First Quarter 2007 Results

galp energia

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Adjusted net income reached €119 million, a 30% increase compared with 2006

The steep increase in Galp Energia's crude production, coupled with a high demand for gasoline in international markets and a knock-on impact on refining margins, led to adjusted operating results advancing 13% making up for the adverse effect on income of the disposal of natural gas transportation and liquefied natural gas regasification activities.

Therefore, it is important to emphasise that adjusted net income rose by 30% in comparison with the first quarter of 2006 in spite of a reduced business portfolio.

First quarter 2007 performance in brief

- Working crude production of 17.2 thousand barrels per day, representing an 18% increase on the previous quarter;
- Galp Energia refining margin up by 22%, or 1 Usd/bbl;
- Natural gas sales rose by 12% compared to the previous quarter;
- Adjusted EBITDA increased by 5%; however, after adjustments for the unbundling effects and the accounting changes in the Exploration & Production business segment, the increase was 15%;
- Net income was €143 million, equivalent to an EPS of 0.17 euros;
- Capital expenditures amounted to €76 million, 50% on the Exploration & Production business segment;
- Net debt reduction to €709 million, which led to the debt to equity ratio declining to 33%.

Earnings release

Press Conference

Wednesday, 16 of May, 5 pm
Dom Pedro Hotel, Lisbon

Conference Call

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

Date: Thursday, 17 of May, 2007
Time: 09:00 (Lisbon & London)
Phones: UK+44 (0) 208 515 2302
Portugal +351 2112 01739
Chairperson: Tiago Villas-Boas
Password: Galp Energia

KEY FIGURES

Financial data

Million euros

Fourth quarter 2006		First quarter 2006	First quarter 2007	Change	% Ch.
2,817	Sales and services rendered	3,026	2,754	(272)	(9.0%)
99	EBITDA	227	237	10	4.5%
230	EBITDA at replacement cost	212	224	11	5.3%
220	**Adjusted EBITDA[1]**	**210**	**221**	**11**	**5.2%**
22	Operating result	159	175	16	10.1%
152	Operating result at replacement cost	144	161	17	11.9%
148	**Adjusted operating result[1]**	**142**	**160**	**18**	**12.6%**
32	Net income	117	143	26	22.1%
108	Net income at replacement cost	93	122	28	30.4%
94	**Adjusted net income[1]**	**91**	**119**	**28**	**30.4%**

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

Market indicators

Fourth quarter 2006		First quarter 2006	First quarter 2007	Change	% Ch.
1.7	Rotterdam cracking refining margin[1] (Usd/bbl)	2.6	3.5	0.8	32.2%
4.1	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	1.8	5.0	3.2	175.4%
6.6	Henry hub natural gas price[2] (Usd/MMbtu)	7.7	7.2	(0.5)	(6.2%)
59.7	Average brent dated price[3] (Usd/bbl)	61.8	57.8	(4.0)	(6.5%)
1.29	Average exchange rate[4] (Eur/Usd)	1.20	1.31	0.1 pp	9.0%
3.72	Euribor - six month[4] (%)	2.75	3.94	1.2 pp	43.3%

[1] Source: Platts. For a complete description of the calculation methodology of Rotterdam margins, see "Definitions".
[2] Source: Reuters.
[3] Source: Platts.
[4] Source: European Central Bank. Euribor 360.

Operating data

Fourth quarter 2006		First quarter 2006	First quarter 2007	Change	% Ch.
14.6	Average working production (kbbl/day)	5.2	17.2	12.0	n.m.
11.6	Average equity production (kbbl/day)	3.8	13.8	10.1	n.m.
5.0	Galp Energia refining margin (Usd/bbl)	4.7	5.7	1.0	22.0%
3.6	Raw materials processed (million tonnes)	3.6	3.4	(0.2)	(4.3%)
2.2	Oil products sales to Galp Energia direct clients (million tonnes)	2.3	2.3	0	1.0%
996	Natural gas sales (million m^3)	1,184	1,111	(73)	(6.2%)
392	Power generation[1] (GWh)	408	416	8	2.0%

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

BASIS OF PRESENTATION

The unaudited consolidated financial statements of Galp Energia, SGPS, S.A. ("Galp Energia" or the "Company") for the three months ended on 31 March 2007 and 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial data contained in the consolidated profit and loss account are presented for the first quarter ended on 31 March 2007 and 2006. The financial data in the consolidated balance sheet is presented at 31 December 2006, and 31 March 2007.

As a result of the financial statements being prepared in accordance with IFRS, the cost of goods sold and raw materials consumed is valued at FIFO ("*First In First Out*"), which may cause pronounced volatility in results at times when commodity and raw material prices move erratically. A so-called "inventory effect" occurs when gains or losses in inventories impact the Company's performance significantly.

The analysis of results achieved by the company can also be affected by certain non-recurrent events that may conceal the Company's true, underlying performance. Among these, the following can be found: gains or losses in the disposal of assets, asset impairment and environmental or restructuring provisions.

For the purpose of evaluating the true performance of Galp Energia's operations, adjusted operating results and net income exclude both the inventory effect, by using the replacement cost method, and non-recurrent events.

MARKET ENVIRONMENT

After steadily falling by nearly 10 Usd/bbl to 50 Usd/bbl since the end of 2006, the dated Brent reversed this trend and climbed back to close to 60 Usd/bbl by the end of February. The main reasons for this reversal were, inter alia, the worsening geopolitical tensions (in Lebanon, Palestine and Iran) and the fluctuations in weather conditions in the United States and Europe, from abnormally high to cold temperatures for the season, resulting in increased heating fuel and natural gas sales. Simultaneously, statements by President George W. Bush on doubling the volume of reserves in the US, leading to an increase in demand, also had an upward impact on oil prices.

At the end of March, with international pressure stepping up on Iran with rumours of a possible confrontation with the US, the dated Brent went up by nearly 9 Usd/bbl to 68.6 Usd/bbl. Other factors, though, supported crude prices in this period: on the one hand, the US gasoline market was hit by a string of unscheduled refinery stoppages as well as a range of winter-to-summer product specification changes in anticipation of the driving season, which led to a decrease in supply; on the other hand, production cuts by OPEC created regional imbalances by stifling supply.

Cracking of middle distillates increased in the first quarter as a result of an unexpected temperature drop in the US, leading to an increased demand for heating oil at a time refineries had already altered their production profiles in anticipation of the driving season. Diesel prices, in particular, increased from 74.5 Usd/bbl in mid-March to 83.2 Usd/bbl, although the crack remained stable as a consequence of the switch to ethanol supported by US expectations of a bumper corn harvest. Simultaneously, the shorter gasoline supply caused by scheduled maintenance stoppages following the usual pattern at this time of the year as well as some unscheduled stoppages led to a sharp fall in US inventories, which prompted a steep rise in gasoline cracking from mid-February, from an average of 16 Usd/bbl in February to an average of 22.3 Usd/bbl in March.

Fuel crack rose from -25.0 Usd/bbl to -19.5 Usd/bbl in international markets in the first two weeks of January, as a result of OPEC concentrating its production cuts on grades rich in fuel oil and the lower seasonal temperatures. However, from February onwards, the lower demand for fuel that offset OPEC's production cuts, coupled with a rise in crude prices, resulted in fuel cracks dipping back to even lower levels (-28.3 Usd/bbl at the end of March).

Refining margins increased in January and were on average higher than the levels of the last two months of 2006, as a result of a sharper fall in crude prices than in refined products. The decline in the price of crude had, in turn, followed from lower demand as lower refining margins led less competitive refineries to process smaller volumes of crude. However, the trend for positive cracking margins and negative hydroskimming margins subsisted.

In February, average cracking margins remained above January values (3.44 Usd/bbl vs 2.68 Usd/bbl), influenced by high gasoline cracking in the USA, as well as sustained growth in jet and diesel cracking. In March, continued high gasoline demand relatively to the corresponding offer, which sustained an increasing trend for cracking of this product, led to higher cracking margins, whereas fuel cracking levels observed in the same period pressured hydroskimming margins (-0.81 Usd/bbl in February to -0.89 Usd/bbl in March) towards increasingly negative values.

In Portugal, the oil market maintained its downward trend, having decreased by approximately 5%, due to maintenance of oil product prices at historically high levels. In Spain, the oil product market decreased by 1% relatively to the corresponding period of the previous year.

In 2007, the natural gas market in Portugal decreased by 11%, albeit recovering relatively to the fourth quarter of 2006 (+16%), due to the mild temperatures verified and a decrease in electricity production from natural gas resulting from the extremely significant amounts of rain verified in the last months of 2006, which led to an increase in water reserves.

Market indicators

Fourth quarter 2006		First quarter 2006	First quarter 2007	Change	% Ch.
59.7	Average brent dated price[1] (Usd/bbl)	61.8	57.8	(4.0)	(6.5%)
16.1	Diesel crack[2] (USD/bbl)	14.5	14.8	0.3	1.9%
11.9	Gasoline[3] crack(Usd/bbl)	14.1	16.9	2.8	20.1%
(24.6)	Fuel crack[4] (Usd/bbl)	(19.0)	(23.8)	(4.8)	25.0%
1.7	Rotterdam cracking refining margin[1] (Usd/bbl)	2.6	3.5	0.8	32.2%
(2.0)	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(0.5)	(0.9)	(0.4)	85.6%
2.8	Portuguese oil market[5] (million ton)	2.8	2.7	(0.1)	(5.2%)
12.8	Spanish oil market[6] (million ton)	13.0	12.9	(0.1)	(0.8%)
834	Portuguese natural gas market[7] (million m3)	1,088	971	(116.8)	(10.7%)

[1] Source: Platts.
[2] Source: Platts; ULSD NWE CIF ARA.
[3] Source: Platts; Premium Unleaded NWE CIF ARA.
[4] Source: Platts; 1% LSFO, NWE CIF ARA.
[5] Source: Apetro.
[6] Source: Cores.
[7] Source: Galp Energia.

FINANCIAL REVIEW

1. PROFIT AND LOSS ACCOUNT

Million euros

Fourth quarter 2006		First quarter 2006	First quarter 2007	Change	% Ch.
2,817	Sales and services rendered	3,026	2,754	(272)	(9.0%)
(2,733)	Operating expenses	(2,805)	(2,520)	(285)	n.m.
16	Other operating revenues (expenses)	6	3	(3)	n.m.
99	**EBITDA**	**227**	**237**	**10**	**4.5%**
(78)	Depreciation and provisions	(68)	(62)	(6)	n.m.
22	**Operating result**	**159**	**175**	**16**	**10.1%**
11	Net income from associated companies	14	19	5	31.8%
1	Net income from investments	0	1	1	n.m.
0	Net interests expenses	(8)	(15)	(8)	n.m.
34	**Income before tax and minority interests**	**165**	**179**	**14**	**8.5%**
(1)	Income tax	(47)	(35)	(12)	n.m.
(1)	Minority Interests	(1)	(2)	0	n.m.
32	**Net income**	**117**	**143**	**26**	**22.1%**
32	**Reported net income**	**117**	**143**	**26**	**22.1%**
76	Inventory effect	(24)	(21)	3	n.m.
108	**Net income at replacement cost**	**93**	**122**	**28**	**30.4%**
(14)	Non recurrent items	(2)	(3)	(1)	n.m.
94	**Adjusted net income**	**91**	**119**	**28**	**30.4%**

Net income for the first quarter of 2007 reached €143 million, with adjusted income reaching €119 million, the latter representing a 30% increase relatively to the corresponding period of the previous year. This growth reflects an increase in operating results, despite the spin off of the transportation and regasification activities occurred in the third quarter of 2006, and a favourable effect of a reduction in effective income tax rates, from 28% to 19%.

Operating results

Million euros

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
18	Exploration & Production	(4)	22	27	(611.4%)
(62)	Refining & Marketing	86	104	18	21.3%
71	Gas & Power	75	47	(28)	(37.8%)
(6)	Others	2	1	(1)	n.m.
22	**Operating result**	**159**	**175**	**16**	**10.1%**
22	**Reported operating result**	**159**	**175**	**16**	**10.1%**
131	Inventory effect	(14)	(13)	1	n.m.
152	**Operating result at replacement cost**	**144**	**161**	**17**	**11.9%**
(5)	Non recurrent items	(2)	(2)	1	n.m.
148	**Adjusted operating result**	**142**	**160**	**18**	**12.6%**

Operating results increased by 10% relatively to the first quarter of 2006. Excluding inventory effects and other non recurring events, adjusted operating results reached €160 millions, representing a 13% increase relatively to the corresponding quarter of 2006, due to increases verified in the Exploration & Production and Refining & Marketing business segments, which offset the decrease verified in the Gas & Power business segment, which resulted from business reduction after the sale of Natural Gas Regulated Assets to REN.

2. ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

Sales and services rendered

Million euros

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
65	Exploration & Production	-	**42**	42	n.m.
2,515	Refining & Marketing	2,656	2,432	(224)	(8.4%)
324	Gas & Power	378	330	(48)	(12.7%)
33	Others	29	28	(1)	(2.8%)
(120)	Consolidation adjustments	(37)	(78)	41	n.m.
2,817		**3,026**	**2,754**	**(272)**	**(9.0%)**

Sales and services rendered decreased relatively to 2006, due to falls verified in international crude and oil product prices. The steep growth registered by the Exploration & Production segment should be emphasised, since no sales had been achieved in the first quarter of 2006.

Other operating revenues

Million euros

Fourth quarter 2006		2006	First quarter 2007	Change	% Ch.
16	**Other operating revenues (expenses)**	**6**	**3**	**(3)**	**(58.2%)**
(3)	Non recurrent items	(2)	(3)	(1)	n.m.
12	**Adjusted other oper. revenues (expenses)**	**4**	**(0)**	**(4)**	**n.m.**

Operating expenses

Million euros

Fourth quarter 2006		2006	First quarter 2007	Change	% Ch.
2,475	Cost of goods sold	2,616	2,306	(310)	(11.8%)
176	Supply and services	123	150	26	21.5%
82	Personnel costs	66	64	(2)	(3.3%)
2,733		**2,805**	**2,520**	**(285)**	**(10.2%)**

Operating expenses in the first quarter of 2007 reached €2,520 million, which represents a 10% reduction relatively to the corresponding period of 2006.

Cost of goods sold was €2.306 million, representing a 12% reduction relatively to the first quarter of 2006. By adopting the replacement cost methodology, sales costs represented €2,320 million; the downwards trend that resulted from a decrease in international crude and other raw material prices, relatively to the first quarter of 2006. The cost of goods sold represents 92% of total operating expenses.

In the first quarter of 2007, external supplies and services reached €150 million, including transportation and storage costs incurred in a post-unbundling context, which reached €25.1 million for the quarter. When this effect is excluded, in order to allow cost comparison between quarters, external supplies and services increase by 2%, or €3 million, relatively to the first quarter of 2006.

Despite this immaterial variation between quarters, increases relative to (i) increased production costs for the Exploration & Production business, representing €3.1 million, resulting from an increase in production to 17.2 thousand barrels per day and (ii) increase in fees paid to Empresa Gestora de Reservas Estratégicas, EPE ("EGREP"), associated to mandatory constitution of strategic reserves, of €1.5 million, were somewhat offset by a reduction in variable costs, of which the following should be emphasised (i) reduction in goods transportation costs, of €3.2 million, (ii) reduction in commissions paid to resellers, of €1,1 million, and (iii) decrease in use costs relative to terminals and pipelines for product transportation, of €0.7 million.

Personnel costs decreased by 3% relatively to the corresponding quarter of the previous year, from €66 million to €64 million, corresponding to reductions in remunerations, social expenses and pensions. This reduction is nearly entirely explained by the process of separation of Natural Gas Regulated Assets, which led to the transfer of Galp Energia staff to REN and had a €2.4 million impact on the first quarter of 2007.

Employees

	Dec 31, 2006	Mar 31, 2007	Change
Exploration & Production	48	48	-
Refining & Marketing	4,790	4,774	(16)
Gas & Power	491	459	(32)
Corporte & Others	540	527	(13)
Total on site employees	**5,869**	**5,808**	**(61)**
Service stations employees	2,245	2,253	8
Total off site employees	**3,624**	**3,555**	**(69)**

The number of Galp Energia employees totalled 5,808 in the first quarter of 2007, with the number of off site employees totalling 3,555. The main variation relatively to December of 2006 relates to the Gas & Power segment, resulting from the sale of 80% of the Gasfomento company, which employs a total of 35 collaborators. Within the Refining & Marketing and Other segments, reductions reflect the impact of leaving negotiations held in 2006, which only became effective during the first quarter of 2007.

Depreciation

Million euros

Fourth quarter		First quarter			
2006		2006	2007	Change	% Ch.
9	Exploration & Production	4	11	7	167.1%
52	Refining & Marketing	44	38	(5)	(12.4%)
7	Gas & Power	14	8	(6)	(45.5%)
0	Others	0	0	0	22.2%
68		**62**	**57**	**(5)**	**(8.1%)**
68	**Depreciations**	**62**	**57**	**(5)**	**(8.1%)**
1	Non recurrent items	-	**(1)**	(1)	n.m.
70	**Adjusted depreciations**	**62**	**56**	**(6)**	**(9.0%)**

Depreciations in the first quarter of 2007 represented €57, having decreased by €5 million relatively to the €62 million registered in the corresponding quarter of 2006. The decrease in depreciation verified in the Gas & Power business segment results from the sale of Natural Gas Regulated Assets; in the Refining & Marketing segment, the observed decrease results from the closeness of the end of the useful life of some assets. These reductions offset an increase in depreciations in the Exploration & Production segment, due to a steep production increase between the two quarters analysed.

Provisions

Million euros

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
5	Exploration & Production	2	1	(1)	n.m.
7	Refining & Marketing	3	3	(0)	(9.4%)
(5)	Gas & Power	0	1	1	n.m.
4	Others	0	-	(0)	n.m.
10		**6**	**5**	**(1)**	**(15.5%)**
10	**Provisions**	**6**	**5**	**(1)**	**(15.5%)**
(6)	Non recurrent items	0	(0)	(0)	n.m.
4	**Adjusted provisions**	**6**	**5**	**(1)**	**(22.2%)**

Provisions reached €5 million in the first quarter of 2007. The observed reduction relatively to the corresponding quarter of 2006 is explained by a €3 million reduction in provisions for other risks and charges, related with legal processes, which was sufficient to offset the €2 million increase in provisions and adjustments for other debtors doubtful accounts.

Income from associated companies

Results relative to associates increased by €5 million, or 32%, to €19 million. Companies contributing the most, in terms of equity method results, are the owners of international gas pipelines (EMPL, Metragaz, Gasoducto Al Andalus e Gasoducto Extremadura), representing €9.1 million, and CLH, representing approximately €4.5 million, of which €3.9 million correspond to a capital gain resulting from an asset sale that occurred at the end of 2006.

Net interests expenses

Financial results decreased €8 million, to a negative value of €15 million value, resulting from (i) unfavourable net exchange differences, corresponding to €2,4 million, in the first quarter of 2007, when compared to favourable exchange differences, corresponding to €4 million, in the first quarter of 2006, (ii) decrease of results related with hedging activities in the amount €4,2 million, due to the accounting of derivatives market to market and (iii) a reduction of €2.7 million in interest paid, despite the increase verified in interest rates, from 3.11%, in the first quarter of 2006, to 4.44%, in the first quarter of 2007.

Income tax

Income tax calculated for the first quarter of 2007 was €35 million, representing a €12 million reduction relatively to 2006, despite results before tax having increased by €14 million, to €179 million.

This variation includes a 9 p.p. decrease in effective tax rates, from 28%, in the first quarter of 2006, to 19%, in 2007, and results mostly from three favourable effects relative to (i) results increase in the Exploration & Production business segment, an activity exempt from income tax until 2011, as it is located in duty free zone of Madeira, (ii) results decrease in the Gas & Power segment, entailing a decrease in corresponding taxes, and (iii) change in the calculation formula of the municipality tax, beginning in 2007, which implies a reduction of the aforementioned tax.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)

	Dec 31, 2006	Mar 31, 2007	Change
Fixed assets	2,413	2,445	31
Strategic stock	453	443	(10)
Other assets (liabilities)	(148)	(192)	(44)
Working capital	205	194	(11)
	2,924	**2,889**	**(34)**
Short term debt	587	353	(233)
Long term debt	513	509	(4)
Total debt	**1,099**	**862**	**(238)**
Cash	212	152	(60)
Total net debt	**887**	**709**	**(178)**
Total shareholder's equity	**2,037**	**2,180**	**143**
Capital employed	**2,924**	**2,889**	**(34)**
Debt to equity (%)	**44**	**33**	(11 pp)

Fixed assets for the first quarter of 2007 increased by €31 million relatively to the end of 2006, to €2,445 million, essentially reflecting investments made during this period.

Strategic stocks decreased by €10 million relatively to the end of 2006, reflecting a reduction in the volumes of oil market.

Other assets and liabilities registered a €44 million variation, mostly explained by an increase in estimated Income Tax to be paid, amounting to €38 million, as a result of the calculated tax in the first quarter of 2007.

Working capital decreased by €11 million, to €194 million, due to lower activity in the Iberian market.

Net debt for the first quarter of 2007 reached €709 million, representing a €178 million reduction relatively to the 31st of December of 2006, placing the debt to equity ratio at 33%.

At the end of the first quarter of 2007, approximately €409 million were subject to variable rates, whereas approximately 3.9% of the total net debt was denominated in Usd.

The average maturity for Galp Energia's debt was approximately 3.27 years at the end of the first quarter of 2007.

On the 31st of March of 2007, total net debt attributable to minority interests was €31 million.

4. CASH FLOW

Million Euros

Fourth quarter 2006		First quarter 2006	First quarter 2007
22	Operating Result	159	175
68	Non cash costs	62	57
60	Change in working capital	(288)	11
150	**Cash flow from operating activities**	**(67)**	**243**
(112)	Net capital expenditures and disposals	(44)	(80)
132	Change in strategic stocks holdings	80	10
20	**Cash flow from investing activities**	**36**	**(70)**
13	Financial Investments	2	1
(10)	Interests expenses	(12)	(9)
(46)	Taxes	2	0
9	Subsidies	4	7
29	Dividends paid / received	-	-
(31)	Others	(4)	6
(36)	**Cash flow from financing activities**	**(8)**	**5**
134	**Total**	**(39)**	**178**

Cash flow from operating activities totalled €243 million in the first quarter of 2007, the main difference between the two quarters analysed resulting from a variation in working capital.

Working capital variation in the first quarter of 2006 was strongly influenced by a variation in operating stocks in this period, relatively to the 31st of December of 2005. This variation, representing €234 million, resulted from the existence of higher volumes of stocks, as well as the increase then verified in international crude and other product prices.

Cash flow from investing activities presents for the net capital expenditures, values in line with the investment performed in both periods and a decrease concerning strategic stocks. Whereas the variation between the first quarter of 2006 and the end of 2005 resulted from a reduction in stock amounts, particularly regarding strategic stocks relative to other operators, as a result of the start of operations of EGREP, the variation verified in the first quarter of 2007 was related to the average unit cost reduction for stocks, due the price changes that occurred in this period.

Cash flow from financing activities amounted to 5 million, in line with the cash flow from the same period last year.

5. CAPITAL EXPENDITURE

Million euros

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
45	Exploration & Production	16	40	24	143.7%
35	Refining & Marketing	6	21	14	s.s.
30	Gas & Power	20	16	(5)	(22.4%)
0	Others	0	0	0	s.s.
110		**43**	**76**	**34**	**78.6%**

Total investment in the first quarter of 2007 reached €76 million, which represents a 79% growth, or €34 million. The main increase was relative to the Exploration & Production business, representing 52% of the total investment made by Galp Energia with a €40 million investment.

Investment in the Exploration & Production segment in the first quarter of 2007 was essentially channelled to Block 14 and Block 32, in Angola. The following took place in Block 14: (i) exploration works, (ii) development works in the TL field, and in BBLT field at a smaller extent and (iii) appraisal works for the Negage and Gabela fields. In Block 32, investment was essentially channelled to drill exploration wells and 3D seismic works. An investment of €5.3 million was made in Brazil, of which (i) €2.6 million were relative to blocks operated by Galp Energia, being the investment channelled towards preparation of drilling works relative to two onshore wells in the Potiguar Basin, as well as preparation and execution of the 3D seismic campaign in two blocks located in the Sergipe Alagoas Basin, and (ii) the remaining €2.7 million were channelled for onshore blocks of Potiguar basin, where Petrobras is the operator, and offshore blocks of Santos basin.

A total €21 million were invested in the Refining & Marketing segment. In the refining area, investment was channelled towards general investment in refineries, namely energy rationalisation and environmental licensing projects, acquisition of a barge for local product transportation and general improvements made to the Leixões terminal. Regarding the marketing activity, investment was mostly aimed at construction and remodelling of service stations, acquisition of Pluma bottles and expansion of the piped LPG network.

In the Gas & Power segment, investment totalled €16 million. In the natural gas distribution area, approximately 154 kms of secondary network were built and approximately 10 mil clients were converted to natural gas consumption. In the power area, ongoing construction of the Sines refinery cogeneration plant represented the most significant investment.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
65	Sales and services rendered	-	42	42	s.s.
18	**Operating result**	**(4)**	**22**	**27**	**s.s.**
0	Non recurrent items	-	-	-	-
18	**Adjusted operating result**	**(4)**	**22**	**27**	**s.s.**
14.6	**Average working production (kbbl/day)**	**5.2**	**17.2**	**12.0**	**s.s.**
11.6	**Average equity production (kbbl/day)**	**3.8**	**13.8**	**10.1**	**s.s.**
1.1	**Total production (million bbl)**	**0.3**	**1.2**	**0.9**	**s.s.**
0.2	Kuito (million bbl)	0.3	0.2	(0.1)	(37.2%)
0.9	BBLT (million bbl)	0.1	1.0	1.0	s.s.
0.04	TL (million bbl)	-	0.04	0.0	s.s.
59.7	Average brent dated price[1] (Usd/bbl)	61.8	57.8	(4.0)	(6.5%)
54.5	Average realized sale price[1] (Usd/bbl)	-	56.5	-	-
2.0	**Total sales (million bbl)**	-	**1.0**	-	-
435	**Net total assets**	**307**	**458**	**150.5**	**49.0%**

[1] Source: Platts
[2] Considers effective sales

Exploration & Production Activity

Working production in the first quarter of 2007 reached 17.2 thousand barrels per day, largely exceeding production in the corresponding quarter of the previous year, with production representing 5.2 thousand barrels per day, as well as in the previous quarter, with production reaching 14.6 thousand barrels per day. This high production rate is mostly due to the BBLT field, which contributed with daily production of over 13 thousand barrels.

In the first quarter of 2007, equity production reached 1.2 million barrels, of which 84% originated from the BBLT field. Kuito field production fell by 37%, to 164 thousand barrels, which was essentially due to works carried out in production wells with the objective of increasing working production for this field.

Crude sales reached 985 thousand barrels at an average price of 56.5 Usd/bbl. This average sale price has been progressively nearing average Brent prices, due to the contribution of lighter crudes, with API density of 36º, originating from the BBLT fields and, to a smaller extent, the TL field.

Operating results

Operating results reached €22 million, representing a 24% increase relatively to the fourth quarter of 2006. Operating results for the first quarter of 2006 were minus €4 million, as a result of the change in accounting principles. If we use the same accounting principles of the first quarter of 2007, to calculate the EBITDA and operating result for the first quarter of 2006, the new figures would amount to €14.5 million and €8.1 million respectively. Regarding main operating expenses for the Exploration & Production segment, taxes paid relative to income from oil sales in Angola, representing €8.8 million, and production costs, representing €4.6 million, should be highlighted.

2. REFINING & MARKETING

Million euros (except otherwise noted)

Fourth quarter		First quarter			
2006		2006	2007	Change	% Ch.
2,515	Sales and services rendered	2,656	2,432	(224)	(8.4%)
(62)	**Operating result**	**86**	**104**	**18**	**21.3%**
138	Inventory holding effect	(21)	(22)	(1)	n.m.
13	Non recurrent items	(2)	(2)	0	n.m.
89	**Adjusted operating result**	**62**	**80**	**18**	**28.1%**
1.7	Rotterdam cracking refining margin1 (Usd/bbl)	2.6	3.5	0.8	32.2%
4.1	Rotterdam hydroskimming + aromatics refining margin1 (Usd/bbl)	1.8	5.0	3.2	175.4%
5.0	Galp Energia refining margin (Usd/bbl)	4.7	5.7	1.0	22.0%
24,056	Crude processed (bbl)	24,507	22,653	(1,854)	(7.6%)
3.6	Raw material processed (million tonnes)	3.6	3.4	(0.2)	(4.3%)
4.0	**Total refined product sales (million tonnes)**	**3.9**	**3.9**	(0.0)	(0.2%)
2.2	**Sales to Galp Energia clients (million tonnes)**	2.3	2.3	0.0	1.0%
1.1	Wholesale	1.1	1.1	(0.0)	(0.8%)
0.6	Retail	0.6	0.6	(0.0)	(8.0%)
0.1	LPG	0.1	0.1	(0.0)	(11.0%)
0.4	Others	0.5	0.6	0.1	19.6%
0.8	**Exports (million tonnes)**	**0.7**	**0.6**	**(0.0)**	**(6.6%)**
1,045	**Number of service stations**	**1,050**	**1,044**	**(6)**	**(0.6%)**
204	**Number of c-stores**	**184**	**207**	**23**	**12.5%**
3,539	**Net total assets**	**3,928**	**3,569**	**(358)**	**(9.1%)**

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

Refining & Marketing Activity

The volume of raw materials processed in refineries in the fist quarter of 2007 was 3.4 million tonnes, which represents a 4% decrease relatively to the corresponding quarter of the previous year. This decrease was mostly due to maintenance shutdowns in Sines and Oporto refineries.

Regarding the production yield, middle distillates and gasoline represented approximately 62% of total refining system production, their individual contributions being 39% and 23%, respectively. It should be emphasised, regarding this quarter, the impact of maintenance shutdowns in fuel and losses, which increased from 8%, in the first quarter of 2006, to 9%, in 2007, and subsequent impact in refining margins.

Sales volumes were stable at 3.9 million tonnes, despite a 7% decrease in exports, which reached 0.6 million tonnes in the quarter. Exports decreased, especially gasoline exports, which suffered a 10% fall, decreasing for all destinations except the USA, which continues to be an attractive market, with a growth of 32%. Fuel exports remained stable for the two quarters analysed. These two products represent approximately 74% of total exports for Galp Energia.

Sales to direct clients of Galp Energia reached 2.3 million tonnes, 1% more than in the corresponding quarter of 2006, due to an increase in sales to wholesale clients, offsetting the shortfall verified in retail and GPL sales. In the first quarter of 2007, sales to direct clients of Galp Energia represented 69% of total raw materials processed.

The number of service stations decreased by one station relatively to the end of 2006; therefore, Galp Energia had 1,044 service stations at the end of the first quarter of 2007. Regarding the non-fuel business, 3 new convenience stores were opened, their total currently reaching 207.

Operating results

Operating results increased by 21%, to €104 million. In adjusted terms, this increase was higher, of approximately 28%, to €80 million.

The aforementioned increase in adjusted operating results was due to an increase of 1 Usd/bbl in refining margins, to 5.7 Usd/bbl, which offset the 4% decrease registered in raw material volumes processed. Dollar depreciation relatively to the euro penalised refining activity results relatively to the corresponding quarter of 2006, by lowering the increase verified in unit margins between the two quarters analysed to 0.5 Eur/bbl.

Regarding trading margins, these suffered from a time lag effect i.e., as the agreements established with the final clients take some time to reflect changes in the international market prices. However, marketing margins remained stable.

galp energia

3. GAS & POWER

Million euros (except otherwise noted)

Fourth quarter 2006		First quarter 2006	2007	Change	% Ch.
324	Sales and services rendered	378	330	(48)	(12.7%)
71	**Operating result**	**75**	**47**	**(28)**	**n.m.**
(8)	Inventory holding effect	7	9	2	n.m.
(21)	Non recurrent items	(0)	1	1	n.m.
42	**Adjusted operating result**	**82**	**56**	**(26)**	**(31.4%)**
996	**NG supply sales volumes (million m3)**	**1,184**	**1,111**	**(73)**	**(6.2%)**
255	Electrical	470	335	(136)	(28.8%)
388	Industrial	392	406	14	3.6%
191	Local distribution companies	226	230	5	2.0%
162	Trading	96	139	44	n.m.
132	**NG distribution sales volumes[1] (million m3)**	**164**	**168**	**4**	**2.4%**
75	Industrial	83	86	2	2.9%
13	Commercial	16	17	1	3.3%
45	Residential	65	66	1	1.6%
790	**NG distribution clients[1] (thousands)**	**751**	**803**	**52**	**6.9%**
392	**Power generation[1] (GWh)**	**408**	**416**	**8**	**2.0%**
725	**Natural gas net fixed assets[2]**	**1,416**	**729**	**(687)**	**(48.5%)**
1,801	**Net total assets**	**2,168**	**1,770**	**(399)**	**(18.4%)**

[1] Includes unconsolidated companies where Galp Energia has a significant interest
[2] Excludes financial investments

Gas & Power Activity

Natural gas sales volumes reached 1,111 million m^3, when compared to the 1,184 million m^3 sold in the first quarter of 2006. This 6% reduction is explained by a 29% reduction in sales in the Electrical sub-segment, due to the significant amounts of rain verified in the end of 2006, which resulted in a rise in water reserves and conditioned natural gas consumption. However, consumption values registered in the first quarter of 2007 have already shown some recovery relatively to the last quarter of 2006.

Sales volumes for the Industrial sub-segment increased by 4%, to 406 million m^3, reflecting growth for this market in Portugal. The volume of natural gas sold by the distribution network increased by 2%, which was essentially due to increased consumption by industrial clients, since the residential and commercial segments were affected by the above-average temperatures verified for the season. The number of natural gas distribution clients totalled 803 thousand, 13 thousand clients more than in the end of 2006.

Natural gas consumption in cogeneration plants where Galp Energia has a stake increased by 2%, to 45,8 million m^3, with energy production increasing by 2%, to 416 GWh.

Operating Results

Adjusted operating results for the first quarter of 2007 were €56 million, which represents a 32% decrease relatively to the corresponding quarter of 2006. This €26 million decrease is essentially due to payment of transportation, storage and regasification fees to REN, non-existing in the first quarter of 2006, since the separation process for Natural Gas Regulated Assets was only concluded in September of 2006.

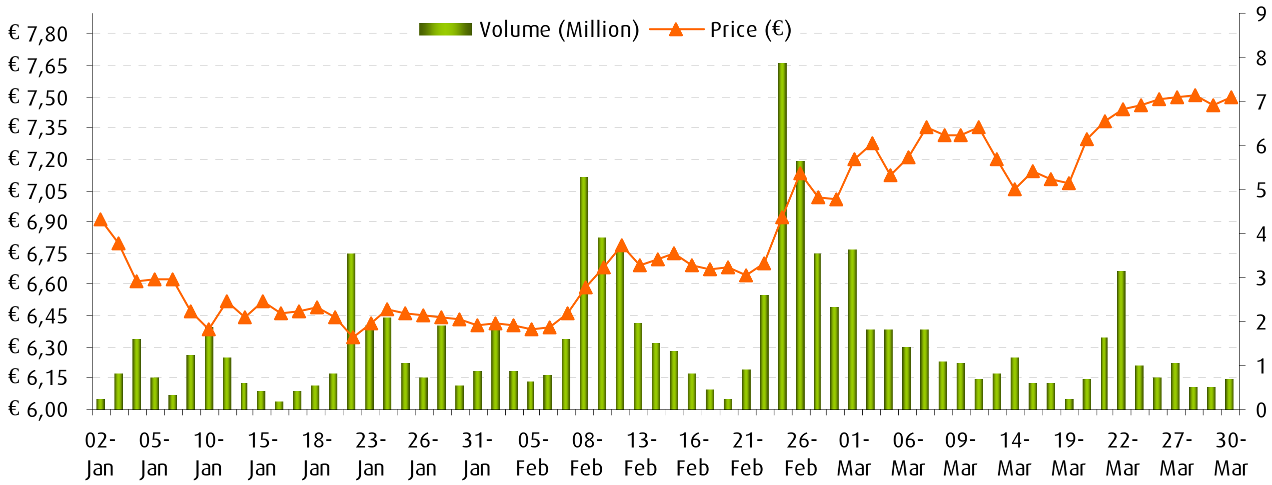
Costs paid in the first quarter of 2007 relative to transportation, storage and regasification totalled €34.2 million, of which €25.1 million are relative to transportation and storage costs, accounted as external supplies and services and the remaining €9.1 million corresponding to regasification costs, accounted as costs of gods sold. However, spin-off of these activities resulted in the following (i) reduction in personnel costs, of €2.4 million (ii) reduction in external supplies and services relative to maintenance and repair costs, representing €1 million, and (iii) reduction in depreciations, representing €6.9 million.

The unit margin in the power subsegment increased by 4% to €15.234 per MWh in the first quarter of 2007, relatively to the corresponding period of 2006. The sale of power to the grid was made at an average tariff of €93.168 per MWh, an increase of 1% from the first quarter of 2006.

GALP ENERGIA SHARE

Galp Energia share prices increased by 8% in the first quarter of 2007, the maximum value attained in this period being €7.55, on the 22nd and the 27th of March. The valorisation since the beginning of the IPO, which occurred on the 23rd of October of 2006, already reaches 29%. Regarding traded volume, approximately 97.7 million shares were traded, corresponding to a daily average of 1.5 million shares.

.. Galp Energia share evolution



At 31 March 2007, Galp Energia had a market capitalisation of €6,219 million.

RELEVANT EVENTS OCCURRED IN THE FIRST QUARTER OF 2007

Major holdings

On 21 February, Galp Energia announced that had informed that acquired from the Ministry of Finance's *Direcção Geral do Tesouro*, 40,000,000 shares of type A and 1,494,501 shares of type B, representing 5.0% of the share capital of Galp Energia. After this acquisition, Parpública is the holder of 58,079,514 shares in Galp Energia, representing 7.0% of its share capital and 7.0% of its voting rights.

Refining & Marketing

On 24 January, Galp Energia announced the approval by its board of directors of a capital expenditure programme for its refining units. One major target of this programme is the conversion unit whose aim is to increase, by 2011, diesel oil production by 2.5 million tonnes, and reduce the production of fuel oil. The investment affects the Sines and Oporto refineries and its cost is estimated at €998 million.

In addition to this investment, a decision was made to locate a cogeneration plant in the Oporto refinery following the model of the plant under construction in the Sines refinery.

Exploration & Production

Commercial discovery on Block 32

On 3 January, the consortium exploring Block 32 in the ultra-deep waters off Angola's shore, where Galp Energia has a 5% stake, announced that the sixth exploration well, called *Salsa-1*, had revealed a new oil discovery.

The same consortium announced, on 8 February, two new oil discoveries in the eighth and ninth exploration wells, called *Manjericão-1* and *Caril-1*.

Commercial finding on Block 14

On 26 January, the consortium exploring Block 14 in Angola, where Galp Energia has a stake of 9%, announced a new, significant oil finding, called *Lucapa-1*, in deep waters on Angola's offshore.

Exploration of oil on domestic territory

On 1 February, Galp Energia signed with the Portuguese state three contracts for the concession of oil exploration, development and production rights on national territory.

These three contracts grant exploration rights in three different areas located offshore – called Gamba, Lavagante and Santola – totalling 9,000 km2 near Alentejo's coast. These three blocks comprise water depths between 200 and 3,000 metres.

The consortium that was formed to explore these areas consists of Hardman Resources Ltd (80%), which also is the consortium's operator, Partex Oil and Gas (Holdings) Corporation (10%) and Galp Energia (10%).

Announcement of the potential of Block BM-S 11 in Brazil

On 21 February, Galp Energia disclosed the potential of the discovery announced in October 2006, called *Tupi*, with an area of approximately 800 km2 and located 280 km off the southern coast of Rio de Janeiro state. It is estimated that the volume of oil in place is in a range between 1.7 and 10 billion barrels of oil equivalent. Rates of recovery for the estimated volumes will depend on available recovery methods as well as the oil and seam types.

POST CLOSING EVENTS

Approval of the proposal for application of results and dividend payment policy

The Board of Directors of Galp Energia, approved, on the 24th of April, the following proposals:

Payment of dividends relative to the financial year of 2006

The Board of Directors of Galp Energia will propose to the General Meeting of Shareholders payment of dividends corresponding to €0.304 per share, relative to the financial year of 2006.

Dividend payment policy

With the objective of establishing a regular and transparent dividend payment policy, the Board of Directors approved the following principles, to be applied to dividends relative to the financial year of 2007:

1. The Board of Directors of Galp Energia will maintain the principle of proposing to the General Shareholder Meeting, a 50% payout ratio over consolidated net income calculated according with the IFRS, adjusted by the stock effect using the replacement cost methodology, i.e. net income at replacement cost;

2. The Board of Directors will be able to split the dividend distribution by the two semesters, if the following requirements are fulfilled::

    i) First half 2006 net income should be sufficient to allow a payment of an amount equal to 50% of the dividend distributed in the previous year;

    ii) The Board of Directors specifically approves such distribution, that should be performed, in October of each year;

    iii) The Supervisory Board and the Statutory Auditor approve, in legal terms, the proposal of the Board of Directors;

    iv) All the remaining legal requirements, to which an interim distribution is submitted, are fulfilled.

3. When in relation to a financial year, an interim distribution has been made, according to the principles described above, that distribution should be deducted to the dividend approved by the General Shareholder Meeting.

Cooptation of a Member of the Board of Directors

Following the resignation presented by Mr. Manuel Carlos Costa da Silva, to his position of non executive member of Galp Energia Board of Directors, the Board of Directors approved, in the meeting held on the 24 of April, the appointment of Mr. Carlos Nuno Gomes da Silva, to replace Mr. Manuel Carlos Costa da Silva as non executive member of the Board of Directors.

The decision of the Board of Directors will have to be confirmed, at the General Shareholders Meeting, to be held on 28 May 2007.

Exploration & Production

Signature of oil exploration contracts in Timor and Mozambique

Galp Energia signed, on the 26th of April, two agreements for the acquisition of a 10% stake in the concession for oil exploration, appraisal, development and production, in five blocks in Timor and one in Mozambique. Galp Energia will have a 10% stake in each consortium, both operated by ENI.

The participations in these two areas are subject to the approval of Timor and Mozambique governments.

Gas & Power

Selection of the Ventinveste Group for the Short List relative to "Stage B" of the Aeolian Tender

The consortium led by Galp Energia was short-listed, with the highest ratings, for negotiations under Phase B of the public tender for the award 400 to 600 Mw of capacity to inject power in the public electricity grid and the award of reception points linked to the production of electric energy by wind power turbines.

The Ventinveste consortium is composed by Galp Energia, with a 34% holding, Martifer, with 30%, Enersis with 33%, Repower Systems with 1%, and Efacec with 2%.

HOLDINGS

1. MAJOR HOLDINGS

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

[1] Former Transgás, S.A.
[2] Former Transgás Industria, S.A.

2. INCOME FROM ASSOCIATED COMPANIES

Million euros

	First quarter		
Company	**2006**	**2007**	**%**
CLH	1.7	0.7	(61.7%)
International Pipelines	9.6	9.1	(6.2%)
Setgás - Natural Gas Distribution Company	1.2	1.2	1.0%
Others	0.4	0.4	9.3%
Sub total	**12.9**	**11.3**	**(12.5%)**
Consolidation adjustments	1.5	7.7	n.m.
Total	**14.4**	**19.0**	**31.8%**

RECONCILIATION OF REPORTED AND ADJUSTED FIGURES

1. ADJUSTED OPERATING RESULT BY BUSINESS SEGMENT

Million euros

2006					First quarter	2007				
Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result		Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result
159	**(14)**	**144**	**(2)**	**142**	**Operating result**	**175**	**(13)**	**161**	**(2)**	**160**
(4)	-	(4)	-	(4)	E&P	22	-	22	-	22
86	(21)	65	(2)	62	R&M	104	(22)	82	(2)	80
75	7	82	(0)	82	G&P	47	9	56	1	56
2	-	2	0	2	Others	1	-	1	-	1

2. ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros

2006					First quarter	2007				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
227	**(14)**	**212**	**(2)**	**210**	**EBITDA**	**237**	**(13)**	**224**	**(2)**	**221**
2	-	2	-	2	E&P	34	-	34	-	34
133	(21)	112	(2)	110	R&M	146	(22)	123	(2)	121
89	7	97	0	97	G&P	55	9	64	(0)	64
2	-	2	0	2	Others	1	-	1	-	1

3. NON RECURRENT ITEMS

Refining & Marketing

Million Euros

Fourth quarter 2006		First quarter 2006	2007
	Exclusion of non recurrent items		
3.7	Sale of strategic stock	-	0.3
(1.2)	Services rendered	-	-
-	Indemnities	-	-
(5.3)	Gains / losses on disposal of assets	(2.0)	(2.7)
2.9	Write offs	-	0.0
-	Monobuoy restatement	-	-
5.3	Restructuring costs	-	-
8.7	Provisions for environmental charges	-	-
(1.2)	Assets impairments	(0.2)	0.2
(.2)	Others		
12.9	**Non recurrent items of operating result**	**-**	**0.0**
(1.3)	Capital gains / losses on disposal of financial investments	(2.3)	(2.1)
11.6	**Non recurrent items before income taxes**	**-**	**(1.1)**
(2.6)	Income taxes on non recurrent items	(2.3)	(3.3)
9.0	**Total non recurrent items**	**0.3**	**0.4**

Gas & Power

Million Euros

Fourth quarter 2006		First quarter 2006	2007
	Exclusion of non recurrent items		
(15.0)	Services rendered	-	-
(1.1)	Gains / losses on disposal of assets	(0.1)	-
0.7	Restructuring costs	-	-
(5.7)	Provisions for environmental charges	-	0.5
(0.2)	Others	-	-
(21.2)	**Non recurrent items of operating result**	**(0.1)**	**0.5**
(15.3)	Capital gains / losses on disposal of financial investments	-	-
(36.4)	**Non recurrent items before income taxes**	**(0.1)**	**0.5**
9.8	Income taxes on non recurrent items	0.1	(0.1)
(26.6)	**Total non recurrent items**	**(0.0)**	**0.4**

Others

Million Euros

Fourth quarter 2006		First quarter 2006	2007
	Exclusion of non recurrent items		
0.1	Gains / losses on disposal of assets	(0.0)	-
3.4	Provisions for environmental charges	-	-
3.5	**Non recurrent items of operating result**	**(0.0)**	**-**
-	Capital gains / losses on disposal of financial investments	-	-
3.5	**Non recurrent items before income taxes**	**(0.0)**	**-**
(0.0)	Income taxes on non recurrent items	0.0	-
3.4	**Total non recurrent items**	**(0.0)**	**-**

Consolidated

Million Euros

Fourth quarter 2006		First quarter 2006	2007
	Exclusion of non recurrent items		
3.7	Sale of strategic stock	-	0.3
(16.2)	Services rendered	-	-
-	Indemnities	-	-
(6.2)	Gains / losses on disposal of assets	(2.1)	(2.7)
2.9	Write offs	-	0.0
-	Monobuoy restatement	-	-
5.9	Restructuring costs	-	-
6.4	Provisions for environmental charges	-	0.5
(1.2)	Assets impairments	(0.2)	0.2
(0.2)	Non recurrent items of operating result	-	0.0
(4.8)	**Capital gains / losses on disposal of financial investments**	**(2.3)**	**(1.6)**
(16.6)	ONI profits	-	(1.1)
(21.4)	**Non recurrent items before income taxes**	**(2.3)**	**(2.7)**
7.3	Income taxes on non recurrent items	0.4	0.2
(14.1)	**Total non recurrent items**	**(2.0)**	**(2.5)**

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Fourth quarter 2006		First quarter 2006	First quarter 2007
	Operating income		
2,767	Sales	2,991	2,718
50	Services rendered	35	36
2	Other operating income	12	21
2,819	**Total operating income**	**3,038**	**2,775**
	Operating costs		
(2,475)	Inventories consumed and sold	(2,616)	(2,306)
(176)	Material and services consumed	(123)	(150)
(82)	Personnel costs	(66)	(64)
(68)	Amortisation and depreciation cost	(62)	(57)
(9)	Provision and impairment of receivables	(6)	(5)
14	Other operating costs	(6)	(19)
(2,797)	**Total operating costs**	**(2,879)**	**(2,600)**
22	**Operating profit**	**159**	**175**
18	Financial income	4	4
(16)	Financial costs	(16)	(13)
(1)	Exchange gain (loss)	4	(2)
11	Result of participation in associates	14	20
(0)	Income and cost on financial instruments	0	(4)
(0)	Other gains and losses	(0)	(0)
34	**Profit before taxes**	**165**	**179**
(1)	Income tax expense	(47)	(35)
33	**Profit before minority interest**	**118**	**144**
(1)	Profit attributable to minority interest	(1)	(2)
32	**Net profit for the period**	**117**	**143**
0.04	**Earnings per share (in Euros)**	**0.14**	**0.17**

2. CONSOLIDATED BALANCE SHEET

Million euros

	Dec 31, 2006	Mar 31, 2007
Non current assets		
Tangible fixed assets	1,927	1,945
Goodwill	17	17
Other tangible fixed assets	325	324
Investments in associates	147	162
Investments in other companies	1	1
Other receivables	107	104
Deferred tax assets	145	148
Other investments	1	2
Total non current assets	**2,671**	**2,703**
Current assets		
Inventories	1,065	1,022
Trade receivables	960	922
Other receivables	318	326
Other investments	14	10
Current Income tax recoverable	0	0
Cash and cash equivalents	212	152
Total current assets	**2,571**	**2,434**
Total assets	**5,242**	**5,136**
EQUITY AND LIABILITIES		
Equity		
Share capital	829	829
Share premium	82	82
Translation reserve	(10)	(11)
Other reserves	107	107
Hedging reserves	1	1
Retained earnings	255	1,010
Profit attributable to equity holders of the parent	755	143
Equity attributable to equity holders of the parent	**2,018**	**2,160**
Minority interest	19	20
Total equity	**2,037**	**2,180**
Liabilities		
Non current liabilities		
Bank loans and overdrafts	287	283
Bonds	226	226
Other payables	70	74
Retirement and other benefit obligations	242	243
Deferred tax liabilities	93	88
Other financial instruments	0	0
Provisions	83	90
Total non current liabilities	**1,001**	**1,005**
Current liabilities		
Bank loans and overdrafts	566	333
Bonds	20	20
Trade payables	692	590
Other payables	843	891
Other financial instruments	3	1
Income tax	78	116
Total current liabilities	**2,204**	**1,952**
Total liabilities	**3,205**	**2,956**
Total equity and liabilities	**5,242**	**5,136**

ADDITIONAL INFORMATION

Definitions

CLH	Companhia Logística de Hidrocarburos, S.A.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation. Refers to a measurement that we use to measure operating performance. EBITDA represents operating results plus amortisation, depreciation and provisions. EBITDA is presented because we believe that it is frequently used by securities analysts, investors and other interested parties as a measure of a company's operating performance and debt servicing ability given that it assists in comparing a company's performance on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending on accounting methods or non-operating factors (such as the use of historical costs).
EGREP	Empresa Gestora de Reservas Estratégicas, EPE;
ENI	ENI, S.p.A.
FIFO	First In First Out;
IFRS	International Financial Reporting Standards;
IPO	Initial Public Offering
IRP	Tax on crude oil sales in Angola;
Natural Gas Regulated Assetsl	Natural gas transportation and storage assets and liquefied natural gas regasification assets;
Parpública	Parpública – Participações Públicas (SGPS), S.A.
REN	Rede Eléctrica Nacional, S.A.;
Replacement Cost	Under this methodology, the cost of goods sold is valued at "replacement cost", that is, the cost of goods at the time the sales occur and independently of inventories held at the beginning or end of periods. "Replacement cost" is not a recognised GAAP measure, is not adopted for purposes of valuing inventories and does not reflect the replacement cost of other assets.

Rotterdam cracking margins	Rotterdam Cracking refining margin yield is composed of: -100% Brent Dated, +25,4% PM UL FOB Bg, +7,1% Naphtha FOB Bg, +8,5% Jet CIF Cg, +38% ULSD CIF Cg and 1+4% LSFO FOB Cg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.59 Usd/bbl in 2006.
Rotterdam hydroskimming + aromatics refining margin	Rotterdam Hydroskimming + aromatics refining margin is calculated using 70% of Rotterdam Hydroskimming refining margin and 30% of aromatics margins. The yield of Rotterdam Hydroskimming refining margin is composed of: -100% Brent Dated, +15,1% PM UL FOB Bg, +5,1% Naphtha FOB Bg, +9% Jet CIF Cg, +36,5% ULSD CIF Cg and +30,3% LSFO FOB Cg. Aromatics margin yield is -100% PM UL FOB Bg, -12% LSFO CIF NEW, +37% Naphtha FOB Bg, +16,5% PM UL FOB Bg, +6,5% Benzene FOB Bg, +18,5% Toluene FOB Bg, +16,5% Paraxylene FOB Bg and +4,9% Ortoxylene FOB Bg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.59 Usd/bbl in 2006.
USA	United States of America;

Abbreviations

bbl: barrel(s); bbl/d: barrel(s) per day; Bg: Barges; Cg: Cargoes; CIF: Costs, Insurance and Freights; E&P: Exploration and Production; Eur: euro; FOB: Free on Board; G&P: Gas & Power; LSFO: Low sulphur fuel oil; m^3: cubic meters; n.m.: not meaningful; PM UL: Premium unleaded; R&M: Refining & Marketing including petrochemicals; ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes; Usd: US dollar.

Contacts

Investor Relations and Corporate Communication Division

Phone: +351 21 724 08 66

Fax: +351 21 003 90 11

E-mail: investor.relations@galpenergia.com

Website: www.galpenergia.com

Galp Energia, SGPS, S.A.

Public Company

Head Offices: Rua Tomás da Fonseca Torre C, 1600-209 Lisbon

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