galp energia

FIRST HALF 2008
RESULTS

Your positive energy

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EXECUTIVE SUMMARY

Replacement cost adjusted net profit for the first half of 2008 fell 25.1% year on year (yoy) to €214 million as the favourable performance of the Gas & Power and Exploration & Production business segments could not offset the profit shortfall in the Refining & Marketing business segment.

Indeed, rising activity levels in the Gas & Power segment, supported by higher sales volumes and favourable movements of energy product prices in international markets, coupled with rising average sales prices of crude oil in the Exploration & Production segment, were not sufficient to make up for lower results in the Refining & Marketing business segment which was affected by an adverse context of international refining margins and a falling US dollar.

SUMMARY OF RESULTS – FIRST HALF 2008

- Working interest production of crude oil at 14.7 thousand barrels a day, 14.1% down from one year earlier, though with a 12.9% rise to 15.5 thousand barrels a day between the first and the second quarters of 2008;
- 46.1% fall in Galp Energia's refining margin to 3.5 Usd/bbl, again with a favourable development between the first and the second quarters of 2008, from 3.0 Usd/bbl to 4.0 Usd/bbl;
- 70.1% cover of refining operations by marketing of oil products;
- 19.6% rise in natural gas sales yoy to a total of 2,950 million cubic metres, with the electrical sector accounting for the largest share of this increase;
- Replacement cost adjusted EBITDA of €449 million, down 10.2% from one year earlier;
- First-half net profit of €524 million or €0.63 per share, under IFRS, and €214 million or €0.26 per share, in replacement cost adjusted terms, down 25,1% yoy;
- Second-quarter net profit under IFRS of €349 million or €0.42 per share, and €105 million or €0.13 per share, in replacement cost adjusted terms, down 37.0% yoy;
- 33.4% rise in capital expenditure to €216 million, 54.6% of which was channelled to the Exploration & Production segment.

EARNINGS RELEASE

PRESS-CONFERENCE

Date: Wednesday, August 6, 6:00 pm GMT (7:00 pm CET)

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

CONFERENCE CALL AND AUDIO WEBCAST

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

Date: Thursday, August 7

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

Phones: UK: +44 (0) 203 14 74 600
Portugal: 707 785 662

Link: http://gaia.unit.net/galp/20080807/trunc

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
3,135	4,044	908	29.0%	Turnover	5,885	7,537	1,651	28.1%
405	531	127	31.3%	EBITDA	646	847	201	31.1%
276	211	(66)	(23.7%)	EBITDA replacement cost	505	444	(61)	(12.0%)
274	**216**	**(58)**	**(21.3%)**	**EBITDA replacement cost adjusted**[1]	**500**	**449**	**(51)**	**(10.2%)**
338	477	140	41.4%	Operating profit	517	725	208	40.2%
209	157	(52)	(25.0%)	Operating profit replacement cost	376	322	(54)	(14.3%)
214	**148**	**(67)**	**(31.2%)**	**Operating profit replacement cost adjusted**[1]	**379**	**316**	**(63)**	**(16.5%)**
258	349	90	35.0%	Net profit	401	524	123	30.7%
161	112	(49)	(30.3%)	Net profit replacement cost	283	218	(64)	(22.7%)
166	**105**	**(61)**	**(37.0%)**	**Net profit replacement cost adjusted**[1]	**285**	**214**	**(72)**	**(25.1%)**

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

Market indicators

Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
5.0	2.7	(2.3)	(45.8%)	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	1.7	(1.8)	(52.4%)
2.1	(1.7)	(3.8)	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)	2.3	(2.0)	(4.3)	n.m.
7.5	11.4	3.8	50.9%	Henry hub natural gas price[2] (Usd/MMbtu)	7.4	10.0	2.7	36.2%
68.8	121.4	52.6	76.5%	Average brent dated price[3] (Usd/bbl)	63.3	109.1	45.9	72.5%
1.35	1.56	0.2	15.9%	Average exchange rate[4] (Eur/Usd)	1.33	1.53	0.2	15.2%
4.2	4.9	0.7	17.4%	Euribor - six month[4] (%)	4.1	4.7	0.6	15.7%

[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			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
17.0	15.5	(1.4)	(8.3%)	Average working production (kbbl/day)	17.1	14.7	(2.4)	(14.1%)
12.3	11.3	(1.0)	(8.4%)	Average net entitlement production (kbbl/day)	12.5	10.6	(1.9)	(15.1%)
7.3	4.0	(3.3)	(45.1%)	Galp Energia refining margin (Usd/bbl)	6.6	3.5	(3.0)	(46.1%)
3.7	3.6	(0.1)	(2.9%)	Raw materials processed (million tonnes)	7.1	7.1	(0.1)	(1.0%)
2.3	2.3	(0.0)	(0.1%)	Oil sales direct clients (million tonnes)	4.7	4.6	(0.0)	(0.5%)
1,355	1,478	124	9.1%	Natural gas sales (million m^3)	2,466	2,950	484	19.6%
365	376	12	3.3%	Power generation[1] (GWh)	781	774	(7)	(0.8%)

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

BASIS OF PRESENTATION

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

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

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

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

RECENT CHANGES

The method of accounting for IRP payable in Angola was changed in the third quarter of 2007. In order to better reflect the nature of this cost item, this tax – which was previously accounted for under other operating costs – became instead a corporate income tax item. This change impacted both consolidated and Exploration & Production's operating profit. In order to make periods comparable, these changes were reflected on the results of the first and second quarters of 2007.

Portugal's new regulatory framework for the natural gas sector introduced changes to the presentation of indicators by the Gas & Power business segment in respect of both sales and clients. Accordingly, sales to the liberalised and regulated markets for natural gas are presented separately. As a result, the client base and sales relating to marketing activities include natural gas only and exclude propane LPG, which was included before. In order to make periods comparable, these changes were reflected on the results of the first and second quarters of 2007.

In the second quarter of 2008 Galp Energia revised the calculation of its Rotterdam benchmark margins for both cracking and hydroskimming in accordance with the criteria adopted in 2007 by the International Energy Agency. The benchmark margin for the Porto refinery now includes, in addition to the hydroskimming and aromatics margins, a base oil component existing in this refinery, thus replicating more truthfully the nature of the refinery's operations. To allow comparison, these changes have been reflected on the benchmark margins for the first half of 2007 and the first quarter of 2008.

MARKET ENVIRONMENT

THE BRENT

The main feature of the first half of 2008 was the rise in dated Brent, which reached new peaks and closed the period at Usd 138.9/bbl, up 44.6% from its 2007 close. The dated Brent average for the first half of 2008 was Usd 109.1/bbl or 72.5% above the average of the first half of 2007. This upward trend strengthened towards the end of the period as geopolitical tensions between Israel and Iran grew and refinery utilisation rates went up on the back of higher scheduled activity ahead of the summer period.

In the first quarter of the year, dated Brent rose 67.8% compared to the same period the year before. This rise was first driven by lower US inventories and the heavier weight of commodities in investor portfolios. In spite of lower economic activity, the dated Brent continued to rise in the second quarter and reached an average of Usd 121.4/bbl or 76.5% above the average of the second quarter of 2007. The rising trend continued throughout the quarter, with the dated Brent reaching an average of Usd 109.0/bbl in April and Usd 132.4/bbl in June. This rise was due to continued pressure from (i) emerging countries' demand, namely from those where oil products are subsidised by the state; (ii) refinery demand for light crude for the production of middle distillates; (iii) a weaker US dollar against the euro and (iv) inflationary tensions prompting a stronger demand for commodities as an asset class. In June, OPEC decided against raising production quotas with the exception of Saudi Arabia which announced a production increase of 200 thousand barrels per day.

OIL PRODUCTS

Following lower demand for gasoline compared to a year earlier, the gasoline crack spread fell to Usd 17.2/bbl in the first half of 2008 or 28.0% in comparison with the same period of 2007. In the first quarter of the year, the gasoline crack spread fell 6.1% primarily as a result of accumulated inventories; in the second quarter the yoy fall was 39.9%. In spite of this fall, the gasoline crack spread reached Usd 18.5/bbl in April, up 23.4% from the previous month, on the back of lower US gasoline inventories and scheduled refinery stops in Europe. This upward movement was also aided by rising demand for gasoline in Japan following the temporary abolition of gasoline tax. In May the gasoline crack spread declined following the rise in refinery utilisation in the United States, Russia and the Middle East, which more than offset production shortfalls in China and Europe. Despite the approaching driving season, the gasoline crack spread recovered only slightly by Usd 1.4/bbl in June due to lower demand for gasoline in the United States compared to the year before and more stable supply conditions as US refineries returned to normal activity in May.

The fuel oil crack spread had a poor performance as it slumped to –Usd 36.1/bbl in the first half, down 48.0% yoy. In the first quarter of the year the crack spread fell by 33.8% yoy, tumbling a further 61.6% yoy in the second quarter to reach new lows. In April the crack spread reached –Usd 35.8/bbl falling in June to –Usd 43.2/bbl as a consequence of rising crude prices and lower competitiveness compared to other energy products.

On the upside, the diesel crack spread staged once again a strong performance, supported by stronger demand from the transport and energy generation sectors, primarily in China. In the first half, the crack spread soared 98.3% yoy to Usd 28.6/bbl, aided by demand from Europe and Asia. In the first quarter of the year the diesel crack spread rose 51.2% yoy; in the second quarter, it rose 140.5% yoy and reached an average of Usd 35.3/bbl on the back of higher demand for middle distillates in Europe and falling distillate inventories in Europe and the United States. The crack spread averaged Usd 32.4/bbl in April and Usd 38.9/bbl in May; in June, it corrected to Usd

34.5/bbl as some countries cut subsidies to oil product prices and refineries, namely in Asia, returned to normal activity levels after completing maintenance programmes.

REFINING MARGINS

In the first half of the year, hydroskimming and cracking margins fell by Usd 1.6/bbl and Usd 1.8/bbl to –Usd 3.5/bbl and to Usd 1.7/bbl, respectively. In the first quarter, hydroskimming margins reached –Usd 4.0/bbl or Usd 1.3/bbl less than in the same period of 2007 as the level of the fuel oil crack spread fell. Cracking margins followed the same trend and fell Usd 1.5/bbl yoy to Usd 0.6/bbl. In the second quarter, both hydroskimming and cracking margins recovered and reached -Usd 2.9/bbl and Usd 2.7/bbl, respectively.

In April both margins improved as the cracking margin reached Usd 3.8/bbl, its 2008 high, and the hydroskimming margin advanced to –Usd 1.5/bbl. Rising gasoline and distillate crack spreads contributed to margins recovering in the month.

In May the cracking margin started from Usd 3.5/bbl a downward trend that would be confirmed in the following month. The hydroskimming margin also fell, to –Usd 2.4/bbl. These falls were due to the gasoline crack spread being lower than usual at this time of the year primarily because of faltering demand, particularly from the United States.

In June both margins – cracking and hydroskimming – fell, to Usd 0.9 and –Usd 4.9, respectively, in the wake of falling fuel oil, gasoline and diesel crack spreads.

THE EURO VERSUS THE US DOLLAR

The Eur/Usd exchange rate averaged 1.53 in the first half, reflecting an average 15.2% appreciation of the European currency against the US dollar compared to a year earlier. The average for the first quarter was 1.50 or 14.3% above the same quarter of 2007. In the second quarter, the Eur/Usd peaked at an all-time high of 1.59. In average terms, the euro/dollar exchange rate reached 1.56 or 4.3% above the first-quarter average and 15.9% yoy. The US dollar slide stemmed from the uncertainty surrounding the pace of the US economic slowdown and the response of the Federal Reserve through monetary easing in contrast with the ECB's hawkish stance aimed at keeping inflation under control.

THE IBERIAN MARKET

In Portugal, the market for oil products declined 2.0% yoy in the first half of 2008, to 5.3 million tonnes. This contraction was particularly due to falling diesel and gasoline sales of 2.1% and 7.9%, respectively. A bright spot was the increased demand for jet fuel with sales volumes rising by 6.7% yoy in the first half as airline operators stepped up the number of routes.

In the first quarter, the Portuguese market for oil products contracted 1.6% yoy to 2.6 million tonnes. In the second quarter, the demand for oil products slumped 2.4% to 2.7 million tonnes yoy while rising 1.3% qoq. This shortfall was prompted by lower demand for gasoline and diesel of 8.4% and 2.1%, respectively. Jet fuel sales in the second quarter rose 3.5% yoy.

In Spain, the market for oil products remained stable at 21.2 million tonnes in the first half of 2008 compared to a year earlier. The demand for gasoline and diesel dropped 5.3% and 0.7%, respectively. On the upside, jet fuel sales rose 5.8% to 2.3 million tonnes.

In the first quarter the Spanish market for oil products achieved 12.9 million tonnes as the demand for gasoline and diesel dropped 4.9% and 1.5%, respectively. These declines were offset by the higher demand for jet fuel which rose 12.3% compared to a year earlier. In the second quarter, the demand for oil products went up by 0.3% yoy to 8.3 million tonnes. In this quarter the demand for gasoline dropped 5.9% yoy in contrast to diesel and jet fuel which rose 0.8% and 4.9% to 5.6 million tonnes and to 1.2 million tonnes, respectively.

Portuguese natural gas sales rose by 18.2% yoy in the first half of 2008. This rise was due to higher demand by electricity producers following low rainfall in the period. The hydro level dropped to 0.3 in the first quarter against 0.9 a year earlier, which raised sales volumes by 27.7%.

In the second quarter, sales volumes retreated 6.7% compared to the first quarter to 1.158 million cubic metres, reflecting the seasonal demand patterns in Portugal. The electricity sector grew 14.1% yoy in the second quarter as power generation from coal continued to be phased out.

Market indicators

Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
68.8	121.4	52.6	76.5%	Average brent dated price[1] (Usd/bbl)	63.3	109.1	45.9	72.5%
14.7	35.3	20.6	140.5%	Diesel crack[2] (USD/bbl)	14.4	28.6	14.2	98.3%
30.7	18.4	(12.3)	(39.9%)	Gasoline[3] crack (Usd/bbl)	23.8	17.2	(6.7)	(28.0%)
(25.0)	(40.4)	(15.4)	(61.6%)	Fuel oil crack[4] (Usd/bbl)	(24.4)	(36.1)	(11.7)	(48.0%)
5.0	2.7	(2.3)	(45.8%)	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	1.7	(1.8)	(52.4%)
(1.1)	(2.9)	(1.8)	(156.9%)	Rotterdam hydroskimming refining margin[1] (Usd/bbl)	(1.9)	(3.5)	(1.5)	(78.9%)
2.7	2.7	(0.1)	(2.4%)	Portuguese oil market[5] (million ton)	5.4	5.3	(0.1)	(2.0%)
8.3	8.3	0.0	0.3%	Spanish oil market[6] (million ton)	21.2	21.2	0.0	0.1%
1,058	1,158	100	9.5%	Portuguese natural gas market[7] (million m^3)	2,029	2,398	369	18.2%

[1] Source: Platts.
[2] Source: Platts; ULSD 50 ppm 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. Information available up to May.
[7] Source: Galp Energia.

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
3,135	4,044	908	29.0%	Turnover	5,885	7,537	1,651	28.1%
(2,745)	(3,514)	769	28.0%	Operating expenses	(5,265)	(6,707)	1,441	27.4%
14	2	(13)	(88.0%)	Other operating revenues (expenses)	26	17	(9)	(34.2%)
405	**531**	**127**	**31.3%**	**EBITDA**	**646**	**847**	**201**	**31.1%**
(67)	(54)	(13)	(19.7%)	Depreciations and provisions	(129)	(122)	(7)	(5.4%)
338	**477**	**140**	**41.4%**	**Operating profit**	**517**	**725**	**208**	**40.2%**
12	10	(2)	(14.8%)	Net profit from associated companies	31	22	(9)	(28.8%)
(0)	(0)	0	28.1%	Net profit from investments	1	(0)	(1)	n.m.
(8)	(4)	4	45.7%	Net interest expenses	(19)	(14)	6	30.3%
341	483	142	41.5%	Profit before tax and minority interests	530	733	204	38.4%
(82)	(134)	52	63.1%	Income tax	(126)	(206)	81	64.2%
(1)	(1)	(0)	(28.4%)	Minority Interests	(3)	(3)	(0)	(4.3%)
258	**349**	**90**	**35.0%**	**Net profit**	**401**	**524**	**123**	**30.7%**
258	**349**	**90**	**35.0%**	**Net profit**	**401**	**524**	**123**	**30.7%**
(97)	(237)	139	142.8%	Inventory effect	(118)	(306)	187	158.0%
161	**112**	**(49)**	**(30.3%)**	**Net profit replacement cost**	**283**	**218**	**(64)**	**(22.7%)**
5	(7)	(13)	n.m.	Non recurrent items	3	(5)	(7)	n.m.
166	**105**	**(61)**	**(37.0%)**	**Net profit replacement cost adjusted**	**285**	**214**	**(72)**	**(25.1%)**

FIRST HALF

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

In adjusted terms, net profit fell by 25.1% yoy to €214 million. Improved operating performance at the Gas & Power and Exploration & Production business segments was not enough to offset the unfavourable performance of the Refining & Marketing business segment.

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

SECOND QUARTER

Net profit in the second quarter of 2008 increased 35.0% according to IFRS. In adjusted terms, it fell 37.0% to €105 million. Like in the first half, replacement cost adjusted operating profit for the Gas & Power and Exploration & Production business segments could not offset a pale profit performance by Refining & Marketing as this business segment was penalized by shrinking international refining margins, the depreciation of the US dollar against the euro and the lag in adjusting sales prices or time lag effect.

Another factor penalizing IFRS net profit in the quarter was the 63.1% rise in income tax, driven by increases in Angola's IRP and deferred tax.

OPERATING RESULTS

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
39	45	6	15.1%	Exploration & Production	71	85	14	19.5%
242	341	99	40.7%	Refining & Marketing	343	462	119	34.8%
53	87	34	62.8%	Gas & Power	100	171	70	70.1%
2	4	1	64.1%	Others	3	8	4	121.7%
338	**477**	**140**	**41.4%**	**Operating profit**	**517**	**725**	**208**	**40.2%**
338	**477**	**140**	**41.4%**	**Operating profit**	**517**	**725**	**208**	**40.2%**
(128)	(320)	192	149.5%	Inventory effect	(142)	(403)	261	184.7%
209	**157**	**(52)**	**(25.0%)**	**Operating profit replacement cost**	**376**	**322**	**(54)**	**(14.3%)**
5	(9)	(14)	n.m.	Non recurrent items	3	(5)	(9)	n.m.
214	**148**	**(67)**	**(31.2%)**	**Operating profit replacement cost adjusted**	**379**	**316**	**(63)**	**(16.5%)**

FIRST HALF

IFRS operating profit in the first half of 2008 rose 40.2% yoy to €725 million. In adjusted terms, i.e. excluding the inventory effect and non-recurrent events, operating profit fell 16.5% yoy to €316 million. Replacement cost adjusted operating profit at the Gas & Power business segment – on the back of rising natural gas sales – and at the Exploration & Production business segment – by way of rising benchmark crude prices in international markets – gave a positive contribution. Nevertheless, these segments' favourable performance could not offset the lower profit at the Refining & Marketing business segment which was adversely affected by a depreciating US dollar against the euro and a backdrop of deteriorated international refining margins.

SECOND QUARTER

Operating profit in the second quarter of 2008 rose 41.4% according to IFRS but fell 31.2% in adjusted terms following the subdued performance of the Refining & Marketing business segment. This segment's profit showing was influenced by an unfavourable context of international refining margins, the depreciation of the US dollar against the euro and the time lag effect. In addition, the marketing of oil products gave a lower contribution as both sales volumes and unit margins fell.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
51	89	38	74.8%	Exploration & Production	93	155	61	65.8%
2,808	3,588	779	27.7%	Refining & Marketing	5,240	6,644	1,404	26.8%
336	466	130	38.7%	Gas & Power	666	916	250	37.6%
25	30	4	17.3%	Others	50	58	8	16.4%
(85)	(129)	(44)	(51.0%)	Consolidation adjustments	(163)	(236)	(72)	(44.3%)
3,135	**4,044**	**908**	**29.0%**		**5,885**	**7,537**	**1,651**	**28.1%**

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

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

Year-on-year changes in the second quarter of 2008 followed the pattern of the first half, with increases across all business segments, and consolidated sales and services rendered rising by 29.0%.

OTHER NET OPERATING REVENUES

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
14	**2**	**(13)**	**(88.0%)**	**Other net operating revenues**	**26**	**17**	**(9)**	**(34.2%)**
(4)	8	12	n.m.	Non recurrent items	(6)	9	15	n.m.
11	**10**	**(1)**	**(6.0%)**	**Adjusted other net operating revenues**	**20**	**26**	**6**	**29.9%**

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

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

OPERATING COSTS

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2,526	3,296	769	30.5%	Cost of goods sold	4,837	6,262	1,425	29.5%
153	154	1	0.5%	Supply and services	298	309	10	3.4%
66	65	(1)	(1.5%)	Personnel costs	130	136	6	4.5%
2,745	**3,514**	**769**	**28.0%**		**5,265**	**6,707**	**1,441**	**27.4%**

FIRST HALF

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

Supply and services cost amounted to €309 million. They are, however, not directly comparable with the 2007 figures as these include €4.7 million in natural gas storage costs which are now entered under cost of goods sold. Making the periods comparable, the supply and services costs rose 5.1% as a result of (i) higher production costs in the Exploration & Production business segment, namely maintenance costs at the BBLT and Kuito fields, and the overall increase in the cost of industry services and equipment, (ii) higher maintenance and repair costs, mainly in the Sines refinery as it prepared for the general stop scheduled for September and October, (iii) higher energy costs, mainly electricity at the refineries, and (iv) higher costs of storage and filling services, namely in Spain, following the higher level of activity in this country.

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

SECOND QUARTER

In the second quarter of 2008 operating costs increased by 28,0% to €3,514 million, with increases across the board except for personnel costs. The cost of goods sold rose 30.5% - 36.2% at replacement cost to €3,616 million or 9.7% above the IFRS amount. This item accounted for 93.8% of total operating costs.

Supply and services costs of €154 million are not, like in the first quarter, directly comparable with the 2007 amounts. Adjusting for storage costs, previously booked under costs of supply and services, the increase was 2.1% due to higher production costs in the Exploration & Production business segment and the costs of maintenance and repair in the Sines refinery ahead of its scheduled general stop for maintenance.

Personnel costs developed favourably as they declined by 1.5%. This is explained by the accrual of remuneration increases across the first half contrary to 2007 when they were charged to the second quarter. Lower obligations with post-employment benefits following the use of higher discount rates in actuarial estimates also contributed to the decline.

galp energia

EMPLOYEES

	December 31, 2007	March 31, 2008	June 30, 2008	Change vs Dec 31, 2007	Change vs March 31, 2008
Exploration & Production	62	63	64	2	1
Refining & Marketing	4,747	4,792	4,829	82	37
Gas & Power	462	472	469	7	(3)
Corporte & Others	527	527	528	1	1
Total on site employees	**5,798**	**5,854**	**5,890**	**92**	**36**
Service stations employees	2,243	2,257	2,302	59	45
Total off site employees	**3,555**	**3,597**	**3,588**	**33**	**(9)**

At the end of the first half of 2008, Galp Energia had 5,890 employees, of which 2,302 were at the service stations. The main change compared to the end of 2007 occurred in the Refining & Marketing business segment, where the addition of 82 staff consisted of 21 new employees for the Sines and Porto refineries to substitute for employees approaching retirement and 59 employees at service stations as an additional directly managed service station came on stream in Spain and seasonal staff had to be hired to cover the holiday period.

DEPRECIATION

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
16	14	(2)	(10.8%)	Exploration & Production	26	29	2	7.9%
38	24	(14)	(36.3%)	Refining & Marketing	77	60	(17)	(22.3%)
8	9	1	12.2%	Gas & Power	15	17	2	10.1%
0	0	(0)	(88.3%)	Others	1	0	(0)	(71.6%)
62	**47**	**(15)**	**(24.0%)**		**119**	**105**	**(14)**	**(11.7%)**
62	**47**	**(15)**	**(24.0%)**	**Depreciations**	**119**	**105**	**(14)**	**(11.7%)**
(3)	14	18	n.m.	Non recurrent items	(4)	12	15	n.m.
59	**62**	**3**	**4.8%**	**Adjusted depreciations**	**115**	**117**	**1**	**1.2%**

FIRST HALF

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

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

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

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

SECOND QUARTER

Depreciation in the second quarter of 2008 fell by 24.0% yoy. This was explained by lower impairment charges in the Refining & Marketing business segment, as referred to above, as well as cancelled impairment charges in the Exploration & Production business segment. These had been booked in the first quarter of 2008 after two dry wells were drilled in the onshore fields of Brazil's Espírito Santo basin. Together with eight other wells on the Potiguar and Espírito Santo basins, the two wells were returned to ANP, Brazil's oil agency, and the attendant cost booked as an operating cost, thereby allowing the €3.0 million impairment charge to be cancelled.

In adjusted terms, depreciation charges increased 4.8%, with the main change – a €5.6 million increase – in the Exploration & Production segment. In addition to the change in the reserve base following the DeGolyer & MacNaughton update, the depreciation policy was changed in the second quarter to the extent that depreciation charges are now calculated on the basis of net entitlement production and proven reserves.

In the Refining & Marketing business segment, depreciation fell 36.3% in the second quarter of 2008 after impairment charges in Spain were reduced by €10.5 million. In adjusted terms, depreciation decreased by 7.8%.

PROVISIONS

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
1	1	0	3.5%	Exploration & Production	2	2	(0)	(15.4%)
2	(1)	(3)	n.m.	Refining & Marketing	5	0	(5)	(92.8%)
2	7	5	n.m.	Gas & Power	3	15	13	n.m.
-	(1)	(1)	n.m.	Others	-	(1)	(1)	n.m.
5	**7**	**2**	**33.5%**		**10**	**17**	**7**	**67.8%**
5	**7**	**2**	**33.5%**	**Provisions**	**10**	**17**	**7**	**67.8%**
(4)	(0)	4	99.3%	Non recurrent items	(4)	(1)	3	79.1%
1	**7**	**5**	**n.m.**	**Adjusted provisions**	**6**	**16**	**10**	**162.4%**

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

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

In the second quarter of 2008 provisions were in line with a year earlier although they increased €5.4 million in adjusted terms as a result of a provision for the negotiation of gas supply contracts.

RESULTS FROM ASSOCIATES

In the first half of 2008, results from associates were €22.1 million. This amount included the return on equity holdings in international gas pipelines (EMPL, Metragaz, Gasoducto Al Andaluz and Gasoducto Extremadura) which amounted to €18.5 million, up 6.3% yoy.

Nevertheless, the results of associates present a €8.9 million reduction yoy. Most of this decrease resulted from the fact that in the first half of 2007 CLH posted a capital gain on the disposal of assets.

In the second quarter of 2008 the results from associates amounted to €10.2 million, which was in line with both the second quarter of 2007 and the first quarter of 2008.

FINANCIAL INCOME

Financial losses in the first half of 2008 were €13.6 million, a €4.9 million improvement from the first half of 2007. This was mainly due to favourable exchange differences in contrast with a year earlier. Despite rising interest rates, lower average debt in the period kept interest charges stable at €18.6 million.

In the second quarter of 2008, financial losses amounted to €4.6 million reflecting a €3.8 million recovery yoy after exchange gains in the quarter.

INCOME TAX

Million euros (except otherwise noted)

Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
82	**134**	**52**	**63.1%**	**Income tax IFRS[1]**	**126**	**206**	**81**	**64.2%**
24%	*28%*	*3.7 p.p.*	*n.m.*	*Effective income tax*	*24%*	*28%*	*4.4 p.p.*	*n.m.*
(31)	(84)	53	170.6%	Inventory effect	(23)	(97)	74	321.8%
51	**50**	**(1)**	**(2.4%)**	**Income tax replacement cost**	**103**	**109**	**6**	**6.2%**
(0)	(2)	(2)	n.m.	Non recurrent items	(1)	(1)	(0)	(29.7%)
51	**48**	**(3)**	**(5.9%)**	**Income tax replacement cost adjusted**	**102**	**108**	**6**	**6.0%**
23%	*31%*	*7.9 p.p.*	*n.m.*	*Effective income tax*	*26%*	*33%*	*7.2 p.p.*	*n.m.*

[1] Includes IRP paid in Angola.

INTRODUCTORY NOTE

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

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

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

EXPLANATION OF THE INCOME TAX RECORD

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

In the first half of 2008 deferred tax of €65.5 million in respect of the difference between the FIFO and LIFO inventory valuation criteria was recognised as the prices of crude and oil products rose in the period. At

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

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

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

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

According to the replacement cost adjusted method, effective tax rate for the first half 2008 would have been 33,3% compared to 26,1% in the first half of 2007. Excluding the effect of IRP, the effective tax rate in the first quarter of 2008 would have been 20.6% against 22.3% in the same period last year.

In the second quarter of 2008, effective tax rate at replacement cost adjusted was 31.0% compared with 23,2% in the same period of 2007. Excluding IRP effective tax rate would have been 15,0% in the second quarter of 2008 and 19.4% in the second quarter of 2007.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)	December 31, 2007	March 31, 2008	June 30, 2008	Change vs Dec 31, 2007	Change vs March 31, 2008
Fixed assets	2,584	2,629	2,689	105	60
Strategic stock	566	679	894	328	215
Other assets (liabilities)	(170)	(235)	(319)	(149)	(84)
Working capital	180	121	355	175	235
	3,160	**3,194**	**3,619**	**459**	**425**
Short term debt	336	260	644	309	384
Long term debt	505	499	493	(12)	(6)
Total debt	**841**	**760**	**1,138**	**296**	**378**
Cash	107	162	325	218	163
Total net debt	**734**	**598**	**812**	**78**	**215**
Total shareholder's equity	**2,426**	**2,596**	**2,807**	**380**	**211**
Capital employed	**3,160**	**3,194**	**3,619**	**459**	**425**
Net debt to equity	30%	23%	29%	(1 p.p.)	5.9 p.p.

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

The value of strategic stocks reached €894 million compared to €566 million at 31 December 2007 and €679 million at the end of March 2008. This 31.6% gain illustrates the impact of prices in international markets – which was higher in the second quarter – on the unit revaluation of strategic obligations, namely the gasoline and middle distillate components that rose, between June and March, 24.9% and 21.6%, respectively.

Other assets and liabilities fell €149 million compared to the end of 2007, which resulted from an increase of €92.8 million in income tax payable – since no tax was payable at the end of 2007 and no advance payments had been made up to June 2008 – and a €50.3 million increase in deferred tax liabilities.

Working capital rose by €175 million to €355 million since the end of 2007 and €235 million since the end of March. This increase reflected rising receivables as sales increased and the higher valuation of inventories in line with the rise in prices of crude and oil products in international markets.

DEBT

Million euros (except otherwise noted)	December 31, 2007		March 31, 2007		June 30, 2008		Change vs Dec 31, 2007		Change vs March 31, 2008	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	226	-	226	210	16	210	(210)	210	(210)
Bank debt	171	280	155	274	234	268	64	(12)	79	(6)
Commercial paper	165	-	105	-	200	210	35	210	95	210
Cash	(107)	-	(162)	-	(325)	-	(218)	-	(163)	-
Net debt	**734**		**598**		**812**		**78**		**215**	
Average life (years)	2.75		3.03		2.39		(0.36)		(0.64)	
Net debt to equity	30%		23%		29%		(1.3 p.p.)		5.9 p.p.	

Total debt at the end of the first half of 2008 amounted to €1,138 million or an increase of €378 million compared to the end of March and an increase of €296 million compared to the end of 2007. Net debt also rose to €812 million, an increase of €215 million compared to the end of March, as a result of the €139 million dividend payment in June and increased capital expenditure in the period, which was partially offset by cash flow generation. The net debt-to-equity ratio increased 5.9 percentage points compared to March, to 28,9% at the end of June.

The average life of the debt decreased from 3.0 years at the end of March 2008 to 2.4 years as short-term debt increased its weight in the funding structure. This was the result of the reclassification as short-term debt of the unpaid balance of a securitisation issue ahead of its final maturity in July 2008. At the end of June, 43.4% of total debt was long term – versus 65.7% at the end of March – and 58.4% was on a floating rate basis.

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

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

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

4. CASH FLOW

Million euros				
Second quarter			First half	
2007	2008		2007	2008
338	477	Operating profit	517	725
62	47	Non cash costs	119	105
(147)	(235)	Change in working capital	(135)	(175)
252	**290**	**Cash flow from operating activities**	**501**	**655**
(86)	(119)	Net capital expenditures and disposals	(166)	(211)
(34)	(215)	Change in strategic stocks holdings	(24)	(328)
(120)	**(333)**	**Cash flow from investing activities**	**(190)**	**(539)**
(1)	5	Financial Investments	1	5
(9)	(9)	Interest expenses	(18)	(18)
(87)	(46)	Taxes	(105)	(58)
(0)	2	Subsidies	7	2
(230)	(124)	Dividends paid / received	(230)	(124)
(13)	1	Others	4	(2)
(340)	**(171)**	**Cash flow from financing activities**	**(341)**	**(195)**
(208)	**(215)**	**Total**	**(30)**	**(78)**

FIRST HALF

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

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

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

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

SECOND QUARTER

Cash outflow in the second quarter of 2008 increased to €215 million compared to €208 million a year earlier.

Despite the €140 million rise in IFRS operating profit, the increase in working capital that followed from higher receivables and inventories constrained cash flow growth to €38 million compared to the first half of 2007.

Cash outflow from investing activities of €333 million in the second quarter of 2008 was influenced by the rising value of strategic inventories following from the unit revaluation of products in the period.

Improved cash outflow from financing activities of €171 million stemmed from lower dividend payments as the dividend for financial 2007 was split into two payments.

5. CAPITAL EXPENDITURE

Million euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
41	54	13	30.3%	Exploration & Production	81	118	37	45.0%
20	47	26	132.1%	Refining & Marketing	41	68	27	66.6%
22	17	(6)	(25.7%)	Gas & Power	38	30	(8)	(20.4%)
2	0	(2)	(93.9%)	Others	2	0	(2)	(93.5%)
86	**117**	**32**	**36.9%**		**162**	**216**	**54**	**33.4%**

FIRST HALF

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

Just over half of that amount - €118 million – was channelled to the Exploration & Production business segment, namely to (i) works on Block 14, particularly the development of the Tômbua-Landana field and the appraisal of the Lucapa discovery, for an amount of €63.6 million, (ii) drilling and appraisal of exploration wells on Angola's Block 32, (iii) exploration activities on the Brazilian offshore for an amount of €29.9 million, including the drilling of the Júpiter and Bem-te-vi wells and the bonuses paid in the ninth bidding round for an amount of €10 million, (iv) exploration activities on the Brazilian onshore basins of Potiguar and Espírito Santo, with the drilling of ten wells giving rise to two discoveries and (v) exploration activities in Mozambique encompassing 2D and 3D seismic acquisition and interpretation.

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

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

SECOND QUARTER

Capex rose by €32 million yoy to €117 million in the second quarter of 2008. This rise was due to stepped-up spending on the Refining & Marketing business segment as down payments fell due for equipment ordered for the conversion project.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
51	89	38	74.8%	Turnover	93	155	61	65.8%
39	**45**	**6**	**15.1%**	**Operating profit**	**71**	**85**	**14**	**19.5%**
4	6	2	46.9%	Non recurrent items	4	9	5	114.9%
44	**52**	**8**	**18.2%**	**Operating profit replacement cost adjusted**	**75**	**94**	**19**	**25.0%**
17.0	**15.5**	**(1.4)**	**(8.3%)**	**Average working production (kbbl/day)**	**17.1**	**14.7**	**(2.4)**	**(14.1%)**
12.3	**11.3**	**(1.0)**	**(8.4%)**	**Average net entitlement production (kbbl/day)**	**12.5**	**10.6**	**(1.9)**	**(15.1%)**
1.1	**1.0**	**(0.1)**	**(8.4%)**	**Total net entitlement production (million bbl)**	**2.3**	**1.9**	**(0.3)**	**(14.6%)**
0.1	0.1	(0.0)	(5.5%)	Kuito (million bbl)	0.2	0.2	(0.0)	(9.0%)
1.0	0.9	(0.1)	(9.2%)	BBLT (million bbl)	2.0	1.7	(0.3)	(15.6%)
0.0	0.0	0.0	7.0%	TL (million bbl)	0.1	0.1	(0.0)	(2.9%)
74.5	117.3	42.9	57.5%	Average realized sale price[1] (Usd/bbl)	65.2	112.9	47.8	73.3%
0.9	**0.9**	**(0.0)**	**(5.0%)**	**Total sales[2] (million bbl)**	**1.9**	**1.9**	**(0.0)**	**(1.8%)**
-	-	-	-	**Net total assets**	**570**	**700**	**131**	**22.9%**

[1] Considers the effective sales and the loans granted and received.
[2] Considers effective sales.

EXPLORATION & PRODUCTION OPERATIONS

FIRST HALF

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

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

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

SECOND QUARTER

Working interest production in the second quarter of 2008 increased 12.9% qoq to 15.5 thousand barrels a day. The production increase reflected improved conditions on the BBLT field after operational difficulties developed in the last quarter of 2007. Notwithstanding, working interest production in the quarter declined 8.3% yoy not only because of difficult operations, but also because of delayed probing that lowered the number of development wells and the scale deposition in the piping.

Net entitlement production in the second quarter of 2008 decreased in line with working interest production to 11.3 thousand barrels a day. Quarter on quarter net entitlement production rose 15% as production rates were adjusted in the first – and not in the second – quarter of 2008 to respond to rising crude prices. This followed from a decision by the operator to postpone adjustments to the third and fourth quarters of 2008.

One cargo of crude of approximately 0.9 million barrels was sold in the second quarter of 2008 at a 0.1 Usd/bbl discount to the Brent. Nevertheless, considering both this cargo and the overlifting, the average sales price rose 9.1% qoq to 117.3 Usd/bbl.

OPERATING PROFIT

FIRST HALF

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

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

Depreciation charges amounted to €28.6 million or 22.7 Usd/bbl in unit terms, to be compared with 13.0 Usd/bbl a year earlier. This increase resulted from the changes brought into the valuation of production and proven and probable reserves coming out of the update as of 31 December 2007 by industry consultants DeGolyer & MacNaughton.

SECOND QUARTER

Replacement cost adjusted operating profit in the second quarter of 2008 rose 18.2% yoy and 23.1% qoq to €52 million. This resulted partly from rising sales prices as crude oil soared in international markets and the recovery of part of the production that was affected by operational difficulties.

The major operating costs consist of (i) production costs of €5.8 millions, corresponding to 8.8 Usd/bbl which increased when compared with the second quarter of 2007 as a result of the maintenance and prevention operations taken place in May at BBLT, namely the scale squeeze works, but lower than the first quarter production costs as in that period costs included more maintenance following the fourth quarter 2007 operational problems and (ii) depreciations, excluding impairments, of €16.9 millions or, in unit terms, 25.7 Usd/bbl which increased €4.6 millions from the same period last year as they were calculated based on DeGolyer & MacNaughton report.

In Brazil, appraisal of the potential and economic feasibility of crude oil production led to the return of ten onshore blocks – eight of which were operated by Galp Energia, on the Potiguar and Espírito Santo basin – to ANP, the country's oil agency. The return led to the write-off – and consequently the recognition of an operating cost – of €9.4 million which was excluded from the calculation of adjusted operating profit as it was considered as non-recurrent.

An impairment charge had already been made in the first quarter of 2008 after the drilling of two dry wells on the Espírito Santo basin's onshore. The charge, for an amount of €3.0 million, was cancelled in the second quarter.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2,808	3,588	779	27.7%	Turnover	5,240	6,644	1,404	26.8%
242	**341**	**99**	**40.7%**	**Operating profit**	**343**	**462**	**119**	**34.8%**
(130)	(318)	188	144.8%	Inventory effect	(152)	(401)	249	163.7%
3	(16)	(19)	n.m.	Non recurrent items	1	(15)	(16)	n.m.
115	**7**	**(108)**	**(93.5%)**	**Operating profit replacement cost adjusted**	**191**	**45**	**(146)**	**(76.3%)**
5.0	2.7	(2.3)	(45.8%)	Rotterdam cracking refining margin[1] (Usd/bbl)	3.5	1.7	(1.8)	(52.4%)
2.1	(1.7)	(3.8)	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin[1] (Usd/bbl)	2.3	(2.0)	(4.3)	n.m.
7.3	4.0	(3.3)	(45.1%)	Galp Energia refining margin (Usd/bbl)	6.6	3.5	(3.0)	(46.1%)
25,581	25,119	(462)	(1.8%)	Crude processed (k bbl)	48,223	48,768	545	1.1%
3.7	3.6	(0.1)	(2.9%)	Raw material processed (million tonnes)	7.1	7.1	(0.1)	(1.0%)
4.1	**4.1**	**0.0**	**0.9%**	**Total refined product sales (million tonnes)**	**8.0**	**8.0**	**(0.0)**	**(0.3%)**
2.3	**2.3**	**(0.0)**	**(0.1%)**	**Sales to direct clients (million tonnes)**	**4.7**	**4.6**	**(0.0)**	**(0.5%)**
1.1	1.1	(0.0)	(0.9%)	Wholesale	2.1	2.2	0.1	3.1%
0.6	0.6	(0.0)	(3.6%)	Retail	1.3	1.2	(0.1)	(4.1%)
0.1	0.1	(0.0)	(6.2%)	LPG	0.2	0.2	(0.0)	(6.9%)
0.5	0.5	0.0	7.1%	Others	1.1	1.1	(0.0)	(2.2%)
0.7	**0.7**	**0.1**	**8.9%**	**Exports (million tonnes)**	**1.3**	**1.4**	**0.1**	**5.7%**
-	-	-	-	**Number of service stations**	**1,041**	**1,024**	**(17)**	**(1.6%)**
-	-	-	-	**Number of c-stores**	**207**	**225**	**18**	**8.7%**
-	-	-	-	**Net total assets**	**4,056**	**4,780**	**724**	**17.9%**

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

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

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

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

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

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

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

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

SECOND QUARTER

In the second quarter of 2008, close to 3.6 million tonnes of raw materials were processed, down 2.9% yoy. This decline was mainly due to the impact of differing margins on production levels. Crude processed fell 1.8% yoy in the second quarter of 2008 which lowered the utilisation rate from 90.7% in the second quarter of 2007 to 89.0% in the second quarter of 2008. Quarter on quarter the trend was the opposite as rising refining margins led to 4.3% more crude and other raw materials being processed, namely in April and May.

Product sales rose 0.9% yoy and 6.0% qoq to 4.1 million tonnes. This was the result of rising sales to other operators and increasing exports across almost all product categories. Despite lower sales to direct clients compared to the first quarter of 2008, retail operations expanded in Spain by 6.7% while seasonality favoured the growth of sales to aircraft and marine bunkers in Portugal.

OPERATING PROFIT

FIRST HALF

IFRS-based operating profit went up by 34.8% yoy in the first half of 2008 as the inventory effect stepped up from €152 million to €401 million on the back of a steeper rise in the price of crude and oil products in the first half of 2008. In adjusted terms, operating profit tumbled €146 million or 76.3% yoy. This change was related to (i) slumping international refining margins – as an example, the Rotterdam cracking margin, the benchmark for the Sines refinery, fell by 52.4% while the benchmark for the Porto refinery posted negative levels around 2 Usd/bbl – (ii) the depreciation of the US dollar against the euro, (iii) the unfavourable €59.4 million time lag effect which resulted from the sluggish adjustment of terms agreed with market operators to price changes in international markets. In the first half of 2007, this effect amounted to €32.3 million which is explained by steeper price rises in the first half of 2008.

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

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

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

SECOND QUARTER

Replacement cost adjusted operating profit in the second quarter of 2008 dropped 93.5% to €7 million, which is explained by (i) lower refining margins as in the second quarter of 2007 these were favourably influenced by gasoline crack spreads and the rise in the diesel crack spread was not enough to offset the reduction in gasoline and fuel crack spreads in the second quarter of 2008 compared to a year earlier and (ii) the time lag whose effect was sharper in the second quarter of 2008, rising from €23.2 million in the second quarter 2007 to €53.7 million.

Quarter on quarter, replacement cost adjusted operating profit dropped 80.3%. Although refining margins rose by close to 1 Usd/bbl to 4 Usd/bbl between the first and the second quarter of 2008, this was not sufficient to offset the unfavourable time lag effect.

Cash operating costs of refining fell yoy in spite of a slight increase in US dollars from 1.5 Usd/bbl to 1.6 Usd/bbl. In the first quarter of 2008, these costs had been 2.1 Usd/bbl, meaning a 23.8% reduction quarter on quarter, a result of the reduction in personnel costs.

Marketing of oil products made a lower contribution qoq as lower volumes were sold at lower unit margins.

3. GAS & POWER

Million euros (except otherwise noted)								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
336	466	130	38.7%	Turnover	666	916	250	37.6%
53	**87**	**34**	**62.8%**	**Operating profit**	**100**	**171**	**70**	**70.1%**
1	(3)	(4)	n.m.	Inventory effect	11	(2)	(12)	n.m.
(2)	0	2	n.m.	Non recurrent items	(2)	1	2	n.m.
53	**85**	**32**	**60.2%**	**Operating profit replacement cost adjusted**	**109**	**170**	**60**	**55.2%**
36	65	29	81.4%	Supply	61	118	57	92.9%
17	19	1	8.3%	Infrastruture	48	50	2	4.3%
(0)	1	1	n.m.	Power	(0)	1	1	n.m.
1,355	**1,478**	**124**	**9.1%**	**NG supply total sales volumes (million m^3)**	**2,466**	**2,950**	**484**	**19.6%**
789	**881**	**93**	**11.7%**	**Liberalised market sales volumes (million m^3)**	**1,263**	**1,706**	**443**	**35.1%**
491	560	69	14.1%	Electrical	826	1,155	329	39.8%
-	19	19	n.m.	Industrial	-	35	35	n.m.
297	302	4	1.4%	Trading	437	517	80	18.3%
566	**597**	**31**	**5.5%**	**Regulated market sales volumes (million m^3)**	**1,203**	**1,243**	**41**	**3.4%**
463	477	14	3.0%	Industrial	954	967	13	1.4%
11	17	6	58.2%	Commercial	27	40	13	46.4%
41	42	1	2.9%	Residential	104	109	4	4.0%
51	61	10	19.1%	Other supply companies	117	127	10	8.8%
-	-	-	-	**NG distribution clients[1] (thousands)**	**781**	**841**	**60**	**7.7%**
365	**376**	**12**	**3.3%**	**Power generation[2] (GWh)**	**781**	**774**	**(7)**	**(0.8%)**
130	**108**	**(22)**	**(16.9%)**	**Sales of electricity to the grid[2]**	**283**	**241**	**(42)**	**(14.8%)**
-	-	-	-	**Natural gas net fixed assets[3]**	**727**	**740**	**13**	**1.7%**
-	-	-	-	**Net total assets**	**1,488**	**1,704**	**216**	**14.5%**

[1] Includes unconsolidated companies where Galp Energia holds a significant interest.
[2] Includes Energin, a company consolidated under the equity method, where Galp Energia holds 35%. In the first half 2008 Energin power generation and sales to grid were 457 GWh and 123 GWh, respectively.
[3] Excludes financial investment.

GAS & POWER OPERATIONS

FIRST HALF

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

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

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

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

Power generation declined 0.8% to 774 GWh. Galp Energia's cogenerations used 80.3 million cubic metres of natural gas that accounted for 8.3% of the

Portuguese industrial market. Sales of electricity to the grid dropped 14.8% yoy ahead of the annual stop for maintenance by the cogeneration plant at Carriço in the first quarter of 2008 and the unscheduled stop of the Energin cogeneration plant for 2 months in the second quarter of 2008.

SECOND QUARTER

In the second quarter of 2008 sales of natural gas increased 9.1% yoy to 1,478 million cubic metres. This increase was largely driven by the liberalised market, in particular the electricity sector. Sales of natural gas to this sector benefited from lower power generation from coal.

Quarter on quarter sales of natural gas were largely unchanged as rising sales in trading activities offset lower sales to the electricity sector and the regulated market, which was in line with the Portuguese market's seasonal pattern.

In distribution, volumes transported reached 402 million cubic metres.

In Power the generation of energy rose by 3.3% yoy. Sales of electricity to the grid dropped 16.9% as the cogeneration plant at Carriço had an unscheduled stop for two months.

OPERATING PROFIT

FIRST HALF

Replacement cost adjusted operating profit in the first half of 2008 surged 55.2% yoy to €170 million. The Gas & Power business segment now accounts for 53.6% of Galp Energia's total replacement cost adjusted operating profit. Rising profits in this business segment stemmed primarily from larger sold volumes, but also from rising margins in some sub-segments, namely trading, as a result of the increase in LNG prices in the international and in the electricity segment following the rise in the Brent. Supply activities therefore account for the increase in operating profit as they almost doubled yoy to €118 million. The infrastructure business was stable at €50 million.

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

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

SECOND QUARTER

In the second quarter of 2008, adjusted operating profit leapt 60.2% yoy to €85 million which was in line with the previous quarter. The rise in volumes sold contributed most to this increase although the higher price of LNG in the quarter impacted trading margins favourably.

The provision in the quarter against the negotiation with major suppliers of natural gas amounted to €6 million.

In the Power business the unit margin dropped to 5.4 Eur/MWh from 13.5 Eur/MWh a year earlier. Sales to the grid of 108 GWh were made at a price of 95.4 Eur/MWh.

THE GALP ENERGIA SHARE

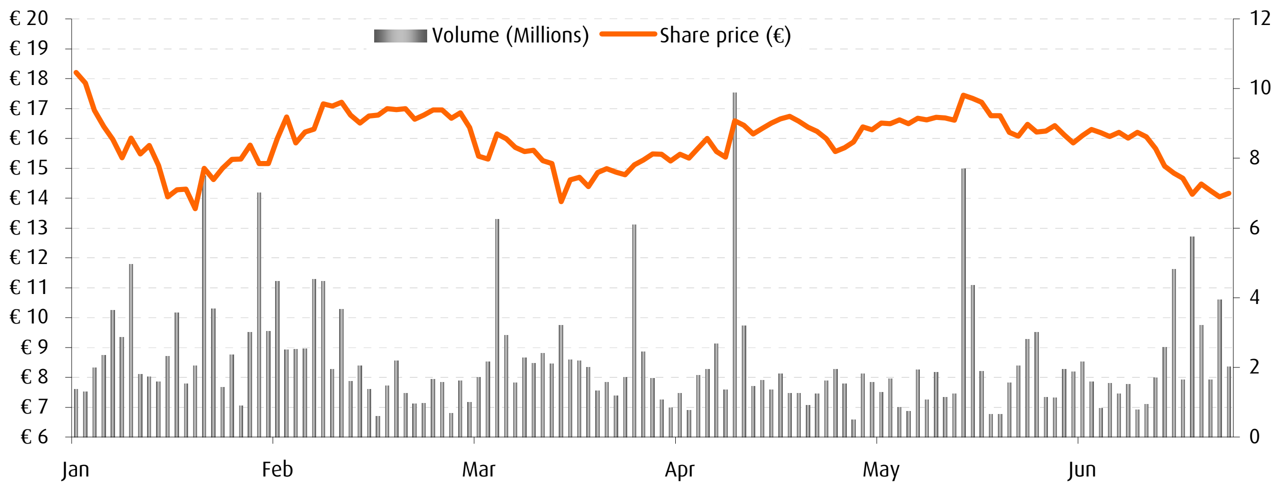
FIRST HALF

The Galp Energia share retreated 23.0% in the first half of 2008. The highest price in the period - €18.95 - was achieved on 2 January. Since the initial public offering (IPO) on 23 October 2006, the share gained 143.7%. In the period, 282.4 million shares were traded for a daily average of 2.2 million shares. At 30 June 2008, Galp Energia's market capitalisation was €11,742 million.

SECOND QUARTER

In this period the Galp Energia share lost 6.3% with 129.5 million shares traded, the equivalent of a daily average of 2.0 million shares.

Galp Energia share evolution



MATERIAL EVENTS IN THE SECOND QUARTER 2008

MAJOR HOLDING

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

ANNUAL GENERAL SHAREHOLDING MEETING

RESOLUTIONS OF THE ANNUAL GENERAL SHAREHOLDERS MEETING

Galp Energia announced on 6 May, that Galp Energia, SGPS, S.A.'s Annual General Meeting, on May 6, approved the items proposed on the agenda as follows:

1. Ratification of the Board's resolution of 19 September 2007 to appoint Francesco Antonietti and Angelo Fanelli as members of the Company's Board of Directors, as well as the Board's resolution of 20 December 2007 to appoint Enrico Grigesi as a member of the Company's Board of Directors.

2. The management report, individual and consolidated accounts, for the year 2007, as well as remaining reporting documents.

3. Proposal for application of profits which approved a dividend of 0.320€/share

4. A resolution expressing the shareholders' vote of thanks to the Board of Directors, the Supervisory Board and each one of their members.

5. A resolution on the authorization to be a member of the Board of Directors on Galp Energia's competing companies and on the definition of the access regime to Galp Energia's sensitive information by Board Members that may be proposed that are in one of the situations described on number 3 of article 398. of the Commercial Companies Code.

6. The approval of the list proposed by Amorim Energia, B.V., Caixa Geral de Depósitos, S.A. and Eni S.p.A, of the Governing Bodies for the period 2008-2010.

7. The election of the Statutory Auditor for the period 2008-2010.

8. The changes to articles number 17 and 18 of Galp Energia's articles of association.

DESIGNATION OF GALP ENERGIA'S NEW GOVERNING BODIES

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

Board of Directors

Chairman	Francisco Luís Murteira Nabo
Vice-Chairman	Manuel Ferreira De Oliveira
Members	Manuel Domingues Vicente
	Fernando Manuel dos Santos Gomes
	José António Marques Gonçalves
	André Freire de Almeida Palmeiro Ribeiro
	Carlos Nuno Gomes da Silva
	Rui Paulo da Costa Cunha e Silva Gonçalves
	João Pedro Leitão Pinheiro de Figueiredo Brito
	Alberto Chiarini
	Cláudio De Marco
	Paolo Grossi
	Camillo Gloria
	Fabrizio Dassogno
	Giuseppe Ricci
	Luigi Piro
	Joaquim José Borges Gouveia

Executive Committee

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

The designation of Corporate secretary was made on May 9.

DIVIDEND PAYMENT

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

EXPLORATION & PRODUCTION

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

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

NEW OIL DISCOVERY IN THE PRE-SALT OF SANTOS BASIN

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

REFINING & MARKETING

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

On April 18, Galp Energia and ExxonMobil Mediterranea srl. announced that an agreement has been signed for the sale of shares of Esso Espanola, SL ("Esso Spain") and ExxonMobil Portugal Holdings BV, owner of Esso Portuguesa LDA ("Esso Portugal") to Galp Energia. The transaction represents a petroleum product sales volume of around one million tons per year and includes ExxonMobil's retail station network in the two countries, currently totalling 130 service stations, and its Industrial, Wholesale, LPG and Aviation fuels businesses.

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

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

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

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

GAS & POWER

GALP ENERGIA AND THE PORTUGUESE STATE SIGN NATURAL GAS CONCESSION CONTRACTS

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

ERSE RELEASES NATURAL GAS TARIFFS AND PRICES

On 18 June Entidade Reguladora dos Serviços Energéticos ("ERSE"), Portugal's energy regulator, published yesterday "Tarifas e Preços de Gás Natural para o ano gás de 2008-2009", a document containing the pricing grid for natural gas in Portugal. These tariffs are based on revenues allowed for gas year 2008-2009 for each regulated natural gas activity, which are the sum of the cost of capital (rate of return on regulated assets plus depreciation), operating costs and the tariff deviation – defined as the difference between estimated allowed revenues for year n-2 and actual revenues – if any. For last resort supply activities, allowed revenues include, in addition to operating costs, depreciation and the tariff deviation, a commercialization margin covering the financial risk borne by last resort suppliers as a result of their working capital management. This commercialization margin consists of the application of a rate of return to the product of the weighted difference between the average number of payment and collection days and the sum of costs accepted for the relevant activity. The regulated asset base underlying the activities of underground storage and distribution of natural gas is €17 and €1,016 million respectively.

AWARDS CONCEDED

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

EVENTS AFTER THE CLOSE OF FIRST HALF 2008

MAJOR HOLDING

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

TAX CHANGE

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

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

The change proposed today by the Portuguese council of ministers:

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

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

AWARDS CONCEDED

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

ASSOCIATES

1. MAJOR ASSOCIATES

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

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

2. RESULTS FROM ASSOCIATES

Million Euros								
Second quarter					First half			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2.7	1.8	(0.8)	(31.5%)	CLH	3.4	3.6	0.3	7.5%
8.4	9.1	0.7	8.3%	International Pipelines	17.4	18.5	1.1	6.3%
0.5	0.3	(0.2)	(42.1%)	Setgás - Natural Gas Distribution Company	1.7	1.3	(0.4)	(21.8%)
0.4	0.4	(0.0)	(5.8%)	Others	0.8	0.5	(0.3)	(39.9%)
11.9	**11.6**	**(0.4)**	**(3.2%)**	**Sub total**	**23.3**	**23.9**	**0.7**	**2.9%**
0.0	(1.4)	(1.4)	n.m.	Consolidation adjustments	7.7	(1.9)	(9.6)	n.m.
12.0	**10.2**	**(1.8)**	**(14.8%)**	**Total**	**31.0**	**22.1**	**(8.9)**	**(28.8%)**

RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED OPERATING PROFIT BY BUSINESS SEGMENT

Million euros

Second quarter					2008	First half				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
477	**(320)**	**157**	**(9)**	**148**	**Operating profit**	**725**	**(403)**	**322**	**(5)**	**316**
45	-	45	6	52	E&P	85	-	85	9	94
341	(318)	23	(16)	7	R&M	462	(401)	61	(15)	45
87	(3)	84	0	85	G&P	171	(2)	169	1	170
4	-	4	0	4	Others	8	-	8	0	8

Million euros

Second quarter					2007	First half				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
338	**(128)**	**209**	**5**	**214**	**Operating profit**	**517**	**(142)**	**376**	**3**	**379**
39	-	39	4	44	E&P	71	-	71	4	75
242	(130)	113	3	115	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

2. REPLACEMENT COST ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros

Second quarter					2008	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
531	**(320)**	**211**	**5**	**216**	**EBITDA**	**847**	**(403)**	**444**	**5**	**449**
61	-	61	9	70	E&P	115	-	115	9	124
365	(318)	47	(4)	43	R&M	522	(401)	121	(4)	117
103	(3)	100	(0)	100	G&P	203	(2)	201	(0)	201
3	-	3	0	3	Others	7	-	7	0	7

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
405	**(128)**	**276**	**(2)**	**274**	**EBITDA**	**646**	**(142)**	**505**	**(4)**	**500**
56	-	56	-	56	E&P	99	-	99	-	99
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

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Second quarter			First half	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Gains / losses on disposal of assets	-	-
-	9.3	Assets write offs	-	9.3
4.3	(2.9)	Assets impairments	4.3	-
-	0.0	Others	-	0.0
4.3	**6.4**	**Non recurrent items of operating profit**	**4.3**	**9.4**
-	-	Other financial results	-	-
4.3	**6.4**	**Non recurrent items before income taxes**	**4.3**	**9.4**
-	(2.2)	Income taxes on non recurrent items	-	(3.2)
4.3	**4.3**	**Total non recurrent items**	**4.3**	**6.2**

Refining & Marketing

Million Euros				
Second quarter			First half	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	(3.7)	Sale of strategic stock	0.3	(3.7)
(0.3)	0.1	Gains / losses on disposal of assets	(3.0)	0.1
0.0	0.0	Assets write offs	0.0	0.1
1.7	0.5	Employees contracts rescission	1.7	0.5
2.3	(0.1)	Provisions for environmental charges	2.3	0.0
(0.8)	(11.6)	Assets impairments	(0.5)	(11.5)
-	(1.3)	Others	0.0	(0.9)
2.9	**(15.9)**	**Non recurrent items of operating profit**	**0.8**	**(15.4)**
-	-	Capital gains / losses on disposal of financial investments	(1.1)	-
2.9	**(15.9)**	**Non recurrent items before income taxes**	**(0.3)**	**(15.4)**
(0.2)	4.3	Income taxes on non recurrent items	0.1	4.2
2.7	**(11.6)**	**Total non recurrent items**	**(0.2)**	**(11.3)**

Gas & Power

Million Euros				
Second quarter			First half	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Services rendered	-	-
(0.0)	(0.2)	Gains / losses on disposal of assets	(0.0)	(0.2)
0.1	0.1	Assets Write offs	0.1	0.1
(3.5)	-	Collections related to the sale of land	(3.5)	-
-	-	Employees contracts rescission	-	-
-	-	Restructuring provision	-	-
1.3	0.1	Provisions for other risks and charges	1.8	0.8
(2.1)	**0.0**	**Non recurrent items of operating profit**	**(1.6)**	**0.8**
(2.1)	**0.0**	**Non recurrent items before income taxes**	**(1.6)**	**0.8**
0.6	(0.0)	Income taxes on non recurrent items	0.4	(0.2)
(1.6)	**(0.0)**	**Total non recurrent items**	**(1.2)**	**0.5**

Others

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

Consolidated

Million Euros				
Second quarter			First half	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	(3.7)	Sale of strategic stock	0.3	(3.7)
(0.3)	(0.1)	Gains / losses on disposal of assets	(3.0)	(0.1)
0.1	9.5	Assets write off	0.1	9.6
(3.5)	-	Collections related to the sale of land	(3.5)	-
1.7	0.5	Employees contracts rescission	1.7	0.5
1.3	0.1	Provisions for other risks and charges	1.8	0.8
2.3	(0.1)	Provisions for environmental charges	2.3	(0.0)
3.6	(14.5)	Assets impairments	3.8	(11.5)
-	(1.3)	Others	0.0	(0.9)
5.1	**(9.5)**	**Non recurrent items of operating profit**	**3.5**	**(5.3)**
-	-	Capital gains / losses on disposal of financial investments	(1.1)	-
-	-	Other financial results	-	-
5.1	**(9.5)**	**Non recurrent items before income taxes**	**2.4**	**(5.3)**
0.3	2.1	Income taxes on non recurrent items	0.6	0.7
5.5	**(7.4)**	**Total non recurrent items**	**3.0**	**(4.5)**

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Second quarter			First half	
2007	2008		2007	2008
		Operating income		
3,106	4,011	Sales	5,824	7,472
30	33	Services rendered	62	65
20	18	Other operating income	40	39
3,155	**4,062**	**Total operating income**	**5,926**	**7,575**
		Operating costs		
(2,526)	(3,296)	Inventories consumed and sold	(4,837)	(6,262)
(153)	(154)	Material and services consumed	(298)	(309)
(66)	(65)	Personnel costs	(130)	(136)
(62)	(47)	Amortisation and depreciation cost	(119)	(105)
(5)	(7)	Provision and impairment of receivables	(10)	(17)
(6)	(17)	Other operating costs	(14)	(21)
(2,818)	**(3,585)**	**Total operating costs**	**(5,409)**	**(6,850)**
338	**477**	**Operating profit**	**517**	**725**
12	10	Net profit from associated companies	31	22
(0)	(0)	Net profit from investments	1	(0)
		Financial results		
3	3	Financial profit	7	7
(12)	(12)	Financial costs	(25)	(24)
0	4	Exchange gain (loss)	(2)	5
1	0	Profit and cost on financial instruments	1	(0)
(0)	(0)	Other gains and losses	(1)	(1)
341	**483**	**Profit before taxes**	**530**	**733**
(82)	(134)	Income tax expense	(126)	(206)
259	**350**	**Profit before minority interest**	**404**	**527**
(1)	(1)	Profit attributable to minority interest	(3)	(3)
258	**349**	**Net profit for the period**	**401**	**524**
0.31	**0.42**	**Earnings per share (in Euros)**	**0.48**	**0.63**

2. CONSOLIDATED BALANCE SHEET

Million euros	Dec 31, 2007	Mar 31, 2008	June 30, 2008
Assets			
Non current assets			
Tangible fixed assets	2,108	2,132	2,197
Goodwill	17	17	17
Other intangible fixed assets	310	320	324
Investments in associates	149	156	149
Investments in other participated companies	1	4	1
Other receivables	89	87	86
Deferred tax assets	132	111	129
Other financial investments	1	1	2
Total non current assets	**2,807**	**2,830**	**2,906**
Current assets			
Inventories	1,422	1,547	1,895
Trade receivables	1,077	1,132	1,185
Other receivables	330	302	374
Other financial investments	6	8	34
Current Income tax recoverable	0	0	0
Cash and cash equivalents	107	162	325
Total current assets	**2,943**	**3,152**	**3,813**
Total assets	**5,750**	**5,982**	**6,719**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(23)	(29)	(29)
Other reserves	146	146	174
Hedging reserves	1	1	1
Retained earnings	592	1,368	1,201
Profit attributable to equity holders of the parent	777	175	524
Equity attributable to equity holders of the parent	**2,404**	**2,573**	**2,783**
Minority interest	22	23	24
Total equity	**2,426**	**2,596**	**2,807**
Liabilities			
Non current liabilities			
Bank loans and overdrafts	280	274	478
Bonds	226	226	16
Other payables	62	61	62
Retirement and other benefit obligations	254	256	257
Deferred tax liabilities	148	143	198
Other financial instruments	0	0	0
Provisions	83	85	98
Total non current liabilities	**1,051**	**1,044**	**1,107**
Current liabilities			
Bank loans and overdrafts	336	260	434
Bonds	-	-	210
Trade payables	956	968	932
Other payables	981	1,067	1,108
Other financial instruments	0	2	28
Income tax	-	44	93
Total current liabilities	**2,272**	**2,342**	**2,805**
Total liabilities	**3,323**	**3,386**	**3,912**
Total equity and liabilities	**5,750**	**5,982**	**6,719**

ADDITIONAL INFORMATION

AC	Average Cost (inventory valuation method)
BBLT	*Benguela, Belize, Lobito* and *Tomboco*
CLH	*Companhia Logística de Hidrocarburos, S.A.*
EBITDA	EBITDA is defined as net operating income plus depreciation and provisions. EBITDA is not a standard measure, the reason it should not be used in comparisons between companies. EBITDA is not a direct liquidity measure and should be analyzed jointly with the actual cash flows resulting from operating activities and taking into account existing financial commitments
FIFO	First In First Out (inventory valuation method)
Galp Energia, company or group	Galp Energia, SGPS, S.A. and associates
IAS	International Accounting tandards
IFRS	International Financial Reporting Standards
IPH	*Índice de Produtibilidade Hidroeléctrica* – (freely translated) Portuguese for hydropower utilisation index – is an indicator that aims to quantify the variance in hydropower generation in a given period compared to the hydropower-based generation level in a 'normal' period – rated as '1' by the index and defined as a period when water resources approach average or trend values. Index values below '1' describe situations where hydropower utilisation is below trend and values above '1' describe situations where hydropower utilisation is above trend.
IRP	Tax on revenue generated by the sale of oil in Angola
LIFO	Last In First Out (inventory valuation method)
LNG	Liquefied Natural Gas

PSA	Production Sharing Agreement
Replacement cost	According to this method of valuing inventories, the cost of goods sold is valued at *the cost of replacement*, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.
Rotterdam cracking refining margin	Rotterdam Cracking refining margin: -100% Brent dated, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.4% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 50 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.7%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 $/ton. Yields in % of weight.
Rotterdam hydroskimming + aromatics + base oils refining margin	Rotterdam hydroskimming refining margin: -100% Brent dated, +2.1% LGP FOB Seagoing (50% Butane + 50% Propane), +15.1% PM UL NWE FOB Bg., +4.0% Naphtha NWE FOB Bg., +9% Jet NWE CIF Cg., +32.0% ULSD 10 ppm NWE CIF Cg. and +33.8% LSFO 1% FOB NWE Cg.; C&L: 4.0%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 $/ton. Rotterdam aromatics refining margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.5% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Ortoxylene Rotterdam FOB Bg.. Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight. Base Oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, 34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., 14% Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% NWE FOB Cg.; Losses: 0.6%; Terminal rate: 1 $/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 $/ton. Yields in % of weight. Rotterdam hydroskimming + Aromatics + Base oils refining margin = 65% Rotterdam hydroskimming refining margin + 15% Rotterdam aromatics refining margin + 20% Base Oils refining margin.

TL	Tombua Lândana
USA	United States of America

ACRONYMS

bbl: barrels; bbl/d: barrels a day; Bg: *Barges*; Cg: *Cargoes*; CIF: *Cost, Insurance and Freight*; E&P: Exploration & Production; Eur: Euro; FOB: *Free on Board*; G&P: Gas & Power; LSFO: *Low sulphur fuel oil*; m^3: cubic metres; n.m.: not meaningful; PM UL: *Premium unleaded*; R&M: Refining & Marketing; ULSD CIF Cg: *Ultra Low sulphur diesel* CIF *Cargoes*; Usd: US dollar; OPEC - *Organization of the Petroleum Exporting Countries*.

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