



NINE MONTHS 2008 **RESULTS**

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EXECUTIVE SUMMARY

Replacement cost adjusted net profit for the first nine months of 2008 declined 6.3% year on year (yoy) to €353 million as the favourable results in the Gas & Power business segment could not offset the shortfall in Refining & Marketing. Exploration & Production performed in line with 2007.

Rising business activity in the Gas & Power segment, supported by higher sales volumes and favourable energy product prices in international markets, was not enough to make up for lower results in the Refining & Marketing segment, which were affected by an unfavourable backdrop of lower refining margins and a falling US dollar.

SUMMARY OF RESULTS – NINE MONTHS 2008

- Working interest production of crude oil at 14.9 thousand barrels a day, down 14.6% yoy but in line with the previous quarter;
- 29.4% fall in Galp Energia's refining margin from Usd 5.7/bbl to Usd 4.1/bbl in the first nine months

of the year although with an improvement from Usd 4.1/bbl to Usd 5.4/bbl between the third quarter of 2007 and the third quarter of 2008;

- 69.5% cover of refining by marketing of own-branded oil products;
- 17.2% rise in natural gas sales to 4,413 million cubic metres compared to the first nine months of 2007, with the electrical sector weighing heaviest in this increase;
- Replacement cost adjusted EBITDA of €731 million, 2.7% ahead of 2007;
- IFRS net profit of €521 million, or €0.63 per share, and replacement cost adjusted net profit of €353 million, or €0.43 per share, down 6.3% yoy;
- IFRS net loss of €3 million and replacement cost adjusted net profit of €139 million in the third quarter, 52.3% ahead yoy;
- 65.1% rise in capital expenditure to €427 million, with 45.7% of the total being channelled to the Refining & Marketing business segment.

EARNINGS RELEASE PRESS-CONFERENCE

Date: Wednesday, November 12, 5:00 pm GMT (6:00 pm CET)

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

CONFERENCE CALL AND AUDIO WEBCAST

Hosted by: Manuel Ferreira De Oliveira (CEO)

Claudio De Marco (CFO)

Tiago Villas-Boas (IR)

Date: Thursday, November 13

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/20081113/trunc>

Chairperson: Tiago Villas-Boas

KEY FIGURES

Financial data

Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
3,238	3,970	732	22.6%	Turnover	9,124	11,507	2,383	26.1%
283	96	(187)	(66.1%)	EBITDA	930	943	13	1.5%
216	280	64	29.6%	EBITDA replacement cost	721	724	3	0.5%
211	282	70	33.3%	EBITDA replacement cost adjusted¹	712	731	19	2.7%
218	8	(210)	(96.1%)	Operating profit	735	733	(2)	(0.3%)
151	193	41	27.4%	Operating profit replacement cost	527	514	(12)	(2.4%)
147	198	52	35.1%	Operating profit replacement cost adjusted¹	526	515	(11)	(2.1%)
188	(3)	(191)	n.m.	Net profit	589	521	(68)	(11.5%)
118	134	16	13.3%	Net profit replacement cost	401	352	(48)	(12.1%)
91	139	48	52.3%	Net profit replacement cost adjusted¹	377	353	(24)	(6.3%)

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

Market indicators

Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2.2	2.8	0.7	30.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	3.1	2.1	(1.0)	(32.7%)
(0.0)	1.8	1.8	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin ¹ (Usd/bbl)	1.5	(0.7)	(2.2)	n.m.
6.2	9.0	2.9	46.3%	Henry Hub natural gas price ² (Usd/MMbtu)	7.0	9.7	2.7	39.2%
74.9	114.8	39.9	53.3%	Average Dated Brent price ³ (Usd/bbl)	67.1	111.0	43.9	65.4%
1.37	1.51	0.1	9.5%	Average exchange rate ⁴ (Eur/Usd)	1.34	1.52	0.2	13.2%
4.56	5.18	0.6	13.4%	Euribor - six month ⁴ (%)	4.24	4.87	0.6	14.9%

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

² Source: Reuters.

³ Source: Platts.

⁴ Source: European Central Bank. Euribor 360.

Operating data

Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
18.3	15.5	(2.8)	(15.5%)	Average working interest production (kbbbl/day)	17.5	14.9	(2.6)	(14.6%)
14.5	9.1	(5.4)	(37.1%)	Average net entitlement production (kbbbl/day)	13.1	10.1	(3.1)	(23.2%)
4.1	5.4	1.3	30.4%	Galp Energia refining margin (Usd/bbl)	5.7	4.1	(1.7)	(29.4%)
3.6	3.0	(0.6)	(15.7%)	Raw materials processed (million tonnes)	10.7	10.1	(0.6)	(6.0%)
2.4	2.2	(0.1)	(6.0%)	Oil sales direct clients (million tonnes)	7.0	6.9	(0.2)	(2.4%)
1,299	1,464	165	12.7%	Natural gas sales (million m ³)	3,765	4,413	649	17.2%
406	414	7	1.8%	Power generation ¹ (GWh)	1,187	1,188	1	0.1%

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

BASIS OF PRESENTATION

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

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 reported separately. As a result, the client base and sales relating to marketing activities include natural gas only and exclude propane LPG, which was included up to the end of 2007. In order to make periods comparable, these changes were reflected on the indicators of the third quarter and the first nine months 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 third quarter of 2007 and the first nine months of 2007.

MARKET ENVIRONMENT

THE BRENT

In the first nine months of 2008 the dated Brent evidenced two opposite trends. In the first six months of the year, the price rose 44.6% compared to the end of 2007, with an all-time high of Usd 144.2/bbl being reached in the third quarter of the year. The subsequent sharp correction knocked the price of crude down to Usd 93.7/bbl at the end of September. This movement followed the widespread crisis in financial markets which full effects on the world economy are still difficult to quantify. In the first nine months of the year, the dated Brent rose by 65.4% yoy in average terms. In the third quarter the rising trend of the first and second quarters was reversed.

The first three months of 2008 built on the rising trend of the last quarter of 2007, with the dated Brent jumping 67.8% yoy as US stockpiles fell and commodities as an asset class weighted heavier in investor portfolios. The rise in the price of crude became steeper in the second quarter, averaging Usd 121.4/bbl in the period, up 76.5% yoy. This climb was fuelled by the broader advance in commodity prices and the US dollar's depreciation against the euro. The third quarter witnessed the year's high and low marks, Usd 144.2/bbl e Usd 86.7/bbl, respectively. The turning point for the dated Brent was in July, when the average price of Usd 133.2/bbl was 73.0% higher than in the previous year. The drop in the price of crude was primarily due to (i) rising supply from OPEC, (ii) falling demand from OECD countries and (iii) the limited damage caused by the first seasonal wave of hurricanes. The downward trend extended into August, with the dated Brent averaging Usd 113.0/bbl, a 15.1% fall month on month but a 59.8% rise yoy. The weaker demand from OECD dominated market sentiment to the extent that prices did not adjust to the consequences of hurricane Gustav or the shutdown of the BTC (Baku-Tiblisi-Ceyhan) pipeline. The last month of the quarter confirmed the falling trend of the dated Brent to a monthly average of Usd 98.1/bbl, down 13.2% on August but up 27.7% from September 2007. Despite OPEC's lower supply, market

sentiment was overwhelmed by worries about slower-than-anticipated demand growth.

OIL PRODUCTS

The gasoline crack spread fell by 24.8% yoy in the first nine months of 2008. This fall, with average spreads at Usd 15.8/bbl, did not follow in a clear way the 65.4% yoy rise in dated Brent. The economic slowdown, which brought on falling demand, was the main factor behind the fall-off. Whereas the gasoline crack spread dropped 9.2% in the first quarter, primarily owing to inventory accumulation in the period, in the second quarter the spread fell by 40.3% yoy and rose by 24.4% qoq. In July the gasoline crack spread averaged Usd 11.9/bbl, below April's Usd 18.0/bbl, as economic activity slowed down and demand slumped, particularly in the US, where the driving season led to much lower demand than in 2007. In August the gasoline crack spread rose to Usd 16.5/bbl, 38.7% up month on month and 14.1% down yoy. This monthly recovery was due to lower supply as production, particularly in the US, was switched to middle distillates. In September the gasoline crack spread rose to Usd 20.5/bbl, up 24.2% month on month and 16.7% yoy.

The fuel oil crack spread averaged Usd -35.8/bbl, down 37.4% compared to the first nine months of 2007. Despite this drop, the falling trend in the two first quarters of the year was reversed in the third quarter. In the first quarter the fuel oil crack spread fell by 31.0% yoy with this trend extending into the second quarter with a 57.7% yoy fall. In July the fuel oil crack spread recovered to an average of Usd -37.2/bbl as supply contracted. In August the recovery gained momentum with an average of Usd -30.0/bbl, i.e. up 19.4% month on month but down 29.5% yoy. The rebound was driven by the growing need for electric power generation in the Middle East, with the increase in fuel oil demand, and low water levels in Iran. In September the fuel oil crack spread reached Usd -27.3/bbl, the best record in the third quarter, as supply dwindled, particularly from the Middle East,

where domestic demand for power generation was sustained.

The diesel crack spread was once again the only one showing a favourable yoy change, averaging Usd 28.9/bbl in the first nine months of the year, up 95.1% yoy. Despite a decline in the third quarter, the record in 2008 clearly exceeded the one in 2007. The first quarter of 2008 benefited from higher demand from the transportation and power generation sectors, particularly from China. The second quarter of the year confirmed the rising trend, with the diesel crack spread increasing 140.5% yoy on the back of higher demand for middle distillates in Europe and the fall in distillate inventories in Europe and the United States. In July the diesel crack spread eased back to Usd 32.4/bbl, primarily due to lower demand but also to rising global refining capacity. In August the diesel crack spread dropped 20.4% month on month still surging 54.7% yoy. This unfavourable behaviour was due to lower demand, particularly from non-OECD countries, and the shortfall in Chinese imports as stockpiles for the Olympic Games were filled. In September the falling trend from August was reversed as the diesel crack spread rose to Usd 29.8/bbl, or 15.6% month on month and 67.4% yoy. This rise was driven by lower capacity utilisation in US refineries and some recovery in European demand as prices eased.

REFINING MARGINS

The main feature in the first nine months of the year was the yoy fall in hydroskimming and cracking margins of Usd 0.6/bbl and Usd 1.0/bbl to Usd -2.6/bbl and Usd 2.1/bbl, respectively. In the first quarter hydroskimming margins were Usd -4.0/bbl, that is, down Usd 1.3/bbl yoy, as a result of the level of the fuel oil crack spread. In the same period the cracking margins dropped by Usd 1.5/bbl to Usd 0.6/bbl. The second quarter featured the recovery of hydroskimming and cracking margins which reached Usd -2.9/bbl and Usd 2.7/bbl, respectively. The change in cracking margins was due to rising crack spreads for distillates. In the third quarter hydroskimming margins recovered to Usd -0.9/bbl, that is, up Usd 1.4/bbl yoy. This recovery was due to the rising price of fuel oil as supply fell as a result of

the increased production of middle distillates. In this context, a significant development was the rise in demand for fuel oil from Middle Eastern power plants as a consequence of warm weather. Cracking margins also evidenced, to a lesser extent, a rising trend – by Usd 0.7/bbl – and reached an average of Usd 2.8/bbl in the quarter, which was mainly due to falling crude prices as the demand for and the supply of middle distillates became more closely aligned and gasoline prices extended its decline into the quarter following lower demand from both the US and Europe.

In July cracking margins hit their low for the quarter as they averaged Usd 0.2/bbl, down Usd 0.09/bbl yoy. This fall was due to the rising production of middle distillates which did not meet a proportionate rise in demand. Hydroskimming margins rose by Usd 1.1/bbl yoy to Usd -3.4/bbl.

In August both margins fell yoy, the cracking margin by Usd 1.8/bbl and the hydroskimming margin by Usd 1.1/bbl. Compared to the previous month, however, both cracking and hydroskimming margins recovered to Usd 1.9/bbl and Usd -1.7/bbl, respectively.

This favourable trend extended into September, with cracking and hydroskimming margins reaching their highs for the nine months at Usd 6.4/bbl and Usd 2.3/bbl, respectively. This trend was driven by falling crude prices as well as the Gustav and Ike hurricanes which led to refinery shutdowns that had an adverse impact on product supply.

EUR/USD

The average Eur/Usd rate in the first nine months of the year was 1.52, a 13.2% appreciation yoy. In the first quarter of the year the Eur/Usd averaged 1.50, up 14.3% yoy. This trend gained momentum in the second quarter of the year, when the Eur/Usd reached its all-time high and averaged 1.56, up 15.9% yoy. The third quarter saw a roll-back of the Eur/Usd, which averaged 1.51 or up 9.5% yoy but down 3.7% on the previous quarter. In September the Eur/Usd fell to an average of 1.44 from 1.58 in July. This depreciation was mainly due to the US financial crisis spreading to Europe and taking its toll on the real economy.

THE IBERIAN MARKET

In the first nine months of the year the Portuguese market for oil products contracted 2.5% yoy to 8 million tonnes. This was due to falling volumes of gasoline and diesel of 7.8% and 2.2%, respectively. On the other hand, jet fuel sales rose by 4.2% as airlines expanded the number of routes.

In the first quarter sales of oil products in Portugal dropped 1.6% yoy to 2.6 million tonnes. The second quarter extended this falling trend as oil product sales declined 2.4% yoy to 2.7 million tonnes. Once again, the shortfall was due to lower demand for gasoline and diesel, declining 8.4% and 2.1%, respectively. In the third quarter sales dropped 3.4% yoy to 2.7 million tonnes as gasoline and diesel sales continued to fall, by 7.5% and 2.5%, respectively.

In Spain the outcome was similar to what was the case in Portugal as the market for oil products shrank by 3.0% yoy to 37.4 million tonnes. While the demand for gasoline dropped 6.9%, the demand for diesel fell 3.0%.

In the first quarter the Spanish market for oil products amounted to 12.9 million tonnes, with the demand for gasoline falling 4.9%, the demand for diesel declining 1.5% and the demand for jet fuel going up by 12.3%

yoy. In the second quarter the market contracted 2.6% yoy to 12.2 million tonnes. The demand for gasoline dropped by 7.3% and diesel sales volumes fell by 2.6% yoy. The fall deepened in the third quarter with a 6.2% market contraction yoy to 12.3 million tonnes. Gasoline and diesel sales again fell in the quarter, by 8.2% and 5.0%, respectively.

Natural gas sales in Portugal in the first nine months of the year rose by 17.9% yoy to 3,583 million cubic metres. This rise was due to increased demand for electric power generation following low rainfall in the period.

Hydro levels in the first quarter fell from 0.9 in 2007 to 0.3 and prompted a 27.7% rise in gas sales. In the second quarter sales dropped 6.7% quarter on quarter to 1,158 million cubic metres, which was in line with the seasonal pattern for the Portuguese market, helped by lower electricity production from coal. In the third quarter, sales rose by 12.7% yoy.

In comparison with the previous quarter and contrary to the usual pattern for this time of the year, third-quarter sales rose by 2.3% following higher demand from the electrical sector. This favourable performance was due to the diminishing role of hydro and coal-based generation in favour of the use of natural gas.

Market indicators

Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
74.9	114.8	39.9	53.3%	Average Brent Dated price ¹ (Usd/bbl)	67.1	111.0	43.9	65.4%
15.6	29.5	13.9	89.0%	Diesel crack ² (USD/bbl)	14.8	28.9	14.1	95.1%
18.8	16.2	(2.6)	(13.7%)	Gasoline ³ crack (Usd/bbl)	21.0	15.8	(5.2)	(24.8%)
(25.7)	(31.6)	(5.9)	(22.9%)	Fuel oil crack ⁴ (Usd/bbl)	(26.0)	(35.8)	(9.7)	(37.4%)
2.2	2.8	0.7	30.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	3.1	2.1	(1.0)	(32.7%)
(2.3)	(0.9)	1.4	59.3%	Rotterdam hydroskimming refining margin ¹ (Usd/bbl)	(2.1)	(2.6)	(0.6)	(27.3%)
2.8	2.7	(0.1)	(3.4%)	Portuguese oil market ⁵ (million ton)	8.2	8.0	(0.2)	(2.5%)
13.1	12.3	(0.8)	(6.3%)	Spanish oil market ⁶ (million ton)	38.6	37.4	(1.1)	(3.0%)
1,010	1,185	175	17.3%	Portuguese natural gas market ⁷ (million m ³)	3,039	3,583	544	17.9%

¹ Source: Platts.

² Source: Platts; ULSD 50 ppm NWE CIF ARA.

³ Source: Platts; Premium Unleaded NWE FOB Barges.

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

⁵ Source: Apetro.

⁶ Source: Cores.

⁷ Source: Galp Energia.

FINANCIAL REVIEW

1. INCOME STATEMENT

Million euros								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
3,238	3,970	732	22.6%	Turnover	9,124	11,507	2,383	26.1%
(2,979)	(3,888)	910	30.5%	Operating expenses	(8,244)	(10,595)	2,351	28.5%
24	14	(9)	(39.2%)	Other operating revenues (expenses)	50	32	(18)	(36.6%)
283	96	(187)	(66.1%)	EBITDA	930	943	13	1.5%
(65)	(88)	23	34.8%	Depreciations and provisions	(194)	(210)	16	8.1%
218	8	(210)	(96.1%)	Operating profit	735	733	(2)	(0.3%)
15	11	(4)	(27.9%)	Net profit from associated companies	46	33	(13)	(28.5%)
21	(0)	(21)	n.m.	Net profit from investments	22	(0)	(22)	n.m.
(13)	(31)	(19)	(147.7%)	Net interest expenses	(32)	(45)	(13)	(39.6%)
242	(12)	(254)	n.m.	Profit before tax and minority interests	772	722	(50)	(6.5%)
(53)	9	(63)	n.m.	Income tax	(179)	(197)	18	10.0%
(1)	(1)	0	18.5%	Minority Interests	(3)	(3)	(0)	(0.4%)
188	(3)	(191)	n.m.	Net profit	589	521	(68)	(11.5%)
188	(3)	(191)	n.m.	Net profit	589	521	(68)	(11.5%)
(70)	137	(207)	n.m.	Inventory effect	(189)	(169)	(20)	(10.4%)
118	134	16	13.3%	Net profit replacement cost	401	352	(48)	(12.1%)
(27)	5	32	n.m.	Non recurrent items	(24)	1	25	n.m.
91	139	48	52.3%	Net profit replacement cost adjusted	377	353	(24)	(6.3%)

NINE MONTHS

IFRS net profit in the first nine months of 2008 dropped 11.5% yoy to €521 million.

Replacement cost adjusted net profit declined 6.3% yoy to €353 million. In operating terms the decrease was 2.1%. The improved operating performance of the Gas & Power business segment was not enough to make up for the unfavourable outcome in results delivered by the Refining & Marketing business segment. The lower net profit was also due to deteriorating financial results as a result of unfavourable exchange differences and lower results from associates. These effects were, however, partly offset by lower income tax in adjusted terms.

THIRD QUARTER

In the third quarter of 2008 the company posted an IFRS net loss of €3 million against net profit of €188 million one year earlier. This unfavourable development was due to inventory effects. Whereas crude and oil product prices in international markets rose in the third quarter of 2007, generating a positive inventory effect of €70 million, in the third quarter of 2008 price falls led to a negative inventory effect of €137 million.

Replacement cost adjusted net profit rose by 52.3% to €139 million. Although the improvement in operating terms was 35.1%, due to the performance of the Refining & Marketing and Gas & Power business segments, the reduction in income tax led, despite deteriorating financial results, to higher replacement cost adjusted net profit. (See explanation in the Income tax section).

OPERATING RESULTS

Million euros								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
48	29	(19)	(39.8%)	Exploration & Production	118	113	(5)	(4.4%)
134	(89)	(223)	n.m.	Refining & Marketing	477	373	(104)	(21.8%)
36	69	33	91.7%	Gas & Power	136	240	104	75.9%
0	(1)	(1)	n.m.	Others	4	7	3	92.9%
218	8	(210)	(96.1%)	Operating profit	735	733	(2)	(0.3%)
218	8	(210)	(96.1%)	Operating profit	735	733	(2)	(0.3%)
(67)	184	(251)	n.m.	Inventory effect	(209)	(219)	10	4.9%
151	193	41	27.4%	Operating profit replacement cost	527	514	(12)	(2.4%)
(4)	6	10	n.m.	Non recurrent items	(1)	1	1	n.m.
147	198	52	35.1%	Operating profit replacement cost adjusted	526	515	(11)	(2.1%)

NINE MONTHS

IFRS operating profit in the first nine months of 2008 was, at €733 million, in line with the year earlier. In replacement cost adjusted terms, i.e. excluding the inventory effect and non recurrent items, operating profit declined 2.1% yoy to €515 million. The improved replacement cost adjusted operating profit for the Gas & Power business segment that followed from rising sales of natural gas and a favourable backdrop of energy product prices in international markets was not sufficient to offset lower results in the Refining & Marketing business segment. These were adversely affected by a depreciating US dollar vis-à-vis the euro and lower international refining margins compared to a year earlier.

THIRD QUARTER

IFRS operating profit in the third quarter of 2008 tumbled 96.1% owing to a negative €184 million

inventory effect that followed falling in crude and oil product prices in international markets in the quarter. A year earlier there had been a positive inventory effect of €67 million.

The replacement cost adjusted operating profit went up by 35.1% on the back of the results in the Refining & Marketing and Gas & Power business segments. In the Refining & Marketing business segment, results were helped by a more favourable backdrop of international refining margins and a positive time lag effect which made up for the result shortfall following from the scheduled stop for maintenance at the Sines refinery. In the Gas & Power business segment, performance was primarily driven by higher sales. The Exploration & Production business segment performed poorly in comparison with a year earlier owing to falling net entitlement production and rising depreciation charges.

2. ANALYSIS OF INCOME STATEMENT ITEMS

SALES AND SERVICES RENDERED

Million euros								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
52	17	(35)	(68.0%)	Exploration & Production	145	171	26	17.8%
2,902	3,454	553	19.0%	Refining & Marketing	8,142	10,098	1,956	24.0%
342	520	178	52.0%	Gas & Power	1,008	1,436	428	42.5%
26	29	2	8.7%	Others	76	87	10	13.7%
(84)	(50)	35	41.2%	Consolidation adjustments	(248)	(285)	(38)	(15.1%)
3,238	3,970	732	22.6%	Sales and services rendered	9,124	11,507	2,383	26.1%

Sales and services rendered in the first nine months of 2008 advanced 26.1% yoy to €11,507 million. This increase cut across all business segments as crude, oil products and natural gas prices rose in international markets.

In addition, the Gas & Power business segment benefited from a 17.2% rise in sold volumes.

OTHER NET OPERATING REVENUES

Million euros								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
24	14	(9)	(39.2%)	Other net operating revenues	50	32	(18)	(36.6%)
(5)	1	6	n.m.	Non recurrent items	(11)	9	21	n.m.
19	15	(4)	(19.2%)	Adjusted other net operating revenues	39	41	2	6.0%

Other net operating revenues declined by 36.6% yoy in the first nine months of the year. This was the result of charging to other operating costs in 2008 the cost of abandoning ten blocks in Brazil's onshore exploration activities. This cost amounted to €9.4 million and was classed as a non-recurrent event.

In 2007 non-recurrent events referred primarily to (i) a receipt settling a disposal of land, (ii) a capital gain on the disposal of assets, namely the sale of a ship by Sacor Marítima, the Galp Energia company that handles shipping, (iii) a part receipt from REN

regarding correction of the value assigned to the assets spun off in the natural gas unbundling deal and (iv) the charge of expenses arising from clearing crude through Angolan customs. These expenses are now recoverable under PSA.

Adjusting for non-recurrent events, other net operating revenues amounted to €41 million, which was in line with a year earlier.

OPERATING COSTS

Million euros									
Third quarter				Nine months					
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
2,763	3,660	897	32.5%	Cost of goods sold	7,600	9,922	2,322	30.6%	
148	158	10	6.6%	Supply and services	447	467	20	4.5%	
67	70	3	4.7%	Personnel costs	197	206	9	4.6%	
2,979	3,888	910	30.5%	Operational costs	8,244	10,595	2,351	28.5%	

NINE MONTHS

Operating costs in the first nine months of 2008 went up by 28.5% yoy to €10,595 million. The cost of goods sold had the largest increase as the price of crude and other products rose. The increase amounted to 30.6% and accounted for 98.8% of the total change in operating costs. Using the replacement cost method, the cost of goods sold was €10,141 million, up 29.9% yoy in line with crude and oil product prices increase in international markets.

Supply and services cost rose by 4.5% to €467 million owing to (i) higher production costs in the Exploration & Production business segment, namely the cost of maintaining the BBLT and Kuito fields as well as the broadly-based rise in the cost of industry services and equipment, (ii) rising costs of transporting high-pressure natural gas following volume and rate increases, (iii) the rising cost of supplies to refineries, primarily electricity and natural gas and (iv) rising rent expenditure at service stations.

Personnel costs rose by 4.6% yoy to €206 million. The rise resulted primarily from (i) the overall increase in salaries and social charges, (ii) the increase in compensation as the staffing base was restructured and (iii) the rise in headcount in the Exploration & Production business segment.

THIRD QUARTER

Operating costs in the third quarter of 2008 rose by 30.5% to €3,888 million across the board. The cost of goods sold increased by 32.5% although the increase in replacement cost adjusted terms was 22.8% to €3,476 million. This item accounted for 94.1% of total operating costs. In comparison with the second quarter of 2008 and using the replacement cost method, this cost declined by 3.9% as product prices dropped in international markets.

Supply and services cost increased by 6.6% yoy to €158 million. The main reasons for this were (i) the rise in costs of transporting high-pressure natural gas following volume and rate increases, (ii) the rise in goods transportation costs, namely of crude cargo demurrages and (iii) rising costs of studies and projects.

Although the stop for maintenance at the Sines refinery started in the third quarter, the work will not be finished until the fourth quarter. Therefore, costs were not totally charged to the third quarter and will spill over into the last quarter of the year.

Personnel costs in the quarter rose by 4.7% to €70 million, which is explained by the overall increase in salaries and social charges as well as the rise in headcount, in keeping with the explanation for the first nine months of 2008.

EMPLOYEES

	December 31, 2007	June 30, 2008	September 30, 2008	Change vs Dec 31, 2007	Change vs Jun 30, 2008
Exploration & Production	62	64	63	1	(1)
Refining & Marketing	4,747	4,829	4,819	72	(10)
Gas & Power	462	469	471	9	2
Corporate & Others	527	528	527	-	(1)
Total on site employees	5,798	5,890	5,880	82	(10)
Service stations employees	2,243	2,302	2,273	30	(29)
Total off site employees	3,555	3,588	3,607	52	19

At the end of September Galp Energia had 5,880 employees, 2,273 of which at service stations. The main change in comparison with the end of 2007 occurred in the Refining & Marketing business segment where the 72-employee increase was mainly explained by (i) the hiring of 21 employees for the Porto and Sines refineries as retiring staff were replaced, (ii) the increasing headcount at service stations as a new company-operated service station

came on stream in Spain and (iii) the hiring of 24 employees, starting in August, to the company managing the Sines terminal. Compared to June 2008, the most significant change was in the headcount at service stations as 29 employees left following the seasonal peak to cover the holiday period.

DEPRECIATION

Million euros									
Third quarter				Nine months					
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
13	21	8	61.0%	Exploration & Production	39	49	10	25.4%	
39	36	(3)	(7.7%)	Refining & Marketing	116	96	(20)	(17.4%)	
8	6	(2)	(20.8%)	Gas & Power	23	23	(0)	(0.5%)	
0	0	(0)	(64.4%)	Others	1	0	(1)	(69.2%)	
60	63	3	5.1%	Depreciations	179	169	(11)	(6.0%)	
60	63	3	5.1%	Depreciations	179	169	(11)	(6.0%)	
0	(0)	(0)	n.m.	Non recurrent items	(4)	11	15	n.m.	
60	63	3	4.9%	Adjusted depreciations	176	180	4	2.5%	

NINE MONTHS

Depreciation charges in the first nine months of the year declined by 6.0% yoy to €169 million.

By business segment, Refining & Marketing dropped by 17.4% as impairment charges in Spain were reversed by €11 million. Apart from this, depreciation charges fell as some assets, namely at the Sines refinery, reached the end of their economic life.

The Exploration & Production business segment saw a 25.4% increase in depreciation following the change in proven and probable reserves that resulted from the update of DeGolyer and MacNaughton's report as at 31 December 2007. From the second quarter of 2008 onwards, depreciation charges are calculated on the basis of net entitlement production and proven reserves.

In adjusted terms, i.e. excluding the effect of lower impairment charges in the Refining & Marketing

business segment, depreciation was very much in line with a year earlier.

THIRD QUARTER

Depreciation in the third quarter of 2008 was up 5.1% yoy. Lower charges in the Refining & Marketing and Gas & Power business segments were offset by higher charges in the Exploration & Production business

segment. This rise was due to the increased depreciation rate as reserves diminished, anticipating the impact higher crude prices in 2008 will have on the value of net entitlement reserves at the end of the year in comparison with 2007 crude reference price.

PROVISIONS

Million euros									
Third quarter					Nine months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
1	1	0	28.0%	Exploration & Production	3	3	(0)	(1.5%)	
2	6	4	n.m.	Refining & Marketing	7	7	(1)	(10.0%)	
2	17	15	n.m.	Gas & Power	4	33	28	n.m.	
-	(0)	(0)	n.m.	Others	-	(1)	(1)	n.m.	
5	24	20	n.m.	Provisions	15	41	27	n.m.	
5	24	20	n.m.	Provisions	15	41	27	n.m.	
(1)	(4)	(4)	n.m.	Non recurrent items	(5)	(5)	(1)	(10.8%)	
4	20	16	n.m.	Adjusted provisions	10	36	26	n.m.	

Provisions in the first nine months of 2008 rose by €27 million yoy to €41 million. This increase came from the Gas & Power business segment where for prudential reasons a provision of €25 million was made for the negotiation of natural gas contracts with major suppliers.

Provision increases in adjusted and IFRS terms were very much in line with each other. In 2007 provisions included non-recurrent events, namely an item relating to ongoing litigation and another relating to an outstanding claim in respect of strategic reserve services rendered by the Gas & Power business segment. A provision was also made for the latter one in the first nine months of 2008, albeit for a lower amount. In 2008 a €3.1 million provision – considered to be non-recurrent – was made for dividend tax payable from EMPL, part owner of the international gas pipelines.

In the third quarter of 2008 provisions increased by €20 million to €24 million primarily by way of an additional provision of €12 million for the

renegotiation of natural gas supply contracts and the earlier mentioned EMPL provision.

RESULTS FROM ASSOCIATES

In the first nine months of the year results from associates amounted to €33 million of which the equity stakes in the international gas pipelines (EMPL, Metragaz, Gasoducto Al Andaluz and Gasoducto Extremadura) accounted for €28 million, up 2.7% yoy. (See the table on page 34).

These results were, however, down €13 million yoy. Most of this decrease stemmed from the fact that CLH benefited in 2007 from a capital gain on the sale of assets. In addition, Energin contributed with lower results at €1.1 million following the stop for maintenance in the period.

In the third quarter of 2008 results from associates amounted to €11 million, down €4.3 million yoy as a result of consolidation adjustments.

INVESTMENT INCOME

In the first nine months of 2008 there was virtually no investment income. A year earlier, investment income of €22 million consisted almost exclusively – close to €21 million – of a non-recurrent event relating to an adjustment to the price of the natural gas assets sold to REN in the third quarter of 2006.

NET FINANCIAL INCOME

The net financial loss deteriorated by €13 million yoy to €45 million in the first nine months of 2008. An increase of €6.4 million in negative exchange differences and the higher interest rate on the

company's debt – from 4.5% in 2007 to 5.03% in 2008 – contributed to the adverse change.

The net financial loss in the third quarter of 2008 amounted to €31 million, up €19 million yoy. Major contributors to this change were (i) the increase of close to 60 basis points in the benchmark interest rate on the debt in 2008 and (ii) the latent net exchange losses of €10 millions on US dollar inter-company loans to Brazil arising from conversion at the end of September at a US dollar/real exchange rate reflecting the appreciation of the US dollar against the Brazilian real since 31 December 2007.

INCOME TAX

Million euros (except otherwise noted)								
Third quarter				Nine months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
53	(9)	(63)	n.m.	Income tax IFRS¹	179	197	18	10.0%
22%	n.m.	n.m.	n.m.	Effective income tax	23%	27%	4.1 p.p.	n.m.
3	47	(45)	n.m.	Inventory effect	(20)	(50)	30	147.4%
56	38	(18)	(32.2%)	Income tax replacement cost	159	147	(12)	(7.4%)
0	1	0	n.m.	Non recurrent items	(1)	(0)	0	58.6%
56	39	(18)	(31.4%)	Income tax replacement cost adjusted	158	147	(11)	(7.3%)
38%	22%	(16 p.p.)	n.m.	Effective income tax	29%	29%	(0.2 p.p.)	n.m.

¹Includes IRP paid in Angola.

NINE MONTHS

IFRS-based income tax rose by €18 million yoy as IRP payable in Angola increased.

In the first nine months of 2008, €19 million in deferred tax were recognised on account of the difference between the FIFO and LIFO inventory valuation methods as crude and oil product prices moved in the period. At 30 September 2008, deferred tax recorded on the balance sheet on account of the difference between the two criteria amounted to €151 million.

As for the other income tax components, the IRP went up by €18 million to €56 million as the profit oil rate rose while the cost oil rate fell yoy. This was due to

the rise in the price of crude used as a benchmark and the consequently broader tax base for the IRP.

Estimated tax for the first nine months of 2008 was in line with a year earlier as lower results in the Refining & Marketing business segment were offset by higher results in the Gas & Power business segment.

Consequently, the IFRS-based effective tax rate was 27.3% in the first nine months of 2008, up from 23.2% a year earlier. Excluding the effect of the IRP on the overall income tax, the effective tax rate would have been 21.2% in the first nine months of 2008, up from 19.1% a year earlier.

In replacement cost adjusted terms, the effective tax rate was 29.2%, which was in line with a year earlier.

Excluding the IRP, the effective tax rate in the first nine months of 2008 would have been 20.3%, down from 23.9% a year earlier.

THIRD QUARTER

In the third quarter of 2008 IFRS-based income tax amounted to a positive €9 million, against income tax of €53 million a year earlier. This was due to (i) the favourable impact of the partial reversal of deferred tax on account of inventory valuation differences

following the price movements in the period and (ii) the reduction from €20 million in 2007 to €4.2 million in 2008 of IRP payable in Angola.

In this period the effective tax rate in replacement cost adjusted terms was 21.7%. Excluding the IRP effect, the effective tax rate would have been 19.8% in the third quarter of 2008.

3. CONSOLIDATED BALANCE SHEET

Million euros (except otherwise noted)					
	December 31, 2007	June 30, 2008	September 30, 2008	Change vs Dec 31, 2007	Change vs June 30, 2008
Fixed assets	2,584	2,689	2,853	270	164
Strategic stock	566	894	864	298	(30)
Other assets (liabilities)	(170)	(319)	(243)	(73)	76
Working capital	180	355	219	38	(137)
	3,160	3,619	3,692	532	73
Short term debt	336	644	460	124	(185)
Long term debt	505	493	525	19	32
Total debt	841	1,138	985	143	(153)
Cash	107	325	109	2	(216)
Total net debt	734	812	875	141	63
Total shareholder's equity	2,426	2,807	2,817	391	11
Capital employed	3,160	3,619	3,692	532	73
Net debt to equity	30%	29%	31%	0.8 p.p.	2.1 p.p.

In the first nine months of the year fixed assets rose by €270 million to €2,853 million. This was the result of capital expenditure of €427 million and increase in accumulated depreciation.

The value of strategic stockpiles raised by €298 million from 31 December 2007 to €864 million at the end of September as international oil product prices increased. This rise had a direct impact on the unit revaluation of strategic obligations, with the largest increases in middle distillates and gasoline of 24.7% and 25.3%, respectively. The valuation of the stockpiles was reduced by €30 million at the end of September compared to 30 June as product prices fell in the third quarter of 2008.

Other net assets and liabilities decreased by €73 million compared to the end of 2007, primarily as a result of movements in liability items such as the

increase of €40 million in income tax payable and the increase of close to €19 million in deferred tax liabilities. Compared to June 2008, other assets and liabilities increased by €76 million as income tax payable fell following the disbursement of advance tax payments and deferred tax liabilities were reduced.

Working capital rose by €38 million compared to the end of 2007 and declined by €137 million compared to the end of June. The latter change reflected primarily the fall in accounts receivable and operating inventories as crude and oil product prices fell in international markets. Other factor was the increase in accounts payable to equipment suppliers as expenditure on the Sines cogeneration was stepped up.

DEBT

Million euros (except otherwise noted)										
	December 31, 2007		June 30, 2007		September 30, 2008		Change vs Dec 31, 2007		Change vs June 30, 2008	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	-	226	210	16	2	-	2	(226)	(208)	(16)
Bank debt	171	280	234	268	238	258	67	(22)	4	(9)
Commercial paper	165	-	200	210	220	267	55	267	20	57
Cash	(107)	-	(325)	-	(109)	-	(2)	-	216	-
Net debt	734		812		875		141		63	
Average life (years)	2.75		2.39		3.05		0.30		0.66	
Net debt to equity	30%		29%		31%		0.8 p.p.		2.1 p.p.	

Total debt amounted to €985 million at the end of September 2008, down €153 million from the end of June 2008 and up €143 million from the end of 2007. Net debt at the end of September was €875 million, up from €812 million at the end of June.

The €185 million reduction in short-term debt compared to the end of June and the decrease in cash and cash equivalents of €216 million are related to the redemption in July of a securitisation issue.

The net-debt-to-equity ratio increased by 2.1 percentage points from June 2008 to 31.1% at the end of September.

The average life of debt was extended from 2.39 years at the end of June to 3.05 years at the end of

September, 4.98 years if we consider only the long term debt, as the securitisation issue, booked as a short-term liability, was redeemed in July through the issue of long-term debt. Consequently, at the end of September 53.3% of total debt was at long term – against 43.4% at the end of June – and 86.9% of the total was contracted at floating rate.

In the first nine months of the 2008 the average cost of debt rose by 53 basis points yoy to 5.03%, which was in line with the increase in market rates.

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

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

4. CASH FLOW

Million euros				
Third quarter			Nine months	
2007	2008		2007	2008
218	8	Operating profit	735	733
60	63	Non cash costs	179	169
140	137	Change in working capital	5	(38)
418	209	Cash flow from operating activities	920	864
(93)	(205)	Net capital expenditures and disposals	(259)	(417)
(28)	30	Change in strategic stocks holdings	(52)	(298)
(121)	(175)	Cash flow from investing activities	(311)	(714)
1	(12)	Financial Investments	1	(6)
(7)	(12)	Interest expenses	(25)	(30)
(132)	(76)	Taxes	(237)	(134)
0	(0)	Subsidies	7	2
-	0	Dividends paid / received	(230)	(124)
40	3	Others	44	1
(98)	(96)	Cash flow from financing activities	(440)	(291)
200	(63)	Total	169	(141)

NINE MONTHS

Net cash outflow in the first nine months of 2008 amounted to €141 million, a €310 million swing compared to a year earlier, when cash flow of €169 million was generated. The item showing the greatest change was cash flow from investing activities.

Cash flow from operating activities amounted to €864 million, down from €920 million a year earlier. This reduction was mainly due to the negative change in working capital.

Net cash outflow from investing activities amounted to €714 million owing to (i) higher capital expenditure, namely in the Refining and Marketing business segment and (ii) the rising value of strategic stockpiles on the back of the unit revaluation of strategic obligations in line with market trends in the period.

Net cash outflow from financing activities amounted to €291 million compared to €440 million a year earlier. The €149 million difference stemmed from lower dividend payments in the period, as the 2007

dividend was paid in two instalments – in November 2007 and May 2008 – and adjustments were made to tax payments in the first nine months of 2008.

THIRD QUARTER

Net cash outflow in the third quarter of 2008 amounted to €63 million compared to cash flow of €200 million a year earlier. The €262 million difference resulted primarily from lower IFRS-based operating profit after an adverse inventory effect of €184 million.

The increase in cash outflow from investing activities reflected, on the one hand, the value change in strategic stockpiles as crude and product prices fell in international markets and, on the other hand, increased capital expenditure which was mainly channelled to the Refining & Marketing business segment.

Net cash outflow from financing activities amounted to €96 million, which was basically in line with a year earlier.

5. CAPITAL EXPENDITURE

Million euros									
Third quarter				Nine months					
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.	
44	34	(10)	(22.7%)	Exploration & Production	125	152	27	21.2%	
29	128	98	n.m.	Refining & Marketing	70	195	125	179.4%	
25	49	24	96.2%	Gas & Power	63	79	16	25.9%	
(1)	0	2	n.m.	Others	0	1	0	52.9%	
97	211	114	117.9%	Investment	259	427	168	65.1%	

NINE MONTHS

In the first nine months of 2008 capital expenditure amounted to €427 million, up €168 million from a year earlier.

Around 35.6% of total capital expenditure, or €152 million, was channelled to the Exploration & Production business segment, namely to (i) work on Block 14, in particular the development of the Tômbua-Landana and BBLT fields, and appraisal of the Lucapa discovery, for an amount of €82 million, (ii) drilling and appraisal of exploration wells on Block 32 in Angola, for an amount of €13 million, (iii) exploration activities on the Brazilian offshore, for an amount of €32 million, including drilling the Júpiter, Bem-te-vi and Iara wells and the bonuses paid in the ninth bidding round, with this one attracting an expenditure of €10 million, (iv) exploration activities on the Brazilian onshore in the Potiguar and Espírito Santo basins, including the drilling of 13 wells which gave rise to two discoveries and (v) exploration activities in Mozambique and East Timor which included 2D and 3D seismic acquisition for subsequent interpretation for an outlay of €8 million.

In Refining & Marketing €195 million, or a €125 million increase yoy, was spent primarily on the

refinery conversion project and the concession of the liquid bulk terminal at the port of Sines.

In the Gas & Power business segment, capital spending of €79 million was channelled to extension of the secondary network of natural gas distribution for 462 km and the connection of 40,000 clients of natural gas, both new and converted. More specifically in Power the construction of wind farms progressed as environmental licensing and basic and conceptual engineering were under way. Expenditure also included cogeneration at the Sines refinery with a view to starting operations after the stop for maintenance of this refinery.

THIRD QUARTER

Capital expenditure of €211 million in the third quarter was €114 million higher yoy and €94 million higher qoq. This increase was due to increased spending in the Refining & Marketing business segment namely with the conversion project as the payments for the major equipments have started, in particular the reactors for the Hydrocracker to be installed in Sines. Additionally the concession of the port of Sines terminal also contributed to the increase in capital expenditures.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)								
Third quarter				Nine months				
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
52	17	(35)	(68.0%)	Turnover	145	171	26	17.8%
48	29	(19)	(39.8%)	Operating profit	118	113	(5)	(4.4%)
(2)	0	2	n.m.	Non recurrent items	2	10	7	n.m.
46	29	(17)	(36.4%)	Operating profit replacement cost adjusted	121	123	2	1.8%
18.3	15.5	(2.8)	(15.5%)	Average working interest production (kbbl/day)	17.5	14.9	(2.6)	(14.6%)
14.5	9.1	(5.4)	(37.1%)	Average net entitlement production (kbbl/day)	13.1	10.1	(3.1)	(23.2%)
1.3	0.8	(0.5)	(37.1%)	Total net entitlement production (million bbl)	3.6	2.8	(0.8)	(23.0%)
0.1	0.1	(0.0)	(37.0%)	Kuito (million bbl)	0.3	0.3	(0.1)	(18.2%)
1.2	0.7	(0.5)	(40.9%)	BBLT (million bbl)	3.2	2.4	(0.8)	(25.2%)
0.0	0.1	0.0	118.6%	TL (million bbl)	0.1	0.1	0.0	34.3%
68.1	103.7	35.6	52.3%	Average realized sale price¹ (Usd/bbl)	66.2	109.9	43.7	66.0%
0.9	-	(0.9)	(100.0%)	Total sales² (million bbl)	2.9	1.9	(1.0)	(34.2%)
-	-	-	-	Net total assets	487	644	157	32.2%

¹ Considers the effective sales and the loans granted and received.

² Considers effective sales.

EXPLORATION AND PRODUCTION OPERATIONS

NINE MONTHS

Working interest production in the first nine months of 2008 declined by 14.6% yoy to 14.9 thousand barrels a day. The drop was due to operational difficulties in the BBLT field.

The BBLT continues to be the field with the largest share of production – with 79.4% of the total – and delivered daily production of 11.9 thousand barrels in the first nine months of 2008.

Net entitlement production in the first nine months of 2008 dropped lower yoy than working interest production – by 23.2%. The rise in crude prices, namely in Brent which increased by 65.4%, led to falling available production rates. With 2,359 thousand barrels, the BBLT field accounted for 85.3% of total production.

In the first nine months of 2008 two cargoes were sold, one in March and the other in June, which

amounted to a combined 1.9 million barrels. Considering these effective cargoes as well as underlifting, the average sales price was Usd 109.9/bbl.

In this period the premium over Brent was close to zero, which was in line with a year earlier. In the first nine months of 2008, like a year earlier, sales were generated by the production from the BBLT field whose crude has a similar grade to the Brent, with an API density of 39.3°.

THIRD QUARTER

Working interest production in the third quarter of 2008 reached 15.5 thousand barrels a day, which was in line with the production in the previous quarter. Nevertheless, compared to production levels in the third quarter of 2007, working interest production declined by 15.5% owing to operational difficulties that followed, on the one hand, from delays in probing campaigns and the consequent reduction in the number of development wells and, on the other

hand, from scale deposition in the piping that affected production.

In working interest terms, the fall in production in the Kuito field between the second and third quarters of 2008, which is normal for a project with this degree of maturity, was offset by the increase of the Tombua-Lândana field.

In the third quarter of 2008 net entitlement production declined by 37,1% to 9.1 thousand barrels a day owing to the reduction in working interest production and the rise in the price of crude with the consequent reduction in the cost oil and profit oil rates.

In the third quarter of 2008 no cargo of crude was sold, while two cargoes are expected to be sold in the fourth quarter of 2008. Nevertheless, taking underlifting into account, the average sales price was Usd 103.7/bbl, up 52.3% yoy.

OPERATING PROFIT

NINE MONTHS

Replacement cost adjusted operating profit rose by 1.8% yoy to €123 million. The Exploration & Production business segment accounted for 23.9% of Galp Energia's total replacement cost adjusted operating profit. The 66% rise in the average sales price was almost offset by the 23.2% reduction in net entitlement production, rising production costs and higher depreciation.

Upon a detailed examination of operating costs it is possible to see a rise in production costs to €18.0 million or Usd 5.1/bbl in unit terms to Usd 9.9/bbl. This occurred not only because of lower production that did not allow fixed costs to be spread but also because of widespread rises in the price of equipment and services in international markets. The operational difficulties in the BBLT field which led to higher maintenance were also partly to blame for the increase in production costs.

Depreciation amounted to €49.3 million or Usd 27.1/bbl in unit terms in comparison with Usd

13.1/bbl a year earlier. This increase reflected the change in the value of net entitlement production and proven and probable reserves that followed from the update of DeGolyer and MacNaughton's report as of 31 December 2007.

In Brazil the work conducted to evaluate the potential and economic feasibility of crude production led to 10 onshore blocks – 8 of which were operated by Galp Energia in the Potiguar and Espírito Santo basins – being returned to the National Petroleum Agency. This return led to an accounting write-off and, consequently, the recognition of a net operating cost of €9.4 million.

THIRD QUARTER

Replacement cost adjusted operating profit in the third quarter of 2008 dropped by 36.4% yoy to €29 million. The rise in the sales price including loans, which followed from rising crude prices in international markets, was not enough to offset, on the one hand, the 37.1% drop in net entitlement production and the impact of the US dollar depreciation vis-à-vis the euro and, on the other hand, the rise in depreciation. Quarter on quarter replacement cost adjusted operating profit dropped by 43.9% as net entitlement production fell due to the increase in oil prices. The rise in depreciation that followed from the change in the depreciation rate also weighed on the replacement cost adjusted operating profit for the quarter.

The main operating cost items included production costs of €3.8 million which went down yoy from €4.9 million. In unit terms production costs went from Usd 5.0/bbl to Usd 6.9/bbl following the decrease in net entitlement production in the period.

Unit production costs fell by 21.7% qoq or 33.7% in total euro terms. This was due to the fact that costs in the second quarter of 2008 reflected higher maintenance activity since the fourth quarter of 2007.

Depreciation of €20.8 million or Usd 37.3/bbl excluding impairment charges rose by €8.1 million yoy as it was calculated on the basis of the DeGolyer and MacNaughton report. Unit depreciation in US

dollars rose by 45.4% qoq as a higher depreciation rate was used.

2. REFINING & MARKETING

Million euros (except otherwise noted)								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2,902	3,454	553	19.0%	Turnover	8,142	10,098	1,956	24.0%
134	(89)	(223)	n.m.	Operating profit	477	373	(104)	(21.8%)
(68)	199	(267)	n.m.	Inventory effect	(220)	(202)	(18)	(8.0%)
(1)	2	2	n.m.	Non recurrent items	0	(14)	(14)	n.m.
66	111	46	69.8%	Operating profit replacement cost adjusted	257	157	(100)	(38.9%)
2.2	2.8	0.7	30.7%	Rotterdam cracking refining margin ¹ (Usd/bbl)	3.1	2.1	(1.0)	(32.7%)
(0.0)	1.8	1.8	n.m.	Rotterdam hydroskimming + aromatics + base oil refining margin ¹ (Usd/bbl)	1.5	(0.7)	(2.2)	n.m.
4.1	5.4	1.3	30.4%	Galp Energia refining margin (Usd/bbl)	5.7	4.1	(1.7)	(29.4%)
24,549	20,221	(4,328)	(17.6%)	Crude processed (k bbl)	72,784	69,000	(3,784)	(5.2%)
3.6	3.0	(0.6)	(15.7%)	Raw material processed (million tonnes)	10.7	10.1	(0.6)	(6.0%)
4.2	3.8	(0.4)	(9.1%)	Total refined product sales (million tonnes)	12.2	11.8	(0.4)	(3.3%)
2.4	2.2	(0.1)	(6.0%)	Sales to direct clients (million tonnes)	7.0	6.9	(0.2)	(2.4%)
1.1	1.1	(0.1)	(5.7%)	Wholesale	3.2	3.2	(0.0)	(0.0%)
0.7	0.6	(0.0)	(6.2%)	Retail	2.0	1.9	(0.1)	(4.8%)
0.1	0.1	(0.0)	(5.6%)	LPG	0.3	0.3	(0.0)	(6.6%)
0.5	0.4	(0.0)	(6.5%)	Others	1.6	1.5	(0.1)	(3.5%)
0.7	0.5	(0.2)	(25.2%)	Exports (million tonnes)	2.0	1.9	(0.1)	(4.9%)
-	-	-	-	Number of service stations	1,040	1,015	(25)	(2.4%)
-	-	-	-	Number of c-stores	208	233	25	12.0%
-	-	-	-	Net total assets	3,686	4,414	728	19.7%

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

REFINING AND MARKETING OPERATIONS

NINE MONTHS

In the first nine months of 2008, 10.1 million tonnes of raw materials were processed, which was 6.0% below volumes processed a year earlier. The reason for this decrease was the scheduled stop for maintenance at the Sines refinery starting on 10 September. Crude oil accounted for 91.9% of total raw materials processed, thereby keeping its relative weight compared to a year earlier. Falling refining activity led to capacity utilisation declining to 81.2%, down from 86.0% a year earlier.

In the first nine months of 2008, light crudes and condensates accounted for 51.4% of the total, followed by medium crudes that accounted for 28.3% and heavy crudes that weighed 20.4%. Processing of medium crudes progressed to the detriment of heavy crudes. This change allowed a reduction in the weight of fuel oil to 17.1% and of gasoline – resulting in a 2

percentage-point increase in diesel – to 36.2%. Middle distillates and gasoline account for 64.4% of total production, with 41.8% and 22.6%, respectively.

Total sales amounted to 11.8 million tonnes, down 3.3% yoy with decreases across all segments. The decline in sales was not as pronounced as that of volumes processed as the company took to imports to make up for the shortfall in refining activity.

Breaking down exports, which declined by 4.9% yoy, the main features are (i) a 13.0% drop in gasoline, which is primarily exported to the United States as a result of the deteriorating spreads between European unleaded gasoline and US RBOB gasoline, (ii) a 9.1% decline in fuel oil and (iii) the export of chemical naphtha to the United Kingdom and the Netherlands. Gasoline continues to be the main export product and accounts for 36.2% of the total. Fuel oil continues to be the second most exported product with a weight of

30.5%, followed by chemical products that account for 12.8%.

The cover of refining activities by the marketing of oil products, measured on the basis of the average production of the last three years, was 69.5%, down 0.7 percentage points from a year earlier.

In the first nine months of 2008, sales to direct clients declined by 2.4%, in line with the drop in the Iberian fuel market.

Despite the overall retreat in sales in Portugal, there were specific markets such as the aircraft and marine bunkers evidencing significant growth, thereby mitigating losses in other markets. These markets posted growth of 9% yoy.

At the end of September Galp Energia had 1,015 service stations, 23 less than at the end of 2007 and 9 less than at the end of June. This was the result of efforts to streamline the network, especially in Portugal.

The purchase from Eni of the Agip network in the Iberian Peninsula was closed in early October. After this date Galp Energia has an additional 367 filling stations in the Iberian Peninsula. The Spanish network consists of a total of 542 filling stations.

In the first nine months of 2008, 23 non-fuel stores were opened, 20 of which in Portugal. This favourable development of the number of non-fuel stores is the result of Galp Energia's intent to expand the convenience business, a way of raising returns on existing marketing assets.

THIRD QUARTER

In the third quarter of 2008, 3.0 million tonnes of raw materials were processed. This 15.7% reduction yoy was primarily due to the scheduled stop for maintenance at the Sines refinery that started on 10 September. Crude processed dropped by 17.6% yoy and capacity utilisation went down to 70.9% from 86.1% a year earlier.

Product sales fell by 9.1% yoy to 3.8 million tonnes. While sales to direct clients dropped 6% to 2.2 million tonnes, exports tumbled 25.2% virtually across all product categories. This was a result of the scheduled stop for maintenance at the Sines refinery which led to lower product availability.

OPERATING PROFIT

NINE MONTHS

IFRS-based operating profit dropped 21.8% to €373 million, including a favourable inventory effect of €202 million.

Adjusted operating profit fell by €100 million or 38.9% yoy. This change was related to (i) the shortfall in international refining margins, (ii) the 13.2% depreciation of the US dollar against the euro and (iii) lower oil product sales. The time lag effect arising from the delay for terms negotiated with Portuguese market operators, including Galp Energia's marketing operations, to reflect price changes in international markets – had an adverse impact of €27 million. This was less pronounced than a year earlier as the product price rise in international markets in 2007 was on average more constant than the one observed in the first nine months of 2008.

In unit terms, Galp Energia's refining margin fell by 29.4% to Usd 4.1/bbl. In euros the fall was even more pronounced – by 37.6% to Eur 2.7/bbl. This reduction was explained to a large extent by the drop in the fuel and gasoline crack spreads of Usd 9.7/bbl and Usd 5.2/bbl, respectively which jointly represent 39.6% of Galp Energia's production yield. The refining margin was also adversely affected by consumption and losses accounting for 8.4% of the raw materials processed. Although this was in line with the outcome a year earlier, in value or energy cost terms it was higher as the price of crude climbed 65.4% yoy.

In terms of cash costs for the refineries, there was almost no change yoy in euros. In US dollars, however, there was an increase of Usd 1.8/bbl to Usd 2.1/bbl.

Despite lower sales volumes, marketing of oil products raised its contribution to operating profit owing to the contribution of Specialties and Wholesale businesses in the Iberian Peninsula. The international area for marketing of oil products also raised its activity and contribution to profit.

THIRD QUARTER

In the third quarter of 2008 IFRS-based operating profit dropped by close to €223 million yoy as a result of an adverse inventory effect of €199 million that compared with a favourable effect of €68 million in 2007. This development followed from falling prices of crude and oil products in the third quarter of 2008.

Replacement cost adjusted operating profit rose by 69.8% yoy to €111 million, which was explained by (i)

the increase in refining margins, namely the yoy rise in the diesel crack spread, (ii) rising international margins for base oils which hit all-time highs and (iii) a favourable time lag effect of €32 million against an adverse effect of €7.7 million a year earlier. These three factors were sufficient to make up for the loss of contribution due to the stop of the Sines refinery and consequently lower volume of raw materials being processed.

Operating refinery cash costs rose by 17.5% yoy to Usd 2.4/bbl, although in euros and total terms these costs were lower. The first stage of the scheduled stop of the Sines refinery brought on the reduction of processed volumes and, consequently, impaired the spread of fixed costs.

3. GAS & POWER

Million euros (except otherwise noted)								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
342	520	178	52.0%	Turnover	1,008	1,436	428	42.5%
36	69	33	91.7%	Operating profit	136	240	104	75.9%
1	(15)	(16)	n.m.	Inventory effect	11	(17)	(28)	n.m.
(2)	4	6	n.m.	Non recurrent items	(3)	5	8	n.m.
35	59	23	65.8%	Operating profit replacement cost adjusted	145	228	84	57.8%
27	46	20	75.3%	Supply	88	165	77	87.6%
9	12	3	28.2%	Infrastructure	57	62	5	8.1%
(0)	1	1	n.m.	Power	(0)	2	2	n.m.
1,299	1,464	165	12.7%	NG supply total sales volumes (million m³)	3,765	4,413	649	17.2%
780	926	146	18.7%	Liberalised market sales volumes (million m³)	2,043	2,633	589	28.9%
491	643	152	30.9%	Electrical	1,317	1,798	480	36.5%
-	36	36	n.m.	Industrial	-	71	71	n.m.
289	248	(41)	(14.3%)	Trading	726	764	38	5.3%
519	537	18	3.6%	Regulated market sales volumes (million m³)	1,722	1,781	59	3.4%
439	442	3	0.7%	Industrial	1,393	1,409	17	1.2%
8	14	6	65.8%	Commercial	36	54	18	50.9%
30	38	7	24.8%	Residential	135	146	12	8.7%
42	44	2	5.7%	Other supply companies	159	171	13	8.0%
-	-	-	-	NG distribution clients¹ (thousands)	799	853	54	6.8%
406	414	7	1.8%	Power generation² (GWh)	1,187	1,188	1	0.1%
147	135	(12)	(8.2%)	Sales of electricity to the grid²	430	376	(54)	(12.5%)
-	-	-	-	Natural gas net fixed assets³	745	747	3	0.4%
-	-	-	-	Net total assets	1,543	1,625	82	5.3%

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 nine months of 2008 Energin power generation and sales to grid were 701.7 GWh and 192.9 GWh, respectively.

³ Excludes financial investment.

GAS & POWER OPERATIONS

NINE MONTHS

Natural gas sales in the first nine months of 2008 rose by 17.2% to 4,413 million cubic metres. The liberalised market accounted for 59.7% of the total, up from 54.3% a year earlier.

This rising share of the market reflected the larger volumes traded in the electrical sector which grew by 36.5%. This trend was once again helped by low rainfall which reduced hydropower generation by 35.9% and 17.6% lower coal-based power generation. The combined effect of these two factors stimulated the demand for natural gas for electric power generation in Portugal. This type of power plants had a production increase of 35.8%.

Natural gas sales to the Spanish industrial sector which started in early 2008 reached a volume of 66 million cubic metres.

Sales through the trading channel rose by 5.3% as hydropower generation fell in the Iberian Peninsula. This influenced demand for natural gas for electric power generation.

Natural gas volumes transported in the networks belonging to distribution companies totalled 1,188 million cubic metres.

At 1,188 GWh, the power generation activity was virtually in line with a year earlier. For this activity 123 million cubic metres of natural gas were used in Galp Energia's cogenerations, which accounted for 8.8% of

the Portuguese industrial market. Electricity sales to the grid dropped by 12.5% owing to stops for maintenance at the cogeneration plants of Carrigo and Energin.

Galp Energia has sold electricity to the Portuguese market since April 2008. It does this directly to the pool by using virtual production capacity acquired in the OMIP auctions. Up to September 2008, 36 GWh have been sold. This volume is not included in electricity sales to the grid referred to on the table in page 27.

THIRD QUARTER

In the third quarter of 2008 natural gas sales rose 12.7% yoy to 1,464 million cubic metres, with a large share of the increase coming from the liberalised market, in particular the electrical sector. Natural gas sales to this sector benefited from 10.4% lower production of coal-based electricity and lower rainfall that reduced hydropower generation by 16.0%.

Sales of natural gas were in line with volumes achieved in the previous quarter on the back of rising sales to the electrical sector for the reasons mentioned for the yoy change. This made up for lower sales to the residential and industrial segments as a result of lower demand in summer months in line with the seasonal pattern for the business.

Sales to the Spanish industrial market reached a volume of 31 million cubic metres as 8 new clients were acquired between June and September. These clients account for annual sales of close to 100 million cubic metres.

In distribution, transported volumes reached 398 million cubic metres.

In Power, energy generation rose by 1.8% yoy. Nevertheless, electricity sales to the grid dropped by 8.2% as the Energin cogeneration plant stopped. In comparison with the previous quarter electricity sales to the grid went up by 25.4% as the Carrigo and Energin cogeneration plants increased supply.

OPERATING PROFIT

NINE MONTHS

In the first nine months of 2008 replacement cost adjusted operating profit rose by 57.8% yoy to €228 million. The Gas & Power business segment accounted for 44.3% of Galp Energia's total replacement cost adjusted operating profit. Rising profit in this business segment was due to higher volumes sold and higher margins in some sub-segments, namely trading. Indeed, LNG prices in international markets increased, for instance international benchmark Henry Hub, rose by 39.2% yoy.

Infrastructure business improved 8.1% to €62 million.

In the first nine months of 2008, a provision of €25 million was made for prudential reasons in respect of the negotiation of natural gas contracts with major suppliers.

The Power business had a unit margin in the first nine months of 2008 of Eur 11.9/MWh, down from Eur 14.1/MWh yoy, which was due to the stop at the Energin cogeneration. Sales of 376 GWh of electricity to the grid were made at a price of Eur 100.7/MWh, up 13.1% yoy as a result of the tariff update in line with the Brent.

Because Energin does not fully consolidate into Galp Energia, the replacement cost adjusted net profit of the Power business was not affected by the stop at this cogeneration plant and amounted to €2 million.

THIRD QUARTER

In the third quarter of 2008 replacement cost adjusted operating profit went up by 65.8% to €59 million. Rising sales volumes were the main driver behind the improved result. Trading margins were favourably impacted by the rise in LNG prices in international markets.

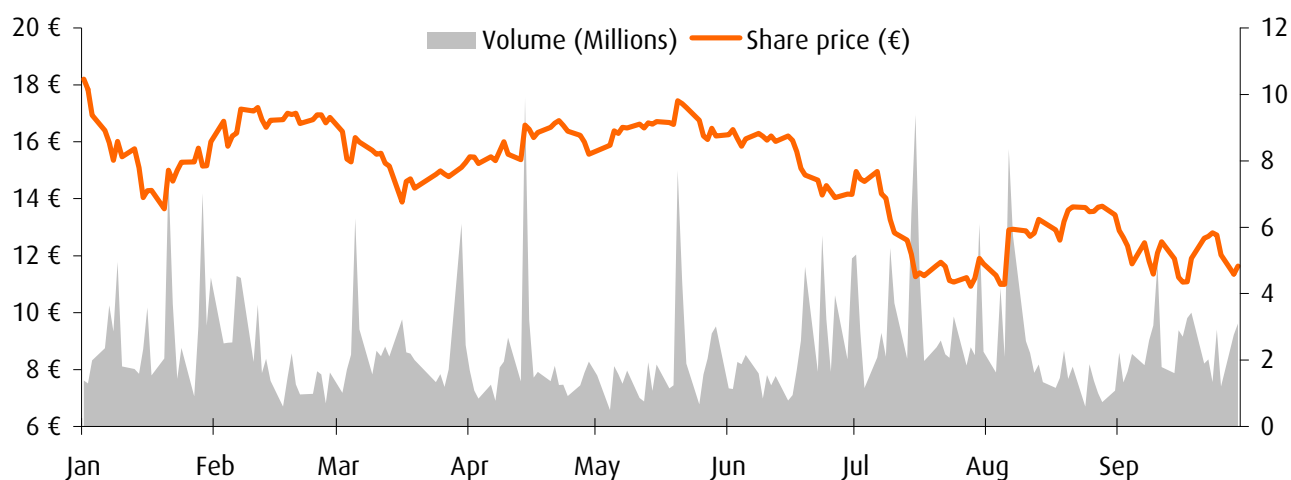
The provision regarding the negotiation of natural gas contracts with major suppliers amounted to €12 million in the third quarter against no provision a year earlier.

In comparison with the second quarter of the year replacement cost adjusted net profit fell by 30.6%. Regulated tariffs in the natural gas distribution and commercialization business started to apply in the third quarter of 2008.

In the Power business the unit margin was Eur 16.6/MWh, up from Eur 14.4/MWh a year earlier. Sales to the grid totalled 135 GWh and were made at a price of Eur 114.4/MWh.

THE GALP ENERGIA SHARE

Galp Energia share evolution



Source: Bloomberg

NINE MONTHS

The Galp Energia share shed 36.7% in the first nine months of 2008. Its high in the period was €18.95 and was achieved on 2 January. Over the same period the PSI-20 index retreated 38.3% and the SXEP index lost 27.3%. The stock gained 100.3% since the company's initial public offering on 23 October 2006 until the end of September 2008. In the period 461.4 million shares were traded, the equivalent of a daily average of 2.4

million shares. At 30 September 2008 Galp Energia's market capitalisation was €9,652 million.

THIRD QUARTER

The Galp Energia share lost 17.8% in this period and the total volume traded reached 179.0 million shares, the equivalent of a daily average of 2.7 million shares. In the third quarter of 2008 the PSI-20 shed 9.8% while the SXEP lost 23.4%.

Share detail	
ISIN	PTGAL0AM0009
Reuters	GALP.LS
Bloomberg	GALP.PL
Number of shares	829,250,635

Main indicators			
	2007	LTM	YTD
Min (€)	6.29	10.70	10.70
Max (€)	19.50	19.50	18.95
Average (€)	9.92	14.44	14.74
Close price (€)	18.39	11.64	11.64
Volume (M shares)	351.6	586.0	461.4
Average volume per day (M shares)	1.4	2.3	2.4
Market cap (M€)	15,250	9,652	9,652

MATERIAL EVENTS IN THE THIRD QUARTER 2008

CORPORATE

MAJOR HOLDING

On June 25, 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 July 10 the Portuguese council of ministers had approved 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 or weighted average cost 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.

BOARD OF DIRECTORS APPROVES THE FIRST HALF 2008 REPORT

On August 28 the Board of Directors of Galp Energia approved the First Half 2008 Report, subject to limited review by the independent auditors, Deloitte & Associados, SROC, S.A..

DIVIDEND PAYMENT

Galp Energia announced on September 24 the payment as from October 22, of the first dividend relating to the financial year 2008 of €0.14965 per share.

EXPLORATION & PRODUCTION

NEW DISCOVERY IN THE PRE-SALT OF SANTOS BASIN

On August 07 the contractor group for BM-S-11 in ultra deep water of Santos Basin proved the existence of light oil in the pre-salt reservoirs with API gravity around 30° with the Lara well. On September 10 the contractor group concluded the drilling of the Lara well and proved the existence of oil in the pre-salt reservoirs. The estimated volumes of recoverable oil and natural gas for this discovery are between 3 and 4 billion barrels. The discovery announced today to the National Petroleum, Natural Gas and Biofuels Agency ("ANP") was confirmed by a cable test and revealed the existence of oil, with API gravity between 26° and 30°, in an area of 300 km², seismically well defined. The contractor group for BM-S-11 includes Galp Energia (10%), Petrobras (operator, 65%) and BG Group (25%).

IMPORTANT OIL DISCOVERY OF GAS AND LIGHT OIL IN THE PRE-SALT LAYER CONFIRMED

On September 25 the contractor group for BM-S-24 in ultra deep water of Santos Basin in Brazil completed the drilling of the Jupiter well, which confirmed the existence of a large natural gas and light oil reservoir in the pre-salt layer. This drilling confirmed the discovery that was already announced on January 21 2008. The Jupiter well is located 37 kilometres east of

Tupi area and 290 kilometres off the coast of the State of Rio de Janeiro at a water depth of 2,187 meters. The final well's depth was 5,773 meters from the surface of the sea. The well, which had its drilling interrupted due to operational reasons last January, was deepened and proved the continuity of the natural gas and light oil reservoirs, in addition to a high content of carbon dioxide (CO₂). The contractor group for BM-S-24 includes Galp Energia (20%) and Petrobras (operator, 80%).

REFINING & MARKETING

GALP ENERGIA STRENGTHENS ITS IBERIAN PRESENCE THROUGH THE ACQUISITION OF ENI'S AND EXXONMOBIL'S ACTIVITIES IN THE DOWNSTREAM BUSINESS

On August 06 Galp Energia announced the purchase price for the acquisition of Eni's affiliates operating in the marketing of oil products in Portugal and Spain has been defined. The transaction includes Eni's retail station network under the Agip brand in the two countries and the Wholesale business (excluding the lubricant business).

EUROPEAN COMMISSION APPROVES PROPOSED ACQUISITION OF ENI'S DOWNSTREAM BUSINESS ACTIVITIES IN IBERIA

On September 09 the European Commission has approved under the European Union Merger Regulation the proposed acquisition by Galp Energia of

Agip España along with its 100% subsidiary Agip Portugal (excluding the lubricant business), controlled by the Eni Group. After examining the operation, the Commission concluded that the proposed transaction would not significantly impede effective competition in the European Economic Area or any substantial part of it.

GALP ENERGIA COMPLETES ACQUISITION OF ROYAL DUTCH SHELL FUELS BUSINESSES IN MOZAMBIQUE

On September 12 Galp Energia completed the acquisition of Royal Dutch Shell fuel businesses in Mozambique, announced on May 6, 2008 which represents a petroleum product sales volume of around 20 thousand m³ per year and includes 7 service stations. After this acquisition Galp Energia's sales volume in the country is around 90 thousand m³, corresponding to a market share of 14%.

AWARDS CONCEDED

On July 01, 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".

EVENTS AFTER THE CLOSE OF NINE MONTHS 2008

CORPORATE

MAJOR HOLDING

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

REFINING & MARKETING

GALP ENERGIA COMPLETES ACQUISITION OF AGIP’S IBERIAN NETWORK

On October 01 Galp Energia and Eni concluded the transaction of Agip’s Iberian network. As of that day, Galp Energia owns 367 additional service stations in Iberia, with a total Spanish network of 547 service stations.

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

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

AWARDS CONCEDED

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

ASSOCIATES

1. MAJOR ASSOCIATES

Company	Country	Business Segment	Equity Share	Consolidation method
Petróleos de Portugal, Petrogal, S.A.	Portugal	R&M	100%	Full
Galp Energia España, S.A.	Spain	R&M	100%	Full
Galp Exploração e Produção Petrolífera, S.A.	Portugal	E&P	100%	Full
CLCM - Companhia Logística da Madeira, S.A.	Portugal	R&M	75%	Full
CLC - Companhia Logística de Combustíveis, S.A.	Portugal	R&M	65%	Proportional
CLH - Companhia Logística de Hidrocarbonos, 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								
Third quarter					Nine months			
2007	2008	Change	% Ch.		2007	2008	Change	% Ch.
2.3	2.5	0.2	9.4%	CLH	5.7	6.1	0.5	8.3%
9.7	9.3	(0.4)	(3.9%)	International Pipelines	27.1	27.8	0.7	2.7%
0.2	0.3	0.2	94.2%	Setgás - Natural Gas Distribution Company	1.8	1.6	(0.2)	(10.4%)
1.7	1.0	(0.7)	(38.7%)	Others	2.5	1.5	(1.0)	(39.1%)
13.9	13.2	(0.6)	(4.6%)	Sub total	37.1	37.1	0.0	0.1%
1.6	(2.1)	(3.7)	n.m.	Consolidation adjustments	9.3	(3.9)	(13.3)	n.m.
15.5	11.1	(4.3)	(27.9%)	Total	46.4	33.2	(13.2)	(28.5%)

RECONCILIATION OF REPORTED AND REPLACEMENT COST ADJUSTED FIGURES

1. REPLACEMENT COST ADJUSTED OPERATING PROFIT BY BUSINESS SEGMENT

Million euros										
Third quarter					2008	Nine months				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
8	184	193	6	198	Operating profit	733	(219)	514	1	515
29	-	29	0	29	E&P	113	-	113	10	123
(89)	199	110	2	111	R&M	373	(202)	171	(14)	157
69	(15)	55	4	59	G&P	240	(17)	223	5	228
(1)	-	(1)	-	(1)	Others	7	-	7	0	7

Million euros										
Third quarter					2007	Nine months				
Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit		Operating profit	Inventory effect	Operating profit at replacement cost	Non recurrent items	Adjusted operating profit
218	(67)	151	(4)	147	Operating profit	735	(209)	527	(1)	526
48	-	48	(2)	46	E&P	118	-	118	2	121
134	(68)	66	(1)	66	R&M	477	(220)	257	0	257
36	1	37	(2)	35	G&P	136	11	148	(3)	145
0	-	0	-	0	Others	4	-	4	-	4

2. REPLACEMENT COST ADJUSTED EBITDA BY BUSINESS SEGMENT

Million euros										
Third quarter					2008	Nine months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
96	184	280	1	282	EBITDA	943	(219)	724	7	731
51	-	51	0	51	E&P	166	-	166	9	175
(47)	199	152	2	154	R&M	475	(202)	273	(2)	271
93	(15)	78	(0)	78	G&P	296	(17)	279	(0)	279
(1)	-	(1)	-	(1)	Others	6	-	6	0	6

Million euros										
Third quarter					2007	Nine months				
EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA		EBITDA	Inventory effect	EBITDA at replacement cost	Non recurrent items	Adjusted EBITDA
283	(67)	216	(5)	211	EBITDA	930	(209)	721	(9)	712
62	-	62	(2)	59	E&P	161	-	161	(2)	159
175	(68)	107	(0)	107	R&M	600	(220)	380	(1)	379
46	1	47	(3)	44	G&P	164	11	175	(6)	169
0	-	0	-	0	Others	4	-	4	-	4

3. NON RECURRENT ITEMS

Exploration & Production

Million Euros				
Third quarter			Nine months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Gains / losses on disposal of assets	-	-
-	0.2	Assets write offs	-	9.5
0.3	(0.1)	Assets impairments	4.6	(0.2)
(2.3)	0.3	Others	(2.3)	0.3
(2.0)	0.3	Non recurrent items of operating profit	2.3	9.6
(1.5)	-	Other financial results	(1.5)	-
(3.6)	0.3	Non recurrent items before income taxes	0.8	9.6
(0.8)	(0.0)	Income taxes on non recurrent items	(0.8)	(3.2)
(4.3)	0.3	Total non recurrent items	0.0	6.4

Refining & Marketing

Million Euros				
Third quarter			Nine months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Sale of strategic stock	0.3	(3.7)
(0.1)	(0.7)	Gains / losses on disposal of assets	(3.1)	(0.6)
0.0	0.3	Assets write offs	0.0	0.3
(0.0)	0.7	Employees contracts rescission	1.7	1.2
(0.2)	0.0	Provisions for environmental charges	2.0	-
(0.3)	0.4	Assets impairments	(0.8)	(11.0)
-	0.9	Others	0.0	(0.1)
(0.6)	1.6	Non recurrent items of operating profit	0.1	(13.8)
-	-	Capital gains / losses on disposal of financial investments	(1.1)	-
(0.6)	1.6	Non recurrent items before income taxes	(1.1)	(13.8)
0.1	(0.3)	Income taxes on non recurrent items	0.3	3.9
(0.5)	1.3	Total non recurrent items	(0.8)	(9.9)

Gas & Power

Third quarter			Nine months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Services rendered	-	-
(2.6)	(0.3)	Gains / losses on disposal of assets	(2.6)	(0.5)
(0.0)	0.1	Assets Write offs	0.1	0.2
-	-	Collections related to the sale of land	(3.5)	-
-	(0.1)	Employees contracts rescission	-	(0.1)
0.9	4.2	Provisions for other risks and charges	2.7	5.0
(1.7)	3.9	Non recurrent items of operating profit	(3.3)	4.7
(20.8)	-	Capital gains / losses on disposal of financial investments	(20.8)	-
-	-	Other financial results	-	-
(22.5)	3.9	Non recurrent items before income taxes	(24.1)	4.7
0.6	(0.2)	Income taxes on non recurrent items	1.0	(0.4)
(21.9)	3.7	Total non recurrent items	(23.1)	4.3

Others

Third quarter			Nine months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	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
-	0.0	Income taxes on non recurrent items	-	-
0.0	0.0	Total non recurrent items	0.0	0.0

Consolidated

Million Euros				
Third quarter			Nine months	
2007	2008		2007	2008
		Exclusion of non recurrent items		
-	-	Sale of strategic stock	0.3	(3.7)
(2.7)	(1.0)	Gains / losses on disposal of assets	(5.7)	(1.0)
0.0	0.6	Assets write off	0.1	10.1
-	-	Collections related to the sale of land	(3.5)	-
(0.0)	0.6	Employees contracts rescission	1.7	1.2
-	-	Provisions for other risks and charges	-	-
0.7	0.0	Provisions for environmental charges	4.7	-
(0.1)	0.3	Assets impairments	3.7	(11.2)
(2.3)	5.3	Others	(2.3)	5.2
(4.3)	5.9	Non recurrent items of operating profit	(0.9)	0.6
(20.8)	-	Capital gains / losses on disposal of financial investments	(22.0)	-
(1.5)	-	Other financial results	(1.5)	-
(26.7)	5.9	Non recurrent items before income taxes	(24.4)	0.6
(0.1)	(0.5)	Income taxes on non recurrent items	0.5	0.2
(26.8)	5.3	Total non recurrent items	(23.9)	0.8

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Million euros				
Third quarter			Nine months	
2007	2008		2007	2008
		Operating income		
3,205	3,916	Sales	9,029	11,387
33	54	Services rendered	95	119
28	22	Other operating income	68	61
3,266	3,992	Total operating income	9,192	11,567
		Operating costs		
(2,763)	(3,660)	Inventories consumed and sold	(7,600)	(9,922)
(148)	(158)	Material and services consumed	(447)	(467)
(67)	(70)	Personnel costs	(197)	(206)
(60)	(63)	Amortisation and depreciation cost	(179)	(169)
(5)	(24)	Provision and impairment of receivables	(15)	(41)
(4)	(7)	Other operating costs	(18)	(29)
(3,048)	(3,983)	Total operating costs	(8,456)	(10,834)
218	8	Operating profit	735	733
15	11	Net profit from associated companies	46	33
21	(0)	Net profit from investments	22	(0)
		Financial results		
5	2	Financial profit	13	9
(12)	(14)	Financial costs	(37)	(38)
(5)	(19)	Exchange gain (loss)	(7)	(14)
(0)	(0)	Profit and cost on financial instruments	1	(0)
(0)	(0)	Other gains and losses	(1)	(1)
242	(12)	Profit before taxes	772	722
(53)	9	Income tax expense	(179)	(197)
189	(2)	Profit before minority interest	593	525
(1)	(1)	Profit attributable to minority interest	(3)	(3)
188	(3)	Net profit for the period	589	521
0.23	(0.00)	Earnings per share (in Euros)	0.71	0.63

2. CONSOLIDATED BALANCE SHEET

Million euros			
	December 31, 2007	June 30, 2008	September 30, 2008
Assets			
Non current assets			
Tangible fixed assets	2,108	2,197	2,335
Goodwill	17	17	20
Other intangible fixed assets	310	324	326
Investments in associates	149	149	172
Investments in other participated companies	1	1	2
Other receivables	89	86	83
Deferred tax assets	132	129	129
Other financial investments	1	2	1
Total non current assets	2,807	2,906	3,066
Current assets			
Inventories	1,422	1,895	1,671
Trade receivables	1,077	1,185	1,058
Other receivables	330	374	481
Other financial investments	6	34	6
Current Income tax recoverable	0	0	-
Cash and cash equivalents	107	325	109
Total current assets	2,943	3,813	3,325
Total assets	5,750	6,719	6,391
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(23)	(29)	(16)
Other reserves	146	174	174
Hedging reserves	1	1	1
Retained earnings	592	1,201	1,201
Profit attributable to equity holders of the parent	777	524	521
Equity attributable to equity holders of the parent	2,404	2,783	2,793
Minority interest	22	24	24
Total equity	2,426	2,807	2,817
Liabilities			
Non current liabilities			
Bank loans and overdrafts	280	478	525
Bonds	226	16	-
Other payables	62	62	60
Retirement and other benefit obligations	254	257	257
Deferred tax liabilities	148	198	167
Other financial instruments	0	0	0
Provisions	83	98	108
Total non current liabilities	1,051	1,107	1,117
Current liabilities			
Bank loans and overdrafts	336	434	458
Bonds	-	210	2
Trade payables	956	932	932
Other payables	981	1,108	1,024
Other financial instruments	0	28	1
Income tax	-	93	40
Total current liabilities	2,272	2,805	2,457
Total liabilities	3,323	3,912	3,574
Total equity and liabilities	5,750	6,719	6,391

ADDITIONAL INFORMATION

GLOSSARY

AC	Average Cost (inventory valuation method)
BBLT	<i>Benguela, Belize, Lobito and Tomboco</i>
CLH	<i>Companhia Logística de Hidrocarburos, S.A.</i>
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 Standards
IFRS	International Financial Reporting Standards
IPH	<i>Índice de Produtibilidade Hidroelétrica</i> – (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

LTM	Last twelve months
OECD	Organisation for Economic Co-operation and Development
OMIP	Iberian Energy Market Operator
PSA	Production Sharing Agreement
Replacement cost	According to this method of valuing inventories, the cost of goods sold is valued at <i>the cost of replacement</i> , i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.
Rotterdam cracking refining margin	Rotterdam Cracking refining margin: -100% Dated Brent, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.4% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 50 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.7%; Terminal rate: 1 \$/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 \$/ton. Yields in % of weight.
Rotterdam hydroskimming + aromatics + base oils refining margin	<p>Rotterdam hydroskimming refining margin: -100% Dated Brent, +2.1% LGP FOB Seagoing (50% Butane + 50% Propane), +15.1% PM UL NWE FOB Bg., +4.0% Naphtha NWE FOB Bg., +9% Jet NWE CIF Cg., +32.0% ULSD 10 ppm NWE CIF Cg. and +33.8% LSFO 1% FOB NWE Cg.; C&L: 4.0%; Terminal rate: 1 \$/ton; Ocean loss: 0.15% over Dated Brent; Freight 2008: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat 5.13 \$/ton.</p> <p>Rotterdam aromatics refining margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.5% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Ortoxylene Rotterdam FOB Bg.. Consumptions: -18% LSFO 1% CIF NEW. Yields in % of weight.</p> <p>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.</p>

Rotterdam hydroskimming + Aromatics + Base oils refining margin = 65%
Rotterdam hydroskimming refining margin + 15% Rotterdam aromatics refining
margin + 20% Base Oils refining margin.

SXEP DJ Europe Oil&Gas Index

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*; m³: 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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