



FOURTH QUARTER AND TWELVE MONTHS 2008 **RESULTS**

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EXECUTIVE SUMMARY

Galp Energia's replacement cost adjusted (RCA) net profit rose by 14.2% in 2008 to €478 million.

The favourable performance by the Refining & Marketing business segment offset lower results at the Gas & Power business segment, where the effect of higher natural gas sales was cancelled out by the outcome of the renegotiation of contracts for the supply of natural gas.

SUMMARY OF RESULTS – FOURTH QUARTER AND TWELVE MONTHS 2008

- Working interest crude oil production at 15.1 thousand barrels a day, down 11.5% year on year (yoy), although the fourth quarter was in line with the same period of 2007;
- Decline of Galp Energia's refining margin from Usd 5.5/bbl in the twelve months of 2008 to Usd 4.4/bbl in the same period of 2007, a 19.2% decrease, yet with the margin for the fourth quarter of 2008 rising to Usd 5.8/bbl from Usd 4.6/bbl in the same period of 2007;
- Increased cover of refining by marketing activities from 72% in 2007 to 75% in 2008 after Agip Iberian sales were added from 1 October 2008;
- Rise of 4.8% in natural gas sales to 5,638 million cubic metres between 2007 and 2008, with the electrical sector as the largest contributor;
- Rising EBITDA RCA to €975 million, up 9.4% from 2007;
- IFRS net profit of €117 million, or €0.14 per share, and RCA net profit of €478 million, or €0.58 per share, 14.2% ahead of 2007;
- Net loss of €451 million in IFRS terms and net profit of €125 million in RCA terms in the fourth quarter of 2008;
- Rising capital expenditure to €1,560 million, roughly three times the level of 2007, with 80% of the total being channelled to the Refining & Marketing business segment;

EARNINGS RELEASE PRESS-CONFERENCE

Date: Wednesday, March 4, 5:00 pm GMT (6:00 pm CET)

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

CONFERENCE CALL AND AUDIO WEBCAST

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

Date: Thursday, March 5

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

Phones: UK: +44 (0) 203 14 74 600

Portugal: 707 785 662

Link: <http://gaia.unit.net/galp/20090305/trunc>

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros									
Fourth quarter					Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
3,437	3,579	143	4.1%	Turnover	12,560	15,086	2,526	20.1%	
289	(557)	(846)	n.m.	EBITDA	1,213	449	(764)	(63.0%)	
175	242	67	38.2%	EBITDA replacement cost	896	966	70	7.8%	
179	244	64	35.7%	EBITDA replacement cost adjusted¹	891	975	84	9.4%	
206	(628)	(834)	n.m.	Operating profit	936	167	(768)	(82.1%)	
91	170	79	86.0%	Operating profit replacement cost	618	684	66	10.7%	
95	179	84	88.6%	Operating profit replacement cost adjusted¹	620	693	73	11.8%	
134	(451)	(585)	n.m.	Net profit	720	117	(603)	(83.8%)	
40	120	80	201.2%	Net profit replacement cost	440	472	32	7.2%	
42	125	83	198.8%	Net profit replacement cost adjusted¹	418	478	59	14.2%	

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

Market indicators

Fourth quarter					Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
2.2	4.4	2.2	103.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	2.8	2.6	(0.2)	(6.7%)	
(1.0)	4.8	5.8	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin ¹ (Usd/bbl)	0.9	0.7	(0.2)	(26.1%)	
7.0	6.4	(0.6)	(8.2%)	Henry Hub natural gas price ² (Usd/MMbtu)	7.0	8.9	1.9	27.2%	
47.5	64.4	16.9	35.6%	Spanish pool price ³ (€/MWh)	39.3	64.4	25.1	64.0%	
88.7	54.9	(33.8)	(38.1%)	Average Dated Brent price ⁴ (Usd/bbl)	72.5	97.0	24.5	33.7%	
1.45	1.32	(0.1)	(9.0%)	Average exchange rate ⁵ (Eur/Usd)	1.37	1.47	0.1	7.3%	
4.70	4.31	(0.4)	(8.3%)	Euribor - six month ⁵ (%)	4.35	4.73	0.4	8.6%	

¹ Source: Platts. For a complete description of the method for calculating Rotterdam margins see "Definitions".

² Source: Reuters.

³ Source: Bloomberg.

⁴ Source: Platts

⁵ Source: European Central Bank. Euribor 360.

Operating data

Fourth quarter					Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
15.7	15.5	(0.2)	(1.3%)	Average working interest production (kbbbl/day)	17.0	15.1	(2.0)	(11.5%)	
10.6	9.7	(0.9)	(8.7%)	Average net entitlement production (kbbbl/day)	12.5	10.0	(2.5)	(20.1%)	
4.6	5.8	1.1	24.8%	Galp Energia refining margin (Usd/bbl)	5.5	4.4	(1.1)	(19.2%)	
3.1	3.0	(0.1)	(2.0%)	Raw materials processed (million tonnes)	13.8	13.1	(0.7)	(5.1%)	
2.3	2.7	0.4	17.3%	Oil sales direct clients (million tonnes)	9.4	9.6	0.2	2.5%	
1,612	1,225	(388)	(24.1%)	Natural gas sales (million m ³)	5,377	5,638	261	4.8%	
423	360	(63)	(14.9%)	Power generation ¹ (GWh)	1,610	1,548	(62)	(3.9%)	

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

BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the twelve months ended 31 December 2008 and 2007 were prepared in accordance with IFRS. The financial information contained in the consolidated income statement is reported for the quarters ended 31 December 2008 and 31 December 2007 and for the twelve months ended on these dates. The financial information contained in the consolidated balance sheet is reported as at 31 December 2008, 30 September 2008 and 31 December 2007.

Galp Energia's financial statements are prepared in accordance with IFRS and the cost of goods sold is, from 1 November 2008, valued at WAC. This change in accounting method is explained below under "Recent changes". The use of this valuation method may cause earnings volatility as and when commodities and goods prices fluctuate, 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 likely to affect company earnings 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 or reinstatement of fixed assets and environmental or restructuring charges.

With a view to evaluating the operating performance of the business, Galp Energia's 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 by using the *replacement cost* method for valuing inventories.

RECENT CHANGES

In 2008 the method of valuing inventories used was changed from FIFO to WAC. The FIFO method had been used since 2004, when Galp Energia adopted IAS/IFRS accounting, which does not accept the LIFO method.

Nevertheless, considering Galp Energia's diversity of inventory items and geographical locations, the WAC method, already widely used in the industry, proved to be best suited to the nature of the company's operations. To make periods comparable, these changes have been reflected on earnings for the fourth quarter and twelve months of 2007 and 2008.

The acquisition of Agip's and ExxonMobil's Iberian subsidiaries, which closed on 1 October 2008 and 1 December 2008, respectively, had an impact on the comparability of earnings. Agip's Iberian operations have fully consolidated into Galp Energia since 1 October 2008, ExxonMobil's Portuguese subsidiary was recorded as a financial investment and the Spanish subsidiary's assets and liabilities have been fully consolidated.

Portugal's new regulatory framework for the natural gas sector introduced changes to the presentation of indicators by the Gas & Power business segment in respect of the sales and clients of natural gas. Accordingly, sales to the liberalised and regulated markets for natural gas are reported separately. As a result, the client base and sales of natural gas exclude propane LPG, which was included up to the end of 2007. To make periods comparable, these changes were reflected on the indicators of the fourth quarter and twelve months of 2007.

In the second quarter of 2008 Galp Energia revised the method of calculating its benchmark margin for Rotterdam's cracking and hydroskimming margins in accordance with the criteria adopted by the IEA in 2007. The benchmark margin for the Porto refinery now includes, in addition to the hydroskimming and aromatics margins, a base oil component existing in this refinery, thus replicating more truthfully the nature of the refinery's operations. To allow comparison with past periods, these changes have been reflected on the benchmark margins for the fourth quarter and the twelve months of 2007.

MARKET ENVIRONMENT

BRENT

In 2008 Dated Brent reached Usd 144.2/bbl, its highest level ever, although it ended the year at Usd 36.5/bbl, its lowest mark in four years. This fluctuation may be described as an escalation of 50.2% from the beginning of the year up to the peak on 3 July and a downswing of 74.7% from this date until the end of the year.

In particular, the last quarter of 2008 confirmed the declining trend in the price of crude oil that had started in the third quarter, with Dated Brent falling 52.2% compared to the previous quarter to reach an average for the quarter of Usd 54.9/bbl. This fall was fuelled by the International Energy Agency's forecast that the annual demand for oil would decline to 85.8 million bbl per day, for the first time since 1983, as a consequence of the economic slowdown confirmed by the IMF's fresh downward revision of global output.

OIL PRODUCTS

In 2008, the gasoline crack spread fell 79.7% compared to the close of 2007, which was even more pronounced than the 61.9% drop in Dated Brent in the period. The annual average was Usd 13.2/bbl, or 32.1% below the level of 2007. The last quarter of 2008 had a decisive role in this difference, with a 62.2% fall year on year. This was due to the shortfall in US gasoline demand, which led several refineries to try and improve their production yield in the face of a widespread trend of substituting diesel for gasoline.

The diesel crack spread was the only one to rise year on year in 2008, both on a twelve-month and fourth-quarter basis. Over the twelve months of 2008, the average diesel crack spread was, at Usd 28.0/bbl, 72.5% above the average level of 2007. In the last three months of the year, the average diesel crack spread of Usd 25.4/bbl was 24.1% higher than a year before but 13.8% lower than in the previous quarter. In October and November, diesel crack spreads showed strengthening signs as relatively stable demand conditions were met by short supply. In

December, accumulating inventories, particularly in Asia, coupled with a global slowdown in demand, pressed the diesel crack spread downwards to an average of Usd 21.6/bbl, 20.3% lower than in November.

The fuel oil crack spread averaged Usd -30.6/bbl over the year, down 15.2% year on year, although it rebounded 13.2% in the second half of the year compared with the last six months of 2007. The fourth quarter was the only one when the fuel oil crack spread was above previous-year levels – at Usd -15.1/bbl it was 46.2% above the level for the same period of 2007. This was due to rising demand, coupled with lower temperatures and relatively lower prices that encouraged the substitution of other products by fuel oil in the United States and Asia.

REFINING MARGINS

In 2008 average cracking margins fell by 6.7% to Usd 2.6/bbl, while hydroskimming margins rose by 42.0% to Usd -1.2/bbl.

In the fourth quarter both margins improved considerably both year on year and quarter on quarter. Cracking margins averaged Usd 4.4/bbl, double the level of a year earlier and Usd 1.6/bbl above the average for the third quarter of 2008. Hydroskimming margins also rose, by Usd 5.1/bbl yoy and Usd 4.1/bbl qoq. These rises in margins reflected the steep fall in Dated Brent in the fourth quarter of 2008 in spite of OPEC production cuts.

EUR/USD

The Eur/Usd rate averaged 1.47 in 2008, up 7.3% from 2007, supported by the rising trend in the first half of the year.

In the fourth quarter, the average rate was 1.32, or 9.0% lower than the year before, which was due to the European Central Bank cutting interest rates as it responded to the deepening financial and economic crisis.

IBERIAN MARKET

In 2008, the Portuguese market for oil products shrank 2.8% in comparison with 2007, to 10.7 million tonnes. The contraction was due to lower sold volumes of gasoline and diesel – 7.3% and 2.4%, respectively. This trend followed first from higher oil product prices and then from the slowing economy.

In the fourth quarter sales fell by 3.7% yoy to 2.7 million tonnes. Diesel dropped by 2.8% and gasoline by 5.9%.

The Spanish market behaved similarly in 2008 as sales of oil products fell by 3.6%, with gasoline dropping by 6.0% and diesel by 3.6%. This weak performance was

due to the slump in purchasing power following the crisis that affected the economy during the year.

Volumes sold in the fourth quarter tumbled by 6.6%, with gasoline and diesel falling by 5.8% and 5.7%, respectively.

On the contrary, sales of natural gas in the Portuguese market set a new record in 2008 as they reached 4,617 million cubic metres, up 9.1% from 2007. This rise was due to increased use of natural gas for electricity generation as a consequence of low rainfall.

In the fourth quarter, volumes sold fell by 13.3% yoy to 1,034 million cubic metres as competitively priced coal and fuel oil substituted for natural gas in power generation.

Market indicators

Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
88.7	54.9	(33.8)	(38.1%)	Average Dated Brent price ¹ (Usd/bbl)	72.5	97.0	24.5	33.7%
20.5	25.4	4.9	24.1%	Diesel crack ² (USD/bbl)	16.2	28.0	11.8	72.5%
15.1	5.7	(9.4)	(62.2%)	Gasoline ³ crack (Usd/bbl)	19.5	13.2	(6.2)	(32.1%)
(28.0)	(15.1)	12.9	46.2%	Fuel oil crack ⁴ (Usd/bbl)	(26.5)	(30.6)	(4.0)	(15.2%)
2.2	4.4	2.2	103.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	2.8	2.6	(0.2)	(6.7%)
(2.0)	3.1	5.1	n.m.	Rotterdam hydroskimming refining margin ¹ (Usd/bbl)	(2.0)	(1.2)	0.9	42.0%
2.8	2.7	(0.1)	(3.7%)	Portuguese oil market ⁵ (million ton)	11.0	10.7	(0.3)	(2.8%)
13.4	12.5	(0.9)	(6.6%)	Spanish oil market ⁶ (million ton)	51.8	49.9	(1.9)	(3.6%)
1,193	1,034	(159)	(13.3%)	Portuguese natural gas market ⁷ (million m ³)	4,232	4,617	385	9.1%

¹ Source: Platts.

² Source: Platts; ULSD 10ppm NWE CIF ARA. (ULSD 50 ppm up to the end of October 2008)

³ Source: Platts; Premium Unleaded NWE FOB Barges.

⁴ Source: Platts; 1% LSFO, NWE FOB Cargoes

⁵ Source: Apetro.

⁶ Source: Cores.

⁷ Source: Galp Energia.

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
3,437	3,579	143	4.1%	Turnover	12,560	15,086	2,526	20.1%
(3,167)	(4,165)	998	31.5%	Operating expenses	(11,417)	(14,698)	3,281	28.7%
20	29	10	48.7%	Other operating revenues (expenses)	70	61	(9)	(12.5%)
289	(557)	(846)	n.m.	EBITDA	1,213	449	(764)	(63.0%)
(83)	(71)	(12)	(14.2%)	Depreciations and provisions	(278)	(282)	4	1.4%
206	(628)	(834)	n.m.	Operating profit	936	167	(768)	(82.1%)
14	15	2	12.2%	Net profit from associated companies	60	48	(12)	(19.3%)
(0)	0	1	n.m.	Net profit from investments	21	0	(21)	n.m.
(11)	(16)	(5)	(49.3%)	Net interest expenses	(43)	(61)	(18)	(42.1%)
208	(629)	(837)	n.m.	Profit before tax and minority interests	974	155	(819)	(84.1%)
(73)	180	(253)	n.m.	Income tax	(249)	(33)	(216)	(86.8%)
(1)	(1)	0	26.6%	Minority Interests	(5)	(5)	0	6.0%
134	(451)	(585)	n.m.	Net profit	720	117	(603)	(83.8%)
134	(451)	(585)	n.m.	Net profit	720	117	(603)	(83.8%)
(94)	571	(665)	n.m.	Inventory effect	(280)	355	(635)	n.m.
40	120	80	201.2%	Net profit replacement cost	440	472	32	7.2%
2	5	3	n.m.	Non recurrent items	(22)	6	28	n.m.
42	125	83	198.8%	Net profit replacement cost adjusted	418	478	59	14.2%

TWELVE MONTHS

Net profit according to IFRS dropped 83.8% yoy to €117 million as the inventory effect swung dramatically to negative territory, after inventory values decreased substantially.

Replacement cost adjusted net profit amounted to €478 million, 14.2% ahead of 2007. Replacement cost adjusted operating profit rose by 11.8%. Financial results deteriorated due to higher interest rates and average indebtedness as well as lower earnings contribution from associates. These effects were partly offset by lower taxes in adjusted terms.

FOURTH QUARTER

IFRS-based results swung from a net profit of €134 million in the fourth quarter of 2007 to a net loss of €451 million in the fourth quarter of 2008, which was attributable to an unfavourable inventory effect. In fact, while the prices of crude oil and oil products went up in international markets in 2007, bringing about a favourable inventory effect of €94 million in the fourth quarter, lower prices in 2008 resulted in an unfavourable inventory effect of €571 million in the last three months of the year.

Replacement cost adjusted net profit rose by €83 million, or 198.8%, to €125 million. Although operating profit had roughly the same increase in absolute terms, unchanged income tax led to a larger percentage increase in net profit.

OPERATING RESULTS

Million euros									
Fourth quarter					Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
28	9	(19)	(67.6%)	Exploration & Production	146	122	(24)	(16.3%)	
110	(605)	(716)	n.m.	Refining & Marketing	582	(174)	(756)	n.m.	
76	(29)	(105)	n.m.	Gas & Power	212	216	4	1.8%	
(8)	(3)	5	59.6%	Others	(5)	3	8	n.m.	
206	(628)	(834)	n.m.	Operating profit	936	167	(768)	(82.1%)	
206	(628)	(834)	n.m.	Operating profit	936	167	(768)	(82.1%)	
(114)	799	(913)	n.m.	Inventory effect	(318)	517	(835)	n.m.	
91	170	79	86.0%	Operating profit replacement cost	618	684	66	10.7%	
3	8	5	(159.4%)	Non recurrent items	2	9	7	283.3%	
95	179	84	88.6%	Operating profit replacement cost adjusted	620	693	73	11.8%	

TWELVE MONTHS

IFRS-based operating profit dropped 82.1% to €167 million as the inventory effect took its toll. Replacement cost adjusted operating profit, on the other hand, advanced 11.8% in comparison with 2007, to €693 million. The rise in replacement cost adjusted results in the Refining & Marketing business segment could offset lower results in the Gas & Power business segment.

FOURTH QUARTER

IFRS results in the fourth quarter swung from an operating profit of €206 million in 2007 to an operating loss of €628 million in 2008 due to an unfavourable inventory effect of €799 million as the prices of crude oil and oil products tumbled in international markets.

Replacement cost adjusted operating profit rose by 88.6% as results of the Refining & Marketing business segment were influenced by a more favourable backdrop of international refining margins. These results offset the unfavourable performances of the Gas & Power and the Exploration & Production business segments following the arbitration award on the renegotiation of contracts for the supply of natural gas and the fall in sales prices, respectively.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
87	29	(58)	(66.8%)	Exploration & Production	233	200	(32)	(13.9%)
2,974	3,126	152	5.1%	Refining & Marketing	11,115	13,224	2,108	19.0%
447	507	59	13.3%	Gas & Power	1,455	1,942	487	33.5%
28	41	13	46.1%	Others	104	127	23	22.4%
(99)	(122)	(23)	(23.5%)	Consolidation adjustments	(347)	(408)	(61)	(17.5%)
3,437	3,579	143	4.1%	Sales and services rendered	12,560	15,086	2,526	20.1%

Sales and services rendered advanced 20.1% in comparison with 2007 to €15,086 million. This increase came from the Refining & Marketing and Gas & Power business segments on the back of higher prices in international markets for crude oil, oil products and natural gas. In the Exploration &

Production business segment, the rise in the price of crude oil was not sufficient to offset the effect of lower net entitlement production, which led to lower sales in this business segment.

OTHER NET OPERATING REVENUES

Million euros								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
20	29	10	48.7%	Other net operating revenues	70	61	(9)	(12.5%)
1	1	(0)	(47.1%)	Non recurrent items	(10)	10	20	n.m.
21	30	9	44.0%	Adjusted other net operating revenues	59	71	11	19.2%

Other net operating revenues fell by 12.5% yoy as €9.0 million was charged to other operating costs for the abandonment, classed as a non-recurrent activity, of ten onshore blocks under exploration in Brazil in 2008.

Apart from non-recurrent events, other net operating revenues advanced 19.2% to €71 million as operating subsidies and own work were capitalised in connection with company start-ups.

OPERATING COSTS

Million euros									
Fourth quarter				Twelve months					
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
2,900	3,866	967	33.3%	Cost of goods sold	10,505	13,726	3,221	30.7%	
183	213	30	16.4%	Supply and services	630	680	50	7.9%	
84	86	2	2.0%	Personnel costs	281	292	11	3.8%	
3,167	4,165	998	31.5%	Operational costs	11,417	14,698	3,281	28.7%	

TWELVE MONTHS

Operating costs for the period rose by 28.7% yoy to €14,698 million. Cost of goods sold had the largest increase – 30.7% - as the price of crude oil and other raw materials escalated and accounted for 98.2% of the total change in operating costs. At replacement cost, the cost of goods sold increased by 22.0% to €13,209 million, which reflected higher prices of crude oil and oil products in international markets.

Supply and services cost rose by 7.9% to €680 million euros. Excluding the €21 million incurred with the acquisition of Agip, the increase was 4.6% and was due to (i) higher production costs in the Exploration & Production business segment, namely maintenance costs at Angola's BBLT and Kuito fields and the widespread rise in the cost of services and equipment, (ii) rising legal costs, (iii) increasing storage and filling costs in Spain, (iv) the higher cost of transporting crude oil and oil products as freight rates rose and overstays lengthened and (v) the stop of the Sines refinery for maintenance.

Personnel costs went up by 3.8% to €292 million. After adjusting for the Agip effect, the rise was 1.3% and resulted primarily from an overall increase in compensation and social charges.

FOURTH QUARTER

In the last three months of the year, operating costs increased on a broad front by 31.5% to €4,165 million. The cost of goods sold rose by 33.3% - although the increase on a replacement cost adjusted basis was 1.8% to €3,068 million. In IFRS terms, this item accounted for 92.8% of total operating costs. Quarter on quarter, at replacement cost, the cost of goods sold fell by 11.7% as prices of oil products tumbled in international markets. In the Gas & Power business segment, the cost of goods sold was also adversely affected by the unfavourable outcome of the renegotiation of contracts for the supply of natural gas, which translated into a cost of €112 million.

Supply and services cost increased by 16.4% to €213 million. Excluding the effect of the acquisition of Agip's Iberian subsidiaries, the increase was 4.9% and its reasons were (i) rising transportation costs, namely of overstays linked to crude oil cargoes, (ii) higher costs of studies and projects and (iii) the cost of the stop for maintenance at the Sines refinery.

Personnel costs in the quarter rose by 2.0% to €86 million. Adjusting for the Agip effect, they actually decreased by 6.3%. On an adjusted and comparable basis, personnel costs went down by 3.6% as the cost of post-employment benefits fell following the rise in the discount rate of actuarial valuations.

EMPLOYEES

	December 31, 2007	September 30, 2008	December 31, 2008	Change vs Dec 31, 2007	Change vs Sept 30, 2008
Exploration & Production	62	63	70	8	7
Refining & Marketing	4,747	4,819	6,686	1,939	1,867
Gas & Power	462	471	476	14	5
Corporate & Others	527	527	585	58	58
Total on site employees	5,798	5,880	7,817	2,019	1,937
Service stations employees	2,243	2,273	3,918	1,675	1,645
Total off site employees	3,555	3,607	3,899	344	292

At the end of December 2008, Galp Energia had 7,817 employees, including 3,918 at service stations. The main change in the year occurred in the Refining & Marketing business segment where the increase of 1,939 employees was primarily explained by the addition of service station workers at the Iberian

subsidiaries of Agip (907), ExxonMobil (1,017) and Shell's subsidiaries in Mozambique, Gambia and Swaziland, for a total of 52. Compared with the end of September 2008, the variance also centred on the Refining & Marketing business segment for the reasons described above.

DEPRECIATION

Fourth quarter				Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
15	20	4	27.5%	Exploration & Production	55	69	14	26.0%
52	47	(5)	(8.8%)	Refining & Marketing	168	143	(25)	(14.7%)
10	4	(6)	(60.8%)	Gas & Power	33	27	(6)	(18.5%)
0	0	(0)	(16.6%)	Others	1	1	(1)	(54.4%)
77	71	(6)	(8.2%)	Depreciations	257	240	(17)	(6.7%)
77	71	(6)	(8.2%)	Depreciations	257	240	(17)	(6.7%)
2	(10)	(12)	n.m.	Non recurrent items	(1)	2	3	n.m.
80	61	(19)	(23.3%)	Adjusted depreciations	256	241	(14)	(5.6%)

TWELVE MONTHS

Depreciation charges in 2008 amounted to €240 million, down 6.7% yoy – 5.6% in adjusted terms.

Segment by segment, Refining & Marketing had lower charges because some assets, namely at the Sines refinery, reached the end of their economic life. Exploration & Production raised its depreciation charges in the wake of DeGolyer and MacNaughton (DeMac)'s report at 31 December 2008 that changed the level of proven and probable reserves. Abandonment costs of €8.6 million on account of the drilling of six dry wells in Brazil's onshore fields on the Potiguar and Sergipe basins were considered as non-recurrent. The Gas & Power segment booked €6

million less in depreciation as the maturity of its concession for the distribution of natural gas was extended and annual charges consequently dropped.

FOURTH QUARTER

Depreciation charges in the fourth quarter fell by 8.2% yoy – 23.3% in adjusted terms. The main reason for this steep decrease was the fact that the adjustment to reserves following DeMac's study was fully charged to the fourth quarter in 2007, whereas it was spread over the year in 2008. In Refining & Marketing and Gas & Power, depreciation charges fell for the same reasons as described in the twelve-month review above.

PROVISIONS

Million euros								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
1	5	4	592.4%	Exploration & Production	4	8	4	96.9%
1	12	12	n.m.	Refining & Marketing	8	19	11	141.8%
5	(17)	(22)	n.m.	Gas & Power	9	15	6	67.9%
-	1	1	n.m.	Others	-	0	0	n.m.
6	0	(5)	(91.8%)	Provisions	21	42	21	101.1%
6	0	(5)	(91.8%)	Provisions	21	42	21	101.1%
(1)	3	4	n.m.	Non recurrent items	(6)	(2)	4	66.1%
5	4	(1)	(24.1%)	Adjusted provisions	15	40	25	164.4%

Provisions doubled from €21 million to €42 million in 2008 as all business segments reported increases.

In the Exploration & Production business segment, the rise in provisions was related to increasing provisions for the abandonment of production fields in Angola. In the Refining & Marketing business segment, the €11 million increase was basically due to additional provisions for bad debts, partly considered as non-recurrent. In the Gas & Power business segment, provisions rose by €6 million as a result of the unfavourable outcome of the renegotiation of contracts for the supply of natural gas (for more detail about this provision, see the description of activities in the Gas & Power business segment). This effect was partly cancelled out by the segment's reversal of a provision related to services on account of strategic reserves.

In the fourth quarter, provisions declined by €5 million to almost zero. Provisions for Refining & Marketing's bad debts and Exploration & Production's abandonment costs were more than offset by the cancellation of €9.2 million in respect of part of the provision made for the renegotiation of gas supply contracts and the reversal of the provision for strategic reserves debts. For precautionary reasons, a provision of €30 million was kept to cushion the renegotiation of another contract for the acquisition of natural gas, which is currently under way.

RESULTS FROM ASSOCIATES

In the twelve months of 2008, results from associates reached €48 million. Out of this amount, equity holdings in international gas pipelines (EMPL, Metragaz, Gasoducto Al Andalus e Gasoducto Extremadura) generated €39.7 million, up 6.2% from a year earlier (See table on page 30).

However, these results were €12 million lower yoy, which mostly resulted from the fact that CLH in 2007 benefited from a capital gain on the disposal of assets.

INVESTMENT INCOME

In 2008 investment income was almost non-existent. Investment income of €21 million in the 2007 was mostly related to a non-recurrent event consisting of an adjustment to the price of the natural gas assets sold to REN in the third quarter of 2006.

NET FINANCIAL INCOME

The net financial loss of €61 million in 2008 was €18 million in excess of the loss a year earlier. This was due to rising interest rates, from 4.63% in 2007 to 5.10% in 2008, and higher average indebtedness, from €836 million in 2007 to €1,134 million in 2008.

In the fourth quarter, the net financial loss amounted to €16 million, up €5 million yoy. The higher level of debt contributed to this but was partly offset by favourable exchange differences arising from a depreciating US dollar towards the end of the year.

INCOME TAX

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
73	(180)	(253)	n.m.	Income tax IFRS¹	249	33	(216)	(86.8%)
<i>35%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>Effective income tax</i>	<i>26%</i>	<i>21%</i>	<i>(4.3 p.p.)</i>	<i>n.m.</i>
(20)	227	(248)	<i>n.m.</i>	Inventory effect	(38)	162	(199)	<i>n.m.</i>
53	48	(5)	(9.3%)	Income tax replacement cost	211	195	(17)	(7.9%)
2	4	2	<i>n.m.</i>	Non recurrent items	1	3	2	(216.8%)
54	51	(3)	(5.5%)	Income tax replacement cost adjusted	213	198	(14)	(6.8%)
<i>56%</i>	<i>29%</i>	<i>(27 p.p.)</i>	<i>n.m.</i>	<i>Effective income tax</i>	<i>33%</i>	<i>29%</i>	<i>(4.3 p.p.)</i>	<i>n.m.</i>

¹Includes IRP paid in Angola.

TWELVE MONTHS

IFRS-based income tax decreased in 2008 by €216 million as inventories declined and trading conditions deteriorated, thereby reducing taxable income. However, the change in valuation method arising from Law n° 64/2008 increased tax by €33.8 million.

IRP payable in Angola dropped by €11.6 million in 2008 to €53.0 million as net entitlement production declined, which led to the effective IFRS tax rate going down from 25.6% in 2007 to 21.3% in 2008.

In replacement cost adjusted terms, the effective tax rate declined from 33.4% to 29.1%. Excluding the IRP, the effective rate would have been 23.1% in 2008 against 25.9% in 2007.

FOURTH QUARTER

In the fourth quarter, IFRS-based income tax decreased by €253 million yoy as a result of (i) the net loss in the period and (ii) the reduction of IRP to a positive amount of €3.2 million from €25.9 million a year earlier. This reduction in IRP in the fourth quarter followed from excessive accruals up to September that were reverted in the last three months of the year.

In this period, the effective replacement cost adjusted tax rate was 28.9%. Excluding the IRP, the effective rate would have been 30.1%.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)					
	December 31, 2007	September 30, 2008	December 31, 2008	Change vs Dec 31, 2007	Change vs Set 30, 2008
Fixed assets	2,584	2,853	3,881	1,297	1,028
Strategic stock	582	835	480	(103)	(355)
Other assets (liabilities)	(151)	(240)	(29)	122	211
Working capital	89	235	(249)	(338)	(484)
	3,104	3,683	4,082	978	399
Short term debt	336	460	687	351	227
Long term debt	505	525	1,304	799	779
Total debt	841	985	1,991	1,149	1,006
Cash	107	109	127	20	18
Total net debt	734	875	1,864	1,129	988
Total shareholder's equity	2,370	2,808	2,219	(151)	(589)
Capital employed	3,104	3,683	4,082	978	399
Net debt to equity	31%	31%	84%	53.0 p.p.	52.8 p.p.

Fixed assets went up by €1,297 million in 2008 to €3,881 million, which reflected capital spending in the year, in particular on the acquisition of Agip's and ExxonMobil's Iberian subsidiaries for an amount of €752 million.

The value of strategic stocks fell by €103 million compared to 31 December 2007 to €480 million and by €355 million compared to 30 September 2008. This decline reflected the fall in oil product prices in international markets during these periods. These price movements had a direct impact on the unit valuation of strategic obligations, with the largest changes in middle distillates and gasoline.

Other assets and liabilities increased by €122 million compared to the end of 2007 and €211 million since September 2008. These increases primarily reflected (i) the reduction in such items as deferred tax

liabilities of €114 million following the change to WAC as the method of valuing the use of inventories and (ii) the increase in deferred tax assets relating to tax losses deductible against future profits.

Working capital was negative at €249 million, showing a reduction of €338 million in comparison with the end of 2007 and of €484 million compared to the end of September. The latter change was primarily the result of lower receivables and operating inventories in line with the decline in the prices of crude oil and oil products in international markets. Another important factor was the increase in payables to equipment suppliers as expenditure on the Sines cogeneration plant and the refinery conversion project got under way.

DEBT

Million euros (except otherwise noted)										
	December 31, 2007		September 30, 2008		December 31, 2008		Change vs Dec 31, 2007		Change vs Sept 30, 2008	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	226	2	-	2	-	2	(226)	-	-
Bank debt	171	280	238	258	485	754	314	474	247	496
Commercial paper	165	-	220	267	200	550	35	550	(20)	283
Cash	(107)	-	(109)	-	(127)	-	(20)	-	(18)	-
Net debt	734		875		1,864		1,129		988	
Average life (years)	2.75		3.05		2.68		(0.07)		(0.37)	
Net debt to equity	31%		31%		84%		53.0 p.p.		52.8 p.p.	

Net debt increased to €1,864 at 31 December 2008 from €875 million at 30 September.

The rise in debt reflected the accelerated execution of the company's investment programme, in particular the acquisition of Agip's and ExxonMobil's Iberian subsidiaries, closed on 1 October and 1 December, respectively, for a total amount of €752 million. In October the first dividend payment for financial 2008 was made for a total of €124 million.

The net debt to equity ratio of 84% at the end of 2008 showed a 52.8 percentage-points increase from the end of September.

The average life of the debt shortened from 3.05 years at the end of September 2008 to 2.68 years at the end of December, or 3.70 years if only long-term debt is considered. This was due to new borrowings of €450 million at the end of the year maturing in 2011.

At the end of December, 65.5% of total debt was long term against the 53.3% at the end of September, which was the result of new borrowings. At the end of 2008, 68.4% of total long-term debt was on a floating-rate basis against 86.9% at the end of September. This change was due to fixed-rate borrowings for an amount of €350 million.

The average cost of debt increased by 47 basis points compared to 2007 to 5.10%, which was in line with the rise in benchmark rates.

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

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

4. CASH FLOW

Million euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
206	(628)	Operating profit	936	167
77	71	Non cash costs	257	240
70	484	Change in working capital	118	338
354	(73)	Cash flow from operating activities	1,310	745
(235)	(1,120)	Net capital expenditures and disposals	(493)	(1,542)
(41)	355	Change in strategic stocks holdings	(130)	103
(276)	(765)	Cash flow from investing activities	(622)	(1,440)
(9)	(21)	Interest expenses	(34)	(51)
(43)	(52)	Taxes	(280)	(186)
56	5	Subsidies	63	7
(93)	(93)	Dividends paid / received	(323)	(217)
(5)	11	Others	39	12
(94)	(150)	Cash flow from financing activities	(535)	(435)
(16)	(988)	Total	153	(1,129)

Note: Net capital expenditures and disposals include financial investments

TWELVE MONTHS

Net cash outflow was €1,129 for the year compared to cash inflow of €153 million in 2007. This swing was mainly due to the cash outflow from investing activities.

Operating cash flow fell to €745 million from €1,310 in 2007. This was due to the fall in operating profit, which was adversely affected by an unfavourable inventory effect of €517 million, which in turn was partly offset by favourable changes in operational and strategic inventories.

The cash outflow from investing activities reached €1,440 million as capital expenditure was stepped up, namely in the Refining & Marketing business segment with the acquisition of Agip's and ExxonMobil's Iberian subsidiaries and the refinery conversion project.

The cash outflow from financing activities reached €435 million in 2008, up €100 million from a year earlier. Lower subsidy receipts and higher interest

payments following the increase in debt service costs in the period, were offset by lower dividend payments as the dividend for financial 2007 was paid in two instalments, in November 2007 and May 2008, and by adjustments to tax payments in 2008.

FOURTH QUARTER

In the fourth quarter, net cash outflow amounted to €988 million, down €972 million from a year earlier, as IFRS operating profit fell following an unfavourable inventory effect of €799 million and increased capital expenditure.

The cash outflow from investing activities rose by €489 million yoy to €765 million as a result of the acquisition Agip's and ExxonMobil's Iberian subsidiaries, which was partly offset by the reduction in strategic stockpiles as the prices of crude oil and refined products fell in international markets.

The cash outflow of financing activities increased yoy as subsidy receipts declined.

5. CAPITAL EXPENDITURE

Million euros								
Fourth quarter				Twelve months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
68	44	(23)	(34.5%)	Exploration & Production	193	196	3	1.7%
98	1,049	951	n.m.	Refining & Marketing	168	1,245	1,076	639.1%
40	37	(3)	(8.3%)	Gas & Power	103	116	13	12.5%
0	2	1	n.m.	Others	1	2	1	174.2%
207	1,132	925	447.7%	Investment	466	1,560	1,094	234.9%

TWELVE MONTHS

In 2008, capital expenditure amounted to €1,560 million, up €1,094 million from 2007.

Close to €196 million were channelled to the Exploration & Production business segment, namely (i) €110 million for work at Block 14, in particular for the development of the Tômbua-Landana and BBLT fields and the evaluation of the Lucapa discovery, (ii) €13 million for the drilling and evaluation of exploration wells on Angola's Block 32, (iii) €27 million for exploration activities in the Brazilian offshore, including the drilling of wells Júpiter, Bem-te-vi and lara and preparation of the long-term test to be performed on the Tupi from March 2009, (iv) €10 million for the bonuses paid in the ninth bidding round, (v) €18 million for the exploration activities in the Brazilian onshore Potiguar and Espírito Santo basins, with the drilling of 21 exploration wells that led to 9 discoveries and (vi) €14 million for exploration activities in Mozambique, East Timor and Portugal that encompassed 2D and 3D seismic acquisition for subsequent interpretation.

In the Refining & Marketing business segment €1,245 million were spent, up €1,076 million from 2007 and close to 80% of total capital expenditure in the year. Capital spending in this business segment was primarily channelled to the acquisition of Agip's and ExxonMobil's Iberian activities for marketing oil products for an amount of €752 million, the conversion project as it started procurement of key

equipment - which has in the meantime been awarded - particularly the reactors for the Sines hydrocracker, the scheduled stop for maintenance of the Sines refinery for €57.5 million and the acquisition of the concession for operating the liquid bulk terminal at the Port of Sines.

In the Gas & Power business segment, capital spending amounted to €116 million and was channelled to the 704-km extension of the secondary network for the distribution of natural gas that connected an additional 52 thousand natural gas clients, both new and converted. In the Power sector, the last expenditure was made on the cogeneration at the Sines refinery, which is scheduled to start up in the first quarter of 2009, and the cogeneration to be located at the Porto refinery for which the Engineering, Procurement and Construction (EPC) contract was signed in December.

FOURTH QUARTER

Capital expenditure in the fourth quarter rose by €925 million yoy to €1,132 million. This increase was due to the stepped-up expenditure in the Refining & Marketing business segment that followed from the acquisition of Agip's and ExxonMobil's Iberian subsidiaries that closed on 1 October and 1 December, respectively, as well as the stop for maintenance of the Sines refinery for an amount of €43.6 million.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)									
Fourth quarter				Twelve months					
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
87	29	(58)	(66.8%)	Turnover	233	200	(32)	(13.9%)	
28	9	(19)	(67.6%)	Operating profit	146	122	(24)	(16.3%)	
1	9	8	n.m.	Non recurrent items	4	18	15	n.m.	
29	18	(11)	(38.5%)	Operating profit replacement cost adjusted	150	141	(9)	(6.0%)	
15.7	15.5	(0.2)	(1.3%)	Average working interest production (kbbbl/day)	17.0	15.1	(2.0)	(11.5%)	
10.6	9.7	(0.9)	(8.7%)	Average net entitlement production (kbbbl/day)	12.5	10.0	(2.5)	(20.1%)	
1.0	0.9	(0.1)	(8.7%)	Total net entitlement production (million bbl)	4.6	3.7	(0.9)	(19.9%)	
0.1	0.1	(0.0)	(23.6%)	Kuito (million bbl)	0.4	0.4	(0.1)	(19.5%)	
0.8	0.7	(0.1)	(12.3%)	BBLT (million bbl)	4.0	3.1	(0.9)	(22.5%)	
0.0	0.1	0.0	154.3%	Tômbua-Lândana (million bbl)	0.1	0.2	0.1	62.1%	
83.6	60.8	(22.8)	(27.2%)	Average realized sale price¹ (Usd/bbl)	70.0	96.9	26.9	38.5%	
1.9	1.9	0.0	2.5%	Total sales² (million bbl)	4.8	3.8	(0.9)	(19.7%)	
-	-	-	-	Net total assets	570	693	124	21.7%	

¹ Considers effective sales as well as loans granted and received

² Considers effective sales

RESERVES AND CONTINGENT RESOURCES

At the end of December 2008, according to DeGolyer and MacNaughton ("DeMac")'s report, Galp Energia's proven and probable reserves in Angola's Block 14 were 28 million barrels against 31 million barrels at the end of 2007. The change in the benchmark price of crude oil for the calculation of net entitlement reserves from 72,3 Usd/bbl in 2007 to 97.0 Usd/bbl in 2008, led to lower reserves according to production-sharing agreements as well as lower quantities produced throughout the year. According to the same report, Galp Energia's contingent resources amounted to 2,113 million barrels, of which 206 million barrels represented resources from Angola's Blocks 14, 14K, 32 and 33 while the remainder, 1,907 million barrels, was from Brazil's Santos basin offshore and Potiguar and Sergipe basins onshore. At the end of 2007, Galp Energia's contingent resources were 742 million barrels.

EXPLORATION AND PRODUCTION OPERATIONS

TWELVE MONTHS

Working interest production in 2008 declined 11.5% yoy to 15.1 thousand barrels a day. This decrease was due to operational difficulties in the BBLT field at the end of 2007 and in the beginning of 2008.

The BBLT field has the heaviest weight in production with 79.3% of the total and had an average daily production of 12.0 thousand barrels in 2008.

At 20.1%, the annual decrease in net entitlement production was steeper than the decline in working interest terms. The rise in the price of crude oil, namely the Brent, which rose by 33.7%, led to lower availability of production rates. The BBLT field, with its 3,094 thousand barrels, accounted for 84.7% of total production in net entitlement terms. The Tômbua-Lândana field, which is scheduled to start large-scale production at the end of 2009, reported a 62.1% production increase to 199 thousand barrels.

Four cargoes were sold in 2008 – in March, June, November and December – for a total of 3.8 million barrels. Considering these effective cargoes as well as the loans, the average sales price was Usd 96.9/bbl.

During this period the premium to Brent in effective sales was Usd -3.4/bbl against Usd -2.1/bbl in 2007. This unfavourable development resulted from the increasing weight of production from Kuito field, which has a lower density than the oil from BBLT field. Kuito oil has a lower API compared to the Brent, which means it sells at a discount to the benchmark.

FOURTH QUARTER

Working interest production in the fourth quarter reached 15.5 thousand barrels a day, which was in line with production in the previous quarter and the fourth quarter of 2007. The decline in production from the Kuito field between the third and the fourth quarter of 2008, quite common for a project of this maturity, was partly offset by rising production from the Tômbua-Lândana field.

In the fourth quarter net entitlement production reached 9.7 thousand barrels a day, down 8.7% yoy due to (i) lower sharing in profit oil by the consortium, with increased accumulated profitability and (ii) lifting adjustments throughout the year, which proved to be higher than the production available for sale.

Two cargoes were sold in the fourth quarter. Taking overlifting into account, the average sales price was Usd 60.8/bbl, or 27.2% lower than a year earlier.

OPERATING PROFIT

TWELVE MONTHS

Replacement cost adjusted operating profit declined 6.0% yoy to €141 million, which accounted for 20.3% of Galp Energia's replacement cost adjusted operating profit. The 38.5% increase in the average sales price was cancelled out by a 20.1% decrease in net entitlement production, rising production costs and higher depreciation charges.

Breaking down operating costs shows production costs rising to €22.4 million or, in unit terms, from Usd

5.9/bbl to Usd 9.0/bbl, not only because of the impaired ability to spread fixed costs following the decline in net entitlement production but also because of the broad increase in the prices of equipment and services in international markets. Operational setbacks at the BBLT, which led to higher maintenance activity, also accounted for part of the rise in production costs.

Depreciation charges excluding adjustments reached €59.7 million or Usd 24.0/bbl, up from Usd 15.8/bbl yoy. This increase reflected the update in reserves in accordance with DeMac's study at 31 December 2008.

In Brazil, work on the evaluation and economic feasibility of crude oil production led to the return of ten onshore blocks to ANP, the national oil agency, eight of which were operated by Galp Energia on the Potiguar and Espírito Santo basins. The return of the blocks led to a write-off and, consequently, a net operating cost of €9.0 million. Abandonment costs in the wake of the drilling of six dry wells were also booked for an impact of €8.6 million. Both costs were considered as non-recurrent events.

FOURTH QUARTER

Replacement cost adjusted net profit for the fourth quarter of 2008 fell 38.5% yoy to €18 million. This decline was influenced by 8.7% lower net entitlement production and 27.2% lower sales price, including loans, which was a consequence of the lower price of crude oil in international markets.

Major operating costs included production costs of €4.4 million, down from €6.2 million a year earlier. In unit terms, production costs declined to Usd 6.5/bbl from Usd 9.2/bbl yoy. The lower unit costs followed from lower maintenance activity at the BBLT field compared to the end of 2007, when operational problems occurred in that field.

Depreciation charges excluding adjustments dropped by €7.4 million to €10.4 million, that is, from Usd 26.4/bbl to Usd 15.4/bbl. This resulted from the fact that the adjustment to net entitlement reserves for 2007 was fully charged to the fourth quarter while the adjustment for 2008 was spread throughout the year.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2,974	3,126	152	5.1%	Turnover	11,115	13,224	2,108	19.0%
110	(605)	(716)	n.m.	Operating profit	582	(174)	(756)	n.m.
(108)	812	(920)	n.m.	Inventory effect	(323)	552	(875)	n.m.
1	9	8	n.m.	Non recurrent items	1	(4)	(6)	n.m.
4	216	212	n.m.	Operating profit replacement cost adjusted	261	373	112	43.2%
2.2	4.4	2.2	103.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	2.8	2.6	(0.2)	(6.7%)
(1.0)	4.8	5.8	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin ¹ (Usd/bbl)	0.9	0.7	(0.2)	(26.1%)
4.6	5.8	1.1	24.8%	Galp Energia refining margin (Usd/bbl)	5.5	4.4	(1.1)	(19.2%)
19,153	20,780	1,627	8.5%	Crude processed (k bbl)	91,937	89,807	(2,130)	(2.3%)
3.1	3.0	(0.1)	(2.0%)	Raw material processed (million tonnes)	13.8	13.1	(0.7)	(5.1%)
3.8	4.3	0.5	12.9%	Total refined product sales (million tonnes)	16.0	16.0	0.1	0.5%
2.3	2.7	0.4	17.3%	Sales to direct clients (million tonnes)	9.4	9.6	0.2	2.5%
1.1	1.4	0.3	22.1%	Wholesale	4.4	4.6	0.3	5.8%
0.6	0.8	0.2	25.6%	Retail	2.6	2.7	0.1	2.7%
0.1	0.1	(0.0)	(3.8%)	LPG	0.4	0.4	(0.0)	(5.8%)
0.4	0.4	(0.0)	(2.7%)	Others	2.0	1.9	(0.1)	(3.4%)
0.4	0.6	0.2	44.1%	Exports (million tonnes)	2.4	2.5	0.1	4.1%
-	-	-	-	Number of service stations	1,038	1,509	471	45.4%
-	-	-	-	Number of c-stores	210	428	218	103.8%
-	-	-	-	Net total assets	3,986	4,619	633	15.9%

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

REFINING AND MARKETING OPERATIONS

TWELVE MONTHS

In 2008 13.1 million tonnes of raw materials were processed, down 5.1% from a year earlier. This was primarily the result of the scheduled stop for maintenance of the Sines refinery from 10 September to 27 October and, for the FCC and alkylation units, early December. Crude oil accounted for 92.0% of total raw materials processed, which was higher than the 89.5% from a year earlier. Lower refining activity led to lower capacity utilisation of 79.2%, down from 81.3% yoy.

In 2008, light crudes and condensates accounted for 53.1% of the total, followed by medium crudes (26.8%) and heavy crudes (20.1%), with a shift from heavy to medium crudes. This change in the type of crudes led to the reduction of fuel oil from 17.9% to 17.2% and gasoline, which resulted in a relative two percentage-point increase in fuel oil to 36.9%. Middle

distillates and gasoline account for close to 64.6% of total production, 42.8% and 21.9%, respectively.

Total sales reached 16.0 million tonnes, up 0.5% yoy. This increase originated in the fourth quarter, when the sales of refined products included the marketing activities of Agip's Iberian subsidiaries, whose acquisition by Galp Energia was completed on 1 October 2008. This addition offset the reduction in the Iberian fuel market.

The breakdown of exports, which rose by 4.1% compared to 2007, shows (i) a 27.2% fall in gasoline, which is primarily exported to the United States, following the stop for maintenance of the Sines refinery, which impaired the availability of this product for export, faltering US demand in the wake of the economic crisis and the increase in supply as refining capacity recovered from the effect of the hurricanes in 2007, particularly the Dean, (ii) a 19.3%

increase in fuel oil following lower demand in the domestic market and new opportunities to export to northern Europe by taking advantage of more favourable crack spreads and (iii) the export of chemical naphtha to the United Kingdom and the Netherlands. In 2008 fuel oil (33.6%) outstripped gasoline (30.5%) in Galp Energia's export profile, followed by chemicals (11.6%).

The cover of refining by marketing activities, as measured on the basis of average production in the last three years, rose by 3.6 percentage points to 75.2%, compared with a year earlier.

In 2008, sales to direct clients increased by 2.5%, which resulted from the addition of 0.6 million tonnes in sales by Agip's Iberian subsidiaries.

At the end of 2008 Galp Energia had 1,509 service stations, an additional 471 in comparison with a year earlier and 494 in addition to the number at the end of September, which resulted from the acquisition of Agip's and ExxonMobil's Iberian networks.

After these two acquisitions, Galp Energia has an additional 497 service stations in the Iberian Peninsula, where the Spanish network consists of 630 service stations.

In 2008 35 new non-fuel stores opened to the public, 34 of which were located in Portugal. This favourable development of the number of non-fuel stores is a consequence of Galp Energia's bet on the expansion of the convenience business as a way to extract additional returns from assets composing marketing activities. With these acquisitions, the number of Galp Energia convenience stores in the Iberian Peninsula rose to 428.

FOURTH QUARTER

In the fourth quarter close to 3.0 million tonnes of raw materials were processed, down 2% yoy. This was primarily due to the scheduled stop for maintenance of the Sines refinery, which extended into the fourth quarter. Crude oil processed rose by 8.5% in the fourth quarter compared to a year earlier, which translated

into a capacity utilisation rate of 72.9%, up from 67.2% in 2007.

Product sales reached 4.3 million tonnes, up 12.9% yoy. Sales to direct clients increased by 17.3% to 2.7 million tonnes. The rise in sales followed from the addition from 1 October 2008 of sales by Agip's Iberian subsidiaries for a total of 0.6 million tonnes. Exports rose by 44.1% across almost all product categories, mainly chemical naphtha and fuel oil. Only gasoline and gases exported less, which was a consequence of the scheduled stop for maintenance of the Sines refinery, which translated into lower product availability.

OPERATING PROFIT

TWELVE MONTHS

IFRS-based operating result swung from a €582 million profit to a €174 million loss after an unfavourable inventory effect of €552 million.

In adjusted terms, the operating profit rose by €112 million, or 43.2%, year on year. This was influenced by the time lag effect arising from the one-week delay before price changes in international markets are reflected on the terms agreed with Portuguese market operators, including Galp Energia's own business of marketing oil products. The accumulated time lag effect was a favourable €78 million in 2008 against an unfavourable €67.4 million in 2007, as product prices in international markets decreased more in 2008 than they increased in 2007. This effect offset the lower refining margin at Galp Energia, which followed international refining margin trends and suffered the impact of the scheduled stop for maintenance of the Sines refinery.

In unit terms, the Galp Energia refining margin fell by 19.2% to Usd 4.4/bbl. In euros, the fall was even steeper – 24.7% to Eur 3.0/bbl – as the US dollar depreciated against the euro. The refining margin was also hit by own consumption and losses, which accounted for 8.2% of raw materials processed in line with what was the case in 2007, although it had a higher value, that is, in terms of energy cost, as the

price of crude oil increased by 33.7% between the two periods.

There was virtually no change in euros in the cash costs of the refineries. In US dollars there was an increase from Usd 2.1/bbl to Usd 2.2/bbl.

Marketing of oil products was favourably influenced by Agip's Iberian subsidiaries, particularly in Spain, and the specialties business in the Iberian Peninsula. The overseas operations of oil product marketing also increased their activity and contribution to profit.

FOURTH QUARTER

In the fourth quarter, IFRS operating results swung €716 million compared one year earlier as a result of an unfavourable inventory effect of €812 million – against an unfavourable effect of €108 million in 2007 – as the prices of crude oil and oil products declined in the quarter.

Replacement cost adjusted operating profit rose to €216 million from €4 million a year earlier, which is explained by (i) rising refining margins, namely a rise of Usd 12.9/bbl in fuel oil crack spreads, (ii) the increase in international base oil margins that peaked at all-time highs, (iii) an appreciating US dollar against the euro and (iv) the favourable time lag effect of €105 million against an unfavourable effect of €27.5 million in the fourth quarter of 2007. These effects could offset the foregone contribution to profit arising from the scheduled stop for maintenance of the Sines refinery.

Operating cash refining costs declined by 12.2% yoy in unit terms to Usd 2.8/bbl, and the same occurred in euros. Nevertheless, total costs in euros increased due to the scheduled stop of the Sines refinery, which had a total cost of €11.1 millions, of which €9.6 million were booked in the fourth quarter of 2008.

3. GAS & POWER

Million euros (except otherwise noted)								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
447	507	59	13.3%	Turnover	1,455	1,942	487	33.5%
76	(29)	(105)	n.m.	Operating profit	212	216	4	1.8%
(7)	(13)	7	105.3%	Inventory effect	6	(35)	40	n.m.
1	(10)	(10)	n.m.	Non recurrent items	(3)	(5)	(2)	(93.2%)
71	(52)	(123)	n.m.	Operating profit replacement cost adjusted	215	176	(39)	(18.1%)
47	(79)	(126)	n.m.	Supply	135	86	(49)	(36.1%)
24	26	2	9.0%	Infrastructure	81	88	7	8.3%
0	1	1	n.m.	Power	(0)	3	3	n.m.
1,612	1,225	(388)	(24.1%)	NG supply total sales volumes (million m³)	5,377	5,638	261	4.8%
980	586	(394)	(40.2%)	Liberalised market sales volumes (million m³)	3,024	3,219	195	6.5%
561	392	(170)	(30.2%)	Electrical	1,878	2,189	311	16.5%
-	52	52	n.m.	Industrial	-	123	123	n.m.
419	142	(277)	(66.1%)	Trading	1,145	907	(238)	(20.8%)
632	638	6	1.0%	Regulated market sales volumes (million m³)	2,354	2,419	65	2.8%
498	467	(31)	(6.3%)	Industrial	1,891	1,876	(15)	(0.8%)
12	35	23	192.2%	Commercial	48	89	41	86.3%
48	55	7	14.4%	Residential	182	201	19	10.2%
74	82	8	10.5%	Other supply companies	233	253	20	8.8%
-	-	-	-	NG distribution clients¹ (thousands)	816	868	52	6.4%
423	360	(63)	(14.9%)	Power generation² (GWh)	1,610	1,548	(62)	(3.9%)
148	102	(46)	(31.1%)	Sales of electricity to the grid²	578	478	(100)	(17.3%)
-	-	-	-	Natural gas net fixed assets³	727	755	28	3.9%
-	-	-	-	Net total assets	1,487	1,659	172	11.6%

¹Includes unconsolidated companies where Galp Energia holds a significant interest.

²Includes Energin, which does not consolidate but where Galp Energia has a 35% holding. In 2008, this company generated 915.4 GWh of power and sold 236.4 GWh of electricity to the grid

³Excludes financial investments. Net fixed assets are on a consolidated basis.

GAS & POWER OPERATIONS

TWELVE MONTHS

Sales of natural gas in 2008 rose by 4.8% to 5,638 million cubic meters as the share of the deregulated market edged up to 57.1% from 56.2% in 2007.

The increase in sales reflected higher volumes traded in the electricity sector – up 16.5% from a year earlier. This rise was once again helped by low rainfall that caused hydro power to drop by 32% and by the fall in electricity generation at coal and fuel oil fired plants by 11% and 37%, respectively. This substitution was fuelled by higher prices of coal and fuel oil in international markets in 2008 and ultimately led to electricity production at gas-fired plants going up by 20%.

Sales of natural gas to the Spanish industrial sector started in early 2008 and reached a volume for the year of 114 million cubic metres.

The 21% fall in volume in the trading sector in comparison with 2007 stemmed from the fact that 2007 was an unusually dry year in Spain, which led to strong demand for natural gas for the production of electricity. By contrast, rising demand in Portugal in 2008 to the detriment of other products led to lower quantities of natural gas being available for trading activities.

In 2008, Galp Energia-owned distribution companies transported 1.5 billion cubic metres through their networks.

Power generation dropped by 3.9% in comparison with 2007 to 1,548 GWh. Galp Energia's own cogenerations used 161 million cubic metres of natural gas that accounted for 8.6% of the Portuguese industrial market. Sales of electricity to the grid fell by 17.3% as both the Carriço and Energin cogeneration plants stopped for maintenance.

Since April 2008, Galp Energia has sold electricity in the Portuguese market, directly to the pool, by using the virtual production capacity acquired at OMIP's auctions earlier in the year. The 36 GWh that were sold in 2008 are not included in the sales of electricity to the grid shown in the table of page 24.

FOURTH QUARTER

In the fourth quarter, sales of natural gas dropped by 24.1% yoy to 1,225 million cubic metres, which resulted from lower sales to the electricity and trading sectors. The 66.1% yoy fall in sales to the trading sector, in particular, played a major role in the drop in sales of natural gas in the fourth quarter. The electricity sector also had a negative performance as sales tumbled 30.2% yoy. Sales to this sector were affected by a reversal of the conditions that prevailed earlier in the year as both coal and fuel oil became more competitive than natural gas in the quarter. Galp Energia's contracts for the acquisition of natural gas have pricing mechanisms tied to historic Brent prices, which means in the fourth quarter they were still reflecting prices of the previous months while coal and fuel oil prices were already reflecting spot Brent prices.

Sales to the Spanish industrial market reached 48 million cubic metres with the addition of six new clients.

In distribution, transported volumes reached 0.3 million cubic metres.

In Power, energy generation dropped by 14.9% yoy and sales of electricity to the grid fell by 31.1% following the stop of the Energin cogeneration plant.

OPERATING PROFIT

TWELVE MONTHS

Replacement cost adjusted operating profit fell by 18.1% yoy to €176 million. Higher sales volumes and the rise in natural gas prices in international markets could not offset the impact of renegotiations for the acquisition of natural gas. In the fourth quarter an unfavourable arbitration award became known regarding one of the contracts, the NLNG+, accounting for 2,000 million cubic metres per year, whereupon a negotiation process was initiated with the supplier. The expected outcome of these negotiations was a change, effective from May 2007, in the mechanism for calculating the purchasing price of gas, which led to the accrual of €112 million in the fourth quarter in respect of the cost of natural gas. This item was partly cancelled out by the reversal of a provision of €9 million, which meant the net impact of the arbitral decision was €103 million.

A second contract for the acquisition of LNG, the NLNG II, accounting for 1,000 million cubic metres per year, is currently under renegotiation, effective from June 2007. Therefore, Galp Energia keeps, for precautionary reasons, a provision of €30 million, of which €16 million was made in 2008.

The infra-structure business reported an 8.3% increase in operating profit to €88 million, which evidenced the stability of earnings of this activity.

The Power business posted in 2008 a unit margin of Eur 11.8/MWh, which was below the Eur 14.0/MWh level a year earlier following the stop of the Energin cogeneration plant. Sales of 478 GWh to the grid were made at a price of Eur 105.2/MWh, up 17.1% yoy as selling rates tracked the Brent.

FOURTH QUARTER

Replacement cost adjusted operating results in the fourth quarter posted a loss of €52 million, down from a profit of €71 million a year earlier. The fact that contracts for the acquisition of natural gas reflect Brent prices for the last months led to the loss of competitiveness by natural gas for the production of electricity, which resulted in lower volumes being sold

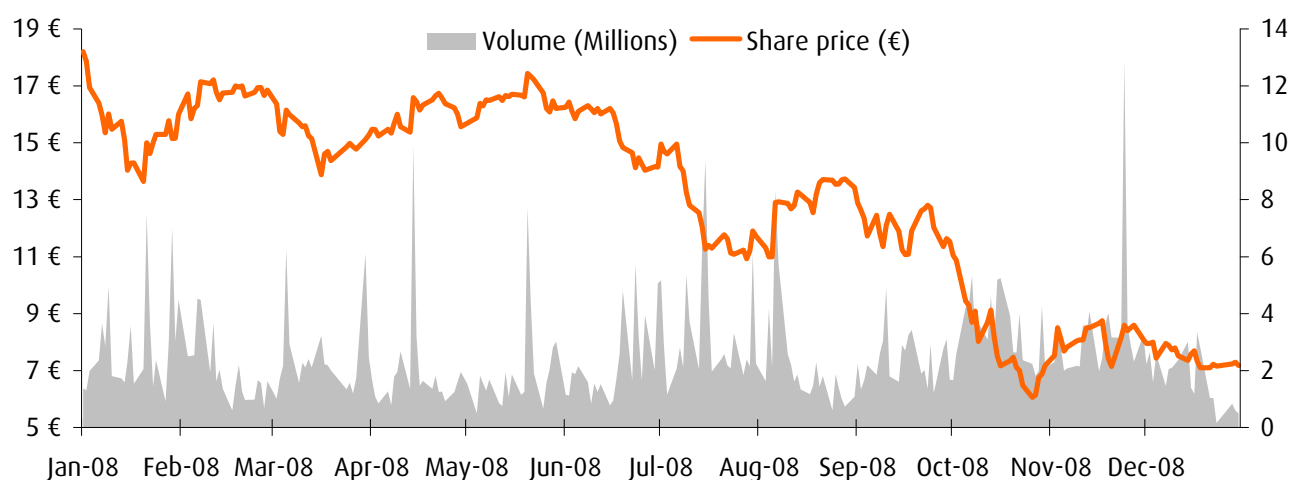
and unit margins falling, given the lag behind sales to the liberalized market. Operating profit was also negatively affected by the arbitration award, with a net impact in the quarter of €103 million.

The infrastructure business reported an increase of €2 million in replacement cost adjusted operating profit, to €26 million.

In the Power business, the unit margin fell to Eur 11.6/MWh, down from Eur 13.7/MWh a year earlier. Sales of 102 GWh to the grid achieved a price of Eur 123.4/MW.

THE GALP ENERGIA SHARE

Galp Energia share evolution



Source: Bloomberg

TWELVE MONTHS

In 2008 the Galp Energia stock posted a negative performance of 61% as it tracked the negative movements of the main indices in which the share is included – the PSI-20 and the SXEP. From its initial public offering up to the end of 2008, the Galp Energia share performed positively with a 24% gain. During the year the share peaked at €18.95 on 2 January and reached its lowest price of €5.95 on 27 October. In the twelve months of 2008, 643.6 million shares were

traded, up 83% yoy, representing a daily average of 2.5 million shares traded. At 31 December, Galp Energia's market capitalisation was €5.954 million.

FOURTH QUARTER

In the last three months of the year, the share lost 38% of its value as the volume traded reached 182.2 million shares, the equivalent of a daily average of 2.8 million shares. In this period, the PSI-20 and the SXEP shed 21% and 18%, respectively.

Share detail

ISIN	PTGALOAM0009
Reuters	GALP.LS
Bloomberg	GALP PL
Number of shares	829,250,635

Main indicators

	2007	4Q 2008	2008
Min (€)	6.29	5.95	5.95
Max (€)	19.50	12.09	18.95
Average (€)	9.92	7.95	13.05
Close price (€)	18.39	7.18	7.18
Volume (M shares)	351.6	182.2	643.6
Average volume per day (M shares)	1.4	2.8	2.5
Market cap (M€)	15,250	5,954	5,954

MATERIAL EVENTS IN THE FOURTH QUARTER 2008

CORPORATE

MAJOR HOLDING

On October 20, Fidelity International Limited (“FIL”) notified Galp Energia that the mutual funds and other investment accounts managed by affiliates of FIL have reached a qualified shareholding below the 2% threshold, approximately 1.97% of Galp Energia share capital and corresponding voting rights.

EXPLORATION & PRODUCTION

GALP ENERGIA ACQUIRES EIGHT BLOCKS IN THE 10TH BIDDING ROUND FOR EXPLORATORY BLOCKS IN BRAZIL

On December 18, Galp Energia took part in the 10th bidding round for exploratory blocks organized by the National Oil, Gas and Biofuels Agency (“ANP”), that was held in Rio de Janeiro, Brazil. In this bidding round Galp Energia won eight Blocks. Five blocks in the Potiguar Basin, onshore, where Galp Energia and Petrobras hold a stake of 50%. The remaining three blocks in the Amazonas Basin, the winner consortium was composed by Petrobras, operator with 60% and Galp Energia with 40%.

REFINING & MARKETING

GALP ENERGIA COMPLETES ACQUISITION OF AGIP’S IBERIAN NETWORK

On October 01 Galp Energia and Eni concluded the transaction of Agip’s Iberian network. As of that day, Galp Energia owns 367 additional service stations in

Iberia, with a total Spanish network of 547 service stations.

EUROPEAN COMMISSION APPROVES PROPOSED ACQUISITION OF EXXONMOBIL’S IBERIAN SUBSIDIARIES BY GALP ENERGIA

On October 31, the European Commission has cleared subject to conditions, the proposed acquisition by Galp Energia of Esso Portuguesa, Esso Española and a part of ExxonMobil Petroleum & Chemical.

GALP ENERGIA COMPLETES ACQUISITION OF EXXONMOBIL’S IBERIAN SUBSIDIARIES

On December 1, Galp Energia and ExxonMobil concluded the acquisition of ExxonMobil affiliates’ fuels and certain lubricants businesses in Spain and Portugal, which currently totals 130 service stations, and its Industrial, Wholesale, LPG and Aviation fuels businesses. After this transaction, Galp Energia owns 628 service stations in Spain.

AWARDS CONCEDED

On October Galp Energia was distinguished by Institutional Investor Magazine with the “Most Improved Investor Relations 2008” prize in the Oil & Gas sector at a European level. This distinction results from analysts (sell side) votes and reward companies and executives from European companies.

EVENTS AFTER THE CLOSE OF TWELVE MONTHS 2008

REFINING & MARKETING

GALP ENERGIA AND SONAE DISTRIBUIÇÃO AGREE THE TERMINATION OF THE AGREEMENT FOR THE EXPLORATION OF CONTINENTE'S SERVICE STATIONS NETWORK

On January 16, Galp Energia agreed with Sonae Distribuição the termination of the agreement for the transfer of the operation of eight petrol stations located next to Continente Hypermarkets.

INCIDENT AT SINES REFINERY UTILITIES UNIT

On January 17 a fire occurred at the utilities unit of the Sines refinery. The fire was brought under control by the industrial complex's emergency response team, with no personal injuries or environmental damages. The fire was restricted to the utilities unit - an electricity and steam production plant that supplies Galp Energia's industrial complex at Sines, with no damage to the refining processing units. After a first evaluation, we anticipate that the refinery will remain shutdown for a period up to six weeks. Operations will be gradually resumed after that period. Sines refinery has resumed operations on the expected period.

ASSOCIATES

1. MAJOR ASSOCIATES

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

¹ Fomer Transgás, S.A.

² Former Transgás Industria, S.A.

2. RESULTS FROM ASSOCIATES

Million Euros								
Fourth quarter					Twelve months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2.4	0.6	(1.8)	(75.7%)	CLH	8.1	6.7	(1.4)	(16.9%)
10.2	11.8	1.6	15.5%	International Pipelines	37.4	39.7	2.3	6.2%
0.4	0.7	0.4	103.0%	Setgás - Natural Gas Distribution Company	2.2	2.4	0.2	8.1%
1.1	1.7	0.6	53.4%	Others	3.6	3.2	(0.4)	(11.0%)
14.1	14.8	0.7	4.9%	Sub total	51.2	52.0	0.7	1.4%
(0.5)	0.5	1.0	n.m.	Consolidation adjustments	8.8	(3.5)	(12.3)	n.m.
13.6	15.3	1.7	12.2%	Total	60.0	48.5	(11.6)	(19.3%)

RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED OPERATING PROFIT BY BUSINESS SEGMENT

Million euros										
Fourth quarter					2008	Twelve months				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
(628)	799	170	8	179	Operating profit	167	517	684	9	693
9	-	9	9	18	E&P	122	-	122	18	141
(605)	812	207	9	216	R&M	(174)	552	377	(4)	373
(29)	(13)	(42)	(10)	(52)	G&P	216	(35)	181	(5)	176
(3)	(0)	(3)	-	(3)	Others	3	(0)	3	0	3

Million euros										
Fourth quarter					2007	Twelve months				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
206	(114)	91	3	95	Operating profit	936	(318)	618	2	620
28	-	28	1	29	E&P	146	-	146	4	150
110	(108)	2	1	4	R&M	582	(323)	259	1	261
76	(7)	70	1	71	G&P	212	6	218	(3)	215
(8)	-	(8)	(0)	(8)	Others	(5)	-	(5)	(0)	(5)

2. REPLACEMENT COST ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros										
Fourth quarter					2008	Twelve months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
(557)	799	242	2	244	EBITDA	449	517	966	9	975
33	-	33	(0)	33	E&P	199	-	199	9	208
(546)	812	266	3	269	R&M	(12)	552	539	1	540
(42)	(13)	(56)	(0)	(56)	G&P	258	(35)	223	(1)	223
(2)	(0)	(2)	0	(2)	Others	4	(0)	4	0	4

Million euros										
Fourth quarter					2007	Twelve months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
289	(114)	175	5	179	EBITDA	1,213	(318)	896	(5)	891
44	-	44	4	47	E&P	205	-	205	1	206
163	(108)	55	1	56	R&M	758	(323)	435	0	435
91	(7)	85	(0)	84	G&P	254	6	260	(6)	254
(8)	-	(8)	(0)	(8)	Others	(4)	-	(4)	(0)	(4)

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
-	-	Exclusion of non recurrent items	-	-
3.6	-	Gains / losses on disposal of assets	3.6	-
-	(0.5)	Assets write offs	-	9.1
(2.3)	9.0	Assets impairments	2.2	8.7
-	0.8	Provisions for other risks and charges	-	0.8
0.0	(0.4)	Others	(2.3)	(0.1)
1.2	8.8	Non recurrent items of operating profit	3.6	18.4
0.1	-	Other financial results	(1.5)	-
1.3	8.8	Non recurrent items before income taxes	2.1	18.4
(0.5)	(2.8)	Income taxes on non recurrent items	(1.2)	(6.0)
0.9	6.0	Total non recurrent items	0.9	12.4

Refining & Marketing

Million Euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
-	-	Exclusion of non recurrent items		
-	0.0	Sale of strategic stock	0.3	(3.7)
-	2.2	Monobuoy costs	-	2.2
(5.8)	(0.9)	Gains / losses on disposal of assets	(8.9)	(1.5)
3.7	0.3	Assets write offs	3.7	0.7
3.4	1.1	Employees contracts rescission	5.1	2.4
0.1	5.4	Provisions for other risks and charges	2.1	5.4
(0.0)	0.6	Assets impairments	(0.9)	(10.4)
0.0	0.5	Others	0.0	0.4
1.3	9.4	Non recurrent items of operating profit	1.4	(4.4)
0.2	-	Capital gains / losses on disposal of financial investments	(0.9)	-
1.5	9.4	Non recurrent items before income taxes	0.4	(4.4)
(0.6)	(2.2)	Income taxes on non recurrent items	(0.4)	1.6
0.9	7.1	Total non recurrent items	0.0	(2.8)

Gas & Power

Million Euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Services rendered	-	-
(1.7)	(0.5)	Gains / losses on disposal of assets	(4.3)	(1.0)
1.2	0.0	Assets Write offs	1.3	0.3
-	-	Collections related to the sale of land	(3.5)	-
0.3	0.1	Employees contracts rescission	0.3	(0.0)
0.9	(8.3)	Provisions for environmental charges	3.6	(3.3)
-	(1.0)	Provisions for other risks and charges	-	(0.9)
0.7	(9.7)	Non recurrent items of operating profit	(2.6)	(5.0)
-	-	Capital gains / losses on disposal of financial investments	(20.8)	-
-	-	Other financial results	-	-
0.7	(9.7)	Non recurrent items before income taxes	(23.4)	(5.0)
(0.4)	1.5	Income taxes on non recurrent items	0.6	1.1
0.3	(8.2)	Total non recurrent items	(22.8)	(3.9)

Others

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

Consolidated

Million Euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	0.0	Sale of strategic stock	0.3	(3.7)
-	2.2	Monobuoy costs	-	2.2
(3.9)	(1.6)	Gains / losses on disposal of assets	(9.6)	(2.6)
4.9	(0.1)	Assets write off	5.0	10.0
-	-	Collections related to the sale of land	(3.5)	-
3.7	1.2	Employees contracts rescission	5.4	2.4
2.1	5.3	Provisions for other risks and charges	2.1	5.3
(1.1)	(8.3)	Provisions for environmental charges	3.6	(3.3)
(2.4)	9.5	Assets impairments	1.3	(1.6)
0.0	0.1	Others	(2.2)	0.4
3.3	8.4	Non recurrent items of operating profit	2.4	9.0
0.2	-	Capital gains / losses on disposal of financial investments	(21.8)	-
0.1	-	Other financial results	(1.5)	-
3.5	8.4	Non recurrent items before income taxes	(20.9)	9.0
(1.6)	(3.5)	Income taxes on non recurrent items	(1.0)	(3.3)
2.0	4.9	Total non recurrent items	(21.9)	5.7

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Fourth quarter			Twelve months	
2007	2008		2007	2008
		Operating income		
3,404	3,473	Sales	12,433	14,860
32	106	Services rendered	127	225
33	42	Other operating income	101	102
3,469	3,621	Total operating income	12,661	15,188
		Operating costs		
(2,900)	(3,866)	Inventories consumed and sold	(10,505)	(13,726)
(183)	(213)	Material and services consumed	(630)	(680)
(84)	(86)	Personnel costs	(281)	(292)
(77)	(71)	Amortisation and depreciation cost	(257)	(240)
(6)	(0)	Provision and impairment of receivables	(21)	(42)
(13)	(12)	Other operating costs	(31)	(41)
(3,263)	(4,249)	Total operating costs	(11,726)	(15,021)
206	(628)	Operating profit	936	167
14	15	Net profit from associated companies	60	48
(0)	0	Net profit from investments	21	0
		Financial results		
4	4	Financial profit	17	13
(13)	(25)	Financial costs	(50)	(64)
(1)	6	Exchange gain (loss)	(9)	(8)
(0)	(0)	Profit and cost on financial instruments	1	(0)
(0)	(0)	Other gains and losses	(1)	(1)
208	(629)	Profit before taxes	974	155
(73)	180	Income tax expense	(249)	(33)
135	(450)	Profit before minority interest	725	122
(1)	(1)	Profit attributable to minority interest	(5)	(5)
134	(451)	Net profit for the period	720	117
0.16	(0.54)	Earnings per share (in Euros)	0.87	0.14

2. CONSOLIDATED BALANCE SHEET

Million euros			
	December 31, 2007	September 30, 2008	December 31, 2008
Assets			
Non current assets			
Tangible fixed assets	2,108	2,335	2,760
Goodwill	17	20	172
Other intangible fixed assets	310	326	409
Investments in associates	149	172	297
Investments in other participated companies	1	2	1
Other receivables	89	83	84
Deferred tax assets	136	129	200
Other financial investments	1	1	5
Total non current assets	2,811	3,066	3,928
Current assets			
Inventories	1,347	1,658	1,076
Trade receivables	1,077	1,058	987
Other receivables	330	481	501
Other financial investments	6	6	3
Current Income tax recoverable	0	-	-
Cash and cash equivalents	107	109	127
Total current assets	2,868	3,312	2,695
Total assets	5,678	6,378	6,623
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(23)	(16)	(27)
Other reserves	146	174	174
Hedging reserves	1	1	(2)
Retained earnings	592	1,144	1,020
Profit attributable to equity holders of the parent	720	568	117
Equity attributable to equity holders of the parent	2,348	2,784	2,194
Minority interest	22	24	25
Total equity	2,370	2,808	2,219
Liabilities			
Non current liabilities			
Bank loans and overdrafts	280	525	1,304
Bonds	226	-	-
Other payables	62	60	56
Retirement and other benefit obligations	254	257	256
Deferred tax liabilities	132	163	18
Other financial instruments	0	0	3
Provisions	83	108	99
Total non current liabilities	1,036	1,114	1,737
Current liabilities			
Bank loans and overdrafts	336	458	685
Bonds	-	2	2
Trade payables	956	932	988
Other payables	981	1,024	987
Other financial instruments	0	1	2
Income tax	-	40	3
Total current liabilities	2,272	2,457	2,667
Total liabilities	3,308	3,570	4,404
Total equity and liabilities	5,678	6,378	6,623

ADDITIONAL INFORMATION

GLOSSARY

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

Galp Energia, company or group Galp Energia, SGPS, S.A. and associates

IRP Tax on revenue generated by the sale of oil in Angola

Replacement cost ("RC") According to this method of valuing inventories, the cost of goods sold is valued at *the cost of replacement*, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.

Rotterdam cracking refining margin Rotterdam Cracking refining margin: -100% Dated Brent, +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.

Rotterdam hydroskimming + aromatics + base oils refining margin Rotterdam hydroskimming refining margin: -100% Dated Brent, +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.. Consumptions: -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.

ACRONYMS

Bbl: barrels; BBLT: Benguela, Belize, Lobito and Tomboco; bbl/d: barrels a day; Bg: *Barges*; Cg: *Cargoes*; CIF: *Cost, Insurance and Freight*; CLH: Companhia Logística de Hidrocarburos, S.A.; E&P: Exploration & Production; Eur: Euro; FIFO: First In First Out (inventory valuation method); FOB: *Free on Board*; G&P: Gas & Power; IAS: International Accounting Standards; IFRS: International Financial Reporting Standards; LIFO: Last In First Out (inventory valuation method); LNG: Liquefied Natural Gas; LSFO: *Low sulphur fuel oil*; m³: cubic metres; n.m.: not meaningful; OMIP: Iberian Energy Market Operator; PM UL: *Premium unleaded*; PSA: Production Sharing Agreement; R&M: Refining & Marketing; SXEP: DJ Europe Oil&Gas Index; TL: Tômbua Lândana; ULSD CIF Cg: *Ultra Low sulphur diesel* CIF *Cargoes*; USA: United States of America; Usd: US dollar; OPEC - *Organization of the Petroleum Exporting Countries*; WAC: Weighted Average Cost (inventory valuation method).

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