



FOR A BETTER
FUTURE
WITH POSITIVE
ENERGY



This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking shareholders. For all intents and purposes, the Portuguese version shall prevail.

SUSTAINABILITY REPORT '07

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01 STATEMENT OF THE BOARD DIRECTORS

Galp Energia's mission is to create client, employees and shareholder value and participate in energy markets with ambition, innovation and competitiveness while promoting respect for ethical and sustainability principles.

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STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Sustainable development issues are a prime concern of our society. Environmental, economic and social aspects are looked at, not in a disconnected way, but as an integrated contribution to our community.

The concepts of sustainable development and corporate social responsibility are currently very demanding and require companies to implement best practice. Social responsibility is recognised not to be limited to compliance with legal requirements. Rather, it encompasses a comprehensive investment in human capital, environmental balance and improved relations with all stakeholders including local communities.

The business community – together with governments, civil society and other organisations – has taken on increased responsibility for the physical and social environment on a global scale. We are thoroughly aware that sustained financial performance will only be possible if companies are firmly committed to economic, social and environmental development.

At Galp Energia we have adopted the principles of sustainability on the economic, social and environmental fronts. We have incorporated them in our activities and have, in the process, reduced strategic, operational and financial risks, thereby raising the value of the firm.

On the environmental front, we implemented integrated programmes and gauged the extent of externalities arising from our activities, committing ourselves to improved performance. On the social front, we endeavoured to contribute to the betterment of society and the improvement of conditions in the communities where we operate.

Consequently, Galp Energia undertakes every year to overcome the challenges posed by sustainable development and promotes its sustainability strategy through consistent communications with its stakeholders.

A handwritten signature in black ink, which appears to read 'Francisco Murteira Nabó'.

Francisco Murteira Nabó

Chairman of the Board of Directors



STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In 2007 we published our first sustainability report, which related to our activities in 2006. We also took steps to have our activities assured from a sustainability point of view. The document we now publish, relating to 2007, is a milestone in the quality of our relationship with the communities with which we interact. This is the first sustainability report which has been assured by an independent party, with no qualifications raised.

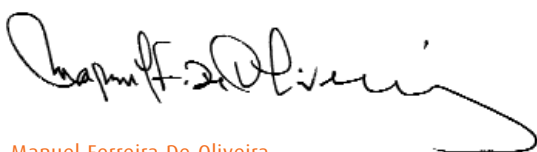
We are very well aware that today reporting good results and presenting attractive business plans is not good enough. Our duty is to make sure that our projects and operations are economically, socially and environmentally sustainable besides being financially rewarding. Also, we have the duty of communicating and providing evidence of this to our stakeholders.

Our sustainability practice rests on seven values we promote: focus on the client; teamwork; entrepreneurship and orientation to results; individual development and advancement; innovation and continuous improvement; safety and the environment; integrity and transparency.

Across our corporation we have the duty to know, defend and promote these values. We want them to be instruments for internal cohesion, competitive differentiation and sound relationships with all economic, political and social entities or individuals with a stake in our activities.

In order to ensure the quality and transparency of our report we prepared it in accordance with the Global Reporting Initiative's (GRI) G3 guidelines. As I said above, we also had it externally assured by an accredited party.

We ask report readers to provide comment which will help us to improve reporting quality. We would like our sustainability report to become a benchmark, thereby affirming Galp Energia's uniqueness. We are aware of our responsibilities and we intend to fulfil them. As energy operators, we know how much is required of us. We want to turn the fulfilment of our duties into projects and activities that will contribute to consolidating a sustainable development model for our society. This is what I commit to in the name of all those who work at Galp Energia.



Manuel Ferreira De Oliveira

Chief Executive Officer



02 BACKGROUND

OUR VISION: TO BE THE REFERENCE
ENERGY OPERATOR IN THE MARKETS
WHERE WE COMPETE.

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REVISITING THE PATRIMONY

"Who controls the past controls the future. Who controls the present controls the past."

George Orwell



Additional information is available at <http://investor.relations.galpenenergia.com/galpir/vPT/>

HISTORY AND MAKING OF THE BRAND

GALP ENERGIA IS A UNIQUE CORPORATION IN PORTUGAL. THROUGHOUT ITS HISTORY, IT HAS CREATED NEW OPORTUNITIES THAT HAVE CONTRIBUTED TO ITS CURRENT POSITIONING AS AN INTEGRATED MULTI-ENERGY OPERATOR IN PERMANENT SEARCH FOR ITS CLIENTS SATISFACTION AND THE SUSTAINABILITY OF ITS BUSINESSES. ITS DIVERSIFIED BUSINESS PORTFOLIO REFLECTS ITS SUCESSIVE VENTURE INTO NEW FIELDS AND THE SKILLS IT HAS HONED OVER TIME. THE HISTORY OF THE BRANDS AND COMPANIES THAT ARE PART OF GALP ENERGIA ILLUSTRATES A REMARKABLE STRING OF ACHIEVEMENTS OVER A LONG PERIOD OF TIME.

THEY WERE DIFFICULT TIMES.

The 1929 crisis had left its marks. Europe was in upheaval and Portugal took its first steps towards Salazar's corporate organization.

THEY WERE WAR TIMES.

Portugal becomes isolated but the peaceful Portuguese society is affected by the conflict and the people attracted by neutrality.

1848

Companhia Lisbonense de Iluminação a Gás is awarded the concession for public lightning whereby the lightning gas system is launched.



1933

SONAP is created and the Leixões terminal is opened.



1938

SACOR is established and the decision is made for the construction of a refinery.



1939

CIDLA is setup for the distribution of butane and propane gas.



1940

The first Portuguese refinery - with the capacity to supply 50% of the market - opens at Cabo Ruivo, just outside Lisbon, under SACOR's ownership.



1944

Matinha's gas plant is officially opened.



It's diversified business portfolio reflects its successive ventures into new fields and the skills it has honed over time

THEY WERE CHANGE TIME.

May 68, De Gaulle's downfall, long hair, rock and roll and the mini-skirt announce a new world that will be marked by the first oil shock and a single European community.

1957

Sociedade Portuguesa de Petroquímica, SARL, is set-up for the purpose of producing gas, ammonia and hydrogen.



Sociedade Portuguesa de Petroquímica, S.A.R.L.

1961

A gas plant starts operating at Cabo Ruivo.

1969

Oporto's SACOR - owned refinery starts operating.



1971

The Sines Industrial Complex project consisting of a refinery and a petrochemical plant is launched and awarded to SONAP - CUF (Petrosul - Sociedade Portuguesa de Refinação de Petróleos).



1972

Is set-up Petrosul, Sociedade Portuguesa de Refinação de Petróleos.

1975

SACOR, CIDLA, SONAP and PETROSUL are nationalised.



The history of the brands and companies that are part of Galp Energia illustrates a remarkable string of achievements over a long period of time.

THEY WERE REVOLUTION TIMES.

Portugal changes, discovers liberty and experiences democracy

1976

Petrogal is set up as the four nationalised companies are merged.

PETROGAL

1978

The Galp brand is born. The Sines refinery starts operating.



1979

Petroquímica and Gás de Portugal, EP, are created as a result of the merger of Soc. Port. Petroquímica and Petrofibras.



PETROQUÍMICA E GÁS DE PORTUGAL, E.P.

THEY WERE NEW TIMES.

The world had change with successive oil shocks, a recession and the fall of the Berlin wall. Consumerism is now tempered by ecological warnings.

1989

A new national energy policy is ushered in. GDP - Gás de Portugal, S.A. is set up with the mission of supplying natural gas to the country.



GDP GÁS DE PORTUGAL, SA

1991

The Galp brand is renovated.



THEY ARE FUTURE TIMES.

Portugal braces for the demands of the 21st century and the single currency. Liberalisation pervades markets. New challenges loom.

1995

GDP - Gás de Portugal, SGPS, SA is set-up as a holding company for all concession holders of natural gas distribution and transportation.

1997/98

GDP takes strategic leadership of the sector and energises the natural gas project.

1999/2000

Galp Energia is set-up as an integrated platform for the Petrogal and GDP businesses.

2002

The new image is launched - Galp Energia - your positive energy.

2007

The new natural gas brand is launched.

GDP
Gás de Portugal

GÁS*natural*

Galpenergia

galp energia

gás natural
galp energia

THE ENERGY SECTOR IS AN INCREASINGLY DECISIVE AND STRATEGIC FACTOR FOR THE SUSTAINABILITY OF ECONOMIC GROWTH AND, IN PARTICULAR, ENVIRONMENTAL PROTECTION. TO THIS END, THE EUROPEAN UNION HAS COMMITTED TO CURB EMISSIONS OF GREENHOUSE GASES (GHGS) BY 2020 BY AT LEAST 20% COMPARED TO 1990. IN PARALLEL, IT ALSO COMMITTED TO RAISING THE SHARE OF RENEWABLE ENERGY CONSUMED IN THE UNION TO 20% AND BOOSTING ENERGY EFFICIENCY BY 20%.

In this respect, Galp Energia's actions have consisted of strategies and goals leading to the attainment of national energy objectives.



The purpose of Galp Energia's second sustainability report is to communicate to all stakeholders how the company's activities have progressed in 2007 in economic, environmental and social terms compared to its sustainability commitments for that year and the following years.

The report includes several economic, social and environmental indicators which will make it possible for Galp Energia's stakeholders to learn about the

company's sustainability performance, namely its best practice, technological development endeavours and multiple actions designed to foster innovation. A sharp focus has been brought onto strategy, environmental impact, technological partnerships with universities and research centres, services and products offered to clients as well as the company's commitment to its employees' well-being.



Like for the 2005-2006 report, Galp Energia is looking for an objective assessment by stakeholders. In this context, the continuous improvement of sustainability indicators is crucial. To this end, the company sought for the first time external assurance of its sustainability report. The purpose of this was to identify any discrepancies with the Global Reporting Initiative (GRI) guidelines and thus improve the data collection process. In this context, a materiality analysis was conducted that was based on the indicators composing the Dow Jones Sustainability Index. Results have showed that the major challenges faced by the oil and gas sector are the following:

- Innovation development
- Social impact communities
- Internal social aspects
- Management of supplier relationships
- Climate strategy
- Renewable energy
- Biodiversity
- Responsible operations management



On the basis of this information, Galp Energia wants to improve its performance on the three fronts.

Like last year, this report was developed from a plan prepared by a group of employees from several business units and corporate services. Subsequently,

selected report content was raised for discussion, which led to a structured report. Special attention was given to the company's major actions and its completed and planned investments from the viewpoint of their contribution to sustainable development.

Content has been defined and organised taking into account the values of Galp Energia:

- Focus on the client
- Teamwork
- Entrepreneurship and orientation to results
- Personal development and advancement
- Innovation and continuous improvement
- Safety and the environment
- Integrity and transparency

To enable analysis of the company's performance, the data in the report relates to the last two years.

In order to broaden its disclosure, the first sustainability report was posted on Galp Energia's website. At the same time, some stakeholders were invited to fill in an online form as a way of expressing their thoughts about Galp Energia and the topics they would like to see covered in the 2007 report. However, the number of replies was not deemed to be representative.

Galp Energia's sustainability report is published annually and follows the G3 guidelines – approved in October 2006 by the GRI and so called because they are the third issue of reporting guidelines published by this international organisation. For the avoidance of redundant coverage, the sustainability report is published simultaneously with Galp Energia's Annual Report and Accounts and Corporate Governance report.

In 2007 Galp Energia took important steps towards integrating its activities, namely by strengthening its presence in exploration and production, with special emphasis on Brazil's Tupi and other discoveries. Also, its ability to market oil products was boosted by the acquisition of AGIP's network in Spain. At the same time, the company took decisive steps towards broadening its

energy portfolio as it consolidated its entry into the electrical and renewable energy sectors, namely through its participation in the first auction of virtual electricity production capacity.

○ MAJOR EVENTS IN 2007

-
- Oil discoveries on Blocks 32 and 2 and new discoveries on Block 14 in Angola
 - Contracts signed regarding the search for oil off Alentejo's coast
 - Contracts signed regarding the search for oil in East Timor and Mozambique
 - Phase B of the wind power tender awarded to Ventinveste
 - Memorandum of understanding signed with Petrobras for cooperation on biofuels
 - Licence obtained for electricity trading
 - Licence obtained for production at Sines combined-cycle plant
 - Licence obtained for trading natural gas in Spain
-



○ MAJOR EVENTS IN 2007

-
- Memorandum of understanding signed with PDVSA (Petróleos de Venezuela S.A.) for the development of joint projects in liquefied natural gas and crude oil production
 - Agreement with Eni for the purchase of AGIP's outlets in Spain and Portugal
 - Opening of a modern service station in Tete, Mozambique
 - Contracts signed with Técnicas Reunidas and Fluor Ltd for the execution of the conversion projects at the Sines and Oporto refineries
 - Appraisal of Tupi Sul by Petrobras, indicating recoverable volumes of oil and natural gas of between 5 and 8 billion barrels
 - Environmental licensing of the Oporto and Sines refineries
 - Acquisition of blocks in the ninth bidding round for exploration blocks in Brazil
 - Agreement signed for participation in activities for the search and exploration of natural gas in Angola
 - Agreement signed for the development of biofuel projects in Mozambique
 - Memorandum of understanding signed with LAP – Libya Africa Investment Portfolio for the set-up of a joint team to evaluate the development of projects for exploration and production of oil and natural gas
 - Merger of GDP – Gás de Portugal, SGPS, S.A. into Galp Energia, which already owned the company.
-

Additional information is available at
<http://investor.relations.galpenergia.com>



Galp Energia's efforts have won recognition through the award of several prizes to its products and services and overall performance.



GALP ENERGIA WON THE "BEST OF EUROPEAN BUSINESS"

award in the Profitable Growth category, a prize awarded by Roland Berger Strategy Consultants after short-listing the best European companies into three categories as a way of presenting them as models and promoting best practice in the business community.

GALP ENERGIA AGAIN WON THE EUROPEAN TRUSTED BRAND AWARD

with 61% of the vote. The award of this prize bore evidence to Galp Energia as a trustworthy and authentic brand which is close to clients while meeting their expectations.

THE PLUMA GAS BOTTLE WON ANOTHER WORLD DESIGN AWARD, THE GOLDEN PRIZE DESIGN AWARD OF THE FEDERAL REPUBLIC OF GERMANY 2007.

HOTSPOT, THE NEW HEATER FROM GALP ENERGIA
WON AN IF PRODUCT DESIGN AWARD,
one of the most prestigious prizes in product design.

CLIMATE RESPONSIBILITY IN PORTUGAL: THE ACGE SECTORIAL 2006 INDEX

Galp Energia has participated since 2005 in the Portuguese index of climate change, which is promoted by Euronatura, a non-profit organisation.

The project aims to evaluate how a number of Portuguese companies respond to climate change.

IN THE THIRD YEAR, GALP ENERGIA CAME IN SECOND PLACE AMONG 43 COMPANIES, WHICH GAVE IT THE STATUS OF EXAMPLE TO BE FOLLOWED.

ECONOMIC INDICATORS AND THEIR INTERPRETATION

Galp Energia is aware that its activities and strategy have an economic impact on the country. The company operates in a strategic sector whose progress affects the development and competitiveness of other sectors and the well-being of the population as a whole. In 2007 Galp Energia achieved a net profit of 777 million euros. Adjusted for the inventory effect and non-recurrent events, net profit was 418 million euros, a

11% decline from 2006 following the sale of the transportation and regasification assets to Rede Eléctrica Nacional (REN) in 2006. In 2007 sales increased in all business segments with particular emphasis on the Exploration & Production segment which achieved a record volume of 4,8 Mbbl and the Natural Gas segment where sales reached 5,377 million cubic metres.

For additional information, Galp Energia's Annual Report and Accounts 2007 can be reviewed at www.galpenergia.com

Core economic indicators

	2006	2007	CHANGE (%)
Sales (M€)	12,193	12,560	3.0
Staff costs (M€)	307	281	-8.3
Tax paid to the state (M€)	2,683	2,840	5.8
Income tax	177	280	58
Tax on oil products (ISP)	2,506	2,560	2.1
Purchase of products and services (M€)	550	630	14.5
Accounts payable (average number of days)	32	26	-18.8
Net profit (M€)	755	777	2.9
Adjusted net profit (M€)	468	418	-10.6
Capital expenditure (M€)	349	466	33.5
Net assets (M€)	5,242	5,750	9.7
Net debt (M€)	887	734	-17.2
EBITDA (M€)	1,260	1,288	2.2
Adjusted EBITDA (M€)	977	891	-8.8
EBIT	968	1,011	4.4
Adjusted EBIT (M€)	686	620	-9.6
Investment spending and current expenses on environment, quality and safety (M€) ¹	44.3	43.2	-2.2
Sold volumes in E&P (Mbbl)	2.9	4.8	65.5
Probable and proven reserves of crude oil (Mbbl)	50	31	-38.0
Sold volumes of refined products (Mton)	16.2	16.0	-1.2
Sold volumes of natural gas (Billion cubic meters)	4,596	5,377	17.0

¹ Includes the most relevant investments

○ FINANCIAL INCENTIVES

Galp Energia has applied for funds aimed at several oil and gas projects. The natural gas infrastructure, managed by several market participants, has from 1993 benefited from financial support under successive EU programmes.

The set-up of an infrastructure network for the transportation and distribution of natural gas, integrated in the Iberian transportation system with land and sea connections to world markets, provides Portugal with a new source of primary energy as an alternative to the traditional ones. This will contribute to diversified forms and sources of energy supply, lower environmental impact, a more flexible and competitive production sector and more rational options for energy use by end consumers.

In this context, EU financial support is a major financial incentive to modernisation and economic development.

In 2007 natural gas companies received 17 million euros in subsidies.

In 2007 no projects were approved owing to the transition to a new financial support programme. Benefiting from the support to desulphuring projects, Galp Energia received 49,8 million euros in 2007.

The application for an R&D project in a consortium with the institute of mechanical engineering and industrial management (INEGI), was approved in 2007. The purpose of the project is to develop the logistics for bitumen in the framework for the European strategy for the construction and transportation sectors – the European Construction Technology Platform (ECTP) and the European Road Transport Research Advisory Council (ERTRAC), respectively.

○ RISK MANAGEMENT

Risk management is an increasingly central feature in the strategic management of organisations. At Galp Energia, it allows the identification, evaluation and management of risks in the face of uncertainty and supports the creation and preservation of value.

The risk management tools that have been developed by Galp Energia rank risks by their relevance to the company's operations. To this end, there is a Risk Management Committee whose role is to define the strategies for implementation of risk management and the rules for evaluating the overall risk for group companies.

Galp Energia's Corporate Governance report, which can be reviewed at www.galpenergia.com, is particularly informative in this respect.



03 ENERGY ISSUES

Energy sustainability, Energy markets, Environmental protection, Energy market competitiveness, Cooperation and interdependence are the major energy issues.

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I – THE ISSUE OF SECURITY IN ENERGY SUPPLY AND MARKETS

Because of their political, economic, social and environmental implications, energy issues are among the most challenging of our time.

The energy sector is constantly beset by disturbances in relationships between countries and regions with obvious consequences for geo-strategic balance on a regional and global scale, leading to feared imbalances between production capacity and consumption needs.

This state of affairs is compounded by the growing difficulty in replacing traditional energy sources, which has led to actions both on the consumption side, where steps towards the rational use of energy are urgent, and on the production side, where technological efforts must meet growing demands for the efficient exploitation of available primary energy sources. It is, therefore, of paramount importance that the supply chain is consolidated in such a way that uninterrupted and sustainable access to these energy sources is guaranteed.

II - SCOPE OF THE LISBON ENERGY FORUM

Against this background, Galp Energia and Fundação Mário Soares took the initiative of launching a forum series for an open and broad discussion of energy issues.

The first forum was held in Lisbon in October 2007 and was devoted to "Security of supply and security of market"s, a topic that encompasses a number of issues that are central to sustainability and the future of the energy system on a global scale.

This forum aimed specifically to encourage reflection on:

- The growing importance of the oil and gas industry for global economic and social development;
- Geopolitical trends in the oil and gas sector;

- The global geostrategic balance;
- The main challenges faced by the production and use of energy.

III - PARTICIPANTS

A number of distinguished personalities participated in the event: the President of the Republic of Portugal, the EU Energy Commissioner, the Portuguese Economy Minister as well as representatives from some of the world's major oil and gas companies from such countries as Russia, the United States, Brazil, Angola, Algeria, Italy, Spain, France and the United Kingdom. This made it possible to assemble in Lisbon a panel of prominent speakers whose outstanding knowledge and experience fostered a discussion of unquestionable interest and contemporary relevance.



LISBON
ENERGY
FORUM
2007

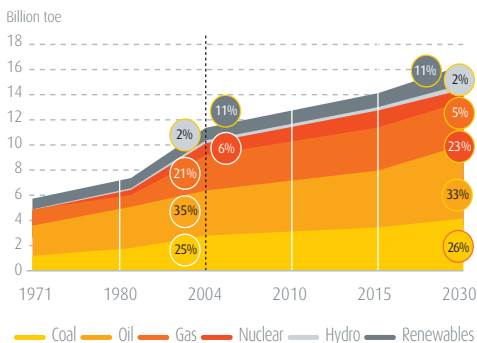


IV – TRENDS AND ISSUES IN THE ENERGY SECTOR

Given their effect on the global economy, the following trends may lead to heightened tension in energy markets:

- Energy issues have become global, which has economic, political, social and environmental implications as well as a direct impact on both producing and consuming countries and the relationships between them;
- The relationship between supply and demand is potentially prone to imbalances between production capacity and consumption needs, with ensuing risks for the security of supply and markets;

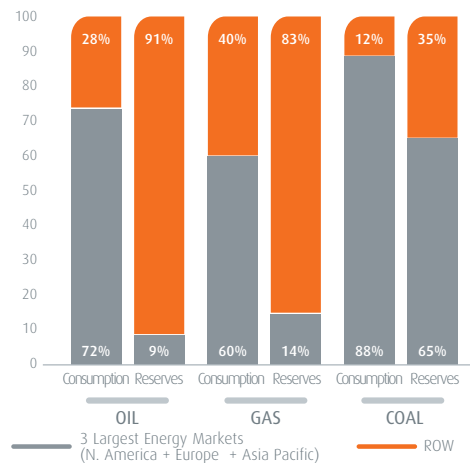
Growth in world primary energy demand



Source: Lisbon Energy Forum 2007 – Galp Energia

- Asymmetries between predominantly consuming and predominantly producing regions give the energy problem a geostrategic dimension and require solutions taking diverse global interests into account;

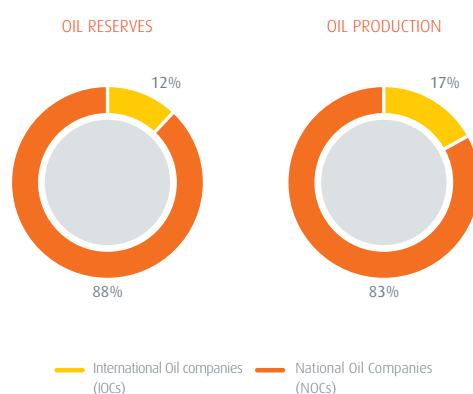
World energy consumption and reserves in 2005



Source: Lisbon Energy Forum 2007 – BP

- The growing difficulty in replacing traditional energy sources requires intervention in both consumption and production;
- Current mechanisms for market supply management evidence efficiency and security weaknesses, either because of regulatory discrepancies between countries or because of lacking supply networks ensuring uninterrupted access to energy sources;
- Disparities in political and economic regimes between producing and consuming blocks have so far hampered progress towards consensual solutions; on the one hand, there is a group of countries and companies advocating liberalised markets with greater participation of private enterprise; on the other hand, state ownership and exploration of energy resources is advocated as these are considered to be scarce goods with a high public value;

World oil production and reserves
in 2005



Source: *Lisbon Energy Forum 2007* – REPSOL YPF

- Higher awareness of common interests between producers and consumers;
- Lower energy supply risks.

Several responsibilities have been identified at the level of governments, oil companies and other market participants:

- Governments, either from producing or consuming countries, will have to adopt policies leading to alternative, non-fossil energy, promoting energy efficiency and savings as well as mechanisms facilitating the achievement of required production through non-discriminatory practices, simpler and clearer regulatory frameworks and incentives to investment and trade;
- Companies will have to sustain their spending efforts in the exploration and production of oil and gas by using technology that is efficient in terms of equipments, alternative sources, clean techniques and capture of CO₂, among others.

○ V - GOALS

On this arena of uncertainty and diverse interests, it is imperative to implement strategies for cooperation and interaction between states and market organisations so that guidelines can be drawn up in the short run that can achieve balance between market participants.

The goals are obvious:

- More stable markets for investors;
- More predictable supply and demand patterns;

○ VI – AREAS FOR INTERVENTION

The *Lisbon Energy Forum 2007* was consensual in refining a strategy for intervention on five broad fronts:



ENERGY SUSTAINABILITY

Promotion of non-fossil energy;
Support to the development of new technologies.

ENERGY MARKETS

More predictable supply and demand patterns;
Energy efficiency policies;
Investment spending and funding;
Creation of regional energy markets.

ENVIRONMENTAL PROTECTION

Global energy strategy.

ENERGY MARKET COMPETITIVENESS

Market flexibility and efficiency;
Opening up of monopolistic markets (NOCs);
Regulation;
Separation of production, transportation, marketing and distribution systems;
Taxation;
Diversified markets and products;
Partnerships.

COOPERATION AND INTERDEPENDENCE

Political cooperation and dialogue;
Political agreements between producing and consuming countries;
Partnerships;
Cooperation between the IOCs and the NOCs;
Shared investments;
Energy interdependency management.

All presentations and communications are available on:
<http://www.lisbonenergy.com/>



04 AN INTEGRATED MULTI-ENERGY OPERATOR

Galp Energia's strategy expressly includes the company's ambition to hold a broad portfolio of solutions for the production of energy from several sources, to become an integrated multi-energy operator.

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GALP ENERGIA'S STRATEGY EXPRESSLY INCLUDES THE COMPANY'S AMBITION TO HOLD A BROAD PORTFOLIO OF SOLUTIONS FOR THE PRODUCTION OF ENERGY FROM SEVERAL SOURCES.

Galp Energia is in several businesses through several affiliates. In this report, published information is limited to businesses operated by affiliates whose share of ownership is equal to or larger than 50%.

Galp Energia is an integrated energy company with sales of 12,560 million euros, 5,798 employees and a presence in the following business segments:



¹including three onshore basins

🔄 EXPLORATION & PRODUCTION

Galp Energia has been developing and diversifying its portfolio of exploration and production assets with a view to achieving in the long run a sustained working-interest production of 150 mbopd, the equivalent of its future refining capacity.

In these activities, where projects take a long time to come to fruition, the relentless search for new opportunities is a crucial factor for long-term growth. Therefore, Galp Energia added in 2007 around 20 projects, i.e. 20 blocks, to its portfolio and established its presence in high-potential offshore basins in Portugal, Mozambique and East Timor.

In Venezuela, a country with large proven reserves of oil, Galp Energia is evaluating, in partnership with PDVSA, the state oil company, the development of oil exploration and production projects such as the one for appraisal and certification of reserves in the Orinoco Belt.

The flexibility enjoyed by Galp Energia in comparison with the international oil companies (IOCs) allows the company to capture new opportunities bound to create shareholder value under controlled political and geological risk.



REFINING & MARKETING

In this area, Galp Energia's ambition is focused on extracting more value from its assets, namely from its two refineries and high-profile network for marketing oil products in the Iberian market.

Galp Energia has currently under way a project for expansion of the conversion capacity of its both refineries, which will enable the volume of crude processing to rise to 300 kbb/d as it will be possible to process heavier crude and reduce the share of fuel oil, thereby increasing the yield of gasoline and middle distillates. Considering current market conditions, these changes will have a distinctly favourable impact on gross margins.

Galp Energia's overriding goals for marketing oil products are to maximise returns on the distribution network by boosting efficiency and broadening the supply of premium and non-fuel products and to raise marketing capacity to the refining level expected to result from the ongoing expansion.

Recently, Galp Energia agreed to buy from ENI the Italian operator's activities for marketing oil products in the Iberian Peninsula. This will double Galp Energia's presence in Spain and achieve significant economies of scale by combining existing and acquired networks.

This acquisition has not exhausted Galp Energia's efforts in marketing and the company is still searching for future growth opportunities through the acquisition of other marketing networks provided they can add to shareholder value.

Following the Portuguese government's announcement of its goal to incorporate 10% of biofuel in road fuels by 2020 and because biofuels are a natural extension of its core business, Galp Energia aims to supply the European market with biodiesel produced from hydrogenated oil. To achieve this, the company will sign medium and long-term contracts for the supply of vegetable oil with a view to reducing the main risk to this activity, namely the access to competitively priced raw materials.

Galp Energia has a growth strategy for Africa, particularly in Portuguese-speaking countries, implying a focus on markets where the company may have a competitive advantage or is likely to achieve synergies. In 2007 considerable sums were spent on the retail network and in parks for gas and liquid fuels in Mozambique and Guinea-Bissau and spending in Africa is expected to rise in the coming years.

The presence in African oil product marketing not only keeps a window of opportunity open for participation in growing markets; it also provides scope for the company to capitalise on future partnerships in biofuels and maintain partnerships in exploration and production.



GAS & POWER

Galp Energia manages a significant part of the infrastructure for distribution of natural gas in Portugal and its efforts to renew aging premises have considerably increased. The goal of creating sizeable capacity for the distribution of natural gas has been implemented by the set-up of so-called autonomous natural gas units or UAGs in the Portuguese terminology. These units contribute to the sustainable development of less-populated regional economies often located away from urban development clusters as they receive, store and supply natural gas – already in gaseous form – to them.

Galp Energia has invested heavily in the construction of caverns for the underground storage of natural gas in the Carriço mountain range. These caverns provide an important infrastructure supporting the availability of this fuel sort and mark a unique differentiation of the company on the Iberian scene.

As the natural gas incumbent in Portugal, Galp Energia is committed to managing the transition to the new regulatory framework which will lead to a liberalised market, thereby conserving business value in the run-up to the introduction of new rules.



Galp Energia's presence in the high-potential Iberian market will help it seize opportunities for rising sales of natural gas on the back the experience and know-how it has acquired in the last ten years.

To this end, new contracts will have to be signed in order for the current procurement capacity of 6 bcm per year to be increased.

Furthermore, Galp Energia's ambition to increase its procurement capacity includes its entry into the LNG midstream business which has excellent growth prospects on a global scale. In this context, Galp Energia is reviewing several opportunities such as the DCLNG project in Venezuela and Angola LNG II.

The focus on the power business as a way of extracting additional margin – the gas-to-power spread – from procurement contracts has originated a project portfolio of CCGT and cogeneration plants with capacity in excess of 1,000 MW. This will stimulate the demand for natural gas while raising efficiency in managing procurement contracts.

Galp Energia's portfolio of electric power generation – primarily thermal and natural gas driven – may soon be complemented by the hydropower plants for which the Portuguese government is expected to invite tenders. This would make it possible to achieve a more balanced power portfolio – wind, CCGT and hydro – using the best available techniques.

Beyond their compelling economics, investments in the generation of electric power from renewable sources such as wind and water as well as investments in biofuels will add activities to Galp Energia's energy portfolio that will mitigate exposure to CO₂ risk.

Galp Energia is currently building a solid base – while managing the attendant risks – to support an ambitious and demanding strategy for transforming the company into an integrated energy operator with a relevant presence across the whole value chain.





05 RENEWABLE ENERGY AND BIOFUELS

Investments in the generation of electric power from renewable sources such as wind and water as well as investments in biofuels will add activities to Galp Energia's energy portfolio that will mitigate exposure to CO₂ risk.

2007
FOR A BETTER FUTURE
WITH POSITIVE ENERGY

Galp Energia committed in 2006 to incorporating renewable energy in its business portfolio, although it had, through Ventinveste, already bid in a public tender launched by the Ministry of Economy's Direcção Geral de Energia e Geologia in 2005 for the

award of points for reception of electric energy produced on wind farms (see box). Besides Galp Energia, Ventinveste also included Martifer, Enersis, EFACEC and Repower.

VENTINVESTE, SA AND DIRECÇÃO GERAL DE ENERGIA E GEOLOGIA SIGNED IN 2007 AN AGREEMENT FOR PHASE B OF THE PUBLIC TENDER LAUNCHED BY THE PORTUGUESE GOVERNMENT FOR THE AWARD OF 400 MW OF INJECTION CAPACITY AND RELATED RECEPTION POINTS FOR ELECTRIC ENERGY PRODUCED ON WIND FARMS.

This agreement signalled the start of the Ventinveste project which is budgeted to spend 636 million euros in an industrial cluster, the set-up of several wind farms in five provinces and an innovation fund. Spending on wind power has been agreed to 460 million euros although Ventinveste estimates the total outlay may reach 535 million euros.

The industrial component of the project consists of the set-up of 19 plants capable of producing 130 wind turbines and 267 blade sets per year. Fifteen of these plants are owned by Ventinveste or consortium members. The industrial cluster, whose time horizon is longer than 17 years, will make it possible to manufacture 90% of all wind turbine components in Portugal. The plants will create more than 1,300 new jobs.

The first wind farm is expected to start operating in 2009 and the last one in 2013. Operation levels are estimated to top 2,800 equivalent hours or 20% above the national average. In addition, Ventinveste will give the entity managing the national electric power transportation network up to 400 MWh of storage capacity and 50 hours uninterrupted.

Ventinveste SA will also contribute 35 million euros to the innovation fund to be managed by the state.

Through Galp Power, Galp Energia owns 34% of Ventinveste and is its largest shareholder. The rest of the shares are distributed as follows: Martifer has 31%, Enersis 30%, EFACEC Energia 2% and Repower Systems, Repower Portugal and Power Blades 1% each.



At the same time, Galp Energia has been evaluating the potential and opportunities for investment in hydro, wave and solar sectors. The company's goal is to gradually build a portfolio of electric power generation designed to consolidate its solid and environmentally friendly presence in the sector. In this respect, Galp Energia plans to add negotiable capacity and flexibility to organised negotiation markets, thereby raising economic use and contributing to a growing share of endogenous primary energy in the domestic energy mix.

The attention devoted to new challenges and equipments for wind and wave power is aimed at

conquering a pioneering presence in these areas, yet with the same solid base as the other businesses pursued by Galp Energia. The purpose is to leverage diversity while making businesses in the company's electricity portfolio more complementary to each other. In this context, a multi-disciplinary meeting on wave power, which attracted the participation of 20 national experts, was promoted by Galp Energia in June 2007 in cooperation with the Wave Energy Centre (see box).



GALP ENERGIA ORGANISED IN PARTNERSHIP WITH THE WAVE ENERGY CENTRE AN INTERNAL WORKSHOP WHOSE SUBJECT WAS WAVE POWER: TECHNOLOGIES AND CHALLENGES. PARTICIPANTS INCLUDED EXPERTS IN SEVERAL TECHNICAL FIELDS FROM NATIONAL TECHNOLOGY, SCIENCE AND BUSINESS CIRCLES.

The meeting evaluated and discussed the state of the art in wave power and focused on technical, operational and environmental issues arising from the exploration of this energy source.

The meeting enabled Galp Energia to evaluate opportunities in the sector and had the presence of the company's CEO and the executive director in charge of the business unit, who shared with participants Galp Energia's strategy for wave power. The meeting was also attended by Galp Energia managers from corporate and operating units involved with the subject under discussion.

The open and spontaneous debate provided important inputs for the formulation of Galp Energia's strategy for renewable energy.

Likewise, market opportunities for solar energy were evaluated in line with the stated purpose of offering a broad spectrum of energy solutions.

Galp Energia again showed it is unmistakably committed to exploring renewable resources. The double aim for this is to create shareholder value and generate benefits for the client, while easing the company's carbon footprint.

THE BIOFUEL PROJECT AT GALP ENERGIA

Portugal has set the goal of incorporating 10% of biofuels by 2010, bringing forward by ten years the EU's own goal for curbing the use of fossil fuels. The European goal has been set on the condition that biofuel production is sustainable and hydrogenated biodiesel can be brought to the market.

From the outset, Galp Energia positioned itself as the preferred partner for achieving this national objective under its sustainable development commitments.

To this end, around 190,000 m³ of FAME biodiesel were incorporated in the domestic market, which accounted for a volume incorporation rate of over 3.2%. This action is estimated to have contributed to curbing emissions by 300,000 tonnes of CO₂ equivalent, a level expected to rise by 5% in 2008, which signals a firm commitment to environmental sustainability.

As biofuels will attract Galp Energia's attention also in the future, an ambitious project was started in 2007 for the production of biodiesel to be incorporated in the company's fuels across the whole production chain, from raw material to finished product.

In this way, environmental and social sustainability of farming projects can be attained, which will maximise the reduction of emissions throughout the product's lifecycle. This project will also contribute to raising supply security as raw material sources are diversified.

The project is planned to develop in accordance with European Union guidelines for the use of biofuels, whose purpose is to curb emissions of greenhouse gases, to encourage fuel decarbonisation in the transport sector, to diversify sources of supply, to offer new employment and income opportunities in rural areas and developing countries and to promote the long-term development of technological alternatives to fossil fuels.

A NEW SOURCE OF SUPPLY, THE CHOICE OF RAW MATERIALS

In order to ensure supplies of quality raw materials produced according to pre-defined guiding principles, Galp Energia is setting up partnerships in Africa – namely Mozambique – and Brazil for the production of vegetable oils.

In order to avoid competing with the food chain or otherwise contributing to the fight for arable land in Europe but still searching for economically viable supplies, production of vegetable oils will be primarily based on drought-resistant, extensive crops of *Jatropha curcas* L.

FAME
First-generation biodiesel
obtained by transesterification

JATROPHA CURCAS L.
Also known as physic nut (see box)



Young plantation of
JATROPHA CURCAS L.



Ripening physic nuts

○ PRODUCTION PARTNERSHIPS

Considering the ample availability of farmland and the climatic advantage of tropical and sub-tropical regions, the project was started in Mozambique, where the first partnerships were set up and the first agreements for the supply of vegetable oil were signed. The first partnership resulted in the set-up of GALPBUZI, a company whose purpose is to produce vegetable oil from physic nut in an area of 25,000 ha in the province of Beira.

Recently, another partnership was set up, this time with the Visabeira group of companies, which resulted in the establishment of MOÇAMGALP, a company whose purpose is to produce physic nut in an area of 50,000 ha.

These partnerships have always as their basic principle the respect for environmental sustainability, which rests on the balanced management of natural resources and the implementation of good farming practice.

The crops will entail no deforestation and the landscape will be arranged so as to limit the farmed strips of land. The purpose is to preserve the local fauna and flora, to protect biodiversity and to mitigate any adverse impact of the use of land.

○ ENVIRONMENTAL PRECAUTIONS IN PRODUCTION

These commitments arise not only from Galp Energia's environmental responsibility but also from the objective of environmental certification of the produced vegetable oil, thereby ensuring positive energy and carbon balances. These will be calculated and monitored using an LCA (lifecycle analysis) model, which also calculates non-carbon emissions to the air, soil and water in CO₂ eq. This model is under implementation by the project group and is designed to evaluate the impact of farming practices and other actions following from the complete life cycle of the product, from production of the vegetable oil until use of the fuel on the road (Well-to-Wheel).

At the same time, appraisal of the environmental impact will generate estimates of the effect of these practices on biodiversity, ecosystems and public health.





JATROPHA CURCAS L. (PHYSIC NUT),

a second-generation raw material

THE PHYSIC NUT IS AN ENERGY CROP CONSISTING OF A MID-SIZE, NON-FOOD BUSH YIELDING OIL-RICH SEEDS THAT CAN BE CONVERTED INTO BIODIESEL.

Like any other crop, it requires nurturing in order for good harvests to be obtained. However, it has distinctive advantages in comparison with other energy crops. It is a perennial crop that can be in production for tens of years, is well-adapted to poor and light soils and tolerates drought periods, making it non-dependent of irrigation systems. In addition, it enters promptly into production even under arid and semi-arid weather conditions. Its role as a protector of erodable soils and a regenerator of depleted soils has been empirically shown. Grown in strips, it can also, in family farming, be alternated with food and other crops.

Process tree for the production of vegetable oil



CO₂ emissions broken down by stages of the physic nut production cycle (preliminary simulation)
Note: Generated by SIMAPRO® software – Lifecycle analysis (LCA) simulator

Considering the limited knowledge of the physic nut crop, the project's technical team includes the required agronomical skills to take advantage of the experience acquired in the new plantations. Experimental devices are integrated into the plantations in order to relay information that, after being processed, is disseminated among the scientific community and project partners.

To this end, agreements for scientific cooperation have been signed with universities and agricultural schools, which will lead the scientific community to participate in the project and channel acquired experience in order to stimulate the interest of new specialists in solving any identified problem.

○ NEW EMPLOYMENT AND INCOME OPPORTUNITIES IN RURAL AREAS AND DEVELOPING COUNTRIES

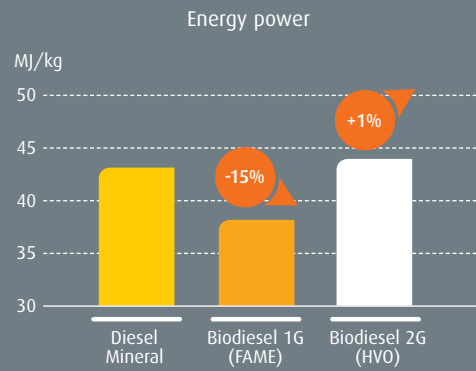
A core element of the Galp Energia strategy is the creation of local structures supporting people living in surrounding areas. Under a regime denominated as "rural extension", the purpose is to make available both seeds and advice on how to grow physic nut crops. The overall aim is to complement the sale of seeds by incentives to farm the land and thus provide income to local dwellers, thereby fostering social development in the region. The project is about promoting a farming system that will easily fit into local agricultural practice, with physic nut plants forming living hedges to border crop strips.

The plant also has traditional and medicine properties that have been explored elsewhere and will be the subject of study.

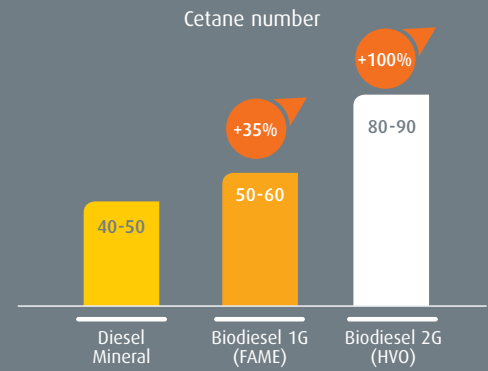
○ A SECOND-GENERATION PROJECT WITH AN EYE ON THE TECHNICAL DEVELOPMENT OF ALTERNATIVES

Considering the 5% volume incorporation ceiling imposed by the European Union on FAME biodiesel, the idea was from the outset to search for a technology of hydrogenated biodiesel that would lead to the production – at competitive prices – of biodiesel equalling or surpassing the quality of its mineral alternative.

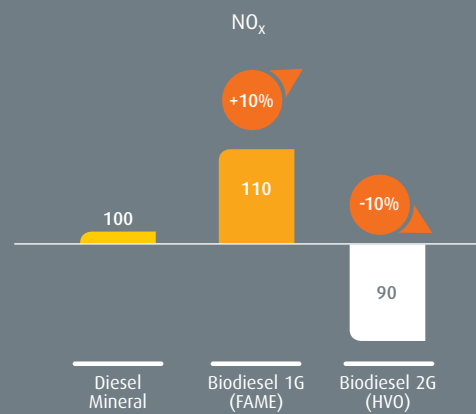
The chosen technology was Econfining (UOP/ENI) that makes use of the hydrogenation and isomerisation of vegetable oil (HVO) to produce a biodiesel of superior quality (higher cetane number and higher energy power) without any incorporation ceilings. The resulting fuel has widespread use and generates all the positive environmental effects linked to the incorporation of biofuels, with an even larger reduction of overall emissions (lower emissions of greenhouse gases) and, contrary to first-generation biodiesel, a reduction in nitrogen oxides (NO_x), which lie at the origin of environmental issues.



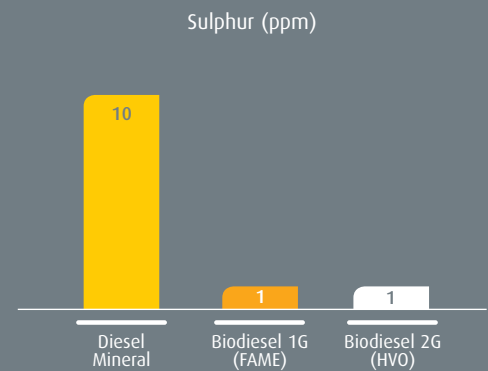
Source: research UOP – Green Diesel Technology



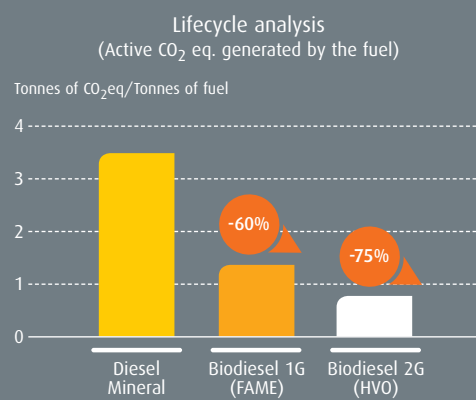
Source: research UOP – Green Diesel Technology



Source: research UOP – Green Diesel Technology



Source: research UOP – Green Diesel Technology



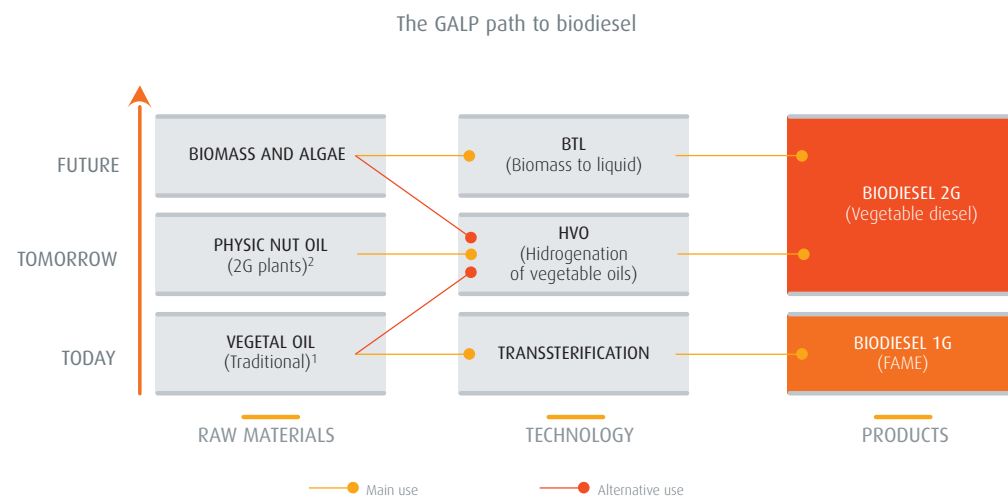
Source: research UOP – Green Diesel Technology

In the near future, Galp Energia will be in a position to incorporate 10% of biofuel in road fuels across its entire network. This will be a major contribution to implementing the European Union's environmental policy for the transport sector and particularly Portugal's ambitious goal to bring forward the EU goal by ten years.

○ A VISION FOR THE FUTURE

WITH ITS THOUGHTS ON THE FUTURE, GALP ENERGIA IS CURRENTLY DEVELOPING TECHNOLOGY THAT WILL ENABLE THE PRODUCTION OF VEGETABLE OIL FROM ALGAE. A SUSTAINABLE MEDIUM-TERM ALTERNATIVE IS BEING SOUGHT FOR THE PRODUCTION OF BIOFUEL IN ORDER TO AVOID DEPENDENCY ON AGRICULTURE. THE PURPOSE IS TO RAISE SECURITY OF SUPPLY WHILE FOSTERING THE DEVELOPMENT OF DOMESTIC TECHNOLOGY IN A SECTOR WITH HIGH GROWTH PROSPECTS.

(For more information please see chapter 5. Innovation, technology and relations with the scientific community)



¹ Traditional raw materials such as palm, sunflower, colza and soya

² Physic nut is a second-generation raw material that has the distinctive feature of not competing with the food chain and having low requirements in terms of water and soils



06 INNOVATION, TECHNOLOGY AND RELATIONS WITH THE SCIENTIFIC COMMUNITY

Galp Energia's sustainability grows by discovering new opportunities. For that we consolidated innovation as a business critical process, explored energetically sustainable new technologies and developed valued added relationships with the scientific system.

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PRODUCT INNOVATION

GFORCE AND BIOFUELS

In order to strengthen its commitment to innovation, customer satisfaction, environmental responsibility and dedication to the broader community, Galp Energia invested, on top of biofuels, and Galp Gforce 95.

The Galp Gforce 95 is the first 95-octane premium gasoline in Portugal. With this new product, Galp Energia showed its commitment to fuel innovation and quality and added to its high-performance product range – the Galp Gforce range.

With its innovative technical features based on Advanced Galp Technology (AGT), this new gasoline is once again the result of the cooperation between Galp Energia and specialist companies in R&D of high-performance fuels. Like the Galp Gforce 98, the Galp Gforce 95 was tested in European flagship laboratories such as France's ETS, the United Kingdom's Prodrive and Spain's CLH with the double purpose of achieving the highest quality and performance standards and complying with the most demanding requirements by automotive manufacturers.

A step-up of renewable content (biodiesel) in diesel fuel – Hi Energy and Gforce diesels – also marked 2007, which improved lubricating and combustion capacity while curbing particle and CO₂ emissions.

TESTS WITH BIODIESEL

Tests were conducted at Carris and Grupo Barraqueiro, two collective transportation companies, with B15 and B30 blends. The purpose of these experiments was to research the impact on, inter alia, engine behaviour, mileage, lubricant oxidation and the wear and tear of parts. With Transportes Sul do Tejo, another transport company, an agreement was signed for the set-up of a pilot centre for testing B20 biofuels.

ADPLUS ADDITIVE

The most recent European Union requirements for curbing emissions of particles and nitrogen oxides (NO_x) by heavy-vehicle diesel engines led major manufacturers to develop new engines according to the Euro 4 and Euro 5 legislation.

In partnership with AP – Amoniacos de Portugal, Galp Energia markets this new additive which aims to reduce NO_x emissions from combustion processes under the AdPlus – High Performance AdBlue brand.



INNOVATION AT SERVICE STATIONS

ORANGE PROJECT

In service stations, close to 660,000 euros were spent on R&D around the concept of Convenience in the Future. The Orange Project was one of the resulting activities and its aim is to innovate at service stations on a broad range of aspects.

On the basis of the surveys conducted for this specific purpose, the project aims to bring supply into line with customer needs, to improve the food component by developing a more complete and healthy branded range and to refurbish premises with new facilities for the disabled and children.

Internally, the project aims to upgrade the facilities reserved for the staff, particularly bath and dining rooms.

For environmental sustainability, new equipment has been installed to reuse water in carwashes. At the Odíveas washing centre, 80% of the water is reused.



○ TRIAL RECOVERY OF FUEL VAPOUR

Galp Energia has installed an innovative system for the recovery of fuel vapours released under refuelling which allows vapour to be recovered instead of being released to the air. With this new system, which converts vapour into liquid fuel, Galp Energia contributes to a cleaner air. The testing period will last for approximately one year and Galp Energia is expected, in case the outcome is favourable, to broaden the scope of these tests to include other network outlets.

○ VIA VERDE TO REFUEL

In 2007 a new Via Verde payment mode was developed and tested which does not require the traditional dedicated lane and allows Galp Energia clients with Via Verde devices to use them at any pump on the filling station. In addition, this new system simplifies payments by replicating the mode used in parking lots.

○ INNOVATION IN TECHNICAL SERVICE PROVIDED TO INDUSTRIAL CLIENTS OF NATURAL GAS

Galp Energia's mission is to create client, employees and shareholder value and participate in energy markets with ambition, innovation and competitiveness while promoting respect for ethical and sustainability principles.

From this perspective, the range of technical services in natural gas was broadened so as to meet client needs and promote the use of energy in a rational and sustainable way.



ORGANISATIONAL INNOVATION

CREATION OF THE BUSINESS INNOVATION SYSTEM

In 2007 Galp Energia launched a project whose main purpose was to structure innovation initiatives. To this end, an innovation system was created whose role was to embed ability to innovate in the organisation.

Lasting for seven months, this project relied on the involvement of 450 Galp Energia employees as well as company partners and clients.

The result was the creation of innovation skills at Galp Energia, which itself meant a cultural progress, whereby initiative and entrepreneurship, ability to shape the future and growth are the responsibility of everyone at the company.

CREATION OF AN AREA FOR INNOVATION AT MYGALP

Considering that one of the goals of the innovation system is to make sure that any voluntary contribution should be evaluated and duly channelled, it is of paramount importance that structured mechanisms are set up for interaction between the staff and the Innovation Department. To this end, an Area for Innovation was launched in the intranet at the end of 2007 whose purpose is to address innovation issues by:

- Spreading knowledge about the conceptual basis of innovation, the workings of Galp Energia's business innovation system and the innovation efforts made inside and outside the organisation;
- Compiling and making available to the whole organisation the agreements and partnerships in the innovation field;
- Promoting staff participation in the idea generation process;
- Structuring ideas which, although they do not fall into the innovation field, can be used in the areas to which they are related;

- Identifying staff with an innovative and entrepreneurial profile;
- Attracting staff into innovation initiatives.



This tool is meant to be easy to use so as to ensure the participation of every employee, thereby promoting a culture of involvement in Galp Energia's innovation process.

An Innovation Committee was created under the CEO's chairmanship which is expected to meet on a quarterly basis and will award prizes to three ideas/projects by recognising and rewarding the best ideas.

IBPMS

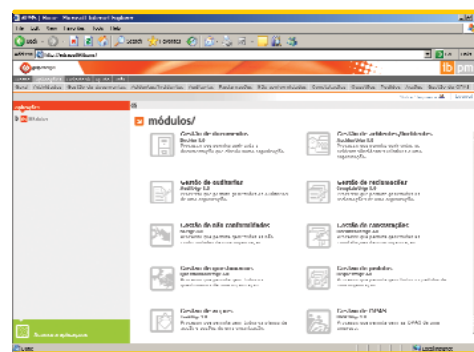
Galp Energia implemented in 2007 a new information system for quality, safety and the environment called iBPMS, intelligent Business Process Management Solution. This system has been developed on a web-based platform which is centralised in Process Management. Process improvement is a key component of any company's growth strategy.





The goals underlying the set-up of this system were:

- The coordination of strategies, policies and action plans;
- The standardisation of procedures and approaches;
- Increased reliability and speed in accessing information;
- The permanent availability of consolidated data for decision-making;
- The communication of quality, safety and environmental (EQS) issues to internal and external stakeholders;
- Lower error incidence and increased standardisation and automation of procedures;
- Concept convergence;
- Energised processes for optimal implementation of EQS in accordance with ISO 14001, ISO 9001 and OHSAS 18001 / NP 4397 standards;
- The follow-up and monitoring of tasks assigned to EQS, by sharing experiences and knowledge and facilitating the incorporation of best practice in the energy sector.



○ R&D ACTIVITIES AND RELATIONS WITH THE SCIENTIFIC COMMUNITY

○ TOWARDS ENERGY EFFICIENCY AT THE OPORTO REFINERY

Improved energy and environmental efficiency at the Oporto refinery through lower energy use and polluting emissions to the air is one of the goals for the plant's research and technological development unit, the so-called NITEC. Emissions of SO₂, NO_x, CO₂ and particles are one of the most critical concerns in a refinery claiming to be innovative and sustainable. To this end, several process innovations were reviewed which led to minimisation of energy use and polluting emissions at the processing units. Right now, the refinery's energy model is under upgrade, which will enable to work out interrelationships between the relevant changes, thereby making it possible to evaluate environmental, energy and economic impacts.

○ CARRIÇO COGENERATION

At Carriço Cogeração, SA, Galp Power's cogeneration plant, a MEEFOG system pilot was installed, which is a system for cooling the air going into gas turbines. The purpose of this initiative is to raise electrical and thermal production as well as efficiency through reduced use of natural gas.

The installation was also useful to test the technology for cooling the air going into gas turbines at Galp Power plants. In conjunction with Rolls-Royce, the specifics of operating an RB 211-T turbine with an air-cooling system were examined. To this end, several detailed technical studies were carried out with systems suppliers. An increase of around 2%, (3,900 MWh/year), in the plant's electricity production and a 5% reduction, (3,009 MWh/year or 285,758 m³ (n)/year) in the use of natural gas were expected. In reality, in the 4,000 hours of operation in 2007, electrical production grew by 5,991 MWh.



MICRO ALGAE

A SOURCE OF SUSTAINABLE BIOFUEL

THE ASSIGNMENT OF 'MICROALGAE' DOES NOT CORRESPOND TO AN TAXONOMIC GROUP, BUT TO AN EXPRESSION THAT ADDS THE UNICELLULAR ORGANISMS THAT CARRY THROUGH THE PHOTOSYNTHESSES, WHICH IS CITED AS THE PLÂNCTON.

One is about unicellular, capable plants of if duplicating in each 1-5 days, when in excellent conditions of culture (its productivity is 200-300 times superior to the one of the terrestrial plants.

The variability of performance of the microalgae depends on the used species and the systems of production. They have a capacity of intracellular lipid accumulation that can reach 60- 70% of its dry weight (comparatively the seeds of the soy and the sunflower that can reach 20 and 40% of the dry weight respectively).

In contrast of the terrestrial plants, the microalgae does not use resources in the construction of support structures as the roots or the trunk. Its cycle of fast life, allows an efficient selection of the lineages with better performance; obtaining itself thus to domesticate a species in a space of relatively short time.

The technologies of production of these organisms are still very recent, the possibility to introduce innovation in the process are enormous.

○ MICROALGAE: A SOURCE OF SUSTAINABLE BIOFUEL

In 2008, Galp Energia will implement an R&D project for the capture of CO₂ and production of oil from microalgae in conjunction with INETI – the national institute for engineering, technology and innovation and Alga Fuel, a recently created Portuguese company with specific know-how in this technological field. In this project, Galp Energia will be looking to master the knowledge of biomass and biodiesel production from microalgae, incorporating in the process the CO₂ emitted by the Sines refinery.

Microalgae may, in the future, be a source of production of high-potential biodiesel as they are a non-food energy crop which can be grown in a high-yield, controlled environment. Recent research has shown that a hectare of algae may yield up to thirty times as much raw material as a hectare of sugarcane.

Furthermore, production of microalgae enables not only the transformation of CO₂ into biomass; each tonne of microalgae also takes up between two and three tonnes of CO₂ in the production process.

With this highly innovative R&D project, Galp Energia positions itself on the frontier of knowledge that will play a critical role in the domestic and global future energy landscape, thereby contributing to both energy and environmental sustainability and alleviating climate change.

○ LAUNCH OF THE UNIVERSITY COOPERATION PROGRAMME GALP ENERGIA²⁰

Galp Energia also innovated in its relationship with universities when it created the Galp Energia²⁰, the most far-reaching university cooperation programme ever launched by the company. The purpose of the Galp Energia²⁰ initiative is to place twenty high-potential scholarship recipients at twenty of the largest Galp Energia customers for the

development of twenty research projects in sustainable energy systems that will meet real market needs.

The Galp Energia²⁰ is focused on energy efficiency, sustainability and the environment and has been designed to meet the 20-20-20 Targets which are the European Union's ambition in the energy field by 2020. To this end, Galp Energia awards twenty scholarships worth 3,000 euros each. At the end of each cycle, the best works will be awarded a prize.

The initiative involves two universities with an enviable track record in the energy field: the University of Aveiro and Lisbon's Instituto Superior Técnico through its Institute of Mechanical Engineering (IDMEC).

The Galp Energia²⁰ is just one of the steps taken towards the set-up of an R&D Ecosystem at Galp Energia. The purpose of the R&D Ecosystem is to connect Galp Energia with the national scientific and technological system, under the shape of a virtual decentralised system that will define practical forms of cooperation for the completion of R&D activities on a network basis so as to enhance the company's business opportunities.

○ AGREEMENT WITH MIT – PORTUGAL

Galp Energia and the MIT – Portugal Programme signed an agreement which is valid until 2013 for the purpose of supporting public policy in science by providing education to senior managers and bringing together the business and academic worlds through the development of research work and propositions that are adapted to the company's real needs.

By signing this agreement, Galp Energia gained the status of Institutional and Business Partner of the MIT – Portugal Programme in the field of Sustainable Energy Systems. This will enable the company to benefit from scientific and technological cooperation, the development of in-house knowledge and high-

powered technological solutions and the achievement of R&D results conferring intellectual property rights.

The agreement is part of a policy to invest in research, development and innovation, which is designed to add value to Portuguese science and simultaneously develop new business opportunities converging with sustainability goals.

In this respect, Galp Energia is developing, in partnership with MIT – Portugal, the Sustainable Urban Energy Systems R&D project whose purpose is to create technical solutions for energy sustainability systems in buildings.

Also in partnership with MIT – Portugal, Galp Energia is developing the Green Island project on the Azores, whose purpose is to set up a case study for implementation of a sustainable energy system that can gain world recognition.



07 THE ENVIRONMENTAL IMPACT

Galp Energia's view is that environmental protection, along with the safety and health of its employees, clients and the broader community are core values for the company's own sustainability.

2007
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Galp Energia's view is that environmental protection, along with the safety and health of its employees, clients and the broader community are core values for the company's own sustainability. This means Galp Energia is aware of its responsibility in managing the impacts of its activities, products and services on the surrounding community. To this end, the company has committed to integrating safety, health and the environment (SHE) in its strategy while promoting the continuous improvement of its performance in these fields as a means of contributing to sustainable development.

The challenging issues we face today such as the Kyoto Protocol, the EU directives regarding **Integrated Control of Pollution in Industrial Activities, Prevention of Serious Hazards Involving Dangerous Goods, REACH** (Registration, Evaluation, Authorisation and Restriction of Chemical Products), **national plans and commitments for the reduction of air emissions**, policies for the development of **renewable energies** and ever more demanding safety standards in the industry translate, in business terms, into capital spending on new technologies, changes in production processes and, basically, changing attitudes towards safety, health and environmental issues.

FUTURE INVESTMENTS

Galp Energia has undertaken to invest in the environment in order to promote energy efficiency in its facilities. Accordingly, the company has scheduled several projects for the coming years which reflect these concerns and are bound to improve both its own performance and the performance of other sectors that depend on its activities.

REFINERY CONVERSION

Several projects are under way for conversion of the refineries. Major investments will be made that will

use the best available techniques (BATs) while adding new units to Galp Energia's refining operation. In order to minimise the local environmental impact, the use of BATs will be pondered in the design and operation of new equipments for both refineries. Also, new technologies will be introduced that will rationalise own consumption and create the right logistics for finished products and raw materials as a way of reducing the impact of these new units.

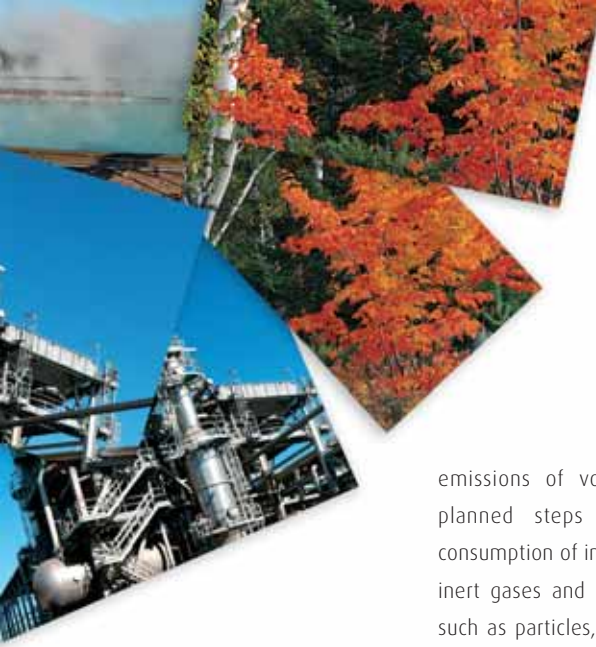
Implementation of the BATs at the new units will take the following key aspects into account:

- The technical potential for reducing liquid effluents and gas emissions to the air;
- The reach of environmental goals, subject to economic efficiency criteria;
- Local environmental constraints.

Specifically, redesign of the refineries will be based on the BATs contained in BREF (Reference document on best available techniques for mineral oil and gas refineries) of February 2003, which are applicable to oil refineries, Reference Document on Best Available Techniques in Large Volume Organic Chemical Industry of November 2000, Reference Document on Best Available Techniques in Emissions from Storage of January 2005, Reference Document on Best Available Techniques in Common Waste Water and Waste Gas Treatment Management Systems of February 2003 – for the purpose of upgrading the facilities and making them more environmentally friendly.

The application of these criteria will imply the following steps: the installation of high-temperature furnaces equipped with low-NO_x burners, the use of less polluting fuels such as natural gas, the right energy integration of equipments and the minimisation of fugitive





emissions of volatile organic compounds. The planned steps will lead to the minimised consumption of inter alia water, compressed air and inert gases and lower emissions of air pollutants such as particles, NO_x and SO_2 which will curb the pollutant content of liquid effluents.

Another relevant aspect is the improved operational management of existing facilities which is expected to follow from integration with the planned facilities. This improvement will be driven by the upgrade of the whole industrial complex, primarily in terms of energy efficiency and optimised processes.

At the regional and national levels, the redesign will lead to the production of clean road fuels, which will contribute to improved air quality, particularly in areas where road traffic is particularly heavy. The increased production of diesel oil at both refineries will account for 1/3 of domestic demand for this fuel type. As a consequence of its higher quality, exhaust emissions (particles, combusted hydrocarbons) will be curbed.

The achieved reductions will undoubtedly have an impact on air emissions by the transport sector and, therefore, contribute to the attainment of national – as well as Kyoto Protocol – goals for air quality.

An overall assessment of the environmental impact of the redesign project suggests a generally mitigated footprint, with distinctly favourable effects on local, regional and national economic and social development as well as on the quality of the environment at regional and national level by means of lower air emissions by the transport sector.

○ COGENERATIONS AND COMBINED CYCLES

In order to provide both refineries with a more energy-efficient technology, the existing thermal plants at Sines and Oporto will be replaced by cogeneration plants with natural gas-driven turbines, which will enable the joint production of electricity and steam. In the case of Sines, the output of steam from the new cogeneration plant will partly substitute for the existing fuel gas-driven, combustible-residue generating thermal plant's current production. At Oporto, the substitution will be complete.

The replacement of the refineries' thermal plants is driven by energy efficiency whereby the following BATs will be introduced:

- Higher performance of the boilers for recovery of exhaust gases by means of an advanced computer system, leading to lower air emissions;
- Use of Dry Low NO_x full-combustion, natural gas burners designed to curb NO_x and CO emissions.

The new plants are the result of optimised techniques that reconcile the refineries operating constraints with the need to maximise economic and environmental benefits induced by efficiency gains and the use of natural gas.

In the case of CO_2 emissions, the new cogeneration plants will avert the emission, in national terms, of around 1,062 kt CO_2 per year in comparison with the current separate production of the same amounts of steam and electricity. However, at local level, set-up of the plants will raise emissions. At Sines, emissions resulting from the production of 220t/h of usable steam from the existing boilers are 475 kt CO_2 per year, a figure that will rise by 60 kt CO_2 per year with the new plant. At Oporto the local increase will be 87 kt CO_2 , resulting from the production of 260 ton/h of steam. The new plants will produce 680,000 MWh of electricity per year for the public grid.

In 2007 Galp Energia obtained the licence for production/set-up of a combined-cycle plant to be built at Sines. With two groups of 400 MW each, this plant will produce electricity by an energy and environmentally efficient process and will use natural gas as fuel. The plant will strengthen the non-binding electrical system and will achieve high safety standards while diversifying energy sources.

SERVICE AREAS

Because of their important role in reducing electricity and water consumption, service stations have been taking the following steps:



Steps for reducing the use of electricity

- Cancelled reactive-energy costs through the installation of correction capacitors at all service stations;
- Monthly update of automatically switched lighting according to the length of the solar day;
- Use of low-consumption light bulbs;
- Use of movement-detecting cells at occasional-use facilities.

Steps for reducing the use of water

- Reuse of waste water from treatment stations to irrigate gardened areas at service stations;
- Reduction of gardened areas at service stations and their replacement by tree bark;
- Discontinued operation of automatic irrigation systems and their replacement by manual systems in order to avoid irrigation in rainy periods.

PROGRAMME FOR MANAGING UNDERGROUND TANKS. PREVENTION AND MANAGEMENT OF ENVIRONMENTAL LIABILITIES AT DISTRIBUTION OIL

This programme is related to the tanks buried in service stations and its purpose is to promote preventive action in a timely, effective and sustained way in accordance with Galp Energia's policy and principles in order to make sure the business is sustainable under the legal framework expected to enter into force in the near future.

GOALS



- Prevention of leakages from the tanks
- Early detection of leakages from the tanks and piping system
- Contamination treatment

The new tanks are built and installed according to the best standards and existing tanks are operated and maintained so as to minimise the likelihood of leaks and the consequent generation of environmental liabilities. Any leakages shall be quickly detected in order for any water or soil contamination to be reduced. The programme has been designed for development in five stages:



Glass coverage of existing tanks started in 2007 which enabled construction of an additional internal contention wall or a double wall for leak detection in higher-risk situations.

GALP SPAIN – VOLUNTARY AGREEMENTS FOR REDUCED CONTAMINATION

In Spain, several voluntary agreements for the purpose of controlling and curbing contamination at service stations were signed in 2007 between oil companies and the regional governments of Madrid and Aragón. These agreements provide for soil protection and the implementation of vapour recovery systems (Stage II) and mark the re-launch of environmental goals relying on close cooperation between companies and local government. The agreements are expected to be extended to other regions.



Operational data

	CORE ENVIRONMENTAL INDICATORS	2006	2007	CHANGE (%)
Refineries (includes the lubricant and aromatics plants)	Processed load (kt)	13,906	14,307	2.8
	Energy consumption			
	Fuel gas (tep)	391,122	379,689	-3.0
	Process fuel residues (tep)	508,996	496,571	-2.5
	Natural gas (t)	6,661	7,473	10.9
	Electric power (tep)	179,976	174,355	-3.2
	Water consumption (10 ³ m ³)	8,115	8,354	2.9
	Water reused (10 ³ m ³)	722	697	-3.5
	Effluents (10 ³ m ³)	4,481	4,374	-2.4
	Recovered hydrocarbons (10 ³ m ³)	63	104	39.4
	CO ₂ emissions (excl the aromatics factory) (t)	3,018,380	2,938,372	-2.7
	NO _x emissions (t)	6,365	6,647	4.2
	Total NO _x emissions to processed load (%)	0.0458	0.0465	1.5
	SO ₂ emissions (t)	18,954	22,464	15.6
	Total SO ₂ emissions to processed load (%)	0.1363	0.1570	13.2
	Particle emissions (t)	1,385	1,359	-1.9
	Total particle emissions to processed load (%)	0.0099	0.0095	-4.2
	Self-control of the bubble - SO ₂			
	Sines (mg/Nm ³)	1,278	1,158	-9.4
	Oporto (mg/Nm ³)	1,251	1,466	14.7
	Ceiling (mg/Nm ³)	1,700	1,700	
Logistics	Total movement at LPG parks (kt)	514	490	-4.9
	Total movement at logistics parks (kt)	2,286	2,293	0.3
	Diesel consumption at logistics parks (tep)	245	329	25.5
	Electric power consumption at LPG parks* (tep)	1,124	413	-172.1
	Electric power consumption at logistics parks* (tep)	388	361	-7.6
	Water consumption at LPG parks (10 ³ m ³)	11.3	10.8	-4.6
	Water consumption at logistics parks (10 ³ m ³)	12.7	16.7	24.0
	Product transportation mileage, km	40,868,664	37,800,334	-8.1
Operation	Burnt gas (MMSCF)	455	224	-103.1
Natural gas	Use of materials (t)			
	Polyethylene	1.48	2.04	27.1
	Steel	34.80	186.90	81.4
	Use of electric power in buildings (tep)	403.58	431.07	6.4
Cogeneration	Water consumption at Setgás (10 ³ m ³)	4.80	5.40	11.1
	Electric power production at Carriço Cogeração and Powercer (GWh)	264	269	1.9
	Natural gas consumption (t)	69,660	70,112	0.6
	CO ₂ emissions (t)	165,443	166,610	0.7
	Water consumption at Carriço Cogeração (10 ³ m ³)**	1.1	4.7	76.6
International Oil, service stations, aviation, head office	Electric power consumption (tep)***	1,665	4,963	66.5
	Water consumption (10 ³ m ³)****	2.50	1.56	-37.6
Refineries, lubricant and aromatics factories, logistics and LPG parks, aviation	Non-dangerous industrial residues (t)*****	170,941	17,916	-854.1
	Dangerous industrial residues (t)*****	9,802	30,639	68.0

* The lower use of electric power was due to the reduction of the number of filling shifts from 3 to 2.

** The change in water consumption is related to installation of a system for cooling air going into gas turbines

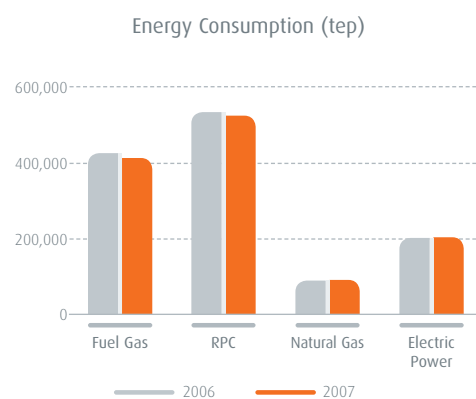
*** Electricity consumption in 2006 does not include the head office or the service stations

**** Water consumption in 2006 does not include the head office or the service stations; in 2007 annual consumption by the head office is extrapolated from the three first quarters of the year while consumption by the service stations is an estimate.

***** The amount of waste produced annually varies substantially. This is primarily due to maintenance, tank cleaning and stops whose frequency varies from year to year.

○ RESOURCE CONSUMPTION

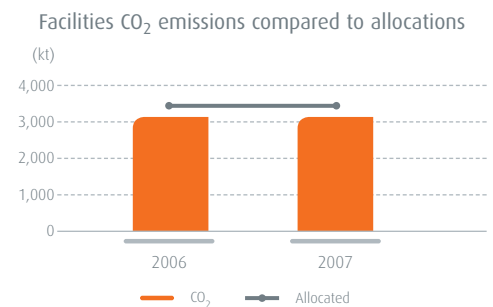
The main resources consumed in Galp Energia's production chain are raw materials, energy and water. In energy, considerable efforts have been made to lower consumption levels. The energy efficiency steps taken at both refineries and the reduction of burnt gas in exploration and production in Angola are an instance of this. This reduction has been achieved by redirecting the gas by means of a pipeline to underground storage facilities so as to ensure its recycling at the LNG factory. This process allows gas to be captured while avoiding it to be burnt, thereby contributing to reduced CO₂ emissions.



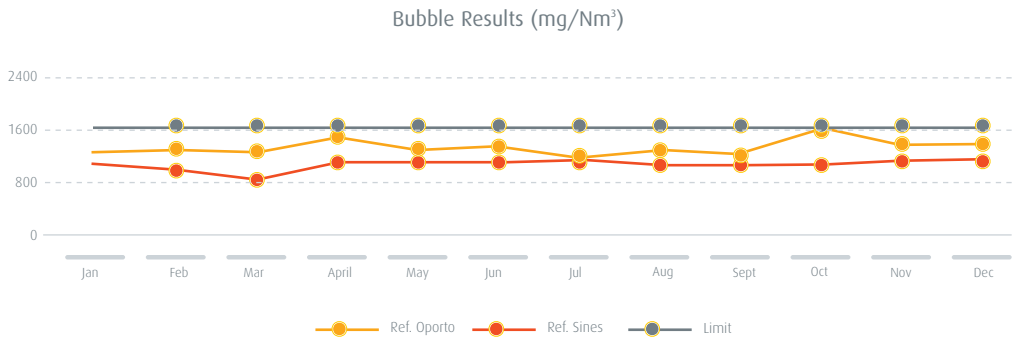
Water consumption at service stations is estimated because the frequent change of management regime – by Galp Energia or resellers – makes it difficult to analyse data centrally. Around 53% of water consumed at filling stations comes from boreholes with the balance coming from municipal water services. Water for the refineries comes from both surface and underground sources.

○ EMISSIONS

Both refineries complied with the allocated emission ceilings. This was the case for both SO₂ emissions under the programme for reduced emissions by large plants and CO₂ emissions under the national plan for emission licences. The cogeneration plants also complied with the CO₂ ceilings allocated under this plan.



All SO₂ emissions excluding those by Claus units are calculated considering a virtual chimney, called bubble. Also in this case both refineries complied with the set limits.



LEAKAGES

At Galp Energia a leakage is defined as an uncontrolled discharge in excess of 150 litres to either the soil or water of a substance produced or handled, whereby there is a loss of its primary contention, that is, there is a failure to contain the substance/product within the adequate equipment or piping system.

Leakages		
	2006	2007
Number	34	34

This number related to refining, logistics, aviation, Galpgest and Galp Spain operations.



ENVIRONMENT, QUALITY AND SAFETY (EQS) – MONITORING AND MANAGEMENT SYSTEMS

Galp Energia strives for systematic improvement of its environmental and safety performance and commits with its clients to the highest quality standards.

In this regard, process management is integrated into systems allowing the development of corporate strategies, decision-making on the basis of factual information and the forecast of stakeholder needs. In 2007, existing certifications were retained, namely:

NP EN ISO 9001	OSHAS 18001	NP EN ISO 14001	NP EN ISO/IEC 17025
Lubricants • Aviation fuels • Base oils • Galp Químicos • Galp Gás • Inspection of the Sines refinery • Bitumen • Probigalp • SAAGA • Setgás • CLC • Beiragás • Lisboagás • Lusitaniagás • Tagusgás • Aveiro and Porto Brandão parks • Ptroval.	• SAAGA • Setgás • CLC • Beiragás • Lisboagás • Lusitaniagás • Tagusgás • Aveiro and Porto Brandão parks.	• Setgás • CLC • Beiragás • Lisboagás • Lusitaniagás • Tagusgás • Aveiro and Porto Brandão parks • Ptroval.	• Laboratories at the Oporto and Sines refineries and Galp Lubrificantes.

WITH A VIEW TO OBTAINING THE RELEVANT CERTIFICATIONS, NEW ENVIRONMENT AND SAFETY MANAGEMENT SYSTEMS ARE UNDER DEVELOPMENT SINCE 2006 2006 FOR BOTH REFINERIES, THE STORAGE PARKS FOR LIQUID FUELS AND LPG AS WELL AS THE LUBRICANT FACTORY AND LABORATORY.

In order to ensure compliance with applicable legal requirements and improvement of the overall performance of EQS, Galp Energia conducts a wide-ranging programme of internal EQS audits whose purpose is to guarantee the continuous appraisal of systems, processes and activities which are crucial to retaining current certifications and accreditations and ultimately support the continuous improvement process.

The annual EQS auditing schedule is approved by the executive committee and ranks audits according to management objectives, specificity, critical status of the relevant activity or business and applicable standards.

From this perspective, the Annual EQS Auditing Programme for 2007 was prepared considering:

- corporate strategy and management priorities • contractual and legal EQS management systems requirements
- certification and accreditation needs • client needs • operational performance of processes and products • relevant changes in corporate structure and activities • the need to appraise suppliers • the supply of information by audited units and auditors as well as the outcome of earlier audits • risk evaluation.

The company has a group of 60 EQS auditors, of whom 52 participated in 46 audits for a total of 79 participations in 2007, up 65% from 2006. In order to permanently keep auditors' skills up to date, Galp Energia organises training and recycling programmes which attracted in 2007 more than one hundred participants. In 2007 the 1st Forum for EQS Auditors was staged for the purpose of consolidating skills and standardising audit execution criteria.



08 SAFETY PROGRAMME

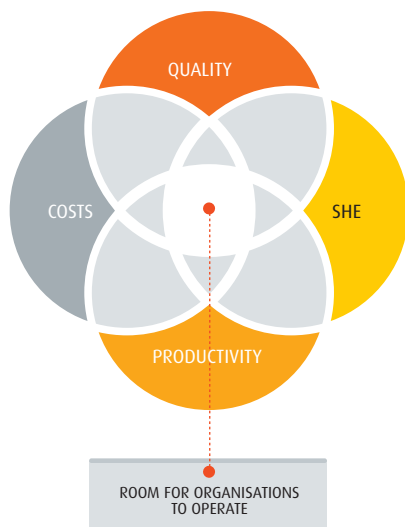
Organisations bidding to be responsible market participants and contribute effectively to sustainable development look at safety, health and the environment as core values that should be promoted and preserved.

2007
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WITH POSITIVE ENERGY

SAFETY, HEALTH AND THE ENVIRONMENT ARE A LICENCE TO OPERATE

The way in which today's society looks at safety, health and environmental (SHE) issues prompts companies to pay increased attention – in parallel with their profitability goals – to their environmental performance and their track record in the health and safety fields.

Organisations bidding to be responsible market participants and contribute effectively to sustainable development look at safety, health and the environment as core values that should be promoted and preserved alongside their efforts to contain costs, boost productivity and raise the quality of their products and services.



In this regard, the evaluation and prevention of SHE impacts must be integrated into all businesses, from design and planning to delivery of the relevant products and services to the end client.

Galp Energia, whose strategic ambition projects its nature as a socially responsible organisation, is aware that it must act today to secure its own long-term sustainability. The company's legitimacy vis-à-vis the communities where it operates can only be reached

if it can ensure the safety and health of those with whom it interacts while mitigating the environmental impact of its operations.

Galp Energia's view is that it is possible to plan investments and grow businesses while placing SHE issues at the forefront of its primary concerns. To this end, the company committed publicly in 2004 to achieving a cultural change whose purpose is to make it a benchmark in the field.

After a first fact-finding stage in July 2006, a safety programme for all Galp Energia businesses, called Safety Programme in Galp Energia (SPGE), started with the set-up of an exclusively dedicated team.

The SPGE's brief includes the development of a SHE management system that will strengthen a prevention culture and help achieve high safety management standards, turning Galp Energia into a reference at European level.

THE PSGE STAGES

The programme is estimated to be concluded in four years time. Considering its duration, the SPGE was structured in three unequivocally defined stages with strict timeframes.

FOUNDATION

This stage was launched in July 2006 and its purpose was to lay the ground for a future safety management system at Galp Energia. This stage, which is primarily focused on the company's human resources, includes the development of procedures which were identified as critical during the fact-finding and action plan phase. The cultural change started at this stage with a training plan for all organisational levels.

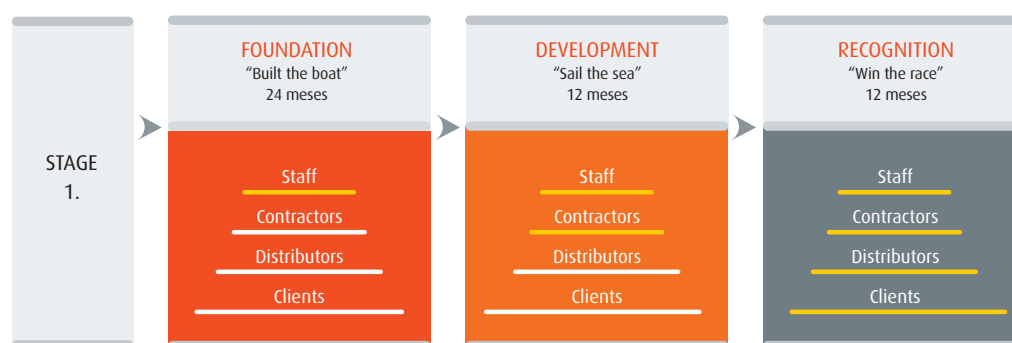
DEVELOPMENT

This stage is scheduled to start in 2008 and is planned to broaden the scope of the programme to include service providers, a development that is

expected to widen SPGE's exposure and impact. In the meantime, the first stage shall have been concluded in terms of training coordination, with company practice integrating the proposed tools.

○ RECOGNITION

This is the programme's last stage, when SPGE's reaches out to clients and the public at large.



○ THE COVETED CULTURAL CHANGE

The ambitious goals that Galp Energia has set about to achieve can only be attained with a deep cultural change that will ensure that SHE aspects are considered and pondered at every stage of the company's activities: from the stage when businesses and facilities – new or refurbished, regardless of their size – are designed and planned until the final stages of decommissioning and divestment, if any, through human resources management and upstream and downstream stakeholder relations.

Another crucial aspect of this commitment is its cascading pattern, from the board of directors down to lower coordinating levels until service providers and other stakeholders.

This process started with Galp Energia's CEO, Mr. Ferreira De Oliveira, visiting a natural gas site, where he had the opportunity to engage workers in a conversation about SHE issues while evidencing his personal concern with the good health and well-being of both workers and the surrounding community.

○ TOP MANAGEMENT'S VISIBLE COMMITMENT

The company's top management has shown its commitment to effective execution of this process by its example, attitude, behaviour and control as well as convergence of statements and actions in the daily management of the business, that is, by making decisions that are aligned with the SHE vision and policy as formulated by Galp Energia.

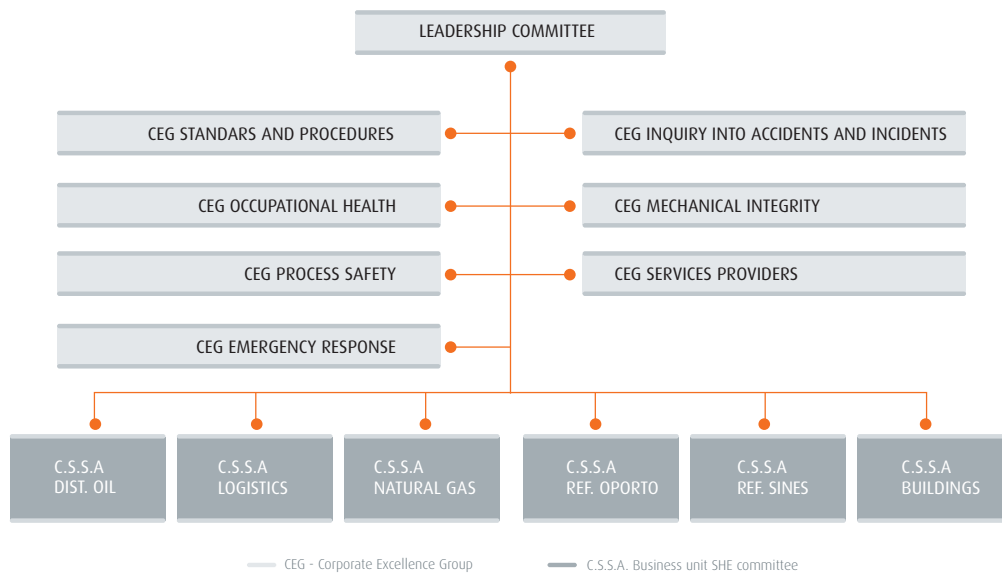
○ AN INTEGRATED ORGANISATION

In order to stimulate the required cultural change, a parallel structure to the existing organisational structure was created that provides the necessary forums for SHE to be managed across the organisation in a participated way, involving the whole hierarchy.

This structure revolves around a leadership committee whose remit is to coordinate Galp Energia's efforts and performance in the safety field. This committee is composed of the members of the

executive committee as well as first-line Galp Energia representatives who lead the business units (BUs) SHE committees, themselves a replica of the leadership committee.

The figure shows the informal set-up of the Corporate Excellence Groups (CEGs) integrated organisation.



THE SPGE'S TRAINING PROGRAMME

Management elements have been identified by SPGE in which Galp Energia has to step up its efforts in order for safety goals to be attained. Based on the new SHE Policy, the Internal Regulations, international best practice and the initial findings, the SPGE designed a plan for human resource training, making the staff aware of safety management issues and SHE's role as a key tool for Galp Energia's development.

PREVENTIVE ENVIRONMENTAL AND SAFETY OBSERVATIONS

Management systems and procedures can only improve security if compliance with what has been defined and specified is ensured.

World statistics suggest that both accidents and incidents are primarily related to human behaviour (attempts to shorten working times by jumping steps aimed at ensuring safety for a given task, improvised tools, etc.) and the failure to comply with procedures.

The purpose of the preventive environmental and safety observations is for the hierarchy chain with coordination responsibilities to identify areas for improvement – by showing its commitment to staff safety and well-being – in respect of compliance with



existing procedures and safety best practice. Preventive observations can be performed by means of awareness campaigns, corrective actions or prevention of unsafe practices.

○ QUICK WINS

Despite the importance of the behavioural factor for SHE performance, structural hardware aspects – that can be managed at local level – must not be disregarded as they can significantly minimise risks to day-to-day activities without entailing substantial financial cost.

To achieve this, the SPGE has created and circulated a document designed not only to ensure the correction of certain situations but also to encourage the sharing of experiences across the organisation in order to spread knowledge about the best solutions adopted by individual facilities.

○ SPGE'S ACHIEVEMENTS IN 2007

○ SHE POLICY AND INTERNAL FRAMEWORK (REFERENCIAL INTERNO)



One of the SPGE's first visible actions was a revision of Galp Energia's SHE Policy, whose purpose is to give the company a policy based on a management system with its requirements consisting of the so-called Internal Framework.

In the Internal Framework, 22 elements of the SHE Management System are listed and summarily explained that will allow Galp Energia to create the tools for achieving the coveted operational excellence.



○ CRITICAL PROCEDURES

In the fact-finding phase, some operational procedures were identified that should be revised – because of the risks involved in the regulated operations or for the lessons that could be extracted for the management system – so as to make them more complete.

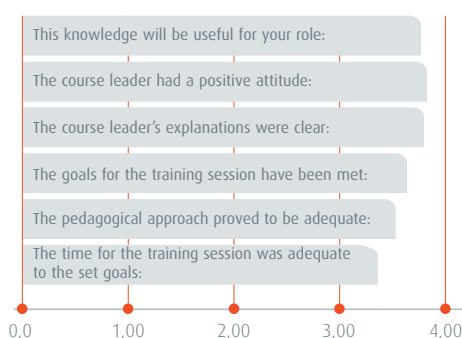
In 2007 the following corporate requirements were established:

- Incident investigation
- Work authorisations
- Height works
- Work in confined spaces
- Control of dangerous energies
- Digging activities
- Mechanical integrity

○ IMPLEMENTATION OF THE TRAINING PROGRAMME

The SPGE training programme covered in 2007 close to 2,500 employees, from the executive committee down to lowest level of coordination and in ten different types of training which were designed according to the relevant type of function. At the end of each training session, an appraisal was made in a 1-4 scale in order to evaluate the employees degree of satisfaction.

Training evaluation





09
ATTRACTING
TALENT AND
MOTIVATING
THE EMPLOYEES

Galp Energia continues to give priority in its hiring policy to closer relations with university circles with a view to identifying and hiring talent through a demanding trainee programme.

2007
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WITH POSITIVE ENERGY

Social indicators

	2006	2007	CHANGE (%)
Number of employees	5,869	5,798	-1.2
of which men	3,782	3,674	-2.8
of which women	2,087	2,124	1.7
Departures	907	1,250	37.8
Absenteeism (number of days)*	13,724	11,935	-13.0
Training hours per employee*	-	34.6	
Total number of work accidents **	87	77	-11.5
Number of work accidents with leave of absence	52	48	-7.7
Frequency index – total accidents	8.5	8.1	-4.7
Frequency index – accidents with leave of absence	7.3	5.1	30.1

Note:

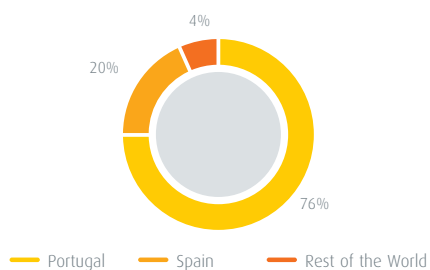
* Related to the companies processed by Galp Energia S.A.

** Includes in itinere accidents and is calculated according to Concawe

The aim of Galp Energia's human resources policy is to attract and retain talent. The 5.798 staff total, at home and abroad, is 63% male and 37% female. Following the changes at Sacor Marítima, whose fleet was reduced, and in Spain, the company's number of staff declined 1% relative to 2006.

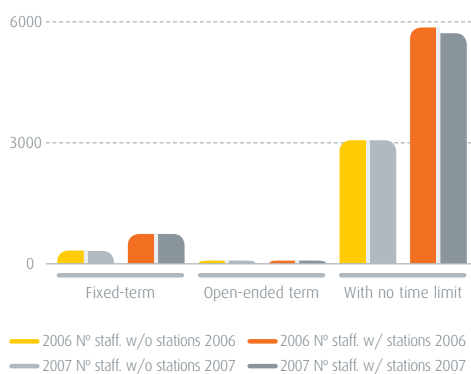
In 2007 the geographical spread of the staff remained stable, with 20% located in Spain and 4% in other parts of the world (basically Africa and Brazil).

Geographical Spread 2007



At the end of 2007, considering all company staff, that is, including employees at filling stations, the average age of the staff was 39.6 years and its average seniority at the company was 11.8 years (11.3 years one year earlier).

Number of staff by type of employment



Galp Energia values staff stability, which is shown in the following diagram by the 88% of staff with fixed employment.

○ HIRING

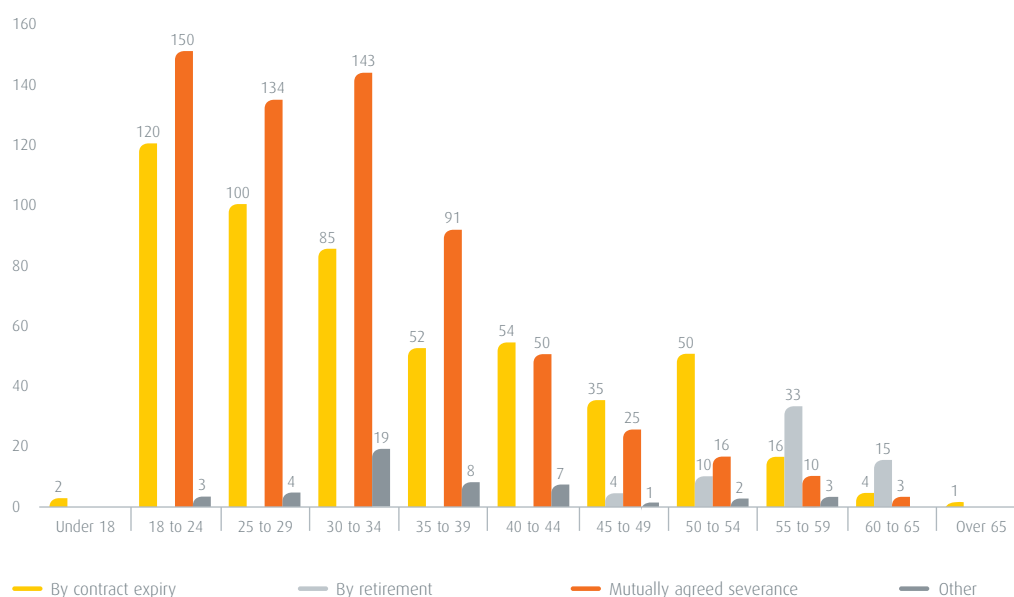
Galp Energia continues to give priority in its hiring policy to closer relations with university circles with a view to identifying and hiring talent through a demanding trainee programme. The purpose is to renew and rejuvenate its staff base while strengthening critical skills for development of the business. In 2007, 37 trainees participated in the programmes.

Abroad, Galp Energia's hiring activities have impacted local communities. In Guinea-Bissau and Angola, the chief executive is an expatriate but the rest of the

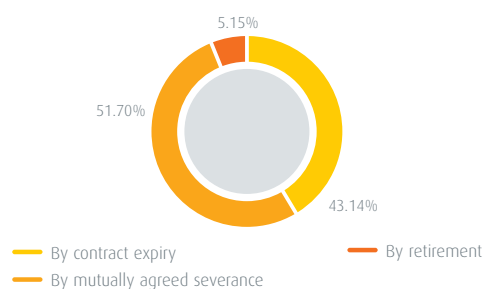
team was hired locally. In Cape Verde, the chief executive was hired following an international public tender and managers by local tender. This confirms the importance and relevance of the company's activities towards creating jobs in the communities where it operates.

At Galp Energia, 1,177 employees were hired and 1,250 left in 2007. Most staff movements involved the gestes (filling stations), where 838 were hired and 855 left.

Departures in 2007: by reason and age



Departures in 2007: by reason



○ TRAINING AND THE ACADEMIA GALP (GALP ACADEMY)

In 2007 Galp Energia provided more than 99,907 training hours covering 2,884 staff (these figures relate to the companies processed by Galp Energia S.A.), which reflected a serious and continued commitment to the professional development of the staff in alignment with the requirements of the business.

IN EARLY 2007, GALP ENERGIA LAUNCHED THE THEME TUESDAY PROJECT UNDER THE GALP ACADEMY INITIATIVE. THESE WEEKLY EVENTS WERE CONCEIVED AS A FORUM FOR PERSONAL AND PROFESSIONAL DEVELOPMENT THROUGH CONTINUED SHARING OF KNOWLEDGE AMONG GALP STAFF AND THE ESTABLISHMENT OF PARTNERSHIPS WITH SCHOOLS/UNIVERSITIES FOR DEVELOPING AND CONSOLIDATING KNOWLEDGE WITHIN THE COMPANY.

In 2007 this project included 23 conferences dealing with a variety of subjects. Results were very encouraging in terms of attendance and evaluation by attendants and a few sessions were repeated following strong demand.

To conduct these conferences the Galp Academy also invited external speakers with specific expertise on subjects considered interesting to Galp Energia staff.

In 2007, 1,990 staff attended the conferences which meant an average attendance of 87 people by conference. The average level of satisfaction was 91.3%.

○ PERFORMANCE EVALUATION

The performance evaluation system was changed in order to separate, for each employee, the evaluation of the degree of achievement of annually set goals from the evaluation of individual skills. Whereas the evaluation of goal achievement aims to encourage and reward the highest performance levels, the evaluation of skills aims to establish personal development plans that will strengthen and consolidate role-specific skills. The evaluation of skills also enables the preparation of mobility plans supporting job rotation so as to broaden the scope of knowledge and experience which is indispensable for the employees professional development.

Regarding the evaluation of performance in 2006, 72.55% of the staff was covered, up 1.66 percentage points from the previous year. This was a consequence of a larger number of staff being included from the gestures and other group companies. Performance in 2007 was evaluated in the first quarter of 2008, the reason no processed data is available yet.

○ EMPLOYEE BENEFITS

Adding to value and motivation, Galp Energia makes available to its staff several benefits on top of what is required by labour law. The company offers pension and health plans as well as prizes and performance-related pay to its staff. In this category, there are the prize for the reduced incidence of labour accidents, productivity prizes, variable compensation (Performance Management System) and spot bonuses.

Abroad – like in Mozambique – employees value such aspects as transportation, breakfast and medical aid. In Guinea-Bissau, benefits are linked to flexible working hours and a salary supplement. Salary levels are generally higher than the average local salary – 63% higher in Guinea-Bissau.

○ LABOUR RELATIONS

The Central Workers' Council meets once a month with the Executive Committee, in a session where representatives from Human Resources and the General Secretariat and Governance also are present. The minutes of these meetings are circulated by email or handed over in print to the staff.

The number of staff covered by collective bargaining rose relative to 2006 and reached 84%.

Regarding Galp Energia's health policy and formal agreements with the unions, two additional affiliates were included in the health and safety provisions (for more information, see Appendix III of Galp Energia's Sustainability Report 2005/2006).

In order to monitor and advise on health and safety programmes, there is a Workplace Hygiene, Health and Safety (WHSS) committee, where the represented labour force rose to 42.6% after Companhia Logística de Combustíveis' (CLC) inclusion.

For more information, see Galp Energia's Sustainability Report 2005/2006 at www.galpennergia.com.





10 CORPORATE RESPONSIBILITY

Galp Energia considers itself a socially and environmentally responsible company. Therefore, corporate responsibility and its underlying values determine the company's actions on diverse fronts.

2007
FOR A BETTER FUTURE
WITH POSITIVE ENERGY

Galp Energia considers itself a socially and environmentally responsible company. Therefore, corporate responsibility and its underlying values determine the company's actions on diverse fronts. Also, Galp Energia is a subscriber to the Corporate Engagement Letter on the Millennium Development Goals.

THE COMPANY HAS A GROWTH STRATEGY FOR AFRICA.

In Guinea-Bissau and Mozambique, efforts to develop the bottled-LPG market have had an important favourable impact on living conditions, giving the population access to a more convenient and versatile energy source for household use. Substitution of LPG for wood and coal has a very positive effect on health and hygiene standards and helps to control such epidemics as cholera through easier sterilisation of water by boiling. This substitution also curbs deforestation and CO₂ emissions while preserving ecosystems and biodiversity.

A close involvement with the communities where it operates is part of the company's culture. Galp Energia's awareness of the impact of its operations has prompted it to lead a whole range of social, environmental, educational, culture and sports projects, both at home and abroad. In 2007, 2.5 million euros were spent on CSR-related projects.

AGREEMENT BETWEEN GALP ENERGIA AND THE MUNICIPALITY OF MATOSINHOS

Galp Energia and the Municipality of Matosinhos signed a cooperation agreement to formalise the company's resolve to invest in the Oporto refinery through process innovation and environmental and landscape integration of the plant in the county of Matosinhos.

The scope of the agreement also includes the contribution by Galp Energia to cultural and social projects whose content is to be agreed between the parties. The actions covered by the agreement shall be developed over a period of four years.

ENVIRONMENTAL RESPONSIBILITY

Park of Serralves in the city of Oporto. Galp Energia's support to the Park of Serralves comprises a financial contribution and a partnership for the development of such initiatives that will guarantee to both Galp Energia and the Serralves Foundation the best use of both parties' potential.

Among the novelties to be launched under the agreement, there is the organisation of the *Viver com Energia* (To Live with Energy) school programme whose purpose is to foster an environmental conscience and spread awareness about the need to use energy rationally.

Biodiversity. Biodiversity is a sustainability pillar that Galp Energia sees as strategic. In this regard, the company endorsed the Business & Biodiversity initiative of the Portuguese Presidency of the European Union in the second half of 2007, whose purpose was to include preserved biodiversity in corporate strategy and policy as a way of halting the decline of biodiversity at local and regional level by 2010.

Under this agreement Galp Energia will support the Marbis Natura2000 project whose purpose is to organise and compile existing scientific data on sea biodiversity in national territorial waters including the creation of an integrated database on sea biodiversity and the establishment of a sea biodiversity knowledge network.

BERLENGA – A Sustainability Lab. Galp Energia has signed the Engagement Letter. *To create an island that is sustainable in energy terms and equipped so as to store and manage energy produced from renewable sources, produce drinking water and treat waste water and solid waste.*

This is the goal for the Berlenga – Sustainability Laboratory project, which was promoted by the Department of the Environment and succeeded in assembling a group of companies and institutions.

The project will use cutting-edge technologies, materials, products and systems which have been tested on the market and are suited to solve the issues in hand. All components will be managed in an integrated way and Berlenga will work as a true sustainability laboratory.

The selection, integration and systems management is planned to meet technical and scientific requirements and follow research and development processes designed by a multi-disciplinary team composed of staff from each one of the companies.

Fórum ECO. Galp Energia joined Fórum ECO and thus became one of the first companies to contribute to the national task of protecting the forest by preventing and combating forest fires, a scourge that ravages the country every year and has severe social, environmental and economic consequences.

This support will consist of several means for publicising the national campaign to combat forest fires. The campaign will be transmitted by Galp TV, on the company's internet portal, in the main newsletters and in the company magazine. Moreover, Galp Energia will lend advertising space

in the windows and doors of 85 of its convenience stores and promote awareness and leaflet distribution actions at its filling stations.

Also under the agreement with Fórum ECO and in cooperation with the Eco-School Programme, Galp Energia promoted the inclusion of themes about fire fighting and prevention in the of training of primary-school teachers from seventy schools.



SOCIAL RESPONSIBILITY

Social support actions are conducted in the geographical areas where Galp Energia operates, including mainland Portugal, the Azores, Guinea-Bissau, Mozambique and Brazil.

NATIONAL PLATFORM AGAINST OBESITY

Galp Energia signed a cooperation agreement with the Platform for Obesity Fighting, an initiative by the Department of Health whose task is to reverse the increasing incidence and fight the occurrence of pre-obesity and obesity in Portugal. Obesity is considered as the global epidemic of the 21st century and has reached dramatic levels in Portugal.

Under this partnership, which is scheduled to last for three years, Galp Energia will plan and implement high-profile media actions designed to raise public awareness of the disease, with a special emphasis on children and teenagers. A Movement for Positive Energy was set up consisting of a number of initiatives aimed at promoting balanced living habits including physical activity and a healthy diet.

Besides spreading information, the Movement for Positive Energy aims to contribute to changing attitudes about ways to prevent and combat obesity by establishing daily routines and building the foundations for an effective change in behaviour. The overriding aim is to contribute to people adopting healthier lifestyles.

One of the planned actions is a roadshow which is scheduled to stop by primary schools from Northern to Southern Portugal and whose purpose is to involve children with these themes in a playful still pedagogical way. During the holiday period the tour will also include sea beaches from the Northern to the Southern coast, whereby children, teenagers and grown-ups will be invited to participate. Positive Energy Brigades will also be created whose role will be to engage people on the street about these themes. In the same spirit, a nationwide event – the Positive Energy Day – is scheduled to be staged where everyone will be welcome. A website for the Platform for Obesity Fighting is currently under development for the purpose of informing and alerting in an interactive and practical way. At Galp Energia filling stations, a Daily Positive Suggestion menu will be handed out.

To gauge the effectiveness of these initiatives, a study will be carried out that will establish criteria and metrics to analyse perceptions, knowledge, awareness and willingness to change behaviour patterns towards the development of healthier day-to-day lifestyles.



Mário Soares Foundation. Galp Energia supports the Mário Soares Foundation in preserving and spreading knowledge about document repositories, in digital or other formats, belonging to private or public entities, which can contribute to expanding the knowledge and study of Portuguese contemporary history and the country's relations with other Portuguese-speaking countries, within the broader scope of Portugal's cooperation policy.

Support to *Comunidade Vida e Paz*. *Comunidade Vida e Paz* is an association which was created to address the needs of the homeless. In the last three years Galp Energia contributed fuel for this association to distribute food to the homeless. In 2007 a van was also given away.

Christmas action – A warmer Christmas, full of positive energy. Galp Energia promotes annually a Christmas action. In the latest action, Galp Energia gave away to charities 220 Hotspot heaters complete with gas bottle, delivery and installation, five December month supplies of natural gas and five December month heating oil supplies from Galp Serviexpress.

SOS in Guinea-Bissau. As a reflection of the company's commitment to social causes and sustainable development, particularly relevant in the light of its African operations, Petromar, a Galp Energia affiliate, sponsored SOS Guinea-Bissau's *Casa Familiar* nº 9 (Family House Nº 9), where nine children and teenagers up to 19 years old live. The house was named *Casa Petromar* and one of SOS Guinea-Bissau's training rooms was named Sala de Formação Galp Energia (Galp Energia Training Room).

Solidarity with Portuguese-speaking countries. Galp Energia promotes solidarity actions with the Portuguese-speaking countries of Guinea-Bissau and

East Timor. The regular despatch of books, school materials and toys is a way for the Portuguese language to live on in countries with which Portugal has historical ties.

Beyond this action, Galp Energia supported the publication of Portuguese handbooks for the 6th year of education in East Timor.

Solidarity with AMI. The company developed a system for selective recovery of used computer supplies, the proceeds of which were handed over to AMI – *Assistência Médica Internacional*.

Solidarity by the refineries. The Oporto refinery gave donations to poverty-fighting (*Associação Nacional de Combate à Pobreza*), hunger-fighting (*Liga Nacional Contra a Fome*) and disabled-helping (*Associação Lavrense de Apoio ao Diminuído Intelectual*) charities. The Sines refinery gave donations to several local entities such as the local fire-fighting brigade (*Bombeiros Voluntários de Sines*), the assistance-providing *Santa Casa da Misericórdia* and local parishes.

Support to beach-watching *Instituto de Socorros a Náufragos* (ISN). Under the Sea Master 07 project, Galp Energia provided fuel to the ISN-owned Mitsubishi Strakkar patrolling the Portuguese coast in the summer season.

Programme Galp Energia Lives and Virtual Museum. Starting in 2004, the Galp Energia Lives programme aims to recognise the contribution from Galp Energia's employees to the company's construction. From this project, another one – Virtual Museum –has followed, in multimedia and interactive format, which is derived from the experiences and human identities of those who have shaped Galp Energia along its path. The Virtual Museum is available on the Internet and can be accessed through vidasgalp.galpenergia.com.

○ EDUCATIONAL SUPPORT INITIATIVES



Energy School. The Energy School, available at <http://vidasgalp.galpennergia.com>, aims to alert the community and in particular the younger generations to current environmental issues and the need to change one's behaviour. In this context, two contests were sponsored in association with Associação Bandeira Azul - Eco-Repórter which cover, in text and cartoons, energy and climate change topics.



Casa da Música Foundation. Galp Energia supports the foundation's educational project which aims to further teaching of the arts as a core element of citizenship and social inclusion.



Guiné-Bissau

Road safety campaign at schools. The "*Vamos parar com isto!*" (Let's stop this!) campaign aims to raise awareness of road safety by primary-school pupils, their schools and counties in the province of Leiria as well as communicate about this issue with the citizens at large by using local media.

Beyond this action, Galp Energia supported awareness actions in conjunction with ETG – Empresa de Transportes for safety and defensive behaviour on the road and public transportation at schools from Gondomar, Valongo, Porto, Maia, Penafiel, Paredes, Matosinhos and Vila Nova de Gaia counties. This programme targets pupils from the 4th grade who face safety issues, so that they are familiar with the basic concepts about safety equipment and its maintenance.

Sustainable Galp filling station idea contest. In partnership with *Trienal de Arquitectura de Lisboa 2007*, Galp Energia launched the Sustainable Galp filling station idea contest whose aim was to reward the best sustainability-enhancing ideas, namely the quality of the proposed architecture, design and concepts leading to the adoption of sustainable technologies and energies.

The refineries reward the best students. Both refineries annually hand out prizes to those students at local establishments who have been most diligent during the school year. Prizes are handed over both to the school and the student for their efforts and dedication. The Oporto refinery also supports extra-curriculum activities such as the student's card, the newspaper and the school radio as well as the participation of refinery staff in school seminars and conferences. Both refineries welcome visits from several schools, during which refinery processes are explained.

Guinea-Bissau. Galp Energia singles out education and youth as targets for initiatives and commitments related to social development in Africa, namely Guinea-Bissau. In this regard, Petromar supports the publication of legal series edited by Bissau's Law Faculty, whose academic panel has several Portuguese teachers under cooperation agreements between Portugal and the Republic of Guinea-Bissau.

○ CULTURAL SUPPORT INITIATIVES

Galp Energia participated in several projects aimed at promoting culture, ranging from its support to exhibitions, the theatre, recreational associations and culture centres in the Azores, Guinea-Bissau and Brazil to actions in the areas around the refineries.

The Sines refinery promotes the *Jornadas Culturais* (Cultural Days) annually. This initiative starts with a visit to the refinery by 500 pupils from county schools which results in artistic work such as painted tiles, stained glass and models representing what the pupils saw during the visit. Subsequently, the pupils' work is appraised by a jury which awards prizes to the three best works.



SPORTS SUPPORT INITIATIVES

Super Atleta Pequim 2008. The Portuguese Federation of Sports for the Disabled and Galp Energia signed an agreement aimed at building on the success reached by the project for the 2004 Paralympics in Athens. Galp Energia will again be the main sponsor of a project whose purpose is the participation of athletes in the 2008 Paralympics in Beijing.

This partnership makes it possible to attain the goals of the *Projecto SuperAtleta* which are to attract society's attention to the Paralympic Movement, to create new sports activities suited for the disabled, to attract new athletes, to collect funds for giving paralympic athletes the means to prepare themselves and ensuring the future of paralympic missions.

Regionally, Galp Energia supports sports clubs engaging in football, swimming and gymnastics in the communities where it operates.

INITIATIVES FOR THE COMPANY'S EMPLOYEES

For Galp Energia, its employees are a crucial stakeholder group deserving special consideration in its social responsibility efforts. In this regard, the activities of the Clube Galp Energia should be highlighted.

CLUBE GALP ENERGIA

With the company's employees as members, *Clube Galp Energia* plays a particularly active and important role not only in furthering relationships between colleagues from different business units but also in asserting the culture of the organisation through recreational, social and sports initiatives.

At 31 December 2007, *Clube Galp Energia* had 4.565 members in three regional clusters – North, Centre and South – basically corresponding to the Oporto refinery, the Lisbon and Setúbal areas and the Sines refinery. In 2008 the club will celebrate its 30th anniversary in its present form although its origin can be traced back to older times at companies that ultimately led to the creation of Petrogal, SA.

Initiatives unfolding virtually every week of the year – with most weeks staging two or more events simultaneously – encourage socialising between thousands of colleagues and their families.



Christmas party. Because of its sheer size and the number of people involved, particularly children, the outstanding event of *Clube Galp Energia* is the Christmas party or, in reality, the three Christmas parties – one for each cluster – which attract around 6,000 people, of whom 2,000 are children and youths, the main targets for these events. In addition, several dozens of colleagues at several levels lend their assistance to these parties.

The club strives to offer diversified activities to members and attempts to meet different expectations and needs from a heterogeneous public.

Cultural activities. Instances of cultural activities are the visits giving the possibility to know Portugal better such as the visit to *Quinta do Sanguinhal*, the visit to *Sete Maravilhas de Portugal* (Portugal's Seven Wonders) and the Historic Village Circuit, which attracted a large number of members to the extent that more than one group had to be organised.

Reflecting members' preferences, the cultural side is one of the club's most active. The stroll called Between the Lisbon Aqueduct and the Palace of the Marquess of Fronteira, whose aim was to explain part of the history of the supply of water to the city of Lisbon, gave rise – in less than one year – to eight visits being scheduled with the participation of over 350 people.



The club also has a choir which – among other public appearances – participated in 2007 in the Fátima, Sign of Hope for Mankind oratory that was part of the 90th anniversary of the appearances at Fátima. The choir participated in 2007 in five concerts, one of which was transmitted live by RTP1 and RAI2, and toured the country from North to South as a true standard-bearer of the club.

Activities for children. Children are always present as initiatives are developed during school holidays or over the weekend. Among many other events, visits were organised to *Pavilhão do Conhecimento* and the Museum of Electricity as well as to sponsored colonies and workshops in Easter, summer and Christmas. Other events were programmes encouraging the practice of sports, among them surf and bodyboard.



Desporto

The core idea is always to help children to improve their technical, tactile, physical and movement abilities. Simultaneously, the goal is to strengthen values such as the sports spirit, responsibility, autonomy, courage, comradeship and desirable types of behaviour such as self-confidence, self-control, communication and initiative-taking abilities, empathy and teamwork.



Activities for the retired. Activities for retired employees also deserve the club's special attention as there are few points of contact between former employees, present employees and Galp Energia in general. In 2007 another lunch marking the anniversary of *Clube Galp Energia* was organised attracting over 800 employees and their families.

As evidence that the club's activities are broader than Galp Energia's internal world, the Southern cluster maintains strong ties with the parish of *Cidade de Vila Nova de Santo André*, with 10,000 residents. The cultural and sports activities that have been developed reflect a strong desire to promote well-being and the meaningful occupation of

leisurely time while denoting a close relationship with the local community.

Health and sports. The theatre, the cinema and the arts are always present in the same way as the initiatives regarding the relationship everyone maintains with themselves. This includes health care such as heart and vascular check-ups but also the encouragement of physical exercise and individual and collective sports. To this end, over ten sports were promoted in the year for leisure and socialising. Sums were spent on better facilities for sports to be practiced as conveniently as possible. Yoga, maintenance gym and cardio fitness classes attract an ever larger number of participants. Therefore, the club makes available in its premises a room/gym for the whole year.

In 2007, activities focused on outdoor pursuits promoting above all contact with nature. Traditionally, the most popular ones are shooting/hunting, fresh and salt water fishing, with over 150 participations during the year and the fishing team coming first in regional championships. Around two hundred members participated in two international athletics competitions that included crossing Lisbon bridges. Once a year, a motorcycle tour and the internal go-kart male championship are organised, the latter with four races at Évora's International Go-Kart Circuit.

Indoors, there were three indoor-football competitions with four hundred participants. The female bowling championship was organised in five stages with fifty participants.

All these activities are organised for the full satisfaction of and maximum enjoyment by the members.

The growing participation in these activities is the main reason for the efforts made by many members at different levels. Each contribution is deemed to have great importance for planning of the activities.

STAKEHOLDER ENGAGEMENT

In order to improve communications with stakeholders, Galp Energia diversifies its communication channels while promoting permanent dialogue. Employees, shareholders and investors, clients, suppliers, resellers, the media, government entities, the scientific community, local communities, NGOs and civil society are key groups. For each of these audiences, specific communication channels have been set up over the years such as meetings, visits to the company's facilities, participation in national and international fairs, all with a view to meeting each group's specific needs. Galp Energia is also represented at several national and international entities which are relevant in the energy sector such as: national energy agencies, APETRO, EUROPIA, CONCAWE, AMEPETROL, CCIPA, COTEC, among many others.

Relative to what was disclosed in the 2005/2006 report, a few new channels, methodologies and projects have been created, which are described below.

THE SATISFACTION OF OUR CLIENTS

Increasing importance is attached to analysing customer satisfaction and loyalty, which is warranted by increasing competition and ever higher client demands regarding the quality of products and services.

Galp Energia has been implementing a number of processes and internal surveys that evaluate customer satisfaction and loyalty in several business segments and points of contact.

In addition to internal and operational indicators, the ECSI Portugal – *Índice Nacional de Satisfação do Cliente* method of evaluation was adopted. This is a system for rating the quality of the goods and services available

on the domestic market by evaluating the level of client satisfaction. This indicator is managed by a team composed of the following entities:

- IPQ – *Instituto Português da Qualidade*;
- APQ – *Associação Portuguesa para a Qualidade*;
- ISEGI-UNL – *Universidade Nova de Lisboa's Instituto Superior de Estatística e Gestão de Informação*.

Considering its neutrality, credibility and methodological strictness, this index is considered to be adequate by Galp Energia, the reason it uses it.

In early 2007 a survey was conducted using the ECSI method which allowed the comparison of the satisfaction and loyalty of Galp Energia's residential clients in the road fuel and natural gas segments. This survey drew the conclusion that the global satisfaction of Galp Energia clients was 70.3%, with 71.1% in natural gas and 70.1% in road fuels.

Findings are satisfactory considering reference levels in the sector where Galp Energia operates and also in comparison with other sectors such as banking, telecommunications, insurance and the domestic market as a whole.

In 2008 this survey will be extended to the bottled-gas client segment where there are over one million Galp consumers. This will allow the analysis of global satisfaction by Galp Energia clients as well as the comparison with road fuels and natural gas.

Galp Energia aims to improve the satisfaction of client expectations in its multiple activities. To this end, the company is developing a number of internal initiatives, namely the GQA and OPGERE projects which aim to raise service quality and optimise complaints management, respectively. Both projects intend to improve the client's experience of Galp Energia by raising service standards.

In 2007 processes and procedures for both Galp Serviexpress and Galp Frota were redesigned and overhauled with a view to continually providing better service to clients and more commercial support.

○ EMPLOYEE PARTICIPATION

Adding value to Galp Energia and guaranteeing that information be spread internally are challenges that have been successfully addressed by the company. In this respect, employees were made aware of internal information needs.

Projects developed in 2007 have the mark of innovation and show a constant concern for strengthening Galp Energia's organisational culture.

Developed projects	Description
Intranet	Launch of "mygalp" – new medium allowing more effective interaction between employees and the company
<i>Radar Reenergizada</i>	Magazine with a new editorial line and style, accompanied by Radar Negócios
<i>Energia da Semana</i>	Weekly newsletter spreading relevant information about the company
Events	Several staff meetings and other events for the purpose of making employees aware of important issues for Galp Energia
Internal campaigns	Development/release of projects aiming to make employees aware of certain aspects. Example: Programme for Prevention of Bird Flu, Safety Programme, Internal Emergency Plan, Seasonal Flu Programme, among others.



APPENDIX

2007
FOR A BETTER FUTURE
WITH POSITIVE ENERGY

11.1 EXTERNAL ASSURANCE



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ASSURANCE REPORT

(This Report is a translation to English of the Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail)

To the readers of Galp Energia, S.A. Sustainability Report

Introduction

1. We have been engaged by Galp Energia, S.A. ("Galp Energia") to provide limited assurance on quantitative data related to the economic, environmental and social indicators included in the Sustainability Report for the year ended 31 December 2007. Our work was restricted to the review of documental and information systems verification procedures. Our responsibility is to issue an opinion about the adequacy of the information, based on our limited assurance procedures.

Responsibilities

2. The Executive Committee of Galp Energia is responsible for preparing the Sustainability Report and for maintaining an adequate internal control system, as well as defining, implementing and executing adequate processes, procedures and criteria for collecting, processing and validating the reported information.

Our work was performed to enable us to report on the quantitative and qualitative information relating to economic, environmental and social indicators included in the Sustainability Report and for no other purpose. Accordingly, we do not accept or assume any responsibility to any person or legal entity other than Galp Energia, for our work, for this report or for the conclusions we have reached.

Scope

3. The scope of our work included quantitative and qualitative information relating to economic, environmental and social indicators related to Galp Energia's activity, and its subsidiaries, for the year ended 31 December, 2007, presented in Chapters 1,6,7,8 and 9 of the Sustainability Report. The subsidiaries considered by the Executive Committee are described in the chapter "An integrated multi-energy operator" of the Sustainability Report. To obtain a thorough understanding of the performance of Galp Energia, the reader should consult its audited financial statements for the year ended 31 December 2007.

Methodology and Criteria

4. Our review work was conducted in accordance with the International Standard on Assurance Engagements 3000 issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants, for the performance of assurance engagements other than audits or reviews of historical financial information. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the data subject to our work is free of material misstatements.

2



As there are no generally accepted standards for reporting sustainability performance, Galp Energia applies its own internal criteria, defined by the Executive Committee, and external criteria, derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative according to the application level selected by Galp Energia as detailed in chapter "Background" of the Sustainability Report.

Work Performed

5. Our work consisted of the following procedures:

- Review the alignment of material issues included in the Sustainability Report, based in the materiality principles contained in AA1000AS Standard and GRI Guidelines, against other companies' sustainability reports in the same sector;
- Interviews with relevant staff and management, at operational and corporate level, for the collection and aggregation of quantitative and qualitative data, with the purpose of acquiring a reasonable level of knowledge of the processes used to aggregate and prepare the information;
- Review of relevant internal and external documentation;
- Visits to the two refineries of Galp Energia;
- Review procedures on data concerning greenhouse gas allowances verified by independent auditors accredited under the EU ETS (European Trading Scheme);
- Review of the Sustainability Report content and indicators against GRI Guidelines;
- Comparison of financial data with Galp Energia's audited financial statements for the year ended 31 December 2007.

During our work we discussed the necessary changes in the Sustainability Report and verified that these changes have been adequately incorporated into the final version of the Sustainability Report.

Conclusion

6. Based on the work described above, which was performed in order to obtain a limited level of assurance, we conclude that nothing has come to our attention that causes us to believe that the information included in the Sustainability Report, related to economical, environmental and social indicators, was not obtained through reliable systems and controls or it is not presented adequately in all material aspects.

Lisbon, 1 April 2008

KPMG & Associados - SROC, S.A.
Represented by
Rui Miguel Nogueira Machado
ROC N.º 1012

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4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	4, 6, 7
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities	See the Corporate Governance report at http://investor.relations.galpenergia.com/galpir/vPT/
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	See the Corporate Governance report at http://investor.relations.galpenergia.com/galpir/vPT/
Commitments to external initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	20
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation endorses or subscribes	73, 74, 75
4.13	Memberships in associations and/or national/international advocacy organisations	73-74
4.14	List of stakeholder groups engaged by the organisation	8; 45-46; 80-81
4.15	Basis for identification and selection of stakeholders with whom to engage	80-81
4.16	Approaches to stakeholder engagement	8; 44-46; 62-63; 78-81
4.17	Key topics and concerns that have been raised through stakeholder engagement	8
EC Economic performance		
	Management approach, goals, performance, policies and contextual information	5, 6, 19, 26-32
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	18; 73
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	26-32; 34-42; 48; 52-54
EC3	Coverage of the organisation's defined benefit plan obligations	70; See R&C at http://investor.relations.galpenergia.com/galpir/vPT/
EC4	Significant financial assistance received from government	20
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	70
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Galp Energia has no specific policy for local suppliers at operational locations; the adopted policy is uniform across the Galp Energia universe (see Sustainability Report 2005/2006)

EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	68
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	40; 73-74
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	34-42; 52-53; 72
EN	Environmental performance	
	Management approach, goals, performance, policies and contextual information	50-53
EN1	Materials used by weight or volume	55
EN2	Percentage of materials used that are recycled input materials	55
EN3	Direct energy consumption by primary energy source	55; 56
EN4	Indirect energy consumption by primary source	56
EN5	Energy saved due to conservation and efficiency improvements	52-53
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	34-50; 52-53
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	52-53
EN8	Total water withdrawal by source	55
EN9	Water sources significantly affected by withdrawal of water	56
EN10	Percentage and total volume of water recycled and reused	55
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	A Galp Energia aderiu recentemente à iniciativa <i>Business and Biodiversity</i> , que terá impacto na organização, ver página 43
EN13	Habitats protected or restored	
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	
EN15	IUCN Red List species with habitats in areas affected by operations	
EN16	Total direct and indirect greenhouse gas emissions	56; 57
EN17	Other relevant indirect greenhouse gas emissions	55
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	34-42; 44; 47; 52-54
EN19	Emissions of ozone-depleting substances	Para a Galp Energia estas emissões não são relevantes
EN20	NO _x , SO _x and other significant air emissions by type and weight	55
EN21	Total water discharge by quality and destination	55
EN22	Total weight of waste by type and disposal method	55
EN23	Total number and volume of significant spills	57
EN24	Weight of transported waste deemed hazardous	N.D. estes dados não estão disponíveis
EN25	Biodiversity value of water bodies	N.D. - tal como EN11; EN12; EN13; EN14; EN15
EN26	Initiatives to mitigate environmental aspects of products and services and extent of impact mitigation	34-42; 44; 52-54

EN27	Percentage of packaging materials that are reclaimed	N.D. Data is not available
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Neither fines nor non-monetary sanctions for non-compliance with environmental laws and regulations have been identified
EN29	Environmental impacts of transportation	N.A.
EN30	Total environmental protection expenditures and investments	18
Social performance		
	Management approach, goals, performance, policies and contextual information	67
LA1	Total workforce by employment type, employment contract and region	67
LA2	Total number and rate of employee turnover by age group, gender and region	67
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	69
LA4	Percentage of employees covered by collective bargaining agreements	70
LA5	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	No minimum notice periods exist regarding operational changes; employees are, however, served notice whenever changes occur
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	70
LA7	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region	67
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Galp Energia currently has no education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases
LA9	Health and safety topics covered in formal agreements with trade unions	70
LA10	Average hours of training per year per employee by employee category	67
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	68
LA12	Percentage of employees receiving regular performance and career development reviews	69
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Complementary information is available in the Corporate Governance report at http://investor.relations.galpenenergia.com/galpir/vEN/
LA14	Ratio of basic salary of men to women by employee category	N.A. but there is no gender discrimination in hiring practices
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Galp Energia has not a policy for including human rights clauses in investment agreements but complies with existing legislation
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Galp Energia does not screen suppliers or contractors on human rights but complies with existing legislation
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Galp Energia has no employee training programme on human rights but complies with existing legislation.
HR4	Total number of incidents of discrimination and actions taken	Galp Energia has not detected any incident of discrimination in 2007 at any of its operations

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	There has been no change relative to what was reported in the Sustainability Report 2005/2006
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	N.A. Galp Energia does not deem any risk to exist in its activities for the occurrence of child labour
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	N.A. Galp Energia does not deem any risk to exist in its activities for the occurrence of forced or compulsory labour
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Galp Energia has no programme for training security personnel in aspects of human rights
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	N.A. Galp Energia does not deem its activities to cause impacts on indigenous people
S01	Nature, scope and effectiveness of any programmes or practices that assess and manage the impacts of operations on communities including entering, operating and exiting	Galp Energia has no programme or practice to assess the impacts of its operations on communities
S02	Percentage and total number of business units analysed for risks related to corruption	19
S03	Percentage of employees trained in the organisation's anti corruption policies and procedures	Galp Energia has not trained its employees in any anti corruption policies or procedures
S04	Actions taken in response to incidents of corruption	19
S05	Public policy positions and participation in public policy development and lobbying	Galp Energia is a member of the European Corporate Governance Institute whose aim is to further knowledge about corporate governance issues. The company is, either directly or through associates, also a member of several trade associations of oil companies, at national and European level. Consequently, it participates either directly or through these forums in the public discussion of legislative initiatives about issues that affect its activities
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	N.A. Galp Energia does not contribute to any political parties or related institutions
S07	Total number of legal actions for anti-competitive behaviour, anti trust and monopoly practices and their outcomes	Galp Energia was charged by the European Union of participating in a cartel allegedly sharing the Spanish bitumen market. The company challenged the charge and was fined. An appeal has been lodged with a lower European Union court
S08	Monetary value of significant fines and total number of non monetary sanctions for non-compliance with laws or regulations	No monetary fines or non-monetary sanctions for non compliance with laws or regulations were detected
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	38; 59-60
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcome	No incident of non-compliance with regulations or voluntary codes concerning health and safety impacts of products and services during their lifecycle was recorded
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Galp Energia provides information about any hazards of products it offers to the market as well as recommendations for its safe use through safety data cards and labelling instructions in accordance with the legislation in force and subsequently placed on packages. Galp Energia currently has safety data for more than 400 products it markets. There is an internal procedure governing the preparation, availability and disclosure, internally and externally, of safety data cards and labelling instructions.

PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome	No incident of non-compliance with regulations or voluntary codes concerning product and service information or labelling was recorded
PR5	Practices related to customer satisfaction including results of surveys measuring customer satisfaction	79
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorship	All marketing communications including advertising, promotion and sponsorship follow the existing legal framework as set out in government decree Decreto-lei nº 300/90 of 23 October 1990
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship, by type of outcome	No incident of non-compliance with regulations or voluntary codes concerning marketing communications including advertising, promotion and sponsorship was recorded
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No complaint regarding any breach of customer privacy was received. Galp Energia has its customer databases duly filed with the Comissão Nacional de Protecção de Dados, the entity charged with protecting data privacy
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No fines or non-monetary sanctions for non-compliance with laws and regulations concerning the provision and use of products and services was recorded

11.3 ACRONYMS

ACGE – <i>Índice Português sobre Alterações Climáticas e Gestão de Empresas</i> (Climate change index)	IRG – <i>Instalações Receptoras de Gás Natural</i> (Natural gas-receiving plants)
ACT – <i>Acordo Colectivo de Trabalho</i> (Collective bargaining agreement)	IRRC – Investor Responsibility Research Center
AMEPETROL – Mozambique's oil trade association	ISP – <i>Imposto sobre os Produtos Petrolíferos</i> (oil tax)
APETRO – Portugal's oil trade association	ISQ – <i>Instituto de Soldadura e Qualidade</i>
BATs – Best Available Techniques	ITG – <i>Instituto Tecnológico do Gás</i>
BCSD – Business Council for Sustainable Development	Km – Kilometre
CAPEX – Capital expenditure (or investment spending)	kton – thousand tonnes
CCT – <i>Comissão Central de Trabalhadores</i> (Central Workers' Council)	LCPs – Large Combustion Plants
CCIPA – <i>Câmara de Comércio e Indústria Portugal-Angola</i> (Portuguese-Angolan Chamber of Commerce)	LPG – Liquefied Petroleum Gas
CERES – Coalition for Environmentally Responsible Economies	mbopd – thousand barrels of oil per day
CLC – <i>Companhia Logística de Combustíveis</i>	MMSCF – Million Standard Cubic Feet
CO₂ – Carbon dioxide	MWh – Megawatt Hour
CONCAWE – European Association for Environment, Health and Safety in Refining and Distribution	NG – Natural gas
COTEC – Enterprise forum for innovation	NGO – Non-Government Organisation
CSR – Corporate Social Responsibility	NO_x – Nitrogen oxides
E&P – Exploration & Production	PALOP – <i>País Africano de Língua Oficial Portuguesa</i> (African Portuguese-speaking country)
EBITDA – Earnings before interest, taxes, depreciation and amortisation	PNAC – <i>Plano Nacional para as Alterações Climáticas</i> (National plan for climate change)
EC – European Commission	PNALE – <i>Plano Nacional para Atribuição de Licenças de Emissão</i> (National plan for allocation of emission licences)
EQS – Environment, Quality and Safety	PRCE – <i>Planos de Racionalização de Consumos Energéticos</i> (Plans for rationalising energy use)
EU – European Union	RGCE – <i>Regulamento de Gestão do Consumo de Energia</i> (Regulation for the management of energy use)
EU ETS – European Union Emissions Trading Scheme	RC – Replacement Cost
EUROPIA – European Petroleum Industry Association	ROACE – Return on Average Capital Employed
FAR – <i>Fábrica de Aromáticos</i> (Aromatics plant)	SAAGA – <i>Sociedade Açoreana de Armazenagem de Gás</i>
GESB – <i>Galp Exploração Serviços do Brasil</i>	SO₂ – Sulphur dioxide
GESTES – Galp Energia's filling stations	STCP – <i>Sociedade de Transportes Colectivos do Porto</i> – Oporto's local transportation company
GHG – Greenhouse gases	toe – tonne of oil equivalent
GRI G3 – Global Reporting Initiative, 3rd issue	ton – tonne
INETI – <i>Instituto Nacional de Engenharia, Tecnologia e Inovação</i> (Engineering, Technology and Innovation institute)	
IRC – <i>Imposto sobre o Rendimento das Pessoas Colectivas</i> (Company income tax)	

EDITION



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TRANSLATION

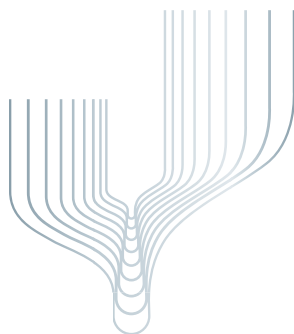


DESIGN AND CONCEPTION

STRATDESIGN ➤

PHOTOGRAPHY

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