FIRST HALF 2007
RESULTS

Your positive energy

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EXECUTIVE SUMMARY

Adjusted net income reached €285 million, up 71% on the first half of 2006.

The sharp increase in refining margins, coupled with the strong demand for gasoline in international markets in the second quarter of the year and the rise in Galp Energia's own oil production, contributed to adjusted net operating income rising by 36%. On a comparable basis, i.e. isolating the sales of the transferred operations of natural gas transportation and regasification of liquefied natural gas and the accounting adjustments in the Exploration & Production business segment, the increase would have been 58%.

PERFORMANCE IN BRIEF

- Working crude production of 17.1 thousand barrels a day, approximately three times larger than in the first half of 2006;
- Galp Energia refining margin rose by 1.3 Usd/bbl or 25% compared to the first half of 2006;
- Refining coverage by sales to direct clients increased 3.5 p.p. to 65%;
- Natural gas sales in the second quarter of 2007 reached 1,355 million cubic meters, a 22% increase compared to the preceding quarter;
- Adjusted EBITDA rose by 19%; however, allowing for the unbundling effect and the accounting adjustments in the Exploration & Production business segment, the increase would have been 36% ;
- Net income of €401 million, equivalent to earnings per share (EPS) of 0.48 euros, and 0.34 euros at replacement cost;
- Adjusted net income of the second quarter of 2007 reached €166 million, an increase of 120%;
- Capital expenditure amounted to €162 million, with Exploration & Production absorbing the largest share;
- Dividend payment of €252 million, equivalent to 0.304 euros per share.

EARNINGS RELEASE

PRESS-CONFERENCE

Date: Wednesday, 8 August, 17:00 CMT (18:00 CET)

Local: Tivoli Hotel, Lisbon

CONFERENCE CALL

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

Date: Thursday, 9 August, 2007

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

Phones: UK: +44 (0) 207 107 0685
Portugal: 707 785 662

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros

Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
3,104	3,140	35	1.1%	Sales and services rendered	6,130	5,894	(237)	(3.9%)
390	395	5	1.2%	EBITDA	615	627	12	2.0%
204	266	62	30.6%	EBITDA replacement cost	415	486	71	17.2%
195	**264**	**69**	**35.2%**	**Adjusted EBITDA[1]**	**404**	**481**	**77**	**19.2%**
318	327	9	2.9%	Operating result	475	498	23	4.8%
132	199	67	50.7%	Operating result replacement cost	275	356	82	29.8%
124	**204**	**80**	**65.0%**	**Adjusted operating result[1]**	**264**	**360**	**96**	**36.4%**
237	258	21	9.1%	Net income	354	401	47	13.4%
81	161	80	97.7%	Net income replacement cost	175	283	108	61.8%
76	166	91	**120.0%**	**Adjusted net income[1]**	167	285	119	**71.0%**

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

Market indicators

Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
5.1	6.7	1.6	30.9%	Rotterdam cracking refining margin[1] (Usd/bbl)	3.9	5.1	1.2	31.3%
1.4	3.5	2.1	155.6%	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	1.6	4.2	2.6	166.8%
6.5	7.5	1.0	15.6%	Henry hub natural gas price[2] (Usd/MMbtu)	7.1	7.4	0.3	3.9%
69.6	68.8	(0.9)	(1.2%)	Average brent dated price[3] (Usd/bbl)	65.7	63.3	(2.4)	(3.7%)
1.3	1.3	0.1	7.1%	Average exchange rate[4] (Eur/Usd)	1.2	1.3	0.1	8.1%
2.7	3.9	1.2	45.7%	Euribor - six month[4] (%)	2.6	3.8	1.2	47.5%

[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

Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
6.5	17.0	10.4	160.1%	Average working production (kbbl/day)	5.9	17.1	11.2	191.3%
4.6	13.7	9.1	197.1%	Average equity production (kbbl/day)	4.2	13.8	9.6	227.7%
5.8	7.3	1.6	27.0%	Galp Energia refining margin (Usd/bbl)	5.2	6.6	1.3	25.5%
3.8	3.7	(0.1)	(3.0%)	Raw materials processed (million tonnes)	7.4	7.1	(0.3)	(3.7%)
2.3	2.3	0.0	2.2%	Oil sales direct clients (million tonnes)	4.6	4.7	0.1	1.8%
1,040	1,355	315	30.3%	Natural gas sales (million m^3)	2,223	2,466	242	10.9%
369	365	(5)	(1%)	Power generation[1] (GWh)	777	781	4	0.5%

[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 six months ended on 30 June 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 is presented for the second quarter ended on 30 June 2007 and 2006 and for the first six month ending an the same dates. The financial data in the consolidated balance sheet is presented at 30 June 2007, 31 March 2007 and 31 December 2006.

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.

RECENT CHANGES

As from the first half of 2007, results arising from marking to market the derivatives contracted for hedging the selling price of crude oil by the Exploration & Production segment as well as the purchasing price of crude oil used in refining operations started to be booked under cost of goods sold. Previously, results were booked under net financial income.

MARKET ENVIRONMENT

THE BRENT

After falling by almost 10 Usd/bbl since the end of 2006 to 50 Usd/bbl in late January, the dated Brent reversed the trend and climbed back to 60 Usd/bbl at the end of February. The main reasons for this reversal were heightened geopolitical tensions in Lebanon, Palestine and Iran, and the weather conditions in the US, which led to rising sales of heating fuels and natural gas.

At the end of March, as international pressure on Iran intensified following rumours of an impending conflict with the US, the dated Brent rose by almost 9 Usd/bbl to 68.6 Usd/bbl. In April and May the Brent hovered around 67 Usd/bbl as it was supported by geopolitical conflicts, namely insecurity in Nigeria - leading to a cut in production of 1 million barrels a day - and an increasingly tight gasoline market due to refinery stoppages for maintenance, as usual at this time of the year, and unscheduled stoppages, which considerably impaired production capacity. At the end of May the Brent dated topped 70 Usd/bbl where it stayed until the end of June due to strong demand for end products in world markets.

OIL PRODUCTS

The crack of middle distillates rose in the first quarter of the year as a consequence of the unexpected temperature drop in the US which led to rising demand for heating oil at a time when refineries had already changed their production profiles in anticipation of the driving season. In the second quarter of 2007, middle distillates, in terms of both crack and absolute value, were virtually unchanged. In Europe, diesel inventories were above the average of the last five years as new hydrocracking units came on stream, thereby reducing the need to import this product.

Simultaneously, the shorter supply of gasoline led to a sharp fall in US inventories and a steep rise from mid-February in the crack of gasoline, which reached an average of 22.3 Usd/bbl in March compared to 16 Usd/bbl in February. In early May the price of gasoline reached its highest level since the Katrina and Rita hurricanes, reflected in a crack spread of 40 Usd/bbl. The mentioned refinery stoppages and the rising seasonal demand largely contributed to this increase. In a rare development, European cracks traded at a premium over US cracks, which discouraged imports of this product and led to falling inventories. In early June, gasoline cracks declined to levels close to 30 Usd/bbl as the market for crude strengthened on the back of higher refinery activity and pressure on gasoline markets diminished following the rise in inventories.

Since the end of 2006 until mid-January, fuel oil crack spreads rose from -25 Usd/bbl to -19.5 Usd/bbl in international markets as OPEC cuts targeted heavier crudes suited for fuel oil production and lower temperatures set in. From February onwards, lower fuel oil demand - large enough to offset OPEC cuts - coupled with a rise in the price of crude, led to fuel oil cracks retreating to -28.3 Usd/bbl at the end of March. In April and May the fuel crack rose to –19 Usd/bbl as a result of rising demand in Japan after temperatures fell and shorter supply due to refinery stoppages in the Asia-Pacific region.

REFINING MARGINS

Refining margins increased in January and stayed on average at higher levels than in the last two months of 2006 as the fall in crude prices was larger than the decline in the price of refined products. This was the result of lower demand for crude as reduced refining margins in late 2006 led less competitive refineries to cut crude processing and consequently reduce crude demand. Meanwhile, trends for cracking margins to strengthen and hydroskimming margins to weaken were unchanged.

In February cracking margins stayed on average above the levels of January, 3.44 Usd/bbl against 2.68 Usd/bbl driven by the US gasoline crack and the sustained rise in jet and diesel cracks. In March, continued strong demand for gasoline outstripped supply, raising the crack for this product as the fuel oil crack weighed further on hydroskimming margins, -0.81 Usd/bbl in February compared to -0.89 Usd/bbl in March. Refining margins increased in April as a result of rising gasoline prices. In an unusual development, hydroskimming margins reached sustained gains in May, 1.58 Usd/bbl, something that had not occurred since August 2006, and highs since October 2005 after hurricanes Katrina and Rita. This development reflected not only rising gasoline prices but also higher prices for jet, naphtha and fuel oil. Cracking margins also rose to high levels in May – close to 10 Usd/bbl. In early June margins declined, with hydroskimming margins falling to negative levels as the gasoline crack fell.

THE IBERIAN MARKET

The Portuguese market for oil products continued its falling trend in the first half of 2007 and contracted by 4% as prices stayed at historically high levels. Nevertheless, the decline in the second quarter of 2007 was less pronounced than in the first quarter of the year, 3% against 5% in the first quarter. In Spain the market for oil products rose by 1% in comparison with the first half of 2006, with the rise in the second quarter reaching 3%. Different final prices affected by tax effects accounted partly for the behaviour differential between the two markets with impact at demand level.

In the first half of 2007 the Portuguese natural gas market contracted by 1% in comparison with the same period of 2006 driven by the high levels of rainfall during the first quarter. On the other hand, demand between the first and the second quarters increased by close to 9%, in particular in the electricity segment where lower rainfall led to the production of higher volumes of electrical energy from natural gas.

Market indicators

Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
69.6	68.8	(0.9)	(1.2%)	Average brent dated price[1] (Usd/bbl)	65.7	63.3	(2.4)	(3.7%)
16.5	15.0	(1.6)	(9.6%)	Diesel crack[2] (USD/bbl)	15.5	14.9	(0.7)	(4.2%)
25.7	30.7	5.0	19.6%	Gasoline[3] crack (Usd/bbl)	19.9	23.8	3.9	19.8%
(26.7)	(25.0)	1.7	(6.3%)	Fuel oil crack[4] (Usd/bbl)	(22.9)	(24.4)	(1.5)	6.7%
5.1	6.7	1.6	30.9%	Rotterdam cracking refining margin[1] (Usd/bbl)	3.9	5.1	1.2	31.3%
(0.1)	0.9	1.0	n.m.	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(0.3)	(0.0)	0.3	(93.6%)
2.8	2.7	(0.1)	(2.7%)	Portuguese oil market[5] (million ton)	5.6	5.4	(0.2)	(3.8%)
12.2	12.6	0.4	3.1%	Spanish oil market[6] (million ton)	25.2	25.4	0.3	1.0%
956	1,058	101	10.6%	Portuguese natural gas market[7] (million m^3)	2,044	2,029	(15)	(0.8%)

[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								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
3,104	3,140	35	1.1%	Sales and services rendered	6,130	5,894	(237)	(3.9%)
(2,712)	(2,749)	(37)	1.4%	Operating expenses	(5,517)	(5,274)	243	(4.4%)
(3)	4	7	n.m.	Other operating revenues (expenses)	2	7	6	379.7%
390	**395**	**5**	**1.2%**	**EBITDA**	**615**	**627**	**12**	**2.0%**
(72)	(67)	5	(6.5%)	Depreciation and provisions	(140)	(129)	11	(7.6%)
318	**327**	**9**	**2.9%**	**Operating result**	**475**	**498**	**23**	**4.8%**
5	12	7	139.0%	Net income from associated companies	19	31	12	59.4%
0	(0)	(0)	n.m.	Net income from investments	0	1	1	n.m.
(12)	(8)	4	(30.3%)	Net interests expenses	(18)	(19)	(2)	10.7%
312	331	20	6.3%	Income before tax and minority interests	477	511	34	7.0%
(74)	(72)	2	(3.3%)	Income tax	(121)	(107)	15	(12.0%)
(1)	(1)	(0)	87.7%	Minority Interests	(2)	(3)	(1)	42.7%
237	**258**	**21**	**9.1%**	**Net income**	**354**	**401**	**47**	**13.4%**
237	**258**	**21**	**9.1%**	**Net income**	**354**	**401**	**47**	**13.4%**
(156)	(97)	58	(37.4%)	Inventory effect	(179)	(118)	61	(33.8%)
81	161	80	97.7%	Net income replacement cost	175	283	108	61.8%
(6)	5	11	n.m.	Non recurrent items	(8)	3	11	n.m.
76	**166**	**91**	**120.0%**	**Adjusted net income**	**167**	**285**	**119**	**71.0%**

FIRST HALF

Net income reached €401 million and €285 million in adjusted terms, up 71% on the first half of 2006. This increase reflected (i) improved net operating income, in spite of the transport and regasification operations being spun off in September 2006, (ii) better results from associates and (iii) a favourable effect from the effective tax rate being lowered by 4.5 p.p. to 21%.

SECOND QUARTER

Net income for the second quarter was €258 million and €166 million in adjusted terms, which more than double the first quarter of 2006, around 120%. Better operating performance, in particular in the Refining & Marketing segment, combined with larger contributions by associates according to the equity method and lower interest expense explain the large change in net income.

OPERATING RESULTS

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
6	29	23	354.1%	Exploration & Production	2	52	50	n.m.
259	242	(17)	(6.4%)	Refining & Marketing	343	343	(0)	(0.1%)
52	53	1	2.1%	Gas & Power	128	100	(27)	(21.4%)
1	2	2	289.3%	Others	2	3	1	42.7%
318	**327**	**9**	**2.9%**	**Operating result**	**475**	**498**	**23**	**4.8%**
318	**327**	**9**	**2.9%**	**Operating result**	**475**	**498**	**23**	**4.8%**
(186)	(128)	58	(31.1%)	Inventory effect	(200)	(142)	59	(29.4%)
132	**199**	**67**	**50.7%**	**Operating result replacement cost**	**275**	**356**	**82**	**29.8%**
(8)	5	13	n.m.	Non recurrent items	(11)	4	14	n.m.
124	**204**	**80**	**65.0%**	**Adjusted operating result**	**264**	**360**	**96**	**36.4%**

FIRST HALF

Net operating income in the first half of 2007 reached €498 million and €360 million in adjusted terms, i.e. excluding inventory effects and non-recurrent events, which represented a 36% increase on the year before.

The rise in adjusted net operating income was driven by substantially better results in the Exploration & Production and Refining & Marketing business segments which offset lower results in the Gas & Power after the scope of operations of this business segment was reduced by the sale of Natural Gas Regulated Assets to REN.

SECOND QUARTER

In the second quarter of the year adjusted net operating income was €204 million, up 65% on the €124 million in the second quarter of 2006. Similarly to accumulated results, the largest contributions were the Exploration & Production and Refining & Marketing business segments.

2. ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
22	51	29	128.9%	Exploration & Production	22	93	71	317.6%
2,785	2,808	23	0.8%	Refining & Marketing	5,441	5,240	(201)	(3.7%)
303	336	33	10.9%	Gas & Power	681	666	(15)	(2.2%)
29	30	0	0.7%	Others	59	58	(1)	(1.0%)
(36)	(85)	(50)	140.2%	Consolidation adjustments	(73)	(163)	(91)	125.1%
3,104	**3,140**	**35**	**1.1%**		**6,130**	**5,894**	**(237)**	**(3.9%)**

Sales and services of €5,894 million were lower than in the year before, particularly in the Refining & Marketing business segment, as international prices for crude and oil products were lower than in the first half of 2006. In the second quarter this trend did not materialise.

OTHER NET OPERATING REVENUES

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
(3)	**4**	**7**	**n.m.**	**Other net operating revenues**	**2**	**7**	**6**	**379.7%**
(2)	(4)	(2)	138.3%	Non recurrent items	(4)	(6)	(3)	73.2%
(4)	**0**	**5**	**n.m.**	**Adjusted other net oper. revenues**	**(2)**	**1**	**3**	**n.m.**

Other net operating revenues in the first half of 2007 reached €7 million, which was €6 million higher than in the first half of 2006. These results included non-recurrent events relating to (i) the receipt of €3.5 million from the disposal of land and (ii) a gain of €3.0 million from the sale of assets, namely the sale of a ship by Sacor Marítima, Galp Energia's shipping operator.

OPERATING COSTS

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2,505	2,526	22	0.9%	Cost of goods sold	5,121	4,837	(284)	(5.5%)
133	157	24	18.2%	Supply and services	256	307	51	20.0%
74	66	(9)	(11.7%)	Personnel costs	141	130	(11)	(7.7%)
2,712	**2,749**	**37**	**1.4%**		**5,517**	**5,274**	**(243)**	**(4.4%)**

FIRST HALF

Operating costs in the first half of 2007 declined by 4%, in comparison with the first half of 2006, to €5,274 million.

The cost of goods sold represented, at €4,837 million, 92% of total operating costs. Using the replacement cost method the cost of goods sold was €4,979 million a decrease of €342 million from the first half of 2006. In spite of their rise in the first half of the year, international prices for crude and main products were on average lower than in the first half of 2006. The dated Brent was on average 2.4 Usd/bbl lower than in the first half of 2006. Additionally, the sale of Natural Gas Regulated Assets, led to an increase of cost of goods sold, through regaseification costs, nonexistent in the first half of 2006, in the amount of €18.3 million.

Supply and services costs in the first half of 2007 were €307 million and included €50.2 million of natural gas transport and storage costs incurred in the aftermath of the unbundling and a €1.4 million reduction in maintenance and repair of the sold assets. Excluding these effects to make the figures comparable between years, current costs increased by €3 million or 1%.

In spite of the modest change in costs of goods sold between 2006 and 2007, activity related cost increases, namely (i) €4.1 million in higher crude production costs in the Exploration & Production business segment and (ii) €2.9 million higher fees for strategic reserves paid to EGREP, were partly offset by reductions in costs, namely advertising and marketing, which were cut by close to €4.5 million.

Staff costs declined by 8% to €130 million, which was due to (i) €8.2 million lower remuneration and related charges following *inter alia* the reduction in the number of staff resulting from the sale of the regulated natural gas assets, other cost cuts linked to payroll restructuring and the sale of 80% of Gasfomento a company with 35 employees (ii) the €1.4 million reduction in the cost of post-employments benefits. In this context, an important role was played by the 4.1% reduction in unitary premiums related with health insurance.

SECOND QUARTER

Operating costs in the second quarter totalled €2,749 million or €37 million more than in the second quarter of 2006 as staff cost reductions of €9 million were largely outstripped by the increases in cost of goods sold of €22 million and supply and services costs of €24 million.

Contrary to the decline on a half-yearly basis, the cost of goods sold rose in the second quarter of 2007 in relation to the same quarter of 2006 both in IAS/IFRS and replacement cost terms.

The €24 million increase in supply and services is explained by €25.1 million of costs for the transport and storage of natural gas which did not exist in the second quarter of 2006 and were marginally compensated by €0.4 million of maintenance cost savings. Isolating these effects, supply and services were unchanged between the two quarters.

Payroll costs fell by €9 million to €66 million. This is primarily explained by a €5.1 million reduction in remunerations - €2.4 million of which related to the unbundled gas operations – and the €0.8 million decrease in costs incurred for post-employment benefits.

EMPLOYEES

	December 31, 2006	March 31, 2007	June 30, 2007	Change vs Dec 31, 2006	Change vs March 31, 2007
Exploration & Production	48	48	56	8	8
Refining & Marketing	4,790	4,774	4,825	35	51
Gas & Power	491	459	461	(30)	2
Corporte & Others	540	527	522	(18)	(5)
Total on site employees	**5,869**	**5,808**	**5,864**	**(5)**	**56**
Service stations employees	2,245	2,253	2,315	70	62
Total off site employees	**3,624**	**3,555**	**3,549**	**(75)**	**(6)**

At the end of the first half of 2007, the number of staff totalled 5,864 including an off-site number of 3,549. The main change compared to the previous quarter occurred in the Refining & Marketing segment and was related to the 62 staff increase at service stations, primarily in Spain, as a response to the busier holiday season.

DEPRECIATION

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
4	16	12	269.0%	Exploration & Production	8	26	18	219.8%
43	38	(4)	(9.9%)	Refining & Marketing	86	77	(10)	(11.1%)
16	8	(9)	(52.9%)	Gas & Power	30	15	(15)	(49.5%)
0	0	0	25.1%	Others	0	1	0	23.7%
63	**62**	**(1)**	**(2.0%)**		**125**	**119**	**(6)**	**(5.0%)**
63	**62**	**(1)**	**(2.0%)**	**Depreciations**	**125**	**119**	**(6)**	**(5.0%)**
-	(3)	(3)	n.m.	Non recurrent items	-	(4)	(4)	n.m.
63	**59**	**(5)**	**(7.1%)**	**Adjusted depreciations**	**125**	**115**	**(10)**	**(8.0%)**

Depreciation charges fell by €6 million to €119 million in the first half of 2007. The charges included impairment costs in the Exploration & Production business segment following the drilling of two dry wells on Angola's Block 32 and three dry wells on Brazil's onshore Bacia de Potiguar.

Excluding these effects, adjusted depreciation amounted to €115 million, representing a €10 million reduction primarily due to decreases in Gas & Power as a result of the sale of the regulated natural gas assets and Refining & Marketing as some assets approached the end of accounting depreciation. These decreases were partly offset by higher depreciation in the Exploration & Production business segment reflecting the rise in production between the two half-years, and consequent reduction of net entitlement reserves.

PROVISIONS

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2	1	(1)	(43.8%)	Exploration & Production	4	2	(2)	(48.4%)
5	2	(3)	(56.1%)	Refining & Marketing	9	5	(3)	(37.0%)
1	2	0	19.4%	Gas & Power	2	3	1	51.1%
(0)	-	0	n.m.	Others	0	-	(0)	n.m.
8	**5**	**(3)**	**(40.3%)**		**15**	**10**	**(4)**	**(29.9%)**
8	**5**	**(3)**	**(40.3%)**	**Provisions**	**15**	**10**	**(4)**	**(29.9%)**
(0)	(4)	(4)	n.m.	Non recurrent items	-	(4)	(4)	n.m.
8	**1**	**(7)**	**(85.7%)**	**Adjusted provisions**	**15**	**6**	**(8)**	**(57.9%)**

Provisions in the first half of 2007 amounted to €10 million including non-recurrent events, namely a €2.2 million and a €1.8 million provision relating, respectively, to ongoing litigation and a debt for strategic reserve services provided by the Gas & Power business segment.

In adjusted terms, provisions were €8 million lower than in the first half of 2006 reflecting lower charges for doubtful debtors.

In the second quarter of 2007 adjusted provisions fell by €7 million as they included €2.5 million of provisions for doubtful debtors, a substantial decline compared to the €7.6 million in the second quarter of 2006.

RESULTS FROM ASSOCIATES

Results from associates included primarily results from the equity holdings in companies operating international gas pipelines such as EMPL, Metragaz, Gasoducto Al Andaluz and Gasoducto Extremadura, which contributed €17.4 million in the first half of 2007. The 5% holding in CLH contributed €7.8 million. In addition, the holdings in Setgás and Tagusgás, two natural gas distribution companies, contributed €2 million in the first half of 2007.

In the second quarter of 2007, the results from associates rose by €7 million which was mainly due to a €2.4 million larger contribution by CLH partially ofsetted by a reduction of the contribution of international pipelines from € 9.0 million to € 8.4 million.

NET FINANCIAL INCOME

The company posted a net financial loss of €19 million, less €2 million than in the first half of 2006. This variation was not significant however some items changed in an asymmetric way. Exchange differences deteriorated by €6.3 million from a loss of € 2.1 million in the first half of 2007 to a gain of € 4.3 million in the same period last year. This effect was partly offset by €5.8 million lower interest charges due to lower bank indebtedness.

The depreciation of the US dollar to the euro led to further adverse exchange differences, in particular the Refining & Marketing business, resulting from losses related with assets denominated in US dollar, of which € 2.9 million from cash and equivalents.

The improvement in net financial income in the second quarter was due to lower interest charges following the decrease in bank debt in the two first quarters of 2007.

INCOME TAX

Income tax in the first half of 2007 amounted to €107 million, down €15 million on the first half of 2006. The effective tax rate was 21%, compared to 25% in the first half of 2006, reflecting favourable effects relating to (i) better results in the Exploration & Production business, which is exempt from income tax until 2011, (ii) lower results in the Gas & Power business segment and (iii) the legal change from 2007 in the calculation of local income tax.

The effective tax rate in the second quarter of 2007 rose by 2.2 p.p. compared to the previous quarter. This was primarily the result of the reduced weight of the Exploration & Production business in the overall Galp Energia results in the second quarter of 2007, 10% compared to 14% in the first quarter.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)	Dec 31, 2006	Mar 31, 2007	June, 30 2007	Change vs Dec 31, 2006	Change vs March 31, 2007
Fixed assets	2,413	2,445	2,459	46	14
Strategic stock	453	443	477	24	34
Other assets (liabilities)	(148)	(192)	(174)	(26)	18
Working capital	205	194	342	137	148
	2,924	**2,889**	**3,104**	**180**	**214**
Short term debt	587	353	600	13	247
Long term debt	513	509	499	(14)	(9)
Total debt	**1,099**	**862**	**1,099**	**(0)**	**237**
Cash	212	152	181	(31)	29
Total net debt	**887**	**709**	**918**	**31**	**208**
Total shareholder's equity	**2,037**	**2,180**	**2,186**	**150**	**6**
Capital employed	**2,924**	**2,889**	**3,104**	**180**	**214**
Debt to equity	44%	33%	42%	(2 p.p.)	9 p.p.

Fixed assets at the end of the first half of 2007 amounted to €2,459 million, up €46 million on the end of 2006. This increase was primarily due to capital expenditure in the first six months of 2007.

Strategic stocks amounted to €477 million, which was €24 million more than at the end of 2006. The rise mainly reflected higher gasoline and diesel prices in international markets in the first half of 2007 and more than offset a 6% volume decline in strategic stock in all product classes.

Other liabilities increased by €26 million and included a €24 million effect relating to the change in income tax estimate.

Working capital rose by €137 million to €342 million which resulted primarily from a €64 million increase in operational stocks and a €48 million increase in client receivables that was partly the result of average collection times increasing to 26 days in comparison with 24 days at the end of 2006.

Net debt at the end of the first half of 2007 amounted to €918 million, up €31 million on 31 December 2006. The increase in relation to the first quarter of 2007 reflected a dividend payment of €252 million in June. The debt-to-equity ratio was 42%, a reduction compared to the end of 2006.

At 30 June 2007 floating-rate long term bank debt amounted to €417 million.

The average life of Galp Energia debt was approximately 2.39 years at the end of the first half of 2007.

At 30 June 2007, €31 million of net debt was attributable to minority interests.

4. CASH FLOW

Million euros				
Second quarter			First half	
2006	2007		2006	2007
318	327	Operating Result	475	498
63	62	Non cash costs	125	119
132	(148)	Change in working capital	(156)	(137)
514	**242**	**Cash flow from operating activities**	**445**	**480**
(71)	(86)	Net capital expenditures and disposals	(114)	(166)
(133)	(34)	Change in strategic stocks holdings	(53)	(24)
(204)	**(120)**	**Cash flow from investing activities**	**(168)**	**(190)**
(3)	(1)	Financial Investments	(1)	1
(13)	(9)	Interests expenses	(25)	(18)
(58)	(92)	Taxes	(56)	(91)
2	-	Subsidies	6	7
13	(230)	Dividends paid / received	13	(230)
(6)	2	Others	(8)	12
(64)	**(330)**	**Cash flow from financing activities**	**(70)**	**(321)**
246	**(208)**	**Total**	**207**	**(31)**

FIRST HALF

Net cash inflow from operating activities amounted to €480 million in the first half of 2007 against €445 million in the first half of 2006. The most significant changes were the €23 million rise in net operating income and the €19 million reduction in working capital investment.

Net cash outflow from investing activities amounted to €190 million and was in line with capital expenditure in the period and the higher valuation of strategic inventories.

Net cash outflow from financing activities amounted to €321 million in the first half of 2007 or €251 million more than in the first half of 2006, which was primarily explained by net dividend payments of €230 million. In 2006 dividends for the 2005 financial year were not paid until July. In addition, €35 million higher tax payments reflected higher 2006 earnings.

SECOND QUARTER

Cash flow from operating activities amounted to €242 million. In the second quarter of 2006 it amounted to €514 million, primarily due to the investment in working capital, reflecting higher operational stocks.

Capital expenditure in the second quarter of 2007 was the main item contributing to net cash outflow of €120 million in the period.

Net dividend payments of €230 million, coupled with tax payments of €92 million, led to a €330 million cash outflow from financing activities.

5. CAPITAL EXPENDITURE

Million euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
26	41	16	62.0%	Exploration & Production	42	81	39	94.0%
24	20	(4)	(16.6%)	Refining & Marketing	30	41	10	34.6%
28	22	(6)	(20.8%)	Gas & Power	49	38	(10)	(21.5%)
0	2	2	n.m.	Others	0	2	2	n.m.
78	**86**	**8**	**9.8%**		**121**	**162**	**41**	**34.1%**

Total capital expenditure by Galp Energia in the first half of 2007 rose by €41 million or 34% in comparison with the first half of 2006 to a total of €162 million, of which the Exploration & Production business segment accounted for €81 million or 50%.

Expenditure by Exploration & Production business segment was mainly channelled to Angola's Blocks 14 and 32. On Block 14 the following works were performed: (i) exploration, (ii) evaluation of the Negage and Gabela fields and (iii) development of the TL field and, to a lesser extent, the BBLT field. On Block 32, expenditure was primarily channelled to exploratory wells and 3D seismic works. In Brazil expenditure on the blocks where Galp Energia is the operator focused on drilling five exploration wells on the Potiguar basin and preparing and performing the 3D seismic campaign on two blocks in the Sergipe Alagoas basin. On the blocks operated by Petrobras investment spending was mainly oriented towards preparing the drilling of onshore wells and the Tupi Sul wells in the Santos basin.

The Refining & Marketing business segment invested €41 million. In refining spending was mainly on (i) general-purpose investments in the refineries, namely energy rationalisation projects and environmental licensing, (ii) the upgrade of the Leixões oil terminal, (iii) the preparation of the turnaround of the Oporto refinery, (iv) the acquisition of a barge for the local transportation of goods and (v) the construction of strategic storage. In marketing, expenditure focused on the construction and upgrade of service stations, the acquisition of new LPG *Pluma* bottles and the expansion of piped LPG.

The Gas & Power business segment invested €38 million. In natural gas distribution 370 km of secondary network were completed and approximately 13 thousand clients were converted. In Power, the construction of a cogeneration plant at the Sines refinery was the most significant investment.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
22	51	29	128.9%	Sales and services rendered	22	93	71	317.6%
6	**29**	**23**	**354.1%**	**Operating result**	**2**	**52**	**50**	**n.m.**
-	4	4	n.m.	Non recurrent items	-	4	4	n.m.
6	**34**	**27**	**421.1%**	**Adjusted operating result**	**2**	**56**	**54**	**n.m.**
6.5	**17.0**	**10.4**	160.1%	**Average working production (kbbl/day)**	**5.9**	**17.1**	**11.2**	**191.3%**
4.6	**13.7**	**9.1**	197.1%	**Average equity production (kbbl/day)**	**4.2**	**13.8**	**9.6**	**227.7%**
0.4	**1.2**	**0.8**	197.1%	**Total equity production (million bbl)**	**0.8**	**2.5**	**1.7**	**227.7%**
0.2	0.2	(0.0)	(22.7%)	Kuito (million bbl)	0.5	0.3	(0.1)	(30.9%)
0.2	1.1	0.9	407.7%	BBLT (million bbl)	0.3	2.1	1.8	n.m.
0.0	0.0	0.0	327.4%	TL (million bbl)	0.0	0.1	0.1	n.m.
69.6	68.8	(0.9)	(1.2%)	Average brent dated price[1] (Usd/bbl)	65.7	63.3	(2.4)	(3.7%)
-	71.6	71.6	n.m.	Average realized sale price (Usd/bbl)	-	63.9	63.9	n.m.
-	**0.9**	**0.9**	n.m.	**Total sales[2] (million bbl)**	**-**	**1.9**	**1.9**	n.m.
-	**-**	**-**	**-**	**Net total assets**	**396**	**492**	**97**	**24.4%**

[1] Source: Platts.
[2] Considers effective Sales.

EXPLORATION & PRODUCTION OPERATIONS

FIRST HALF

The working production reached 17.1 thousand barrels a day, which largely exceeded the 5.9 thousand barrels per day in the first half of 2006. At 13.7 thousand barrels a day, the BBLT field was the most important contributor to increased production.

The total accumulated equity production in the first half of 2007 was 2.5 million barrels, with 84% coming from the BBLT field. The 0.3 million barrel production from the Kuito field represented 13% of the total.

Crude sales totalled 1.9 million barrels and considering total production, i.e. both realized sales and underlifting, the average sales price would have been 64.39 Usd/bbl.

SECOND QUARTER

Second-quarter working production stayed in line with production in the first quarter, above 17 thousand barrels a day, 13.7 thousand in equity terms, which testified to sustainable production increases on the BBLT and TL fields occurred in the past quarters.

NET OPERATING INCOME

FIRST HALF

Net operating income reached €52 million, which largely surpassed the €2 million of the preceding year, when other accounting criteria were used until the first quarter of 2006. Should the accounting criteria for the first half of 2007 have been used in 2006, EBITDA and net operating income would have reached €27 million and €15 million, respectively.

In addition, if non-recurrent events in the first half of 2007 relating to asset impairment of €4.4 million were excluded, net operating income would have risen to €56 million. The impaired assets were three dry wells in Brazil and two dry wells on Angola's Block 32.

The main operating cost items included production costs of €8.6 million or 4.6 Usd/bbl, oil tax of €19 million or 10.1 Usd/bbl and non-cash depreciation costs of €22.1 million or 11.8 Usd/bbl.

SECOND QUARTER

Adjusted net operating income reached €34 million, against €6 million in the second quarter of 2006. Compared to the preceding quarter, adjusted net operating income advanced 50%, which was largely a result of rising crude prices in international markets and stable cost structure.

The main operating cost items included production costs of €4.5 million or 4.9 Usd/bbl, oil tax of €10.2 million or 11.0 Usd/bbl and non-cash depreciation costs of €12.3 million or 13.3 Usd/bbl.

In Brazil, works for the evaluation of potential and economic feasibility for crude production led to five wells being drilled in the Potiguar basin, with three of them considered to be dry resulting in an impairment charges of €2.3 million, and the remaining considered discoveries, however they need to be further evaluated. In Angola, two wells were also considered to be dry on Block 32, which led to impairment charges of €2.1 million and during the second quarter two commercial discoveries were announced, Louro – 1 and Cominhos – 1, reaching a success rate of 79% in this block.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
2,785	2,808	23	0.8%	Sales and services rendered	5,441	5,240	(201)	(3.7%)
259	**242**	**(17)**	**(6.4%)**	**Operating result**	**343**	**343**	**(0)**	**(0.1%)**
(188)	(130)	58	(30.9%)	Inventory holding effect	(209)	(152)	57	(27.3%)
(8)	3	11	n.m.	Non recurrent items	(11)	1	11	n.m.
63	**116**	**53**	**84.3%**	**Adjusted operating result**	**123**	**191**	**68**	**55.3%**
5.1	**6.7**	**1.6**	**30.9%**	Rotterdam cracking refining margin[1] (Usd/bbl)	**3.9**	**5.1**	**1.2**	**31.3%**
1.4	3.5	2.1	155.6%	Rotterdam hydroskimming + aromatics refining margin[1] (Usd/bbl)	1.6	4.2	2.6	166.8%
5.8	7.3	1.6	27.0%	Galp Energia refining margin (Usd/bbl)	5.2	6.6	1.3	25.5%
25,153	25,620	467	1.9%	Crude processed (k bbl)	49,660	48,273	(1,387)	(2.8%)
3.8	**3.7**	**(0.1)**	**(3.0%)**	Raw material processed (million tonnes)	**7.4**	**7.1**	**(0.3)**	**(3.7%)**
4.1	**4.1**	**0.0**	**(0.4%)**	**Total refined product sales (million tonnes)**	**8.0**	**8.0**	**(0.0)**	**(0.2%)**
2.3	2.3	**0.0**	**2.2%**	**Sales to direct clients (million tonnes)**	**4.6**	**4.7**	**0.1**	**1.8%**
1.1	1.1	0.0	1.8%	Wholesale	2.3	2.3	(0.0)	(0.3%)
0.6	0.6	0.0	(7.0%)	Retail	1.2	1.1	(0.1)	(5.4%)
0.1	0.1	0.0	3.6%	LPG	0.2	0.2	(0.0)	(4.9%)
0.4	0.5	0.1	15.7%	Others	0.9	1.1	0.2	17.8%
0.8	**0.6**	**(0.2)**	**(24.5%)**	**Exports (million tonnes)**	**1.5**	**1.3**	**(0.2)**	**(11.9%)**
-	-	-	-	**Number of service stations**	**1,043**	**1,042**	**(1)**	**(0.1%)**
-	-	-	-	**Number of c-stores**	**189**	**208**	**19**	**10.1%**
-	-	-	-	**Net total assets**	**3,966**	**3,843**	**(123)**	**(3.1%)**

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

REFINING & MARKETING OPERATIONS

FIRST HALF

In the first half of 2007, 7.1 million tonnes of raw materials were processed, of which 91% was crude. This represented an overall decline of 4% compared to the first half of 2006, a development that was linked to the maintenance shutdowns at the Sines and Oporto refineries. These shutdowns had an impact on the utilisation rates of the Galp Energia refining system which went from 85.5% in the first half of 2006 to 82.9% in the first half of 2007.

Middle distillates and gasoline continued to weigh heaviest in the production structure with 63% of the total, 40% and 23%, respectively.

Total sales of 8 million tonnes were on a par with sales in the first half of 2006. Out of this total, 58% went to direct clients, 16% was exported and the remainder went to other operators.

The 2% increase to 4.7 million tonnes in sales to Galp Energia clients occurred mainly in Spain and made up for the 12% shortfall in exports which declined to 1.3 million tonnes, where gasoline and fuel oil continued to dominate with 37% and 34% of the total, respectively.

Apart from the slowdown in exports, exports to the US increased by 8%, rising the value of exports mix.

The number of service stations was 1,042, less 1 station than in the first half of 2006 and one more service station than the first quarter of 2007. The non-fuel business continued to expand and the outlet network reached 208 stores, five new stores in the second quarter of 2007.

SECOND QUARTER

The volume of raw materials processed at the refineries in the second quarter of 2007 was 3.7 million tonnes, which was 3% below the 3.8 million tonnes processed in the second quarter of 2006. This decline was related to a maintenance shutdown.

Second-quarter sales reached 4.1 million tonnes, in line with the second quarter of 2006. Exports fell by 25% which was explained by the 37% fall in fuel oil exports.

Between the first and second quarters of 2007 Galp Energia succeeded in expanding the coverage of its refining operations and increased sales in the domestic market to the detriment of exports, thereby achieving higher added-value sales.

NET OPERATING INCOME

FIRST HALF

Net operating income reached €343 million, the same as in the first half of 2006. In adjusted terms, operating performance improved by €68 million to €191 million which compared with the €123 million of the first half of 2006.

Higher adjusted net operating income reflected improved refining margins from 5.2 Usd/bbl to 6.6 Usd/bbl. These were, however, partly offset by the depreciation of the US dollar to the euro which reduced the margin improvement to 0.7 €/bbl. This increase in the unitary refining margin made up for the 4% reduction in processed volumes compared to the first half of 2006.

Another favourable contribution to this operating improvement was the 2% rise in sales to direct clients boosted by an increase of 9% in Spain.

SECOND QUARTER

Net operating income for the Refining & Marketing business segment in the second quarter of 2007 was €242 million. In adjusted terms, net operating income rose by 84% to €116 million, reflecting higher refining margins compared to the second quarter of 2006 of 27% and a 2% increase in sales to direct clients.

Rotterdam cracking margins reached 6.7 Usd/bbl, up 1.6 Usd/bbl on the second quarter of 2006 while reference margins for hydroskimming and aromatics improved by 2.1 Usd/bbl to 3.5 Usd/bbl.

3. GAS & POWER

Second quarter				Million euros (except otherwise noted)	First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
303	336	33	10.9%	Sales and services rendered	681	666	(15)	(2.2%)
52	**53**	**1**	**2.1%**	**Operating result**	**128**	**100**	**(27)**	**(21.4%)**
2	1	(0)	(14.9%)	Inventory holding effect	9	11	2	20.1%
0	(2)	(2)	n.m.	Non recurrent items	0	(2)	(2)	n.m.
54	**53**	**(1)**	**(2.7%)**	**Adjusted operating result**	**137**	**109**	**(27)**	**(20.0%)**
1,040	**1,355**	**315**	**30.3%**	**NG supply sales volumes (million m^3)**	**2,223**	**2,466**	**242**	**10.9%**
426	491	65	15.3%	Electrical	897	826	(70)	(7.9%)
376	395	19	5.1%	Industrial	768	802	33	4.3%
154	171	17	11.1%	Local distribution companies	379	401	22	5.7%
83	297	214	256.3%	Trading	179	437	257	143.6%
110	**122**	**11**	**10.3%**	**NG distribution sales volumes[1] (million m^3)**	**274**	**290**	**15**	**5.6%**
64	68	5	7.3%	Industrial	147	154	7	4.8%
10	11	1	13.8%	Commercial	26	28	2	7.3%
37	42	5	14.5%	Residential	102	108	6	6.3%
-	-	-	-	**NG distribution clients[1] (thousands)**	**762**	**808**	**46**	**6.0%**
369	**365**	**(5)**	**(1.3%)**	**Power generation[1] (GWh)**	**777**	**781**	**4**	**0.5%**
-	-	-	-	**Natural gas net fixed assets[2]**	**1,428**	**742**	**(686)**	**(48.1%)**
-	-	-	-	**Net total assets**	**2,166**	**1,537**	**(629)**	**(29.0%)**

[1] Includes unconsolidated companies where Galp Energia hás a significant interest.
[2] Excludes financial investment.

GAS & POWER OPERATIONS

FIRST HALF

Natural gas sales rose by 242 million cubic meters or 11% to 2,466 million cubic meters as all sub-segments except in the electrical increased. After low demand for this sub-segment in the first quarter of 2007, second-quarter sales increased as the lower rainfall favoured the use of natural gas in electricity production. This effect led to first-half sales of 826 million cubic meters in the electrical sub-segment, thereby containing to 8% the decline in demand compared to the first half of 2006, which was 29% at the end of the first quarter.

In the industrial sub-segment sales increased by 4% to 802 million cubic meters following a 6% rise in demand by industrial clients and a 2% increase from cogeneration plants. In natural gas distribution and at Galp Energia subsidiaries demand reached 290 million cubic meters, up 6% on the year before, with particular emphasis on the increase in the residential and industrial sub-segments. The number of clients reached 808 thousand.

Sales in the trading sub-segment reached 437 million cubic meters on the back of favourable international conditions which allowed the effects of reduced sales in the electricity sub-segment to be mitigated.

The cogeneration plants that are partly owned by Galp Energia bought 85.9 million cubic meters of natural gas to produce 781 GWh of energy, which was in line with production levels for the first half of 2006.

SECOND QUARTER

Sales reached 1,355 million cubic meters in the second quarter or 30% ahead of the second quarter of 2006 with all sub-segments increasing sales, particularly trading where 297 million cubic meters were sold in comparison with 83 million cubic meters in 2006. In the electrical segment 491 million cubic meters were sold representing a 15% increase over 2006.

Sales to the electrical sub-segment in the second quarter of 2007 increased by 47% and trading sales by 113% compared to the previous quarter, which made up for the usual seasonal reduction in the natural gas distribution sales, a reduction of 28%.

Energy generated in the second half of 2007 was 365 GWh or 1% below the figure for 2006, which was explained by the maintenance stop in one of the cogeneration plants.

NET OPERATING INCOME

FIRST HALF

The Gas & Power business segment posted net operating income of €100 million, down €27 million on 2006. Adjusted net operating income was €109 million.

Lower net operating income reflected the sale of transport, regasification and storage operations of natural gas, occurred in Gas & Power business segment, which had an unfavourable impact on net income as costs increased by €68.5 million, €50.2 million in respect of transport and storage, booked as current costs, and €18.3 million in respect of regasification, booked under cost of sales. These costs did not exist in the first half of 2006.

The sale of natural gas activities also reduced costs for this business segment, particularly (i) staff costs of €4.8 million, (ii) maintenance costs of €1.4 million and (iii) depreciation charges of €13.8 million.

The unitary margin of the Power sub-segment increased in the first half of 2007 by 4% to 13.97 €/MWh in the first half of 2007. Electricity was sold to the grid at a tariff of 88.26 €/MWh, representing a 2% decrease compared to the same period of 2006.

SECOND QUARTER

In the second quarter of 2007 adjusted net operating income for the Gas & Power business segment was €53 million, which was in virtual alignment with the same period of 2006, when adjusted net operating income was €54 million, even after considering the €25 million net impact from the unbundling transaction.

Commercial sales of 1,355 million cubic meters made a decisive contribution to this operating performance in a quarter when 297 million cubic meters were sold to trading and the electricity sub-segment purchased 491 million cubic meters or 15% up on the year before.

Adjusted net operating income declined by 7% compared to the second quarter of 2006 as the 22% increase in sold volumes was insufficient to accommodate lower seasonal results of natural gas distribution usual for this time of the year.

The Power sub-segment raised its unitary margin by 12% compared to the second quarter of 2006 to 13.49 €/MWh. Also in the second quarter of 2007 average rates for sales to the grid decreased by 1% to 85.47 €/MWh.

GALP ENERGIA SHARE

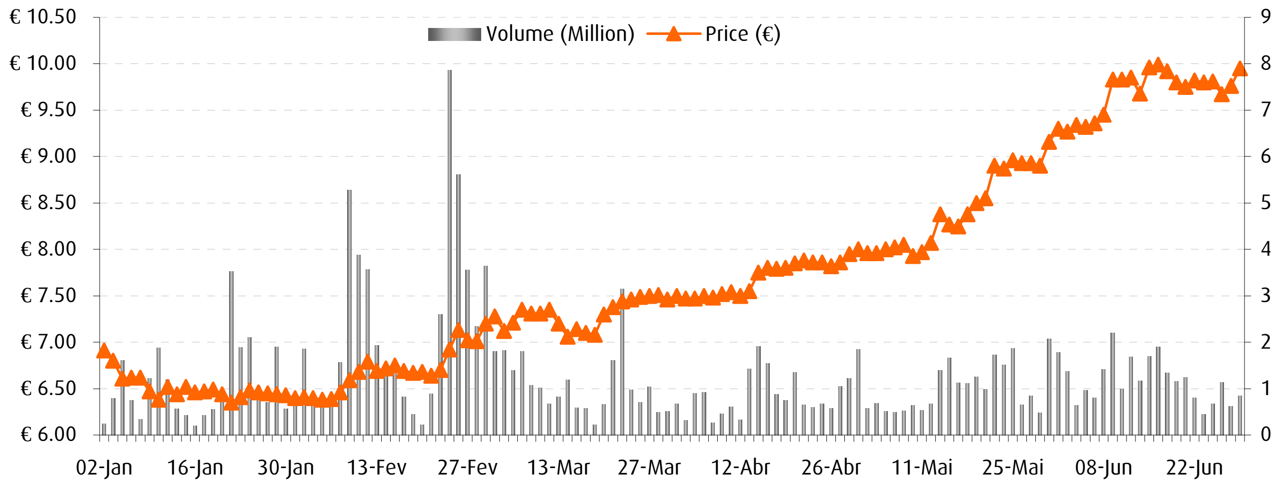
FIRST HALF

Galp Energia share increased by 43% in the first half of 2007, the maximum value attained in this period being €10.17, on the 18th of June. The valorisation since the beginning of the IPO, which occurred on the 23rd of October of 2006, reaches 71%. Regarding traded volume, approximately 162.4 million of shares were traded, corresponding to a daily average of 1.3 million shares. At 30 June 2007 Galp Energia had a market capitalisation of €8.251 million.

SECOND QUARTER

During the second quarter of 2007 Galp Energia share price increased by 33%, being the total trade volume 64.7 million shares, a daily average of 1.04 million shares.

Galp Energia share evolution



RELEVANT EVENTS OCCURED IN THE FIRST QUARTER OF 2007

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 proposed 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:

1. 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;

2. Split the dividend distribution by the two semesters, if 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 and all the 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.

ANNUAL GENERAL MEETING

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Galp Energia, SGPS, S.A.'s Annual General Meeting convened on the 28th of May, and unanimously approved the items proposed on the agenda as follows:

1. The appointment of Carlos Nuno Gomes da Silva as a non executive Director to replace Manuel Carlos Costa da Silva;

2. The consolidated management report and the individual and consolidated financial statements for 2006 as well as the other account presentation documents;

3. The proposed appropriation of net income for the year as follows, including a dividend payment of €0.304 per share;

4. A resolution expressing the shareholders' trust in the Board of Directors, the supervisory body and in each one of their members.

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.

SIGNATURE OF AN AGREEMENT FOR OIL EXPLORATION AND PRODUCTION ALONG THE LUSITANIANA BASIN

Galp Energia signed on the 18th of May an agreement with Petrobras and Partex, for oil exploration and production in four blocks of the Lusitaniana basin, located in the Portuguese coast, north of Lisbon.

Petrobras will be the operator, with a stake of 50%, Galp Energia will have 30% and Partex 20%.

The blocks, designated Camarão, Amêijoa, Mexilhão and Ostra, have water depths between 200 and 2,000 meters, corresponding to an area of 12,000 km^2.

The agreement defines an exploration period of eight years. Possible commercial discoveries will be explored by the consortium for a period of 30 years.

NEW OIL DISCOVERIES ON BLOCK 32 IN ANGOLA: COMINHOS – 1 AND LOURO – 1

On the 21st of May the contractor group for Block 32 in ultra deep water offshore Angola, where Galp Energia holds a position, announced a new oil discovery of good quality with the tenth and eleventh exploration well drilled designated Cominhos – 1 and Louro – 1, respectively.

POST CLOSING EVENTS

EXPLORATION & PRODUCTION

NEW OIL DISCOVERIES ON BLOCK 32 IN ANGOLA: COLORAU – 1

On the 7th of August the contractor group for Block 32 in ultra deep water offshore Angola, where Galp Energia holds a position, announced the twelfth oil discovery with the exploration well drilled designated Colorau - 1.

REFINING & MARKETING

GALP ENERGIA AND PETROBRAS AGREE JOINT STRATEGY IN BIOFUELS

Galp Energia and Petrobras, S.A. have signed on 4th of July an agreement for the annual production of 600,000 tonnes of vegetable oils in Brazil as well as the production, marketing and distribution of biodiesel in the Portuguese and European markets.

GAS & POWER

VENTINVESTE WINS PHASE B OF WIND POWER TENDER

The Ventinveste consortium, led by Galp Energia, was notified, on the 2nd of August, by the General Division of Energy and Geology, of the Ministry of Economy and Innovation that has been provisionally awarded with 400 MW of injection capacity and the corresponding interconnection points linked to the production of electric energy at wind power plants, in relation to Phase B of the public tender launched by the Portuguese Government.

AWARD OF ELECTRICITY TRADING LICENCE

Galp Power, a Galp Energia group company, was awarded with a licence for electricity trading. The licence covers the wholesale buying and selling and retail selling.

With this licence, Galp Power receives the attendant rights and obligations such as (i) the right to operate in the licensed activities in accordance with the applicable law and regulations and (ii) the obligations set out in the applicable law and regulations

NATURAL GAS REGULATED ACTIVITIES

The valuations requested to three internationally known banks, regarding the value of the assets sold to REN, for calculation of the final price of the transaction, lead to a €23 million adjustment. Galp Energia has demonstrated its disagreement with the valuation performed. The calculation of the final price and other issues related with the above mentioned transaction are still under discussion.

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

2. INCOME FROM ASSOCIATED COMPANIES

Million Euros								
Second quarter					First half			
2006	2007	Change	% Ch.		2006	2007	Change	% Ch.
0.3	2.7	2.4	900.1%	CLH	2.0	3.4	1.4	68.2%
9.0	8.4	(0.6)	(7.0%)	International Pipelines	18.7	17.4	(1.2)	(6.6%)
0.2	0.5	0.2	94.8%	Setgás - Natural Gas Distribution Company	1.4	1.7	0.2	17.5%
0.1	0.4	0.3	367.5%	Others	0.5	0.8	0.3	70.3%
9.6	**11.9**	**2.3**	**24.2%**	**Sub total**	**22.5**	**23.3**	**0.7**	**3.2%**
(4.6)	0.0	4.6	n.m.	Consolidation adjustments	(3.1)	7.7	10.8	n.m.
5.0	**12.0**	**7.0**	**139.2%**	**Total**	**19.4**	**31.0**	**11.5**	**59.4%**

RECONCILIATION OF REPORTED AND ADJUSTED FIGURES

1. ADJUSTED OPERATING RESULT BY BUSINESS SEGMENT

Million euros

Second quarter					2007	First half				
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
327	**(128)**	**199**	**5**	**204**	**Operating result**	**498**	**(142)**	**356**	**4**	**360**
29	-	29	4	34	E&P	52	-	52	4	56
242	(130)	113	3	116	R&M	343	(152)	191	1	191
53	1	55	(2)	53	G&P	100	11	111	(2)	109
2	-	2	-	2	Others	3	-	3	-	3

Million euros

Second quarter					2006	First half				
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
318	**(186)**	**132**	**(8)**	**124**	**Operating result**	**475**	**(200)**	**275**	**(11)**	**264**
6	-	6	-	6	E&P	2	-	2	-	2
259	(188)	71	(8)	63	R&M	343	(209)	134	(11)	123
52	2	54	0	54	G&P	128	9	136	0	137
0	-	0	0	0	Others	2	-	2	0	2

2. ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros

Second quarter					2007	First half				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
395	**(128)**	**266**	**(2)**	**264**	**EBITDA**	**627**	**(142)**	**486**	**(4)**	**481**
46	-	46	-	46	E&P	80	-	80	-	80
283	(130)	153	1	155	R&M	425	(152)	273	(1)	272
63	1	64	(3)	61	G&P	118	11	129	(3)	125
3	-	3	-	3	Others	4	-	4	-	4

Million euros										
Second quarter					2006	First half				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
390	**(186)**	**204**	**(9)**	**195**	**EBITDA**	**615**	**(200)**	**415**	**(11)**	**404**
13	-	13	-	13	E&P	15	-	15	-	15
306	(188)	119	(9)	110	R&M	438	(209)	229	(11)	218
70	2	72	0	72	G&P	160	9	168	0	169
1	-	1	(0)	1	Others	3	-	3	(0)	3

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Second quarter			First half	
2006	2007		2006	2007
-	**-**	**Exclusion of non recurrent items**	**-**	**-**
-	4.3	Assets impairments	-	4.3
-	**4.3**	**Non recurrent items of operating result**	**-**	**4.3**
-	-	Capital gains / losses on disposal of financial investments	-	-
-	**4.3**	**Non recurrent items before income taxes**	**-**	**4.3**
-	-	Income taxes on non recurrent items	-	-
-	**4.3**	**Total non recurrent items**	**-**	**4.3**

Refining & Marketing

Million Euros				
Second quarter			First half	
2006	2007		2006	2007
-	**-**	**Exclusion of non recurrent items**	**-**	**-**
(7.1)	-	Sale of strategic stock	(7.1)	0.3
(0.2)	(0.3)	Gains / losses on disposal of assets	(2.3)	(3.0)
0.2	0.0	Assets write offs	0.2	0.0
-	1.7	Employees contracts rescission	-	1.7
-	2.3	Provisions for environmental charges	-	2.3
0.2	(0.8)	Assets impairments	-	(0.5)
(1.5)	0.0	Others	(1.5)	0.0
(8.4)	**2.9**	**Non recurrent items of operating result**	**(10.7)**	**0.8**
-	-	Capital gains / losses on disposal of financial investments	(0.0)	(1.1)
(8.4)	**2.9**	**Non recurrent items before income taxes**	**(10.7)**	**(0.3)**
2.6	(0.2)	Income taxes on non recurrent items	2.9	0.1
(5.8)	**2.7**	**Total non recurrent items**	**(7.8)**	**(0.2)**

Gas & Power

Million Euros				
Second quarter			First half	
2006	2007		2006	2007
		Exclusion of non recurrent items		
(0.0)	(0.0)	Gains / losses on disposal of assets	(0.1)	(0.0)
0.0	0.1	Assets Write offs	0.0	0.1
-	(3.5)	Collections related to the sale of land	-	(3.5)
0.1	-	Restructuring costs	0.1	-
-	1.3	Provisions for environmental charges	-	1.8
0.1	**(2.1)**	**Non recurrent items of operating result**	**0.1**	**(1.6)**
-	-	Capital gains / losses on disposal of financial investments	-	-
0.1	**(2.1)**	**Non recurrent items before income taxes**	**0.1**	**(1.6)**
(0.0)	0.6	Income taxes on non recurrent items	(0.0)	0.4
0.1	**(1.6)**	**Total non recurrent items**	**0.1**	**(1.2)**

Consolidated

Million Euros				
Second quarter			First half	
2006	2007		2006	2007
		Exclusion of non recurrent items		
(7.1)	-	Sale of strategic stock	(7.1)	0.3
(0.3)	(0.3)	Gains / losses on disposal of assets	(2.4)	(3.0)
0.2	0.1	assets write offs	0.2	0.1
-	(3.5)	Collections related to the sale of land	-	(3.5)
-	1.7	Employees contracts rescission	-	1.7
0.1		Restructuring costs	0.1	-
-	3.6	Provisions for environmental charges	-	4.1
0.2	3.6	Assets impairments	-	3.8
(1.5)	0.0	Others	(1.5)	0.0
(8.3)	**5.1**	**Non recurrent items of operating result**	**(10.6)**	**3.5**
-		Capital gains / losses on disposal of financial investments	(0.0)	(1.1)
(8.3)	**5.1**	**Non recurrent items before income taxes**	**(10.7)**	**2.4**
2.6	0.3	Income taxes on non recurrent items	2.9	0.6
(5.7)	**5.5**	**Total non recurrent items**	**(7.7)**	**3.0**

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Second quarter			First half	
2006	2007		2006	2007
		Operating income		
3,050	3,106	Sales	6,042	5,824
54	34	Services rendered	89	70
11	20	Other operating income	21	40
3,116	**3,160**	**Total operating income**	**6,151**	**5,934**
		Operating costs		
(2,505)	(2,526)	Inventories consumed and sold	(5,121)	(4,837)
(133)	(157)	Material and services consumed	(256)	(307)
(74)	(66)	Personnel costs	(141)	(130)
(63)	(62)	Amortisation and depreciation cost	(125)	(119)
(8)	(5)	Provision and impairment of receivables	(15)	(10)
(14)	(16)	Other operating costs	(19)	(33)
(2,797)	**(2,832)**	**Total operating costs**	**(5,676)**	**(5,436)**
318	**327**	**Operating profit**	**475**	**498**
3	3	Financial income	7	7
(16)	(12)	Financial costs	(32)	(25)
0	0	Exchange gain (loss)	4	(2)
5	12	Result of participation in associates	19	32
1	1	Income and cost on financial instruments	3	1
(0)	(0)	Other gains and losses	(1)	(1)
312	**331**	**Profit before taxes**	**477**	**511**
(74)	(72)	Income tax expense	(121)	(107)
238	**259**	**Profit before minority interest**	**356**	**404**
(1)	(1)	Profit attributable to minority interest	(2)	(3)
237	**258**	**Net profit for the period**	**354**	**401**
0.29	**0.31**	**Earnings per share (in Euros)**	**0.43**	**0.48**

2. CONSOLIDATED BALANCE SHEET

Million euros	Dec 31, 2006	Mar 31, 2007	June 30, 2007
Assets			
Non current assets			
Tangible fixed assets	1,927	1,945	1,970
Goodwill	17	17	17
Other intangible fixed assets	325	324	323
Investments in associates	147	162	150
Investments in other participated companies	1	1	4
Other receivables	107	104	104
Deferred tax assets	145	148	129
Other financial investments	1	2	2
Total non current assets	**2,671**	**2,703**	**2,699**
Current assets			
Inventories	1,065	1,022	1,191
Trade receivables	960	922	1,008
Other receivables	318	326	351
Other financial investments	14	10	16
Current Income tax recoverable	0	0	0
Cash and cash equivalents	212	152	181
Total current assets	**2,571**	**2,434**	**2,747**
Total assets	**5,242**	**5,136**	**5,446**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(10)	(11)	(13)
Other reserves	107	107	146
Hedging reserves	1	1	2
Retained earnings	255	1,010	718
Profit attributable to equity holders of the parent	755	143	401
Equity attributable to equity holders of the parent	**2,018**	**2,160**	**2,165**
Minority interest	19	20	21
Total equity	**2,037**	**2,180**	**2,186**
Liabilities			
Non current liabilities			
Bank loans and overdrafts	287	283	273
Bonds	226	226	226
Other payables	70	74	68
Retirement and other benefit obligations	242	243	249
Deferred tax liabilities	93	88	117
Other financial instruments	0	0	0
Provisions	83	90	85
Total non current liabilities	**1,001**	**1,005**	**1,018**
Current liabilities			
Bank loans and overdrafts	566	333	600
Bonds	20	20	-
Trade payables	692	590	657
Other payables	843	891	923
Other financial instruments	3	1	8
Income tax	78	116	54
Total current liabilities	**2,204**	**1,952**	**2,241**
Total liabilities	**3,205**	**2,956**	**3,260**
Total equity and liabilities	**5,242**	**5,136**	**5,446**

ADDITIONAL INFORMATION

DEFINITIONS

BBLT	Benguela, Belize, Lobito and Tomboco
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;
Galp Energia, company or group	Galp Energia, SGPS, S.A. and associated companies
IFRS	International Financial Reporting Standards;
IPO	Initial Public Offering
IRP	Tax on crude oil sales in Angola;
Natural Gas Regulated Assets	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 +14% 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.
TL	Tombua Lândana
US	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; m3: 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.

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