

Nine months results
2006





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KEY FIGURES

Financial data

Million euros

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
2,925	3,263	338	11.5%	Sales and services rendered	7,941	9,393	1,452	18.3%
391	518	127	32.6%	EBITDA	1,034	1,141	107	10.3%
222	591	369	166.3%	EBITDA at replacement cost	657	1,014	358	54.4%
223	329	106	47.6%	Adjusted EBITDA¹	655	742	87	13.3%
332	444	112	33.9%	Operating result	843	928	84	10.0%
163	518	354	n.m.	Operating result at replacement cost	466	800	335	71.9%
164	247	83	50.5%	Adjusted operating result¹	464	520	56	12.0%
261	369	109	41.6%	Net income	675	723	48	7.1%
134	207	73	54.0%	Adjusted net income¹	326	374	48	14.6%

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

Market indicators

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
6.6	3.8	(2.9)	(43.2%)	Rotterdam cracking refining margin ¹ (Usd/bbl)	5.3	3.9	(1.4)	(25.9%)
0.6	4.1	3.5	n.m.	Rotterdam hydroskimming + aromatics refining margin ¹ (Usd/bbl)	3.2	2.4	(0.8)	(25.2%)
6.9	6.8	(0.1)	(1.5%)	Henry hub natural gas price ² (Usd/MMbtu)	6.4	8.8	2.4	37.4%
61.6	69.6	8.0	12.9%	Average Brent dated price ³ (Usd/bbl)	53.7	67.0	13.3	24.7%
1.2	1.3	0.1	5.0%	Average exchange rate ⁴ Eur/Usd	1.3	1.2	(0.0)	(1.6%)
2.2	3.4	1.2 pp	-	Euribor - six month ⁴ (%)	2.2	3.1	0.9 pp	-

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

² Source: Reuters.

³ Source: Platts.

⁴ Source: European Central Bank.

Operating data

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
4,257	8,700	4,443	104.4%	Average E&P production (bbl/day)	4,507	5,677	1,170	25.9%
7.5	6.2	(1.3)	(17.9%)	Galp Energia refining margin (Usd/bbl)	7.0	5.5	(1.5)	(21.3%)
3.8	3.8	-	0.7%	Raw materials processed (million tonnes)	10.6	11.2	0.6	5.2%
2.3	2.2	(0.1)	(3.4%)	Oil products sales to Galp Energia clients (million tonnes)	7.1	6.9	(0.2)	(3.0%)
1,008	1,377	124	26.9%	Natural gas sales (million m ³)	3,145	3,601	455.9	14.5%
370	391	21	6%	Power generation ¹ (GWh)	1,144	1,169	25	2.2%

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

BASIS OF PRESENTATION

Galp Energia, SGPS, S.A. (“Galp Energia” or the “Company”) unaudited consolidated financial statements as of 30 September 2006 and for the nine months period ended 30 September 2006 and 2005 (for purposes of comparison with the financial statements for the nine months period ended 30 September 2006) have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Financial information relating to profit and loss account data is presented for the first nine months and third quarter of 2006 and for the first nine months and third quarter of 2005. Financial information relating to balance sheet data is presented as of 31 December 2005, 30 June 2006 and 30 September 2006.

As a result of financial statements being prepared in accordance with IFRS, inventories are valued under FIFO (“First In First Out”), which can lead to greater volatility in results during times of major price variations, through inventory gains or losses not reproducing concrete performance of the Company.

Another example that can mislead Company performance is certain amounts not replicating the ordinary course of business, such as gains or losses on divestments, impairments or restatements and environmental provisions or restructuring charges.

In order to permit evaluating underlying performance of Galp Energia businesses, adjusted operating profit and net income are net of inventory effect, using the methodology of replacement cost for valuing cost of goods sold, and non recurrent events.

MARKET ENVIRONMENT

In 2006, Brent maintained a constant increase trend, which continued in the early part of the third quarter when it reached its highest record level, 78.7 Usd/bbl in mid august, but since then Brent has decreased to 60 Usd/bbl levels due to ease of geopolitical factors (Israel/Lebanon conflict and Iran international pressure), as well as high levels of crude stock in United States of America (“US”) and Europe, when compared to last 5 years.

In August, refining cracking margins decreased as expected, because of the end of driving season in the US and higher levels of gasoline stocks made in anticipation for the hurricane season, which didn’t materialize. As a result, gasoline cracks have decreased considerably since mid-august.

The huge impact of Katrina and Rita hurricanes last year justifies a considerable negative difference in cracking refining margins observed this year when compared to same period last year, due to a lack of refining capacity in the second half of 2005.

Regarding middle distillates, crack spreads were stable because of stocks build up in US in preparation for winter, specifically heating oil, and increased demand in Europe due to (i) a reduced supply from Russian and (ii) higher consumption levels due to driving and crop seasons, confirming the dieselization of the European market.

However this year, due to higher temperatures than averages in the US, demand for heating oil has not materially improved and so, diesel cracks are on the lower range compared to previous years.

In Portugal, total market volumes continued its decline trend, resulting in a decrease of 5%, due to slow down in private consumption and historical high price levels impact. Additionally, the tendency for replacing gasoline by diesel consumption was maintained confirming the dieselization of Portuguese market in line with Europe.

In Spain, economic environment is totally different which supported an increase in diesel market of 4%, partially off set by a decrease in gasoline volumes of 5%, resulting in market growth of 2% for the first nine months in 2006 vis-à-vis same period 2005.

FINANCIAL REVIEW

1. PROFIT AND LOSS ACCOUNT

Million euros

Third quarter				Nine months				
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
2,925	3,263	338	11.5%	Sales and services rendered	7,941	9,393	1,452	18.3%
(2,546)	(3,032)	486	19.1%	Operating expenses	(6,922)	(8,540)	1,618	23.4%
12	287	275	n.m.	Other operating revenues (expenses)	16	288	273	n.m.
391	518	127	32.6%	EBITDA	1,034	1,141	107	10.3%
(59)	(74)	15	25.2%	Depreciation and provisions	(191)	(214)	23	11.9%
332	444	112	33.9%	Operating result	843	928	84	10.0%
11	10	(1)	(5.8%)	Net income from associated companies	34	30	(4)	(12.7%)
-	(20)	(20)	n.m.	Net income from investments	55	(20)	(74)	n.m.
1	(6)	8	n.m.	Net interests expenses	(59)	(32)	(26)	(44.9%)
344	428	84	24.6%	Income before tax and minority interests	873	905	32	3.6%
(82)	(58)	(24)	(29.7%)	Income tax	(195)	(179)	(16)	(8.1%)
(1)	(1)	-	30.8%	Minority Interests	(3)	(3)	-	(4.6%)
261	369	109	41.6%	Net income	675	723	48	7.1%
261	369	109	41.6%	Reported net income	675	723	48	7.1%
(127)	72	(200)	n.m.	Inventory effect	(293)	(107)	(186)	(63.5%)
134	442	308	n.m.	Net income at replacement cost	383	616	234	61.0%
1	(235)	(236)	n.m.	Non recurrent items	(57)	(242)	(186)	n.m.
134	207	73	54.0%	Adjusted net income	326	374	48	14.6%

Nine months

Net income was €723 million in the first nine months of 2006, an increase of 7.1% from €675 million in the same period last year. Excluding inventory holding effects and non recurrent events, adjusted net income increased by 14.6% to €374 million from €326 million in the first nine months of 2005.

Third quarter

2006 third quarter net income was considerably impacted by the sale of Natural Gas Regulated Assets, as defined in section “Unbundling Impact” to Rede Eléctrica Nacional, S.A. (“REN”), with a positive impact in results of approximately €220 million. For a detailed description of the unbundling process, see “Unbundling Impact”. Excluding inventory holding effects and non recurrent events, adjusted net income increased by €73 million or 54.0% in third quarter of 2006.

Operating results

Million euros

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
27	24	(3)	(11.5%)	Exploration & Production	37	27	(10)	(26.8%)
247	80	(168)	(67.8%)	Refining & Marketing	633	430	(204)	(32.2%)
61	348	286	n.m.	Gas & Power	188	476	287	n.m.
(3)	(7)	(3)	(104.4%)	Others	(15)	(5)	11	70.3%
332	444	112	33.9%	Operating result	843	928	84	10.0%
332	444	112	33.9%	Reported operating result	843	928	84	10.0%
(169)	73	242	n.m.	Inventory effect	(378)	(127)	(251)	(66.3%)
163	518	354	n.m.	Operating result at replacement cost	466	800	335	71.9%
1	(270)	(272)	n.m.	Non recurrent items	(2)	(281)	279	n.m.
164	247	83	50.5%	Adjusted operating result	464	520	56	12.0%

Nine months

Operating result increased by 10.0% in the first nine months of 2006 when compared to the same period last year, excluding inventory holding and non recurrent effects, adjusted operating result rose by 12.0%, mainly driven by better performance of Gas & Power segment.

Third quarter

Operating result in third quarter of 2006 increased by €112 million or 33.9%, when compared to the same period last year. However, excluding inventory holding effects and non recurrent events, adjusted operating result in third quarter of 2006 increased by €83 million or 50.5%, being the main contributors: (i) Refining & Marketing segment with a higher throughput and (ii) Gas & Power segment with substantial higher trading volumes.

2. ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

Sales and services rendered

Million euros

Third quarter				Nine months				
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
35	53	18	52.5%	Exploration & Production	65	75	10	15.0%
2,635	2,882	247	9.4%	Refining & Marketing	7,135	8,323	1,188	16.6%
256	380	124	48.5%	Gas & Power	770	1,039	270	35.0%
19	27	8	42.7%	Others	60	82	22	35.9%
(19)	(79)	59	n.m.	Consolidation adjustments	(90)	(126)	37	41.1%
2,925	3,263	338	11.5%		7,941	9,393	1,452	18.3%

Sales and services rendered increased by €1,452 million, or 18.3%, in the nine months period ended 30 September 2006, from €7,941 million in the nine months period ended 30 September 2005 reflecting a combination of higher volumes sold and higher realised sales prices.

Exploration & Production segment sales increased approximately 15.0%, to €75 million in the nine months period ended 30 September 2006 from €65 million in the same period last year. This increase was attributable to higher realised sale price in line with Brent, however partially off set by a decrease in quantities sold of 14.3%.

Sales and services rendered in our Refining & Marketing segment increased 16.6% or €1,188 million in the nine months period ended 30 September 2006, from €7,135 million in the same period last year, resulting from higher international prices for oil products and also an increase in oil products sales, mainly in exports of fuel oil and gasoline that more than compensated decrease in our marketing sales in Iberia given Galp Energia higher presence in the Portuguese market.

Gas & Power segment sales increased €270 million or 35.0% in the nine months period ended 30 September 2006, from €770 million in the same period last year. This increase results from an increase of 14.5% in natural gas volumes sold, in particular in trading and to cogeneration plants, and an increase in natural gas sale price in line with international benchmarks.

Other operating revenues

Other operating revenues increased 273 million in the nine months period ended 30 September 2006 influenced by the following non recurrent items: (i) positive impact of the sale of Natural Gas Regulated Assets to REN that occurred at the end of September, (ii) restatement of the Leixões Monobuoy Ocean Terminal that had been previously written off and (iii) extraordinary indemnity received in the first nine months of 2005 from the accident in Leixões terminal that occurred in July 2004. Excluding these one off items, other operating revenues would have decreased by €4 million, mainly attributable to higher oil-related taxes paid in Angola due to production lift up.

Operating expenses

Million euros

Third quarter				Nine months				
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
2,377	2,812	435	18.3%	Cost of goods sold	6,382	7,925	1,543	24.2%
106	135	29	27.2%	Supply and services	354	391	37	10.6%
62	84	22	34.6%	Personnel costs	187	224	38	20.1%
2,546	3,032	486	19.1%		6,922	8,540	1,618	23.4%

Operating expenses increased €1,618 million or 23.4% in the nine months period ended 30 September 2006, from €6,922 million in the same period last year. This increase is mainly attributable to an increase of 24.2% in costs of goods sold and a 20.1% increase in personnel costs.

Cost of goods sold increased to €7,925 million in the nine months period ended 30 September 2006, an increase of 24.2% when compared with the same period last year. This increase reflects higher international prices of crude oil, natural gas and other feedstock. If we had used replacement cost for valuing our cost of good sold instead of FIFO, total amount of cost of goods sold would be €8,052 million in the nine months period ended 30 September 2006 corresponding to a rise of €1,293 million or 19% from the same period last year. This increase of 19% is in line with the increase of 18.3% in sales.

Supply and services increased by €37 million or 10.6% in the nine months period ended 30 September 2006, from €354 million in the nine months period ended 30 September 2005. This increase in supply and services is mainly attributable to (i) higher insurance premiums related with multi risk insurance, (ii) higher vessels rentals due to the sale in 2005 of one marine tanker for refined products coastal transportation and (iii) increase in maintenance and repair costs primarily resulting from the programmed turnaround of the aromatics plant in Oporto refinery. Rebasng 2005 supply and services costs (events number (i) and (ii)) in order to compare the two periods, increase in supply and services would have been 6.1% when compared with the first nine months of 2005.

Personnel costs increased by €38 million or 20.1% in the nine months period ended 30 September, from €187 million in the same period last year, reflecting (i) an increase in salaries in line with inflation, (ii) variable compensation (bonuses) that were insufficiently specialized in 2005, (iii) an increase in the numbers of employees (acquisition of Gas Insular - oil distribution company in Madeira island with 51 employees at the end of 2005 and increase of 45 employees in service stations), (iv) an additional provision for restructuring processes and (v) full consolidation of companies located in Angola and Guinea Bissau that were being accounted under equity method of consolidation. Rebasng 2005 personnel costs with events described in numbers (ii) to (iv) in order to compare the two periods, increase in personnel costs would have been only 6.9% when compared with the first nine months of 2005.

Employees

	Dec 31, 2005	Sep. 30, 2006	Change vs Dec 31, 2005
Exploration & Production	40	46	6
Refining & Marketing	4,633	4,678	45
Gas & Power	654	487	(167)
Corporate & Others	582	535	(47)
Total on site employees	5,909	5,746	(163)
Service stations employees	2,200	2,306	106
Total off site employees	3,709	3,440	(269)

The number of employees, excluding service stations employees, decreased by 269 since the beginning of 2006 to 3,440 at the end of September. This decrease includes 188 employees that were transferred to REN at the time of the sale of Natural Gas Regulated Assets, excluding this reduction, number of employees decreased by 81 mainly in the Refining & Marketing segment excluding on site employees. Service station employees increased by 106 since January 2006, corresponding to new service stations and C-Stores. Total number of Galp Energia employees as of September 2006 was 5,746. For a detailed description of the unbundling process, see "Unbundling Impact".

Depreciation and provisions

Million euros

Third quarter				Nine months			
2005	2006	Change	% Ch.	2005	2006	Change	% Ch.
0	7	7	n.m.	10	20	10	92.9%
45	66	21	46.5%	138	160	22	16.0%
14	0.4	(13)	(96.8%)	41	32	(9)	(20.9%)
0.4	0.3	(0.1)	(30.3%)	1	1	(1)	(42.7%)
59	74	15	25.2%	191	214	23	11.9%

Depreciation and provisions increased by €23 million or 12.9% to €14 million in the nine months period ended 30 September 2006, from €191 million in the same period last year. This increase is mainly attributable to (i) a provision of €12.8 million for doubtful accounts mainly in the Refining & Marketing segment, (ii) €13.4 million of other provisions, (iii) decrease of €14 million in Gas & Power depreciations due to the sale of Natural Gas Regulated Assets to REN and (iv) an increase in depreciations in our Exploration & Production segment reflecting higher volumes produced and the start of production of two additional fields.

Income from associated companies

Income from associated companies decreased by €4 million, or 12.7%, to €30 million in the nine months period ended 30 September 2006 from €34 million in the same period in 2005 reflecting the (i) full consolidation of companies located in Angola and Guinea Bissau that were being previously accounted under the equity method and (ii) other consolidation adjustments. The main contributors of income from associated companies were Compañía Logística de Hidrocarburos, S.A. ("CLH"), the Spanish logistic oil company, with €4.9 million, and natural

gas international pipeline companies (EMPL, Metragaz, Gasoducto Al Andalus and Gasoducto Extremadura), with €26.0 million in the nine months period ended 30 September 2006.

Net income from investments

Net income from investments decreased by €74 million in the first nine months of 2006 to a loss of €20 million. In the nine months period ended 30 September 2005, net income from investments included a €4.5 million capital gain from the sale of Portgás (natural gas Distribution Company in Oporto) and in the same period in 2006 a €20 million adjustment related with the unbundling process. For a detailed description of the unbundling process, see “Unbundling Impact”.

Net interest expenses

Net interest expenses decreased by €26 million, to €32 million in the nine months period ended 30 September 2006 from €59 million in same period in 2005. This reduction is mainly attributable to an increase of €15 million in net exchange gains, a €4 million decrease in interest expenses and a €6 million increase in interest income.

Interest expenses decreased by €4 million in the first nine months of 2006 primarily attributable to the decrease in gross debt of €208 million, since December 2005, partially offset by an increase in the average debt cost, in line with Euribor.

In the same period interest income increased by €6 million due to an increase in bank deposits resulting from funds generated from operations.

Net foreign currency gains increased by €15 million to €3 million in the nine months period ended 30 September 2006 from a loss of €12 million in the same period in 2005. Currency gains as of September 2005 were negatively impacted by the appreciation of Usd against the Euro in 2004. The opposite had the 5% depreciation of Usd against the Euro, from 1,20 as of September 2005 to 1,27 at the end of September 2006, generating currency gains related with our liabilities, mainly suppliers, denominated in Usd.

Income tax

Although income before tax increased by €32 million, or 3.6%, to €905 million in the nine months period ended 30 September 2006 from €873 million in the same period in 2005, income tax expense decreased by €16 million, or 8.1%, to €179 million. The decrease in income tax expense despite the raise in income before tax is due to the special taxation treatment of the capital gain realised in connection with the sale of Natural Gas Regulated Assets to REN. As a result, effective tax rate decreased to 19.8% in the first nine months of 2006 from 22.3% in the same period last year.

3. CAPITAL EXPENDITURES

Million euros

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
19	24	5	26.3%	Exploration & Production	55	62	7	12.7%
29	28	(1)	(3.4%)	Refining & Marketing	70	58	(12)	(17.1%)
20	31	11	55.0%	Gas & Power	59	81	22	37.3%
68	83	15	22.1%		184	201	17	9.2%

Total capital expenditures increased by 9.2% to €201 million in the nine months period ended 30 September 2006 from €184 million in the corresponding period in 2005.

Our Exploration and Production business segment invested €62 million in the first nine months of 2006, mainly in Block 14 and Block 32 in Angola and exploration activities in Brazil, mainly in Block BM-S-11.

Refining & Marketing business segment invested €58 million in the first nine months of 2006, mainly related with construction of strategic storage tanks and in marketing activities with construction of new service stations in Iberia.

Our Gas & Power business segment invested €81 million in the first nine months of 2006, in: (i) acquisition of natural gas necessary to fill in the first underground storage cavern (cushion gas), (ii) underground storage surface facilities, (iii) expansion of the natural gas distribution network and (iv) development of Sines refinery 86 MW cogeneration plant.

4. BALANCE SHEET

Million euros

	Dec 31, 2005	June 30, 2006	Sep. 30, 2006	Change vs Dec 31, 2005	Change vs June 30, 2006
Fixed assets	3,086	3,077	2,394	(692)	(683)
Strategic stock	524	578	585	61	7
Other assets (liabilities)	(154)	(234)	(212)	(58)	22
Working capital	121	78	261	140	183
	3,577	3,499	3,027	(550)	(472)
Short term debt	257	267	610	353	343
Long term debt	1,092	994	531	(561)	(463)
Total debt	1,349	1,260	1,141	(208)	(119)
Cash	158	276	119	(38)	(156)
Total net debt	1,192	985	1,021	(170)	37
Total shareholder's equity	2,386	2,515	2,006	(380)	(509)
Capital employed	3,577	3,499	3,027	(550)	(472)

Fixed assets at the end of September 2006 decreased by €89 million since 30 June 2006 to €2,394 million. This reduction is explained mainly by the sale to REN of natural gas transportation and storage assets and LNG Terminal, which represented a book value of €731 million.

Strategic stock at the end of September 2006 kept constant since 30 June 2006, however increased €61 million since 2005 year end due to higher crude and oil products prices.

Net debt totalled €1,021 million at the end of September, an increment of €7 million since 30 June 2006, reflecting several transactions that occurred during the last three months namely: (i) payment of €526 million by REN related with the sale of Natural Gas Regulated Assets (and subsequent transfer of debt in the amount of €470 million and bank deposits in the amount of €44 million), (ii) payment of ONI shares by Energias de Portugal, S.A. (“EDP”) in the amount of €20 million, (iii) payment of an ordinary dividend in the amount of €222 million, and (iv) payment of an extraordinary dividend in the amount of €71 million.

SEGMENT REVIEW

1. EXPLORATION & PRODUCTION

Million euros (except otherwise noted)

Third quarter				Nine months				
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
35	53	18	52.5%	Sales and services rendered	65	75	10	15.0%
27	24	(3)	(11.5%)	Operating result	37	27	(10)	(26.8%)
0	0	-	0.0%	Non recurrent items	-	-	-	-
27	24	(3)	(11.5%)	Adjusted operating result	37	27	(10)	(26.8%)
61.6	69.6	8.0	12.9%	Average brent dated price ¹ (Usd/bbl)	53.7	67.0	13.3	24.7%
0.4	0.8	0.4	104.4%	Total production (million bbl)	1.2	1.5	0.3	25.9%
0.4	0.2	(0.2)	(51.4%)	Kuito (million bbl)	1.2	0.7	(0.6)	(46.8%)
-	0.6	0.6	-	BBLT (million bbl)	-	0.8	0.8	-
-	0.04	0.04	-	TL (million bbl)	-	0.04	0.04	-
4,257	8,700	4,443	104.4%	Average production (bbl/day)	4,507	5,677	1,170	25.9%
0.7	0.9	0.3	41.6%	Total sales (million bbl)	1.6	1.4	(0.2)	(14.3%)

¹ Source: Platts

Operating results

Operating results decreased by €10 million or 26.8% in the first nine months of 2006. Sales and service rendered increased by 10 million, or 15.0%, to €75 million in the nine months period ended 30 September 2006 from €65 million in the same period last year. This increase in sales resulted from an increase in the average sale price of crude oil in the first nine months of 2006 in line with Brent trend, however this increase was partially offset by a decrease of 14.3% in quantities of crude oil available for sale due to a reimburse of an over lifting realised in 2005.

Although operating result decreased in the last nine months when compared to the same period last year, EBITDA maintained stable around the €47 million level.

Exploration & Production operations

Total production of crude oil in the first nine months of 2006 was 1.5 million barrels equivalent to an average production of 5.68 thousand barrels per day, corresponding to a production increase of 25.9% when compared to same period in 2005. The main factors affecting production were: (i) a decrease in production from Kuito field related with a decrease of entitlement volumes according to existing production sharing agreement, (ii) beginning of production of Benguela-Belize-Lobito-Tomboco (“BBLT”) field in January 2006 and the increasing pace of production since June, having production during September reached more than 200 thousand barrels and (iii) emergent start of production from Tombua-Lândana (“TL”) field in June 2006. BBLT was the major responsible for the 104.4% increase in production, from 4.3 thousand barrels per day in Q3 of 2005 to 8.7 thousand barrels per day in the same period this year with production contribution of 0.6 million bbl. Comparing with 2006 Q2, increase in production was almost 90% as production was 4.6 thousand barrels per day.

2. REFINING & MARKETING

Million euros (except otherwise noted)

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
2,635	2,882	247	9.4%	Sales and services rendered	7,135	8,323	1,188	16.6%
247	80	(168)	(67.8%)	Operating result	633	430	(204)	(32.2%)
(162)	79	242	n.m.	Inventory holding effect	(371)	(130)	240	(65.0%)
1	(21)	(22)	n.m.	Non recurrent items	(2)	(31)	(29)	n.m.
86	138	52	60.5%	Adjusted operating result	261	268	8	3.0%
6.6	3.8	(2.9)	(43.2%)	Rotterdam cracking refining margin ¹ (Usd/bbl)	5.3	3.9	(1.4)	(25.9%)
0.6	4.1	3.5	n.m.	Rotterdam hydroskimming + aromatics refining margin ¹ (Usd/bbl)	3.2	2.4	(0.8)	(25.2%)
7.5	6.2	(1.3)	(17.9%)	Galp Energia refining margin (Usd/bbl)	7.0	5.5	(1.5)	(21.3%)
25,490	24,374	(1,116)	(4.4%)	Crude processed (bbl)	72,676	73,931	1,255	1.7%
3.8	3.8	-	0.7%	Raw material processed (million tonnes)	10.6	11.2	0.6	5.2%
4.1	4.2	0.0	1.1%	Total refined product sales (million tonnes)	11.8	12.2	0.4	3.3%
2.3	2.2	(0.1)	(3.4%)	Sales to Galp Energia clients (million tonnes)	7.1	6.9	(0.2)	(3.0%)
1.2	1.1	(0.1)	(7.2%)	Wholesale	3.4	3.3	(0.1)	(3.2%)
0.7	0.7	-	(2.7%)	Retail	2.0	1.9	(0.1)	(3.2%)
0.1	0.1	-	(8.1%)	LPG	0.3	0.3	-	(4.9%)
0.4	0.4	-	9.0%	Others	1.4	1.3	-	(1.5%)
0.7	0.9	0.2	29.6%	Exports (million tonnes)	1.7	2.3	0.7	39.8%
-	-	-	-	Number of service stations	1,006	1,013	7	0.7%
-	-	-	-	Number of c-stores	158	195	37	23.4%

¹ Source: Platt's. For a complete description of the calculation methodology of Rotterdam margins, see “Definitions”.

Operating results

Operating result in the first nine months of 2006 was €430 million, which compares to €633 million in the same period in 2005 representing a reduction of 32.2%. This reduction is explained by strong inventory holding gains in both periods due to using FIFO as inventory accounting method, however stronger in 2005.

Non recurrent events in the first nine months of 2006 were mainly provoked by a restatement of the Leixões Monobuoy Ocean Terminal of €8 million and restructuring provisions of €8.6 million.

After excluding inventory holding gains and non recurrent events, adjusted operating result increased by €8 million, or 3.0%, to €268 million in the first nine months of 2006 from €260 million in the same period last year. Although refining margins decreased 21.3%, in line with benchmark refining margins, some factors offset this decrease: (i) utilization rate levels for the overall refining system were higher in 2006 than in 2005, which increased the raw materials processed and subsequent increase in production, (ii) increase of 3.3% in volumes sold and (iii) stable marketing and trading margins.

Refining & Marketing operations

Utilization rate levels for the overall refining system were higher in 2006 than in 2005, reflecting an increase of 0.6 million tonnes or 5.2% in raw materials processed. Total oil product sales increase by 0.4 million tonnes or 3.3% due to volumes sold to external markets, taking advantage of good levels of gasoline margin in the US, that more than compensated marketing sales decrease in Iberia.

In terms of production yield, middle distillates and gasoline continued to represent more than 65% of the overall production of our refining system.

Sales volume in Retail decreased by 3.2% to 1.9 million tonnes in the first nine months of 2006 when compared to same period last year, in line with a general decrease in the Portuguese market.

Wholesale volumes were down by 3.2% to 3.3 million tonnes, mainly in diesel and fuel oil volumes. However, volumes were stronger in jet and marine bunkers due to a higher tourism activity.

3. GAS & POWER

Galp Energia decided to present its information of natural gas and power businesses on an aggregate basis. In order to reconcile figures previously presented with the ones presented in this report, see "Gas & Power reconciliation".

Million euros (except otherwise noted)

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
256	380	124	48.5%	Sales and services rendered	770	1,039	270	35.0%
61	348	286	n.m.	Operating result	188	476	287	n.m.
(7)	(6)	(1)	(8.2%)	Inventory holding effect	(7)	3	(10)	n.m.
0.2	(255)	(255)	n.m.	Non recurrent items	0.2	(255)	(255)	n.m.
55	87	32	58.7%	Adjusted operating result	182	224	42	23.2%
1,008	1,377	369	36.6%	NG supply sales volumes (million m³)	3,145	3,601	456	14.5%
461	585	124	26.9%	Electrical	1,492	1,482	(10)	(0.7%)
343	356	13	3.8%	Industrial	1,064	1,124	60	5.6%
116	124	7	6.4%	Local distribution companies	471	503	32	6.8%
88	313	225	n.m.	Trading	118	492	374	n.m.
85	92	7	7.8%	NG distribution sales volumes¹ (million m³)	344	366	21	6.2%
51	56	4	8.7%	Industrial	188	202	14	7.5%
7	8	1	11.9%	Commercial	31	34	3	10.7%
27	28	1	5.0%	Residential	126	130	4	3.2%
-	-	-	-	NG distribution clients¹ (thousands)	725	778	53	7.3%
370	391	21	5.7%	Power generation¹ (GWh)	1,144	1,169	25	2.2%
-	-	-	-	Natural gas net fixed assets²	1,421	704	(718)	(50.5%)

¹ Includes unconsolidated companies where Galp Energia has a significant interest

² Excludes financial investments

Operating results

Reported operating result increased €287 million to €476 million in the first nine months of 2006 when compared to same period in 2005. The main contributor to this increase was the sale of Natural Gas Regulated Assets to REN, which by itself explains €55 million. For a detailed description of the sale of Natural Gas Regulated Assets to REN, see "Unbundling Impact".

Excluding inventory effect and non recurrent events, adjusted operating result increased by €42 million, or 23.2%, to €224 million in the nine months period ended 30 September 2006 from €182 million in the nine months period ended 30 September 2005, primarily due to an increase in quantities of natural gas sold, as well as an increase in average natural gas prices in line with international benchmarks.

Gas & Power operations

Natural gas supply sales increased by 455.9 million m³, or 14.5%, to 3,601 million m³ in 9M 2006 reflecting higher trading volumes due to a good international market environment and higher sales to cogeneration plants.

Natural gas distribution sales increased by 21 million m³ from 344 million m³ in the first nine months of 2005, corresponding to a better insight coverage of the concession areas. The number of distribution clients also increased in the first nine months of 2006 from 725 thousand clients at the end of September 2005 to 778 thousand clients.

In Galp Energia cogenerations natural gas consumption increased by 4% to 128 million m³ and unit margin increased 12% to €13.3/MWh in the first nine months of 2006.

UNBUNDLING IMPACT

On 26 September 2006, Galp Energia sold to REN certain assets related with transportation and underground storage of natural gas, regasification and storage of liquefied natural gas (the "Natural Gas Regulated Assets". This sale was imposed by resolution No. 169/2005 of the Council of Ministers that approved the Portuguese government strategy for the energy sector.

The total provisional sale price of €844 million (assuming €318 million of debt) paid by REN was composed by the following items:

Natural gas transportation assets: A purchase price of €419.9 million was paid to Galp Energia for the high pressure natural gas transportation network and associated rights and activities including the stakes in the pipeline companies located in Portugal (88% share in Gasoduto Campo Maior—Leiria—Braga, S.A. and 51% share in Gasoduto Braga-Tuy, S.A.), based on an estimated value of €738.0 million for the assets and €318.1 million of debt assumed by REN;

Natural gas storage facilities: A purchase price of €76.4 million was paid to Galp Energia for the natural gas underground storage facilities, composed of €60.5 million for the facilities and €15.9 million for the minimum quantity of natural gas needed in the caverns for operational purposes (cushion gas);

Regasification facility: A purchase price of €30.0 million was paid to Galp Energia in respect of the transferred shares of SGNL—Sociedade Portuguesa de Gás Natural Liquefeito, S.A. ("SGNL"), owner of Sines LNG Terminal, composed of €11.6 million for the shares and €18.3 million for the repayment of a shareholder loan.

Adjustments to the provisional price described above will be calculated within 45 days after all applicable regulations establishing the terms, conditions and tariffs for third-party access to the infrastructure related to the Natural Gas Regulated Assets are published. The price will be adjusted in accordance with a valuation to be performed by three experts, one designated by each party and the third designated by the first two experts. The price for the natural gas storage and regasification facilities can be reviewed upwards or downwards but the price for the transportation assets can only be adjusted upwards.

The impact of the unbundling process at net income level of Galp Energia was €220 million. This impact is mainly attributable to recognition of capital gain in the amount of €245 million related with the sale of the high pressure network infrastructure and storage facilities and a €20 million capital loss from the sale of the shares of SGNL and the stakes in the pipeline companies located in Portugal.

POST CLOSING EVENTS

Galp Energia IPO

On 24 October, Galp Energia completed its Initial Public Offering (“IPO”) by listing its shares in Eurolist by Euronext Lisbon. A total of 190,727,646 shares were sold by Parpublica, SGPS, S.A. (100% Portuguese state owned) divided by the following tranches:

- Retail Offering: 82,925,000 shares to retail investors in Portugal, including the offering of 58,047,000 shares to certain classes of retail investors (Galp Energia Employees and Small Subscribers) entitled to a 5% discount over the final price of the offering;
- Institutional Offering: 107,802,646 shares for institutional investors within and outside Portugal. This tranche includes 17,338,877 shares for the over-allotment option (greenshoe) that was fully exercised on 23 October.

Currently shares of Galp Energia employees and Small Subscribers are locked-up for a three months period and will only be negotiated on 24 January 2007, until this date 58,047,000 shares are not permitted to be negotiated.

The Portuguese government decided to sell a 23.0% stake in Galp Energia at €5.81 per share corresponding to a market capitalization of €4.8 billion.

Appointment of new CEO

On 9 November the President of the Board of Directors of Galp Energia received a letter from the President of the Executive Committee, Mr. José Marques Gonçalves, whereby presented his resignation as President of the Executive Committee and Vice-Chairman of the Board of Directors, maintaining his positions as member of the Board of Directors and Executive Committee.

At the meeting held on 20 November the Board of Directors decided by unanimity to appoint Mr. Manuel Ferreira De Oliveira as President of the Executive Committee and Vice President of the Board of Directors with effectiveness on January 2007. Mr Ferreira De Oliveira has been a member of the Board of Directors and Executive Committee and the Chief Operating Officer of the Company since April 2006.

Qualified shareholdings

On 30 October, Galp Energia was notified by Amorim Energia, B.V. (“Amorim Energia”) that acquired through Galp Energia initial public offer and transactions taken place on 24 October in the stock exchange, 14,327,906 shares corresponding to 1.728% of Galp Energia share capital and voting rights. As a result, Amorim Energia holds directly 276,472,161 shares corresponding to 33.34% of Galp Energia share capital and voting rights.

On 31 October, Galp Energia was notified by Banco BPI, S.A. (“Banco BPI”) that on 26 October, Banco BPI Pension Fund acquired in the stock exchange 4,000,000 shares corresponding to 0.482% of Galp Energia share capital and voting rights. As result of that acquisition, Banco BPI Pension Fund holds, as of that date, 15,570,000 shares

corresponding to 1.878% of Galp Energia share capital and voting rights. Additionally BPI Vida – Companhia de Seguros de Vida, S.A. held as of 26 October 2006 1,580,010 shares corresponding to 0.191% of Galp Energia share capital and voting rights. Therefore, the qualified shareholding indirectly imputable to Banco BPI, calculated in accordance with article 20 of the Portuguese Securities Code, and the percentage of voting rights, is 2.068%.

Exploration & Production

On 4 October, Galp Energia announced the discovery of an oil field in the Santos basin, offshore Brazil. This discovery lies in BM-S-11 where operator Petrobras has a 65% interest, BG with 25% and Galp Energia with 10%.

This discovery evidenced a sweet 30° API crude oil with a potential production of 9,000 bbl and 250,000 m³ of natural gas per day.

Galp Energia considers that this field has significant reserves potential requiring further appraisal drilling and evaluation.

On 8 November, the contractor group for Block 14 in Angola, where Galp Energia holds a position, announced that crude oil production from Landana North reservoir in the Tombua-Landana development area had started.

First oil from Tombua-Landana was achieved on June 20, 2006, from the Landana North #1 subsea well that is tied back to the BBLT compliant piled tower. This tieback to BBLT allows early production as well as the gathering of important reservoir information. The projected peak production from the completed development is approximately 100,000 barrels per day by 2010.

Refining & Marketing

On 2 and 3 November, Petrogal workers were on strike which provoked a lower throughput in our overall refinery system during the two days. No disruption was observed in our marketing network due to the adoption of contingencies measures, mainly through higher stock of oil products and renting more car tanks.

Gas & Power

On 4 October, the Portuguese government announced the intention to award to the consortium “Eólicas de Portugal” led by EDP, phase A of the wind farm tender, corresponding to a capacity between 1,000 to 1,200 MW.

The consortium Ventinveste, where Galp Energia holds a position of 33.3%, intends to continue to bid for phase B of wind farm tender which consists on a capacity of 500 to 600 MW.

MAJOR HOLDINGS

Company	Country	Business area	Equity share	Consolidation method
Petróleos de Portugal, Petrogal, S.A.	Portugal	Refining & Marketing	100%	Full
Galp Energia España, S.A.	Spain	Marketing	100%	Full
Galp Exploração e Produção Petrolífera, S.A..	Portugal	Exploration & Production	100%	Full
CLCM - Companhia Logística da Madeira, S.A.	Portugal	Logistics	75%	Full
CLC - Companhia Logística de Combustíveis, S.A.	Portugal	Logistics	65%	Proportional
CLH - Companhia Logística de Hidrocarbóros, S.A.	Spain	Logistics	5%	Equity
GDP, Gás de Portugal, SGPS, S.A.	Portugal	Natural Gas	100%	Full
Transgás, SGPS, SA	Portugal	Natural Gas	100%	Full
Transgás, S.A.	Portugal	Natural gas sourcing and supply	100%	Full
Transgás, Armazenagem, S.A.	Portugal	Natural gas storage	100%	Full
Transgás Industria, S.A.	Portugal	Natural gas supply	100%	Full
EMPL - Europe MaghrebPipeline, Ltd	Spain	Natural gas transportation	27%	Equity
Gasoduto Al-Andaluz, S.A.	Spain	Natural gas transportation	33%	Equity
Gasoduto Extremadura, S.A.	Spain	Natural gas transportation	49%	Equity
GDP Distribuição, SGPS, S.A.	Portugal	Natural Gas distribution	100%	Full
Lisboagas, SA	Portugal	Natural Gas distribution	100%	Full
Lusitaniagás, S.A.	Portugal	Natural Gas distribution	100%	Full
Setgás, S.A.	Portugal	Natural Gas distribution	45%	Equity
Beiragás, S.A.	Portugal	Natural Gas distribution	59%	Full
Duriensegás, S.A.	Portugal	Natural Gas distribution	100%	Full
Tagusgás, S.A.	Portugal	Natural Gas distribution	41%	Equity
Galp Power, SGPS, SA	Portugal	Power	100%	Full

RECONCILIATION OF REPORTED AND ADJUSTED FIGURES

1. ADJUSTED OPERATING RESULT BY SEGMENT

Million euros

Operating result	Third quarter				2006	Nine months				
	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result		Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result
444	73	518	(270)	247	Operating result	928	(127)	800	(281)	520
24	-	24	-	24	E&P	27	-	27	-	27
80	79	159	(21)	138	R&M	430	(130)	300	(31)	268
348	(6)	342	(255)	87	G&P	476	3	478	(255)	224
(7)	-	(7)	5	(1)	Others	(5)	-	(5)	5	1

Million euros

Third quarter					2005	Nine months				
Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result		Operating result	Inventory effect	Operating result at replacement cost	Non recurrent items	Adjusted operating result
332	(169)	163	1	164	Operating result	843	(378)	466	(2)	464
27	-	27	-	27	E&P	37	-	37	-	37
247	(162)	85	1	86	R&M	633	(371)	263	(2)	261
61	(7)	55	-	55	G&P	188	(7)	181	-	181
(3)	-	(3)	-	(3)	Others	(15)	-	(15)	-	(15)

2. NON RECURRENT ITEMS

Refining & Marketing

Million euros

Third quarter			Nine months	
2005	2006		2005	2006
		Exclusion of non recurrent items		
(0.4)	-	Sale of strategic stock	(0.4)	(7)
-	-	Indemnities	(5)	(2)
1	(0.3)	Gains / losses on disposal of assets	3	(3)
-	(39)	Monobuoy restatement	-	(39)
-	9	Provision for restructuring process	-	9
-	1	Provisions for environmental charges	-	1
-	9	Assets impairments	-	10
1	(21)	Non recurrent items of operating result	(2.129)	(31)
-	-	Capital gains / losses	(1)	-
1	(21)	Non recurrent items before income taxes	(3)	(31)
-	6	Income taxes on non recurrent items	1	9
1	(15)	Total non recurrent items	(2)	(23)

Gas & Power

Million euros

Third quarter			Nine months	
2005	2006		2005	2006
		Exclusion of non recurrent items		
-	(256)	Gains / losses on disposal of assets	-	(256)
-	1	Provision for restructuring process	-	1
0.2	-	Others	0.2	-
0.2	(255)	Non recurrent items of operating result	0.2	(254)
-	20	Capital gains / losses	(55)	20
0.2	(235)	Non recurrent items before income taxes	(54)	(234)
(0.1)	10	Income taxes on non recurrent items	-	10
0.2	(225)	Total non recurrent items	(54)	(225)

Others

Million euros

Third quarter			Nine months	
2005	2006		2005	2006
		Exclusion of non recurrent items		
-	5	Gains / losses on disposal of assets	-	5
-	5	Non recurrent items of operating result	-	5
-	5	Non recurrent items before income taxes	-	5
-	-	Income taxes on non recurrent items	-	-
-	5	Total non recurrent items	-	5

Consolidated

Million euros

Third quarter			Nine months	
2005	2006		2005	2006
		Exclusion of non recurrent items		
-	-	Sale of strategic stock	(0.4)	(7)
-	-	Indemnities	(5)	(2)
1	(251)	Gains / losses on disposal of assets	2	(253)
-	(39)	Monobuoy restatement	-	(39)
-	10	Provision for restructuring process	-	10
-	1	Provisions for environmental charges	-	1
-	9	Assets impairments	-	9
-	-	Others	0.5	0
1	(270)	Non recurrent items of operating result	(2)	(281)
	20	Capital gains / losses	(55)	20
1	(250)	Non recurrent items before income taxes	(57)	(261)
(0.3)	16	Income taxes on non recurrent items	1	18
1	(235)	Total non recurrent items	(57)	(242)

3. GAS & POWER RECONCILIATION

Million euros

Third quarter					Nine months			
2005	2006	Change	% Ch.		2005	2006	Change	% Ch.
256	380	124	48.5%	Sales and services rendered	770	1,039	270	35.0%
233	356	124	53.1%	Natural gas supply	671	944	274	40.8%
40	45	5	12.9%	Natural gas distribution	160	181	22	13.5%
6	7	1	22.3%	Power	19	22	3	16.5%
(23)	(29)	(6)	25.7%	Consolidation adjustments	(80)	(108)	(29)	36.2%
61	348	286	n.m.	Operating result	188	476	287	n.m.
55	343	289	n.m.	Natural gas supply	141	437	296	n.m.
6	4	(2)	(38.7%)	Natural gas distribution	45	37	(8)	(18.2%)
1	1	-	26.4%	Power	3	2	(1)	(24.7%)
55	87	32	n.m.	Adjusted operating result	182	224	42	23.2%
48	81	34	70.1%	Natural gas supply	134	184	50	37.4%
6	5	(2)	(25.3%)	Natural gas distribution	45	38	(7)	(16.3%)
1	1	0.2	26.4%	Power	3	2	(1)	(24.7%)

FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

Thousand Euros

Third quarter			Nine months	
2005	2006		2005	2006
		Operating income		
2,889,751	3,237,359	Sales	7,832,158	9,279,081
35,438	25,464	Services rendered	108,881	114,123
33,008	339,959	Other operating income	61,847	364,725
2,958,197	3,602,782	Total operating income	8,002,886	9,757,929
		Operating costs		
2,376,810	2,813,199	Inventories consumed and sold	6,383,257	7,925,332
106,437	135,407	Material and services consumed	353,756	391,094
62,281	83,827	Personnel costs	186,825	224,417
59,981	62,872	Amortisation and depreciation cost	191,595	188,196
(1,032)	10,918	Provision and impairment of receivables	(534)	25,534
21,817	52,250	Other operating costs	44,625	75,694
2,626,294	3,158,473	Total operating costs	7,159,524	8,830,267
331,903	444,309	Operating profit	843,362	927,662
2,477	7,249	Financial income	8,083	14,180
(16,444)	(14,557)	Financial costs	(50,475)	(46,683)
11,659	(1,146)	Exchange gain (loss)	(11,766)	3,085
10,616	(9,876)	Result of participation in associates	88,443	9,583
3,378	2,009	Income and cost on financial instruments	(4,495)	(2,810)
343,589	427,988	Profit before taxes	873,152	905,017
307,229	300,130	Income tax expense	194,631	178,888
261,556	370,342	Profit before minority interest	678,521	726,129
(820)	(1,072)	Profit attributable to minority interest	(3,253)	(3,103)
260,736	369,270	Net profit for the period	675,268	723,026
0.31	0.45	Earnings per share (in Euros)	0.81	0.87

2. CONSOLIDATED BALANCE SHEET

Thousand euros

	Dec 31, 2005	June 30, 2006	Sep 30, 2006
Non current assets			
Tangible fixed assets	2,554,772	2,526,176	1,849,955
Goodwill	20,480	20,526	17,644
Other tangible fixed assets	367,294	378,751	367,042
Investments in associates	84,545	89,564	162,614
Investments in other companies	63,608	63,973	1,011
Other receivables	96,248	87,937	80,947
Deferred tax assets	158,924	161,803	150,329
Other investments	338	3,115	1,211
Total non current assets	3,346,209	3,331,845	2,630,752
Current assets			
Inventories	1,199,357	1,276,589	1,277,923
Trade receivables	898,363	952,502	974,070
Other receivables	322,517	404,786	374,465
Other investments	10,191	26,151	34,065
Current Income tax recoverable	-	157	210
Cash and cash equivalents	157,635	275,596	119,489
Total current assets	2,588,063	2,935,781	2,780,223
Total assets	5,934,272	6,267,626	5,410,975
EQUITY AND LIABILITIES			
Equity			
Share capital	829,251	829,251	829,251
Share premium	82,006	82,006	82,006
Translation reserve	(1,879)	(8,032)	(7,264)
Other reserves	84,926	107,024	107,024
Hedging reserves	(2,905)	(248)	(410)
Retained earnings	669,150	1,125,470	254,757
Profit attributable to equity holders of the parent	700,657	353,756	723,026
Equity attributable to equity holders of the parent	2,361,206	2,489,227	1,988,390
Minority interest	24,645	25,437	17,617
Total equity	2,385,851	2,514,664	2,006,007
Liabilities			
Non current liabilities			
Bank loans and overdrafts	781,996	733,655	270,812
Bonds	309,760	259,880	259,880
Other payables	96,443	95,088	93,351
Retirement and other benefit obligations	214,232	223,536	225,134
Deferred tax liabilities	132,275	161,046	151,030
Other financial instruments	5,458	1,522	1,670
Provisions	72,711	75,312	76,092
Total non current liabilities	1,612,875	1,550,039	1,077,969
Current liabilities			
Bank loans and overdrafts	257,390	216,864	560,228
Bonds	-	49,880	49,880
Trade payables	706,376	708,032	712,497
Other payables	916,382	1,115,881	932,089
Other financial instruments	1,864	20,330	2,258
Income tax	53,534	91,936	70,046
Total current liabilities	1,935,546	2,202,923	2,326,999
Total liabilities	3,548,421	3,752,962	3,404,968
Total equity and liabilities	5,934,272	6,267,626	5,410,975

ADDITIONAL INFORMATION

Definitions

Replacement Cost Under this methodology, the cost of goods sold is valued at “replacement cost”, that is, the cost of goods at the time the sales occur and independently of inventories held at the beginning or end of periods. “Replacement cost” is not a recognised GAAP measure, is not adopted for purposes of valuing inventories and does not reflect the replacement cost of other assets.

EBITDA Earnings before Interest, Taxes, Depreciation and Amortisation. Refers to a measurement that we use to measure operating performance. EBITDA represents operating results plus amortisation, depreciation and provisions. EBITDA is presented because we believe that it is frequently used by securities analysts, investors and other interested parties as a measure of a company’s operating performance and debt servicing ability given that it assists in comparing a company’s performance on a consistent basis without regard to depreciation and amortisation, which can vary significantly depending on accounting methods or non-operating factors (such as the use of historical costs).

Rotterdam cracking margins Rotterdam Cracking refining margin yield is composed of: -100% Brent Dated, +25,4% PM UL FOB Bg, +7,1% Naphtha FOB Bg, +8,5% Jet CIF Cg, +38% ULSD CIF Cg and 1+4% LSFO FOB Cg. Rotterdam margins include fuel & losses and freights. Freight for rout TD7 of 0.59 Usd/bbl in 2006.

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

Abbreviations

bbl: barrel(s); bbl/d: barrel(s) per day; Bg: Barges; Cg: Cargoes; CIF: Costs, Insurance and Freights; E&P: Exploration and Production; Eur: euro; FOB: Free on Board; G&P: Gas & Power; LSFO: Low sulphur fuel oil; m³: cubic meters; n.m.: not meaningful; PM UL: Premium unleaded; R&M: Refining & Marketing including petrochemicals; ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes; Usd: US dollar.



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