(2,260)</b>
Purchased during the half year	-	2,747	-	-
Sold during the half year	-	1,171	-	-
Increase / (decrease) on the sale reflected in the income statement	-	(1,171)	-	-
Increase / (decrease) in fair value reflected in the income statement	-	981	-	(5,192)
Increase / (decrease) in fair value reflected in equity	-	-	-	-
<b>Fair value at 30 June 2007</b>	<b>-</b>	<b>10,602</b>	<b>-</b>	<b>(7,452)</b>
<b>Fair value at 1 January 2008 (Note 16)</b>	<b>-</b>	<b>99</b>	<b>-</b>	<b>-</b>
Purchased during the half year	-	128	-	-
Sold during the half year	-	(6,511)	-	-
Increase / (decrease) on the sale reflected in the income statement	-	6,489	-	-
Increase / (decrease) in fair value reflected in the income statement	-	27,163	-	(27,911)
Increase / (decrease) in fair value reflected in equity	-	-	-	-
<b>Fair value at 30 June 2008 (Note 16)</b>	<b>-</b>	<b>27,368</b>	<b>-</b>	<b>(27,911)</b>

In the first half of 2008 the Galp Energia Group acquired options over electric energy in auctions. Because of the complexity of valuing these derivatives, as the underlying assets are not storable and the MIBEL (Mercado Ibérico de Electricidade – Iberian Electricity Market) market is still considered a recent market, it was considered that the mark to



market of such financial derivatives is not yet reliably measurable. Consequently, Galp Energia recorded these financial derivatives at cost, totalling tEuros 105.

The Galp Energia Group also trades derivative financial instruments known as Futures over Commodities. Because of their great liquidity, due to the fact that they are traded on the Stock Market, they are reflected in the caption Cash. The gain and loss on Futures over Commodities were reflected in Cost of Sales. As the Futures are traded on the Stock Market, subject to the Clearing House, the gains and losses are recorded on a continuous basis in the Income Statement, as follows:

<u>Futures over Commodities</u>	<u>Assets</u>		<u>Liabilities</u>	
	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>
<b>Fair value at 1 January 2007</b>	-	<b>904</b>	-	-
Purchased during the half year	-	12,137	-	-
Sold during the half year	-	(10,226)	-	-
Increase / (decrease) on the sale reflected in the income statement	-	(678)	-	-
<b>Fair value at 30 June 2007</b>	-	<b>2,137</b>	-	-
<b>Fair value at 1 January 2008</b>	-	<b>938</b>	-	-
Purchased during the half year	-	47,196	-	-
Sold during the half year	-	(42,226)	-	-
Increase / (decrease) on the sale reflected in the income statement	-	(4,181)	-	-
<b>Fair value at 30 June 2008</b>	-	<b>1,727</b>	-	-

The financial instruments on 30 June 2008 are as follows:

Type of derivate over interest rate	Interest rate	Nominal value	Maturity	Fair value of the derivatives (tEUR)
<b>Assets</b>				
<b>Cash-flow hedge</b>				
Collar	Pay Euribor 6m between Cap 1,75% and 3,25% (over Euribor 6m)	tEur 13,830	2010	529
Caps	Pay Euribor 6m at max 3,25% (over Euribor 6m)	tEUR 4,610	2010	170
Swap with Cap with "Knock out"	Pay Euribor 12m with Cap 3,49% with knock-out 5,25% (over Euribor 12m set-in-arrears)	tEUR 6,331	2010	49
Interest Rate Swaps	Pay between 3,17% and 4,49% Receive Euribor 3m and 6m	tEUR 46,720	2008 a 2013	993
<b>Other financial derivatives</b>				
Interest Rate Swaps	Pay between 3,50% and 3,94% Receive Euribor 3m	tEUR 20,000	2008 e 2009	129
Caps	Pay Euribor 3m at max 4% (over Euribor 3m)	tEUR 80,000	2008	177
				<b>2,047</b>

Type of derivatives over commodities	Characteristic	Maturity	Fair value of the derivatives (tEUR)
<b>Assets</b>			
Swaps	Over Natural gas price	2008	438
Swaps	Over Jet Fuel price	2008	8,304
Swaps	Over Brent price	2008	18,521
Options	Over electric energy	2008	105
			<b>27,368</b>
<b>Liabilities</b>			
Swaps	Over Jet Fuel price	2008	(6,765)
Swaps	Over Brent price	2008	(21,146)
			<b>(27,911)</b>

<b>Total Assets</b>	<b>29,415</b>
Non current (Nota 16)	1,641
Current (Nota 16)	27,774
<b>Total Liabilities</b>	<b>(27,911)</b>
Non Current	-
Current	(27,911)

Fair value was determined by banking entities based on generally accepted models and valuation techniques.

## 23. DIVIDENDS

Dividends out of net profit for 2007 attributed to the Group 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 having been distributed and paid in the year ended 31 December 2007, the remaining amount of tEuros 139,314 having been paid in the half year ended 30 June 2008.

Dividends of tEuros 57 were paid by the subsidiaries of the Petrogal Group in the half year ended 30 June 2008.

As a result of the above, in the half year ended 30 June 2008 the Group paid dividends of tEuros 139,371.

## 24. REMUNERATION OF THE CORPORATE BOARDS

Remuneration of the Directors of Galp Energia in the half years ended 30 June 2008 and 2007 totalled tEuros 3,039 and tEuros 2,295, respectively (Note 6), of which tEuros 1,687 and tEuros 1,597 corresponds to basic remuneration, tEuros 1,001 and tEuros 310 corresponds to bonuses, tEuros 276 and tEuros 245 corresponds to payments to the pension funds under the defined contribution plan and tEuros 75 and tEuros 142 corresponds to other benefits, respectively.

Remuneration paid to the Directors of Galp Energia assigned by the shareholders ENI, S.P.A., Amorim Energia, B.V. and Iberdrola S.A. is included in the caption "External supplies and services and amounted to tEuros 709 and tEuros 779 for the half years ended 30 June 2008 and 30 June 2007, respectively.

In accordance with the policy currently in force, remuneration of the Directors of Galp Energia includes all the remuneration due for the positions held in the Galp Energia Group companies.

## 25. CONTINGENT ASSETS AND LIABILITIES

### Contingent liabilities

At 30 June 2008 the Company and subsidiaries had the following contingent liabilities:

- i) At 30 June 2008 the Company had a contingent liability under a court action regarding the re-privatisation process of Driftal - Plásticos de Portugal, S.A. involving a claim for indemnity 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 Municipalities demand payments totalling tEuros 22,543 from gas distribution and commercialisation concessionaires relating to "licences for occupation of the public thoroughfare" with subsoil gas pipes.

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”) which is under arbitration (Note 21).

### 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 established contractually, 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 Galp Energia, SGPS, S.A. by the merger occurred during 2008) and Galp Gás Natural, S.A. (formerly Transgás, 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., GDP Distribuição SGPS, S.A. (which incorporated Transgás SGPS, S.A. in 2006) and EDP, S.A.) made an amendment to the agreement, under which the deadline for dividing the 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 EDP, S.A., GDP SGPS, S.A. and Transgás, S.A., 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. and Transgás SGPS, S.A..

As EDP has not agreed to the GDP Group's expectations, this account receivable has not been recorded.

#### Other financial commitments

The financial commitments of the GDP Sub-Group, not included in the balance sheet as of 30 June 2008, are as follows:

- tEuros 23,370 relating to liabilities covered by the GDP pension fund;
- tEuros 1,172 and tEuros 935 relating to the liability under the pension plan and for healthcare, life insurance and defined contribution plan minimum benefit, respectively, not reflected in the financial statements as they are within the 10% corridor limit or because they correspond to the corridor excess not yet recognised in the income statement;

The financial commitments assumed by the Petrogal Sub-Group, not included in the balance sheet at 30 June 2008 are as follows:

- tEuros 40,269 relating to orders of tangible fixed assets not yet delivered;
- tEuros 1,776 relating to notes receivable not yet due, discounted in the banking system;
- tEuros 331,951 relating to liabilities covered by the Petrogal Pension Fund. In the first half of the year the financial losses (not reflected in the income statement) of the Petrogal Pension Fund amounted to tEuros 15,626. The Petrogal Pension Fund's assets decreased tEuros 7,104, fully offset by the decrease in the liability resulting from a change in the discount rate from 5.45% to 5.7%, maintaining the Fund high solvency ratio of 99%;
- tEuros 35,202 and tEuros 15,248 relating to the liability under the pension plan and for healthcare, life insurance and defined contribution plan minimum benefit, respectively, not reflected in the financial statements as they are within the 10% corridor limit or because they correspond to the corridor excess not yet recognised in the income statement;

On 18 September 2007 a contract was signed between Ventinveste, S.A. and the General Directorate of Energy Geology (Direcção Geral de Energia e Geologia - DGEG), which has the objective of granting the ability to inject power into the Public Service Electric System Network and identify the Receiving Points relating to electricity generated by Wind Farms.

The contract establishes the following specific obligations, valued at around tEuros 619,776, excluding discount of the remuneration relating to electricity generated by the wind farms:

- a) construction and operation of wind farms valued at tEuros 460,000;
- b) allow a discount to the remuneration of electric energy produced by the wind farms;
- c) execution of an industrial project corresponding to tEuros 27,150;
- d) realisation of indirect industrial investment corresponding to tEuros 39,206;
- e) creation of 692 jobs in the Industrial Project, corresponding to tEuros 16,733;
- f) creation of 635 induced jobs relating to the Indirect Industrial Project, corresponding to tEuros 15,354;
- g) provide functions that contribute to technical management of the system, corresponding to tEuros 19,500;
- h) contribution to the founding of an Innovation Incentive Fund, corresponding to tEuros 41,833.

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 of the Industrial project starts operating; or (ii) date on which the ratio Exports/Sales reaches 60% regarding production at any 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.

The full amount of the assets and liabilities of this contract have not been recognised at 30 June 2008 as not all of these Investments and obligations have been implemented.

Galp Power, SGPS, S.A., as 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 2007 utilisation of the so called 1<sup>st</sup> generation (FAME) biodiesel continued, obtained by transesterification of vegetable oil, as a component of road diesel.

Considering that as from January 2010 it will become mandatory to incorporate 5.75% (v/v) of biodiesel in diesel fuel, and considering that the so called FAME has some physical/chemical properties that jeopardise its ability to be a component of diesel fuel, Galpenergia started a project to install a 2<sup>nd</sup> generation biodiesel production installation (Green diesel) acquiring from UOP/ENI a licence to process Ecofining, which includes a combined hydrogenation and isomerisation treatment which enables biodiesel with excellent physical-chemical qualities to be obtained from animal and vegetable fats.

The Project in progress aims at producing 300,000 t/a of green diesel and should be concluded by 2010.

Conscious of its responsibilities to the environment, in September 1998 Petrogal committed itself publicly to protect the environment by signing a Continuous Improvement of Environmental Performance Protocol with the Ministry of the Economy and Ministry of the Environment. The only items in progress under this protocol, which establishes a large number of environmental protection actions – Environmental Action Program – are process changes to be made in the 2007/2008 period for the refineries to comply with the conditions established in legislation ( PCIP, GIC's).

In addition, in 2007 the Company continued to carry out the re-qualification program of its service stations for them to comply with the legal requirements and those established in Petrogal's Continuous Improvement of Environmental Performance Protocol.

#### Guarantees given

At 30 June 2008 the guarantees given amounted to tUSD 108,551 and tEuros 131,950, of which the more significant are the following:

- i) Guarantee of tUSD 13,515 in favour of the Government of East-Timor;
- ii) Guarantees of tEuros 27,635 in favour of third parties on account of group and associated companies;
- iii) Guarantees and pledges relating to 27.4% (Galp Gás Natural's participation ) of the following credits granted to EMPL - Europe Maghreb Pipeline:

	Type	Total credits tUSD	Galp Gás Natural's part tUSD
BEI	Bank	190,636	67,636
ICO	Bank	100,000	27,400
		<u>290,636</u>	<u>95,036</u>

- iv) Guarantees of tEuros 20,449 in favour of the Tax Authorities;
- v) Guarantee of tEuros 19,952 given to the Lisbon Court, 2nd Jurisdiction, 1st Section under a legal process relating to re-privatisation of Driftal.

- vi) Guarantees of tEuros 17,577 in favour of the Municipal Councils, under legal processes relating to occupation rates of the subsoil.
- vii) Guarantees of tEuros 15,042 given to Municipal Councils under legal processes;
- viii) At 30 June 2008 there were comfort letters totalling tEuros 10,660 given to third parties on account of group and associated companies;
- ix) Guarantees of tEuros 10,135 in favour of the Courts under legal processes;
- x) 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 regional natural gas 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..
- xi) Guarantee of tEuros 5,000 given to the Portuguese State with respect to the obligations and duties resulting from the public service Concession Contract relating to the underground storage of natural gas given to Transgás Armazenagem, S.A..

## 26. 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, reduction of 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 commercial regime (Diploma CELE), which applies to the industrial activity gas emissions listed on Appendix I thereof, which includes the Galp Energia Group's facilities.

Order 2836/2008, which approves a list of the existing facilities of the Emission Trading participants for the 2008-2012 period and related granting of initial Emission Licences ("EL"), was published in the official Government Gazette. The Group believes that the quantity of greenhouse effect gas emission licences (GEE) attributed to its refining and co-generating sectors for the 2008-2012 period in accordance with the Order, will be sufficient to cover the needs of the facilities currently operating considering the production profiles expected for that period.

The following table presents the Group's current operating facilities, as well as the annual emission licences attributed under the PNALE II (Plano Nacional de Alocação de Licenças de Emissão – National Allocation of Emission Licences Plan):



Company	Facilities	Licences Ton/CO2 attributed PNALE II
Petrogal	Sines Refinery	2,137,550
	Oporto Refinery	1,098,025
	<b>Subtotal Petrogal Group</b>	<b>3,235,575</b>
Carrico Cogeração Powercer	Co-generation	161,539
	Co-generation	47,192
	<b>Subtotal Galp Power Group</b>	<b>208,731</b>
<b>Total Galp Energia Group</b>		<b>3,444,306</b>

In the first half of 2008 the following quantities of greenhouse gases (Ton/CO2) were emitted by the above facilities:

Company	Facilities	Gases emitted in first half of 2008 (a)	Accumulated Ton/CO2 Licences for 2008	2008 annual forecast of emission of gases
Petrogal	Sines Refinery	1,063,757	2,137,550	2,007,367
	Oporto Refinery	597,036	1,098,025	1,150,000
	<b>Subtotal Petrogal Group</b>	<b>1,660,793</b>	<b>3,235,575</b>	<b>3,157,367</b>
Carrico Cogeração Powercer	Co-generation	55,627	161,539	120,490
	Co-generation	20,023	47,192	40,450
	<b>Subtotal Galp Power Group</b>	<b>75,650</b>	<b>208,731</b>	<b>160,940</b>
<b>Total Galp Energia Group</b>		<b>1,736,443</b>	<b>3,444,306</b>	<b>3,318,307</b>

(a) Pro-forma figures of CO2 emissions are subject to environmental audit

The accumulated licences on hand at 31 December 2007, and so relating to the 2005-2007 period (PNALE I), were used to meet the greenhouse effect gases emitted 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 possible valuation or devaluation of these licences. If it purchases or sells licences, it will record them.

However, if an insufficiency of licences occurs the appropriate provisions will be recorded, if that becomes appropriate. As shown above, the licences allocated are for less than the volume of gas emitted during the year only in the case of the Oporto Refinery. If this deficit is verified, it can be compensated between the Galp Energia Group's facilities. The licences allocated to the Group at 30 June 2008 exceed the volume of gases emitted and so no provision was recorded in the period.

## 27. UNBUNDLING

On 6 July 2007 REN – Rede Eléctrica Nacional, SA sent a letter to Galp containing three cheques totalling tEuros 24,026, of which tEuros 23,335 was to pay the adjustment of the selling price of the Regulated Natural Gas Assets and participation in Transgás Atlântico, S.A. under the promissory purchase and sales contract entered in to on 30

August 2006 and tEuros 691 relating interest established in accordance with paragraph 9 and 11, clause 6 of that contract, following valuations presented in June 2007.

In reply, Galp Energia expressed its disagreement with the valuations in letters dated 26 June 2007 and 16 July 2007. Since, in the first half of 2007 joint negotiations were in process relating to the price and other matters, the amount received was uncertain, and so was not recognised. In the second half of 2007 the matters in dispute were separated in the negotiation process with REN. As the Board of Directors believes that the amount relating to the price cannot be less, but could be more due to disagreement by Galp Energia, the amount received was recognised in the income statement.

A series of matters relating to the unbundling process are still under negotiation, including, among others, retroactive application of the tariff, REN Gasodutos' net debt to Galp, employee remuneration and bonuses, tax matters, adjustment of several assets, adjustment of grants.

## 28. SUBSEQUENT EVENTS

### Rate of autonomous taxation of companies producing and distributing refined petroleum products

On 10 May 2008 the Council of Ministers approved, among other measures, the use of FIFO (First In First Out) or Average Cost for valuing inventories of oil for tax purposes, for companies producing and distributing refined oil products. As an Oil & Gas sector company and presenting its consolidated financial statements in accordance with International Accounting Standards ("IAS"), Galp already determines its results using FIFO as a valuation basis.

### Acquisition of the activities of ENI and ExxonMobil in Portugal and Spain

On 6 August 2008 the final value for the acquisition of the distribution of petroleum product activities of Eni's affiliates in Portugal and Spain was communicated. The transaction includes Eni's network of service stations in the two countries under the name of Agip, as well as the wholesale business (excluding the lubricants business).

The above mentioned acquisition, together with the acquisition announced on 18 April 2008, of the fuel distribution and part of the lubricants business of the ExxonMobil subsidiaries in Portugal and Spain, involve a total of tEuros 695,000.

### Petroleum discovery

On 7 August 2008 it was communicated that the consortium made up of Petrobrás, the BG Group and Galp Energia had proven the existence of a light petroleum vein in the pre-salt reserves in the BM-S-11 block in the Santos basin.

The new exploratory well, named 1-BRSA-618-RJS (1-RJS-656), informally known as Iara, is located around 230 Kms from the city of Rio de Janeiro in 2,230 metres of water. The well is being drilled in the search for deeper objectives.

## 29. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

### THE ACCOUNTANT

Carlos Alberto Nunes Barata

### THE BOARD OF DIRECTORS

Francisco Luis 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

**LIMITED REVIEW REPORT ON THE HALF YEAR CONSOLIDATED FINANCIAL INFORMATION PREPARED BY AN AUDITOR REGISTERED IN THE SECURITIES MARKET COMMISSION (COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS)**

(Translation of a report originally issued in Portuguese – Note 29)

(Amounts expressed in thousands of Euros – tEuros)

## **Introduction**

1. For the purposes of the Securities Market Code (Código dos Valores Mobiliários) we hereby present our limited review report on the consolidated financial information of Galp Energia, SGPS, S.A. (“the Company”) for the half year ended 30 June 2008 included in the: Director’s Report, consolidated balance sheet (that presents a total of 6,716,377 tEuros and shareholders’ equity of 2,806,521 tEuros, including consolidated net profit attributable to the Company’s shareholders of 524,061 tEuros) and consolidated income statement by nature, consolidated statement of changes in shareholders’ equity and consolidated cash flow statement for the half year then ended and the corresponding Notes.
2. The amounts in the financial statements, as well as those of the additional financial information, were extracted from the accounting records of the Company and its subsidiaries.

## **Responsibilities**

3. The Company’s Board of Directors is responsible for: (i) the preparation of consolidated financial information that presents a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations, changes in the shareholders’ equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union, for the purpose of interim financial reporting (IAS 34), and that it is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting principles and criteria; (iv) the maintenance of an appropriate system of internal control; and (v) the disclosure of any significant facts that have influenced their operations, financial positions or results.
4. Our responsibility is to verify the financial information contained in the documents referred to above, namely if, in all material respects, it is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a moderate assurance professional and independent report on that information, based on our work.

## Scope

5. Our work had the objective of obtaining moderate assurance about whether the financial information referred to above is exempt from material misstatements. Our work was performed in accordance with the Auditing Standards (“Normas Técnicas e as Diretrizes de Revisão/Auditoria”) issued by Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), was planned in accordance with that objective and consisted principally of enquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted considering the circumstances and their consistent application; (iii) the applicability, or otherwise, of the going concern concept; (iv) the presentation of the financial information; and (v) if, in all material respects, the consolidated financial information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code.
6. Our work also included verifying the consistency of the consolidated financial information included in the Directors’ Report with the remaining documents referred to above.
7. We believe that our work provides a reasonable basis for issuing this limited review report on the half year information.

## Opinion

8. Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the half year ended 30 June 2008, referred to in paragraph 1 above of Galp Energia, SGPS, S.A., is not exempt from material misstatements that affect its conformity with International Financial Reporting Standards as adopted by the European Union, for the purposes of interim financial reporting (IAS 34), and that, in accordance with the definitions included in the standards referred to in paragraph 5 above, it is not complete, true, timely, clear, objective and licit.

Lisbon, 28 August 2008

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DELOITTE & ASSOCIADOS, SROC S.A.  
Represented by Jorge Carlos Batalha Duarte Catulo

## ADDITIONAL INFORMATION

### BASIS OF PRESENTATION

Galp Energia's consolidated financial statements for the six months ended 30 June 2008 and 2007 were prepared in accordance with IFRS. The financial information contained in the consolidated income statement is presented for the half-years ended 30 June 2008 and 2007. The financial information contained in the consolidated balance sheet is presented at 30 June 2008 and 31 December 2007.

The preparation of financial statements according to IFRS requires the cost of goods sold to be valued at FIFO. This may, however, cause great volatility in results as and when commodities and goods prices fluctuate substantially, bringing about gains or losses in inventories that do not reflect the company's

operating performance. Hereinafter, in this document, this effect is called the *inventory effect*.

Another factor affecting company profits without being an indicator of its true performance is the set of events classed as non-recurrent, such as gains or losses on the disposal of assets, the impairment of reinstatement of fixed assets and environmental or restructuring charges.

With a view to evaluating the operating performance of the business, replacement cost adjusted operating or net profit do not include either non-recurrent events or the inventory effect. To this end, these profit measures have been calculated using the *replacement cost* method for valuing inventories.

### GLOSSARY

AC	Average Cost (inventory valuation method)
BBLT	Benguela, Belize, Lobito and Tomboco
CLH	Companhia Logística de Hidrocarburos, S.A.
EBITDA	EBITDA is defined as net operating income plus depreciation and provisions. EBITDA is not a standard measure, the reason it should not be used in comparisons between companies. EBITDA is not a direct liquidity measure and should be analyzed jointly with the actual cash flows resulting from operating activities and taking into account existing financial commitments
FIFO	First In First Out (inventory valuation method)
Galp Energia, company or group	Galp Energia, SGPS, S.A. and associates

IAS	International Accounting standards
IFRS	International Financial Reporting Standards
IPH	Índice de Produtibilidade Hidroelétrica – (freely translated) Portuguese for hydropower utilisation index – is an indicator that aims to quantify the variance in hydropower generation in a given period compared to the hydropower-based generation level in a ‘normal’ period – rated as ‘1’ by the index and defined as a period when water resources approach average or trend values. Index values below ‘1’ describe situations where hydropower utilisation is below trend and values above ‘1’ describe situations where hydropower utilisation is above trend.
IRP	Tax on revenue generated by the sale of oil in Angola
LIFO	Last In First Out (inventory valuation method)
LNG	Liquefied Natural Gas
PSA	Production Sharing Agreement
<b>Replacement cost</b>	According to this method of valuing inventories, the cost of goods sold is valued at the cost of replacement, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.
<b>Rotterdam cracking refining margin</b>	Rotterdam Cracking refining margin: -100% Brent dated, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.4% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 50 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.7%; Terminal rate: 1 \$/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 \$/ton. Yields in % of weight.
<b>Rotterdam hydroskimming + aromatics + base oils refining margin</b>	Rotterdam hydroskimming refining margin: -100% Brent dated, +2.1% LGP FOB Seagoing (50% Butane + 50% Propane), +15.1% PM UL NWE FOB Bg., +4.0% Naphtha NWE FOB Bg., +9% Jet NWE CIF Cg., +32.0% ULSD 10 ppm NWE CIF Cg. and +33.8% LSFO 1% FOB NWE Cg.; C&L: 4.0%; Terminal rate: 1 \$/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 \$/ton.

Rotterdam aromatics refining margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.5% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Ortoxylene Rotterdam FOB Bg.. Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

Base Oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, 34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., 14% Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% NWE FOB Cg.; Losses: 0.6%; Terminal rate: 1 \$/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 \$/ton. Yields in % of weight.

Rotterdam hydroskimming + Aromatics + Base oils refining margin = 65% Rotterdam hydroskimming refining margin + 15% Rotterdam aromatics refining margin + 20% Base Oils refining margin.

TL	Tombua Lândana
USA	United States of America

## ACRONYMS

bbl: barrels; bbl/d: barrels a day; Bg: Barges; Cg: Cargoes; CIF: Cost, Insurance and Freight; E&P: Exploration & Production; Eur: Euro; FOB: Free on Board; G&P: Gas & Power; LSFO: Low sulphur fuel oil; m3: cubic metres; n.m.: not meaningful; PM UL: Premium unleaded; R&M: Refining & Marketing; ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes; Usd: US dollar; OPEC - Organization of the Petroleum Exporting Countries.

## DISCLAIMER

*This 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.*



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Registered at the commercial registry Office of Lisbon

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