



INDIVIDUAL ACCOUNTS

REPORT 2006



This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking shareholders. For all intents and purposes, the Portuguese version shall prevail.

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GALP ENERGIA, SGPS, S.A.

BALANCE SHEETS AS OF 31 DECEMBER 2006 AND 2005

(Translation of balance sheets originally issued in Portuguese - Note 53)

(Amounts expressed in thousands of Euros)

ASSETS	NOTES	2006			2005
		GROSS	AMORTISATION AND ADJUSTMENTS	NET	NET
FIXED ASSETS:					
Intangible assets:					
Industrial property and other rights	8 and 10	6	(4)	2	1
		6	(4)	2	1
Tangible assets:					
Transport equipment	10	16	(15)	1	23
Administrative equipment	10	549	(499)	50	54
Other tangible fixed assets	10	87	(54)	33	44
		652	(568)	84	121
Investments:					
Equity investments in group companies	10 and 16	2,311,616	-	2,311,616	2,224,139
Loans to group companies	10 and 16	22,161	-	22,161	18,013
Securities and other financial applications	10 and 16	115	-	115	115
Other loans granted	10	90	-	90	90
		2,333,982	-	2,333,982	2,242,357
CURRENT ASSETS:					
Current receivables:					
Clients, current accounts	16	13,480	-	13,480	49,478
Group companies	16	623,038	-	623,038	156,662
Advances to suppliers		46	-	46	11
State and other public entities	28	11,380	-	11,380	30
Other debtors	49	687	-	687	18,651
		648,632	-	648,632	224,832
Negotiable securities:					
Other treasury applications	51	90,000	-	90,000	-
		90,000	-	90,000	-
Bank deposits and cash:					
Bank deposits	51	329	-	329	996
Cash	51	12	-	12	9
		342	-	342	1,005
Accruals and deferrals:					
Accrued income	50	4,943	-	4,943	787
Deferred costs	50	1,326	-	1,326	582
		6,269	-	6,269	1,369
Total amortisation and depreciation			(572)		
Total adjustments			-		
Total assets		3,079,882	(572)	3,079,310	2,469,685

THE ACCOUNTANT

Dr. Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

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SHAREHOLDERS' EQUITY AND LIABILITIES	NOTES	2006	2005
Shareholders' equity:			
Capital	36 and 40	829,251	829,251
Share premium account	40	82,006	82,006
Adjustments in equity investments in subsidiary and associated companies	40	61,247	68,235
Reserves:			
Legal reserve	40	79,047	56,949
Other reserves	40	27,977	27,977
Retained earnings	40	4,545	677,637
Net profit for the year	40	797,550	441,959
Total Shareholders' Equity		1,881,623	2,184,014
Liabilities:			
Provisions:			
Provision for pensions	34	-	688
Provision for life insurance and healthcare	34	-	298
Other provisions	34	6,032	2,575
		6,032	3,561
Medium and Long Term Liabilities:			
Bank loans	48	39,000	26,252
		39,000	26,252
Current Liabilities:			
Bank loans	48	400,123	26,324
Suppliers, current accounts		12,530	6,222
Suppliers, invoices pending		5	-
Group companies	16	645,374	168,164
Suppliers of fixed assets, current accounts		-	21
State and other public entities	28	84,002	47,616
Other creditors	49	2,684	91
		1,144,719	248,438
Accruals and Deferrals:			
Accrued costs	50	7,937	7,420
Total of shareholders' equity and liabilities		3,079,310	2,469,685

The accompanying notes form an integral part of the balance sheet as of 31 December 2006.

GALP ENERGIA, SGPS, S.A.
STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED
31 DECEMBER 2006 AND 2005

(Translation of statements of profit and loss originally issued in Portuguese - Note 53)

(Amounts expressed in thousands of Euros)

COSTS	NOTES	2006		2005	
External supplies and services			45,437		32,969
Personnel costs:					
Remuneration			8,161		9,261
Social charges:					
Pensions	34		298		801
Others		1,846	10,305	2,624	12,686
Amortisation and depreciation	10		31		177
Provisions	34	3,377	3,408	-	177
Other indirect taxes			419		239
Other operating costs		242	661	302	541
	(A)		59,811		46,373
Loss on group and associated companies	45		163		1,411
Interest and similar costs:					
Relating to group companies	45		8,703		3,244
Others	45	6,377	15,243	15,339	19,994
	(C)		75,054		66,367
Extraordinary costs	46		4,558		5,869
	(E)		79,612		72,236
Income tax for the year	6		(1,743)		(117)
	(G)		77,869		72,119
Net profit for the year			797,550		441,959
			875,419		514,078

The accompanying notes form an integral part of the statement of profit and loss by nature for the year ended 31 December 2006.

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INCOME	NOTES	2006	2005
Services rendered	16	45,146	20,159
Supplementary income	16	8,157	43,352
(B)		53,303	63,511
Gain on group and associated companies	45	804,806	446,150
Other interest and similar income:			
Relating to group companies	45	7,995	3,270
Other	45	8,090	812
(D)		874,194	513,743
Extraordinary income	46	1,225	335

(F)	875,419	514,078
-----	---------	---------

Operating profit/(loss) (B)-(A)	(6,509)	17,138
Net financial income (D-B)-(C-A)	805,648	430,238
Current profit (D)-(C)	799,139	447,376
Extraordinary items	(3,333)	(5,534)
Profit before income tax (F)-(E)	795,807	441,842
Net profit for the year (F)-(G)	797,550	441,959

GALP ENERGIA, SGPS, S.A.

STATEMENTS OF PROFIT AND LOSS BY FUNCTIONS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Translation of statements of profit and loss originally issued in Portuguese - Note 53)

(Amounts expressed in thousands of Euros)

	NOTES	2006	2005
1. Services rendered	16	45,146	20,159
2. Cost of services rendered		(45,146)	(20,159)
Gross result		-	-
3. Other operating income		9,741	39,192
4. Distribution costs		-	-
5. Administrative costs		(6,166)	(8,361)
6. Other operating costs		(13,059)	(26,694)
Operating profit/(loss)		(9,484)	4,137
7. Net financial costs		(1,675)	(7,034)
8. Gain (loss) on subsidiary and associated companies	45	804,643	444,739
9. Gain (loss) on other investments	45	2,323	-
10. Unusual or infrequent items		-	-
Current profit		795,808	441,842
11. Income tax on current profit	6	1,743	117
Current profit after income tax		797,550	441,959
Extraordinary items		-	-
Income tax on extraordinary items		-	-
Net profit		797,550	441,959
Earnings per share		0.96	2.66

The accompanying notes form an integral part of the statement of profit and loss by functions for the year ended 31 December 2006.

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GALP ENERGIA, SGPS, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2006 AND 2005

(Translation of cash-flow statements originally issued in Portuguese - Note 53)

(Amounts expressed in thousand of Euros - tEuros)

	NOTES	2006	2005
Operating activities:			
Cash receipts from customers		100,423	28,801
Cash paid to suppliers		(52,385)	(37,960)
Cash paid to employees		(10,959)	(11,264)
Cash generated from operations		37,079	(20,424)
Cash (paid)/received relating to income tax		(3,251)	2,048
Other (payments)/receipts relating to operating activities		(8,455)	(1,329)
Flows generated before extraordinary items		25,373	(19,704)
Payments relating to extraordinary items		(69)	(94)
		(69)	(94)
Net cash from operating activities (1)		25,304	(19,799)
Investing activities:			
Cash receipts relating to:			
Investments	49	14,964	-
Dividends	10	707,485	264,059
Interest and similar income		8,361	2,868
Loans granted		203,282	197,109
		934,092	464,037
Cash payments relating to:			
Investments	10	(2,963)	(4,765)
Loans granted		(624,420)	(165,877)
		(627,383)	(170,642)
Net cash from (used in) investing activities (2)		306,709	293,394
Financing activities:			
Cash receipts relating to:			
Loans obtained		1,764,500	277,150
		1,764,500	277,150
Cash payments relating to:			
Loans obtained		(1,007,676)	(316,451)
Interest and similar costs		(10,515)	(11,001)
Dividends/profit distributions	40	(1,092,953)	(213,928)
		(2,111,144)	(541,379)
Net cash used in financing activities (3)		(346,644)	(264,229)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(14,631)	9,366
Effect of foreign exchange rate changes		2,432	(3,086)
Cash and cash equivalents at the beginning of the year	51	933	(5,347)
Cash and cash equivalents at the end of the year	51	(11,266)	933

The accompanying notes form an integral part of the cash flow statement for the year ended 31 December 2006.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006

(Translation of notes originally issued in Portuguese - Note 53)
(Amounts expressed in thousands of Euros - tEuros)

1. INTRODUCTORY NOTE

Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or the Company), was incorporated as a Government owned corporation under Decree-Law 137-A/99 of 22 April 1999, with the name "Galp - Petróleos e Gás de Portugal, SGPS, S. A.", having adopted its present name of Galp Energia, SGPS, S. A. on 13 September 2000.

The Company's head office is in Lisbon and its corporate objects are the management of other companies having, as of the date of its incorporation, grouped the State's direct participations in the following companies: Petróleos de Portugal-Petrogal, S.A.; GDP-Gás de Portugal, SGPS, S.A. and Transgás-Sociedade Portuguesa de Gás Natural, S.A..

Galp's initial capital, in the amount of Euros 411,383,565, was fully paid up in kind by transfer of the investments held by the State in the above mentioned companies. In September 1999 a further capital increase was made by the State, after which the Company's capital became Euros 502,164,785.

Galp's privatisation process was started under Decree-Law 261-A/99 of 7 July, with the opening of the Company's capital to the remaining shareholders of Petróleos de Portugal - Petrogal, S.A. and Transgás - Sociedade Portuguesa de Gás Natural, S.A., now called Galp Gás Natural, S.A.. For this purpose a further capital increase was made, limited to them, paid up essentially in kind by transfer of their participations in these companies.

Therefore, at 31 December 1999 a capital increase of Euros 327,085,850 was made, which was subscribed for by Petrocontrol, SGPS, S. A. ("Petrocontrol"), EDP - Electricidade de Portugal, S. A. (now called EDP - Energias de Portugal, S. A. ("EDP")), Caixa Geral de Depósitos, S. A., Portgás - Sociedade de Produção e Distribuição de Gás, S. A. and Setgás - Sociedade de Produção e Distribuição de Gás, S. A., increasing the Company's capital to Euros 829,250,635.

On 13 July 2000, following agreements entered into on 17 January 2000, the companies ENI Portugal Investment, Spa. ("ENI") and Iberdrola, S.A. ("Iberdrola"), defined as strategic partners, signed

Purchase and Sale of Share Contracts and Strategic Partnership Agreements with the Portuguese State, under which they acquired 11% and 4%, respectively, of Galp's share capital. At the same time Petrocontrol sold all its participation in Galp, the ENI Group having acquired 22.34% and EDP 11%.

The third phase of the privatisation process was approved under Decree Law 124/2003 of 20 June. Following this decree, REN - Rede Eléctrica Nacional, S.A. (REN) acquired 18.3% of Galp's share capital, of which 13.5% from Caixa Geral de Depósitos and the remaining 4.8% from the Portuguese State. In addition, Parpública - Participações Públicas SGPS, S.A. acquired 0.75% in 2003, 3.48% in 2004 and in 2005 it acquired a further 8.06% of Galp's share capital from the Portuguese State.

In the year ended 31 December 2005 Amorim Energia B.V. signed a contract to buy Galp Energia, SGPS, S.A.'s shares held by EDP - Energias de Portugal, S.A., representing 14.27% of the capital, that operation also ensuring an option to buy 18.3% of the shares held by REN - Rede Eléctrica Nacional, S.A.. The sale of the shares between these entities was registered at the end of January 2006.

In addition, in January 2006 Amorim Energia B.V. purchased from Portgás - Sociedade de Produção de Gás, S.A., its 0.04% participation in the Company.

In the year ended 31 December 2006 the Portuguese State transferred to Parpública - Participações Públicas, SGPS, S.A., shares representing a participation of 12.72% in the Company's capital.

On 24 October 2006 the Company made a Public Sale Offering of the shares held by the State, representing 23% of the Company's capital, the Company therefore becoming listed on Euronext.

The Company's shareholder structure after these operations is shown in Note 37.

In the year ended 31 December 2006, under the functional restructuring of the Galp Energia Group, the Company transferred the Group's strategic transversal management and operational support functions, namely the legal and organisational, corporate human resources, internal audit, communications, corporate

finance, corporate planning and control, corporate marketing, institutional relations, sustainable development and environment quality and corporate security functions to its subsidiary Galp Energia, S.A.. Consequently, its employee retirement benefits liability was transferred to Galp Energia, S.A..

The notes which follow are numbered as defined in the Official Chart of Accounts ("Plano Oficial de Contabilidade - POC"). The numbers not included herein are either not applicable to the Company or not significant to the accompanying financial statements.

3. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The accompanying financial statements were prepared on a going concern basis from the accounting records of the company, maintained in accordance with generally accepted accounting principles in Portugal.

The accompanying financial statements reflect only the Company's non consolidated accounts, prepared as required by law for approval by the Shareholders' General Meeting, investments having been recorded in accordance with the equity method as explained in Note 3. d). The Company has prepared separate consolidated financial statements which include the financial statements of the companies in which it has a majority participation or management control. Therefore, equity at 31 December 2006 and net profit for the year then ended included in these non consolidated financial statements reflect the effect of consolidating equity and the results of the subsidiary and associated companies based on their financial statements. However, these financial statements do not reflect the effect of a full consolidation of assets, liabilities, costs and income.

The consolidated financial statements have been prepared in accordance with IFRS - International Financial Reporting Standards as adopted by the European Union. Therefore equity at 31 December 2006 and 2005 and profit for the years then ended in the Company's consolidated financial statements differ from those presented in the non consolidated financial statements.

Financial information relating to the Group and associated companies is shown in Note 16.

The principal valuation criteria used in preparing the financial statements are as follows:

A) INTANGIBLE ASSETS

Intangible assets, which consist of software utilisation licences, are amortised on a straight-line basis over a period of three years (Note 8).

B) TANGIBLE ASSETS

Tangible assets are recorded at cost. Depreciation is provided on a straight-line basis over the following estimated periods of useful life of the assets:

	YEARS
Transport equipment	4
Administrative equipment	5 to 8
Other tangible fixed assets	8

C) FINANCE LEASING

Fixed assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the cost of the fixed assets is recorded under tangible assets, the related liability is recorded, and the interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 3.b), are recorded in the statement of profit and loss for the period to which they relate.

D) INVESTMENTS

Investments in group and associated companies are recorded using the equity method of accounting, under which they are initially recorded at cost, which corresponds to the amount

attributed for purposes of paying up the capital in kind (Introductory Note), which is then increased or decreased to the amount corresponding to the proportion owned of the net equity of these companies.

In accordance with the equity method investments are adjusted annually by the amount corresponding to the participation in the net results of the subsidiary and associated companies by corresponding entry to the profit and loss statement for the year (Note 45). In addition dividends received from these companies are recorded as decreases in the amount of the investments.

As mentioned in paragraph h) below, the accumulated effect of currency translation adjustments of the financial statements of subsidiaries expressed in foreign currencies is recorded in the shareholders' equity caption "Adjustments in equity investments in subsidiary and associated companies".

Investments corresponding to participations of less than 20% in the capital of other companies are stated at cost in the caption "Securities and other financial applications".

Loans to group and associated companies are stated at their nominal value.

Estimated losses on the realisation and/or recovery of investments are recorded in the caption "Provisions for investments" (Note 34).

E) ACCRUALS BASIS

Income and expenses are recorded on an accruals basis, by which they are recorded in the period to which they relate independently of when they are received or paid. Differences between the amounts received and paid and the related income and expenses are recorded in accrual and deferral captions (Note 50).

F) DEFERRED TAXES

Deferred taxes refer to temporary differences between the amount of assets and liabilities for accounting and for tax purposes.

Deferred tax assets and liabilities are calculated and evaluated annually using the tax rates expected to be in force when the temporary differences reverse.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them. Temporary differences underlying deferred tax assets are reassessed at each balance sheet date, in order to recognise deferred tax assets not recorded previously, due to not fulfilling the conditions needed for them to be recorded and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 6).

G) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

Exchange differences arising on the translation to Euros of the foreign currency financial statements of subsidiary and associated companies are included in the shareholders' equity caption "Adjustments in equity investments in group and associated companies". These financial statements are translated at the following rates:

- i) Exchange rate in force at the balance sheet date for all assets and liabilities;
- ii) Average exchange rate for the year for the statement of profit and loss captions;
- iii) Historical exchange rate for the remaining shareholders' equity captions.

6. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (ten years for social security up to 2000, inclusive, and five years as from 2001). Consequently, the Company's tax returns for the years from 2003 to 2006 are still subject to review.

The Company's management believes that any adjustment to the tax returns that could result from reviews carried out by the tax authorities to these tax returns will not have a significant effect on the financial statements as of 31 December 2006.

Under current Portuguese legislation tax losses can be carried forward for offset against taxable income for a period of six years.

The Company and some of its subsidiaries are taxed on a consolidated basis, in accordance with the special regime for taxation of groups of companies, their taxable results being determined in Galp. However, estimated income tax of the Company and its subsidiaries is recorded based on their taxable results, which for the year ended 31 December 2006 represents an account payable to and receivable from these companies of tEuros 16,270 (Note 16) and tEuros 157,822 (Note 16), respectively.

Income tax for the year recorded in the statement of profit and loss by nature is made up as follows:

Estimated current income tax (Note 28)	(2,014)
Deferred tax assets (Note 49)	271
	(1,743)

In accordance with current tax legislation, gains and losses on group and associated companies resulting from application of the equity method of accounting are not considered for tax purposes in the year they are recorded. In compliance with Portuguese Accounting Directive 28, deferred tax liabilities relating to undistributed profits of subsidiaries were not recorded. Therefore, at 31 December 2006 the Company had estimated current income tax recoverable of tEuros 2,014 when it had an accounting profit for the year before income tax of tEuros 795,807.

7. AVERAGE NUMBER OF EMPLOYEES

The average number of employees of the Company in 2006 and 2005 was 86 and 130, respectively, and was 1 at 31 December 2006.

8. INDUSTRIAL PROPERTY AND OTHER RIGHTS

At 31 December 2006 this caption was made up as follows:

	GROSS	ACCUMULATED AMORTISATION	NET
Industrial property and other rights:			
<i>Software</i> and licences	6	(4)	2
	6	(4)	2

10. CHANGES IN FIXED ASSETS

The changes in intangible and tangible fixed assets and investments, and in the respective accumulated amortisation

and depreciation accounts in the year ended 31 December 2006 were as follows:

ASSETS					
	BEGINNING BALANCE	INCREASES	SALES/ DECREASES	EQUITY METHOD	ENDING BALANCE
Intangible assets:					
Industrial property and other rights	3	3	-	-	6
	3	3	-	-	6
Tangible assets:					
Transport equipment	452	-	(436)	-	16
Administrative equipment	535	14	-	-	549
Other tangible fixed assets	87	-	-	-	87
	1,074	14	(436)	-	652
Investments:					
Investment in group companies	2,224,139	1,048	(1,048)	87,477	2,311,616
Loans to group companies	18,013	4,148	-	-	22,161
Securities and other financial applications	115	-	-	-	115
Other loans granted	90	-	-	-	90
	2,242,357	5,196	(1,048)	87,477	2,333,982
	2,243,434	5,213	(1,484)	87,477	2,334,640

ACCUMULATED AMORTISATION, DEPRECIATION AND ADJUSTMENTS

	BEGINNING BALANCE	INCREASES	SALES	ENDING BALANCE
Intangible assets (Note 8):				
Industrial property and other rights	2	2	-	4
	2	2	-	4
Tangible assets:				
Transport equipment	429	-	(414)	15
Administrative equipment	481	18	-	499
Other tangible fixed assets	43	11	-	54
	953	29	(414)	568
	955	31	(414)	572

The increase of tEuros 4,148 in the caption “Loans to group companies” includes tEuros 2,963 relating to loans to Galp Power, SGPS, S.A and tEuros 1,185 relating to capitalised accrued interest on the loans to Galp Power, SGPS, S.A ..

The increase and decrease of tEuros 1,048 in the caption “Investment in group companies” corresponds to the paying up in kind of the capital increase in Galp Power, SGPS, S.A. by transfer of the investment in the subsidiary Porten-Portugal Energia, S.A. (Note 16).

The changes during the year ended 31 December 2006 in the caption “Investments in group companies” were as follows:

Beginning balance	2,224,139
Effect of applying the equity method to results for the year (Note 45):	
Positive	804,806
Negative	(83)
	804,723
Effect of applying the equity method to other changes in shareholders' equity of subsidiaries (Note 40):	
Other changes in shareholders' equity	330
Translation adjustments	(7,318)
	(6,988)
Dividends received:	
Petróleos de Portugal - Petrogal, S.A.	(497,114)
GDP, SGPS, S.A.	(210,371)
	(707,485)
Capital increase in Galp Power, SGPS, S.A. Paid up in kind	
Transfer of investment in Porten-Portugal Energia, S.A.	(1,048)
Realisation of the capital increase in Galp Power, SGPS, S.A.	1,048
	-
Negative equity variation in Petroleos de Portugal-Petrogal, S.A. due to employee bonuses granted (Nota 46)	
Ending balance	(2,772)
	2,311,616

16. GROUP COMPANIES

Investments in group and associated companies at 31 December 2006 and 2005 were as follows:

	HEAD OFFICE	31 DECEMBER 2006				2006		2005	
		TOTAL ASSETS	TOTAL LIABILITIES	SHAREHOLDERS' EQUITY	NET RESULT	%	AMOUNT	%	AMOUNT
Petróleos de Portugal - Petrogal, S.A. ^(a)	Lisbon	2,987,378	1,681,871	1,305,507	358,670	100.00	1,305,475	100.00	1,448,372
GDP - Gás de Portugal, SGPS, S.A.	Lisbon	1,046,175	46,755	999,420	450,356	100.00	999,476	100.00	769,535
Galp Serviços, S.A.	Lisbon	27,420	23,791	3,629	(70)	100.00	3,629	100.00	3,704
Galp Power, SGPS, S.A.	Lisbon	28,012	24,976	3,036	467	100.00	3,036	100.00	1,522
Porten - Portugal Energia, S.A. ^(c)	Lisbon	-	-	-	-	-	-	100.00	1,006
							2,311,616		2,224,139
Central E, S.A. ^(b)	Lisbon	860	13,936	(13,076)	(389)	20.30	-	20.30	-
							-		-

(a) For purposes of applying the equity method in 2006, shareholders' equity was adjusted for the effect of minority participations of these companies in other subsidiaries of the Galp Group.

(b) At 31 December 2005 this company had negative shareholders' equity and so the effect of applying the equity method was to record a provision of tEuros 2,655 (Note 34).

(c) On 19 December 2006 Galp Energia, SGPS, S.A. had a capital increase in Galp Power, SGPS, S.A., paid up in kind by the transfer of the investment in Porte-Portugal Energia, S.A.

Securities and other financial applications at 31 December 2006 and 2005 are made up as follows:

	HEAD OFFICE	2006		2005	
		%	AMOUNT	%	AMOUNT
ADENE - Agência para a Energia, S.A.	Lisbon	10.98	114	10.98	114
OEINERGE - Ag. Munic. En. e Amb. de Oeiras	Oeiras	1.45	1	1.45	1
			115		115

The asset and liability balances with the main group companies at 31 December 2006 were as follows:

ASSET BALANCES				
	CLIENTS CURRENT ACCOUNTS	GROUP COMPANIES	LOANS TO GROUP COMPANIES (NOTE 10)	ACCRUED INCOME (NOTE 50)
Dianagás, S.A.	-	2,832	-	33
Eival - Soc. Emp. Inv. Ar. Gases, S.A.	-	35	-	3
Galp Açores, Lda.	-	-	-	10
Galp Exploração, Lda.	-	8,800	-	54
Galp Power, SGPS, S.A.	-	242	22,161	143
Galp Energia, S.A.	1,328	376	-	9
Galpgeste, Lda.	-	343	-	7
Gasinsular, S.A.	3	1,915	-	20
GDP - Distribuição, SGPS, S.A.	14	34,552	-	150
GDP - Gás de Portugal, SGPS, S.A.	3,769	20,043	-	203
Lisboagás, S.A.	-	47,817	-	472
Lusitaniagás, S.A.	-	33,500	-	38
Petróleos de Portugal - Petrogal, S.A.	8,177	394,980	-	3,508
Medigás, S.A.	9	5,502	-	61
Setgás - Soc. Prod. Distribuição de Gás, S.A.	-	-	-	9
Soturis, S.A.	-	78	-	2
Duriensegás, S.A.	-	1,250	-	6
Tanquisado - Terminais Marítimos, S.A.	-	543	-	3
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	50	62,516	-	31
Transgás Indústria, S.A.	38	104	-	5
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	3	7,300	-	55
Fast Access, S.A.	19	114	-	3
Other Group companies	22	176	-	112
	13,432	623,018	22,161	4,937

The loan of tEuros 22,161 to Galp Power, SGPS, S.A. bears interest at the Euribor 6 month rate plus a spread of 3% and does not have a defined repayment date.

LIABILITY BALANCES			
	GROUP COMPANIES	SUPPLIERS, CURRENT ACCOUNTS	ACCRUED COSTS
CLT - Comp. Logística Term. Marítimos, Lda.	(901)	-	-
Driftal, S.A.	(173)	-	-
Galp Açores, Lda.	(11,000)	-	(93)
Galp Madeira, Lda.	(19,500)	-	(154)
Galp Power, SGPS, S.A.	(670)	-	-
Galp Energia, S.A.	(2)	(9,333)	(165)
Galpgeste, Lda.	(4,010)	(2)	(51)
GDP - Distribuição, SGPS, S.A.	(1,981)	-	(3)
GDP - Gás de Portugal, SGPS, S.A.	(253)	(35)	-
Lisboagás, S.A.	(3)	-	(1)
Medigás, S.A.	(89)	-	-
Petróleos de Portugal - Petrogal, S.A.	(12,240)	(101)	(13)
Porten - Portugal Energia, S.A.	(1,323)	-	-
Sacor Marítima, S.A.	(51,550)	-	(455)
Soturis, S.A.	(2,174)	-	(5)
Tanquisado - Terminais Marítimos, S.A.	(5,520)	-	(49)
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	(190)	-	-
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	(533,647)	(9)	(4,130)
Transgás Armazenagem, S.A.	(31)	-	-
Transgás Indústria, S.A.	(8)	-	-
Other Group companies	(109)	(4)	-
	(645,374)	(9,484)	(5,119)

The receivable and payable balances with group companies are made up as follows:

	RECEIVABLE	PAYABLE
Special regime for taxing groups of companies	157,822	16,270
Loans given and received:		
CLT - Companhia Logística de Terminais Marítimos, Lda.	-	900
Galp Açores, Lda.	-	11,000
Galp Madeira, Lda.	-	19,500
Galp Exploração, Lda.	8,800	-
GDP - Gás de Portugal, SGPS, S.A.	20,000	-
Petróleos de Portugal - Petrogal, S.A.	305,000	-
Soturis, S.A.	-	2,150
Tanquisado - Terminais Marítimos, S.A.	-	5,500
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	-	533,000
Sacor Marítima, S.A.	-	51,550
Dianagás, S.A.	2,750	-
Duriensegás, S.A.	1,250	-
Fast Access, S.A.	110	-
Lisboagás, S.A.	44,800	-
GDP Distribuição, SGPS, S.A.	34,100	1,500
Gasinsular - Combustíveis do Atlântico, S.A.	1,915	-
Lusitaniagás, S.A.	33,500	-
Medigás, S.A.	5,500	-
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	7,300	-
Galpgeste, Lda.	-	4,000
	465,025	629,100
Others	171	4
	623,018	645,374

Loans obtained from and granted to group companies totalling tEuros 629,100 and tEuros 465,025, respectively, bear interest at market rates.

The asset and liability captions relating to group companies include amounts receivable and payable resulting from the

adoption of the special regime for taxation of groups of companies under Galp, as follows (Note 6):

GROUP COMPANIES		
	RECEIVABLE	PAYABLE
Relating to prior years:		
Driftal, S.A.	8	173
GDP - Gás de Portugal, SGPS, S.A.	43	247
GDP - Distribuição, SGPS, S.A.	18	479
Galp Power, SGPS, S.A.	-	667
Medigás, S.A.	-	89
Petróleos de Portugal - Petrogal, S.A.	12,968	10,981
Soturis, S.A.	-	21
Eival - Soc. de Empreend., Inv. e Arm. De Gases, S.A.	35	13
Porten - Portugal Energia, S.A.	-	573
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	-	137
Galp Serviexpress, S.A.	-	84
Others companies	1	1
	13,073	13,465
Payments on account:		
Petróleos de Portugal - Petrogal, S.A.	(16,341)	-
Lisboagás, S.A.	(1,801)	-
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	(8,307)	-
	(26,449)	-
Relating to 2006 (Note 28):		
CLT, Lda.	6	1
Dianagás, S.A.	82	-
Driftal, S.A.	-	-
Eival - Soc. de Empreend., Inv. e Arm. De Gases, S.A.	-	-
Galp Power, SGPS, S.A.	242	3
Galp Energia, S.A.	373	2
Galpgeste, S.A.	343	10
GDP - Distribuição, SGPS, S.A.	434	2
GDP - Gás de Portugal, SGPS, S.A.	-	6
Lisboagás, S.A.	4,818	3
Medigás, S.A.	2	-

GROUP COMPANIES

	RECEIVABLE	PAYABLE
Petróleos de Portugal - Petrogal, S.A.	93,354	1,261
Porten - Portugal Energia, S.A.	-	749
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	-	53
Soturis, S.A.	78	3
Tanquisado - Terminais Marítimos, S.A.	539	20
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	70,824	647
Transgás Armazenagem, S.A.	-	31
Transgás Indústria, S.A.	103	8
Others companies	-	6
	171,198	2,805
	157,822	16,270

Transactions with group companies in the year ended
31 December 2006 were as follows:

TRANSACTIONS					
	EXTERNAL SUPPLIES AND SERVICES	INTEREST EXPENSE (NOTE 45)	SERVICES RENDERED	SUPPLEMENTARY INCOME	INTEREST INCOME (NOTE 45)
Petróleos de Portugal - Petrogal, S.A.	5,888	1,431	36,019	3,609	3,318
Galp Energia, S.A.	11,665	-	-	2,362	14
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	699	4,307	2,150	96	-
Lisboagás, S.A.	285	-	6,243	308	873
GDP - Distribuição, SGPS, S.A.	28	47	430	178	518
Lusitaniagás - Comp. Gás do Centro, S.A.	1	-	-	33	589
Galp Exploração, Lda.	20	-	-	519	771
Galp Power, SGPS, S.A.	11	-	-	465	1,207
Setgás - Soc. Prod. Distribuição de Gás, S.A.	25	-	-	22	-
Soturis, S.A.	-	43	-	9	-
Beiragás - Comp. Gás das Beiras, S.A.	6	-	-	94	-
Galp Energia España, S.A.	10	-	-	-	-
CLC - Companhia Logística de Combustíveis, S.A.	-	-	-	46	-
CLT - Comp. Logística Term. Marítimos, Lda.	-	21	-	-	-
Galp Açores, Lda.	-	309	-	65	-
Galp Madeira, Lda.	1	452	-	65	-
Galpgeste, Lda.	302	84	-	14	-
Gasinsular, S.A.	-	-	-	-	88
GDP - Gás de Portugal, SGPS, S.A.	-	365	-	17	209
Sacor Marítima, S.A.	-	1,520	-	12	-
Sempre a Postos, Lda.	3	-	-	21	-
Tagus RE, S.A.	7	-	-	7	-
Transgás Indústria, S.A.	-	-	295	24	-
Tanquisado - Terminais Marítimos, S.A.	-	124	-	8	-
Tagusgás, S.A.	-	-	-	16	-
Dianagás, S.A.	1	-	-	14	82
Medigás, S.A.	-	-	-	12	165
Duriensegás, S.A.	3	-	-	11	108
Sinecogeração, S.A.	-	-	-	4	53
Other Galp Energia Group companies	30	-	-	126	-
	18,985	8,703	45,137	8,157	7,995

Services rendered in the amount of tEuros 45,137 correspond essentially to costs re-charged to the Company, relating to overheads and qualified personnel working for the Company in the area of services rendered to Group companies.

The caption "Supplementary income" corresponds to costs incurred by the Company during the year relating to for strategic consultancy services, image development, marketing and publicity and risk hedging operations, re-charged to other companies.

25. RECEIVABLES FROM AND PAYABLES TO EMPLOYEES

At 31 December 2006 and 2005 the Company had the following receivables from and payables to employees:

	2006	2005
Receivables (Note 49)	463	196
Payables (Note 49)	(64)	(65)

28. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2006 and 2005 there were no overdue accounts payable to the State and other Public Entities.

The balances with these entities were made up as follows:

	2006	2005
Asset balances		
VAT - Value Added Tax recoverable	697	-
Corporate Income Tax recoverable	10,665	30
Social security	18	-
	11,380	30
Liability balances		
Corporate Income Tax - Estimated tax	83,113	43,408
Corporate income tax payable	516	-
VAT - Value Added Tax payable	-	3,939
Corporate income tax withheld at source	373	153
Social security	-	116
	84,002	47,616
Ending Balance	(72,622)	(47,586)

The liability caption "Corporate income tax - estimated tax" at 31 December 2006 is made up as follows:

CORPORATE INCOME TAX RELATING TO				
	THE COMPANY (NOTE 6)	SUBSIDIARIES (NOTE 16)		TOTAL
		RECEIVABLE	PAYABLE	
Corporate Income Tax - Estimated tax	2,014	835	(171,198)	(168,349)
Corporate income tax withheld by third parties	48	1,970	-	2,018
Corporate Income Tax - Payments on account	83,218	-	-	83,218
Total	85,280	2,805	(171,198)	(83,113)

32. BANK GUARANTEES

At 31 December 2006 the Company had guarantees totalling tEuros 11,990 given to third parties, as follows:

- Guarantee of tEuros 500 in favour of the General Directorate of Geology and Energy, with Banco Santander Totta;
- Two Guarantees in the amounts of tEuros 10,036 and tEuros 1,427 in favour of the General Directorate of Taxes, with BPI;
- Guarantee of tUSD 8,500 in favour of Oil Insurance Limited, with Millennium BCP.

34. CHANGES IN PROVISIONS

During the year ended 31 December 2006 there were the following changes in provisions:

CAPTION	BEGINNING BALANCE	INCREASES	DECREASES (NOTE 46)	ENDING BALANCE
Provision for pensions ^(a)	688	8	(696)	-
	688	8	(696)	-
Other retirement benefits - healthcare and life insurance	298	160	(458)	-
	298	160	(458)	-
Provision for taxes:				
Provision for other risks and charges	-	3,377	-	3,377
Other provisions (Note 16)	2,575	80	-	2,655
	2,575	3,457	-	6,032
	3,561	3,625	(1,154)	6,032

(a) This provision includes the defined contribution plan minimum benefit (incapacity and survivor).

36. CAPITAL

The provisions totalling tEuros 986 for pensions and other retirement benefits - healthcare and life assurance, were reversed during the year ended 31 December 2006 due to the transfer of the employees to the subsidiary Galp Energia, S.A., which has assumed all the past service liability (Introductory Note).

The amount of tEuros 3,625 relating to the increase in provisions includes:

- i) tEuros 168 relating to the provision for pensions and provision for healthcare, which was recorded by charge to the statement of profit and loss caption "Personnel costs";
- ii) tEuros 80 to cover negative equity of subsidiary and associated companies, which was recorded by charge to the statement of profit and loss caption "Financial costs" (Note 45);
- iii) The provision of tEuros 3,377 was recorded to cover the tax risk relating to the sale of the participation in ONI, SGPS to Galp Energia, S.A..

The amount of tEuros 130, relating to the Company's contribution to the defined contribution pension plan for 2006 was also charged to the caption "Personnel costs".

The caption "Other provisions" at 31 December 2006 corresponds essentially to the Company's liability for the accumulated losses of the subsidiary Central E, S.A. in the amount of tEuros 2,655 (Note 16).

At 31 December 2006 the Company's capital consisted of 829,250,635 shares of one Euro each, 40,000,000 being class A shares and the remaining 789,250,635 being class B shares. The class A shares have the following special rights:

- i) Election of the President of the Board of Directors can only be approved by a majority of A share votes;
- ii) Any decision aimed at authorising the signing of parity group or subordination contracts, and any decisions which in any way can endanger the safety of the supply of petroleum, gas, electricity or related products, cannot be approved in a first or second calling against a majority of class A votes.

The Shareholders' General Meeting held on 31 May 2006 approved changing the nominal value of the Company's shares from 5 Euros to 1 Euro per share, by changing each of the present shares for five new shares, the amount of the Company's capital remaining unchanged.

37. SHAREHOLDERS

The Company's capital at 31 December 2006 was fully subscribed and paid up and was held by the following entities:

LIABILITY BALANCE			
	NUMBER OF SHARES	NOMINAL VALUE	% OF CAPITAL
ENI, S.p.A.	276,472,160	1 Euro	33.34%
Amorim Energia, B.V.	276,472,161	1 Euro	33.34%
Estado Português	41,494,501	1 Euro	5.00%
Iberdrola, S.A.	33,170,025	1 Euro	4.00%
Banco BPI, S.A.	17,150,010	1 Euro	2.07%
Parública - Participações Públicas, SGPS, S.A.	16,585,013	1 Euro	2.00%
CXG Corporación Caixa Galicia, S.A.U.	16,585,012	1 Euro	2.00%
Caixa Geral de Depósitos, S.A.	8,292,510	1 Euro	1.00%
Other Shareholders	143,029,243	1 Euro	17.25%
	829,250,635		100.00%

In the year ended 31 December 2005 Amorim Energia B.V. signed a contract to buy Galp Energia, SGPS, S.A.'s shares held by EDP - Energias de Portugal, S.A., representing 14.27% of the capital, that operation also ensuring an option to buy 18.3% of the shares held by REN - Rede Eléctrica Nacional, S.A.. The sale of the shares between these entities was registered at the end of January 2006.

In addition, in January 2006 Amorim Energia B.V. purchased from Portgás - Sociedade de Produção de Gás, S.A., its 0.04% participation in the Company.

In the year ended 31 December 2006 the Portuguese State transferred to Parública - Participações Públicas, SGPS, S.A., shares representing a participation of 12.72% in the Company's capital.

On 24 October 2006 the Company placed its capital on the Stock Market, the Portuguese State and Parública - Participações Públicas, (SGPS), S.A. having sold 173,388,769 ordinary dematerialised nominal class B shares, of which 82,925,000 shares by Public Sale Offering and 90,463,769 shares through direct sale. In addition, a supplementary lot of 17,338,877 shares were sold. This operation represented the sale of approximately 23% of the Company's capital.

40. CHANGES IN THE SHAREHOLDERS' EQUITY CAPTIONS

The changes in the shareholders' equity captions in the year ended 31 December 2006 were as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	APPROPRIATION OF PROFITS	ENDING BALANCE
Capital (Note 36.)	829,251	-	-	-	829,251
Share premium account	82,006	-	-	-	82,006
Adjustments in equity investments in group and associated companies (Note 10)	68,235	-	(6,988)	-	61,247
Legal reserve	56,949	-	-	22,098	79,047
Other reserves	27,977	-	-	-	27,977
Retained earnings	677,637	-	(870,714)	197,622	(4,545)
Net profit for the year	441,959	797,550	-	(441,959)	797,550
	2,184,014	797,550	(877,702)	(222,239)	1,881,623

By decision of the Shareholders' General Meeting held on 30 June 2006, profit for the year ended 31 December 2005 was appropriated as follows:

Legal reserve	22,098
Retained earnings	197,622
Dividends	222,239
Net profit for the year	441,959

In addition, by decision of the Shareholders' General Meeting held on 31 August 2006, a distribution of distributable reserves and retained earnings in the amount of tEuros 870,714 was made, total dividends, distributable reserves and retained earnings distributed in 2006 amounting to tEuros 1,092,593.

» LEGAL RESERVE

Portuguese legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until the reserve equals the statutory minimum requirement of 20% of share capital. The legal reserve and the bond premium account are not available for distribution to the shareholders, but may be used

to increase capital or to absorb losses once the other reserves and retained earnings have been exhausted.

» ADJUSTMENTS IN EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

The opening balance of the caption "Adjustment in equity investments in group and associated companies" corresponds essentially to the effect of adjustments made directly by the subsidiaries of Petróleos de Portugal - Petrogal, S.A. and GDP - Gás de Portugal, SGPS, S.A. to their shareholders' equity accounts when they recorded deferred taxes for the first time, in the amount of tEuros 78,830. In addition, the opening balance and amounts recorded in this caption in 2006 correspond to the variation between years of the accumulated currency translation adjustments resulting from the translation of the foreign currency financial statements of subsidiaries.

43. REMUNERATION OF THE MEMBERS OF THE CORPORATE BOARDS

The remuneration of the members of the corporate boards in 2006 and 2005 amounted to tEuros 3,844 and tEuros 2,334, respectively.

45. NET FINANCIAL INCOME

Net financial income for the years ended 31 December 2006 and 2005 is made up as follows:

	2006	2005
Expenses:		
Interest - bank loans	5,595	3,970
Interest - Subsidiary and associated companies (Note 16)	8,703	3,244
Interest - Others	415	37
Loss on group and associated companies	163	1,411
Exchange loss	2	10,857
Other	365	475
	15,243	19,994
Net financial income	805,648	430,238
	820,891	450,232
Income:		
Interest income - group and associated companies (Note 16)	7,995	3,270
Interest income - other	241	33
Gain on group and associated companies (Note 10)	804,806	446,150
Exchange gain	5,171	777
Financial discount received	-	2
Other	2,678	-
	820,891	450,232

The loss and gain on group and associated companies in 2006 is made up as follows:

	LOSS	GAIN
Petróleos de Portugal - Petrogal, S.A.	-	358,788
GDP, SGPS, S.A.	13	445,509
Galp Energia, S.A.	70	-
Galp Power, SGPS, S.A.	-	509
Central E, S.A.	80	-
	163	804,806

The total loss on group and associated companies in the amount of tEuros 163 was recorded by corresponding entry to the caption "Investments" in the amount of tEuros 83 (Note 10) and "Other provisions" in the amount of tEuros 80 (Note 34).

The gain in the amount of tEuros 804,806 (Note 10) was recorded as an increase in the amount of investments, as explained in Note 3. d).

The caption "Other financial income" includes tEuros 2,323 relating to interest received from EDP - Energias de Portugal, S.A., calculated at the treasury bond rate on 24 June 1999 (4.914%), relating to the amount received on 27 September 2006 due to the protesting right of the sale option over 217,055 shares of Oni, S.G.P.S., S.A. exercised on 2 August 2003.

46. EXTRAORDINARY ITEMS

Extraordinary items for the years ended 31 December 2006 and 2005 are made up as follows:

	2006	2005
Costs:		
Donations	624	792
Loss on fixed assets	1	3
Prior year adjustments	-	2,476
Bonuses attributed by subsidiaries to employees (Note 10)	2,772	2,527
Retirement benefits	-	37
Other	6	34
	3,403	5,869
Net extraordinary items	(3,332)	(5,534)
	71	335
Income:		
Gain on fixed assets	50	128
Prior year adjustments	-	-
Retirement benefits (Note 34)	-	3
Other	21	204
	71	335

The amount of tEuros 2,772 in the caption "Extraordinary costs" corresponds to bonuses attributed by Petróleos de Portugal-

Petrogal,S.A. to employees out of profit for 2005, recorded as a decrease in the participation in that company.

48. LOANS

At 31 December 2006 and 2005 this caption was made up as follows:

	2006		2005	
	SHORT TERM	MEDIUM AND LONG TERMS	SHORT TERM	MEDIUM AND LONG TERMS
Bank loans				
Foreign loans	23,515	-	26,252	26,252
Domestic loans	-	39,000	-	-
Commercial paper	275,000	-	-	-
Bank overdrafts (Note 51)	101,608	-	72	-
	400,123	39,000	26,324	26,252

Foreign loans at 31 December 2006 were in US Dollars, amounted to tUSD 30,969, and mature in the short term. These loans bear interest at the variable 6 month USD LIBOR (London Inter-bank Offer Rate) rate plus a spread of 2.35% and cap of 5.35%.

In 2006 the Company repaid two instalments in the amount of tUSD 30,969, having incurred an exchange loss of tEuros 2,299.

In September 2006 the Company subscribed for 4 one year Commercial Paper Programs, renewal for equal periods, in the amount of tEuros 275,000, made up as follows:

AGENT	BANK	AMOUNT
Caixa Banco Investimento	Caixa Geral de Depósitos	100,000
Banco Santander Negócios	Banco Santander Totta	100,000
Banco MillenniumBCP Investimento	Banco Comercial Português	50,000
Banco Popular Portugal	Banco Popular Portugal	25,000
		275,000

These loans bear interest at the Euribor rate for the term of the issues, in force on the second business day preceding the subscription date, plus variable spreads defined in the contractual conditions of the commercial paper programs subscribed for by the Company. The rate of interest is calculated based on the amount of each issue and remains unchanged during the period of the issue.

In the year ended 31 December 2006 the Company contracted a medium and long term loan of tEuros 39,000 from the European Investment Bank for the exclusive purpose of funding the construction and operation of a co-generating installation in the Sines refinery. The loan bears interest at the Euribor six month rate plus a variable spread and is repayable as follows:

2010	2,391
2011	2,519
2012	2,656
2013	2,800
2014	2,956
2015	3,112
2016	3,280
2017	3,459
2018	3,647
2019	3,845
2020	4,056
2021	4,279
	39,000

The European Investment Bank and Galp Energia, SGPS, S.A. agreed the following conditions for the loan:

- An average (last years) financial charges coverage ratio (ratio of EBITDA to "Net financial costs") not less than 4.5 : 1.00, based on the consolidated financial statements as of 31 December 2006.
- An average (last 3 years) debt ratio (ratio of "Financial indebtedness to EBITDA) not exceeding 3.5 : 1, based on the consolidated financial statements as of 31 December 2006.

49. OTHER DEBTORS AND CREDITORS

At 31 December 2006 and 2005 these captions were made up as follows:

	2006	2005
Other debtors		
Personnel (Note 25)	463	196
EDP-Energias de Portugal, S.A.	-	17,984
Guarantees	213	213
Group and associated companies	-	191
Others	11	67
	687	18,651
Other creditors		
Personnel (Note 25)	64	65
Others	2,620	26
	2,684	91

In 2006 the Group received tEuros 17,984 from EDP - Energias de Portugal, S.A. corresponding to the protesting rights of the option to sell 217,655 shares of Oni S.G.P.S., S.A., exercised in 2003 in the amount of tEuros 14,964 plus interest of tEuros 3,020. In addition the Company received tEuros 2,323 relating to interest for the period from 2 August 2003 to 27 September 2006 (Note 45).

50. ACCRUALS AND DEFERRALS

At 31 December 2006 and 2005 these captions were made up as follows:

	2006	2005
Accrued income (Note 16):		
Interest	4,392	75
Other	551	712
	4,943	787
Deferred costs:		
Deferred tax assets (Note 6)	-	271
Other	1,326	311
	1,326	582
Accrued costs:		
Vacation pay, vacation subsidy and related charges	392	1,319
Performance bonus	296	835
Cost of personnel ceded	1,429	3,748
Interest	5,148	691
Services and supplies obtained	633	827
Other	39	-
	7,937	7,420

The amount of tEuros 1,326 in the deferred costs caption corresponds essentially to amounts invoiced in 2006 for sponsoring sporting events to be realised in 2007 and 2008.

51. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December 2006 and 2005 are made up as follows:

	2006	2005
Cash	12	9
Demand deposits	329	996
Bank overdrafts (Note 48)	(101,608)	(72)
Treasury applications	90,000	-
	(11,267)	933

The amount of tEuros 90,000 reflected in the caption "Treasury applications" corresponds to the application of cash surpluses. The application matures on 5 January 2007 and bears interest at market rates.

52. SUBSEQUENT EVENTS

In 2007 the Portuguese State sold 40,000,000 A shares and 1,494,501 B shares, representing 5.0% of Galp Energia, SGPS, S.A.'s share capital to Parpública, SGPS, S.A.. After this acquisition Parpública became holder of 58,079,514 shares of Galp Energia, SGPS, S.A., representing 7% of the voting rights, the Portuguese State ceasing to be a shareholder of the Company as from that date. The A shares have special rights granted to them in accordance with article 4 of Galp Energia, SGPS, S.A.'s articles of association.

As a result of the merger of ENI Portugal Investments, S.p.A into ENI S.p.A, communicated on 2 January 2007, Galp Energia, SGPS's shareholder became ENI S.p.A.

Consequently the shareholders at 31 December 2006 (Note 37) have not been updated for the effect of the above operation.

53. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal and the format and disclosures required by the Official Chart of Accounts (“Plano Oficial de Contabilidade - POC”), some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE ACCOUNTANT

Dr. Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Dr. Francisco Luís Murteira Nabó

Eng. Manuel Ferreira De Oliveira

Eng. Giancarlo Rossi

Eng. José António Marques Gonçalves

Dr. André Freire de Almeida Palmeiro Ribeiro

Dr. João Pedro Leitão Pinheiro de Figueiredo Brito

Dr. Fernando Manuel dos Santos Gomes

Eng. Massimo Giuseppe Rivara

Eng. Diogo Mendonça Rodrigues Tavares

Dr. Manuel Carlos Costa da Silva

Eng. Manuel Domingos Vicente

Dr. Angelo Mario Taraborrelli

Eng. Camillo Gloria

Dr. Marco Alverà

Dr. Joaquim Augusto Nunes de Pina Moura

Dr. Alberto Alves de Oliveira Pinto

Dr. Pedro António do Padre Castelino e Alvim

Eng. Alberto Maria Alberti



STATUTORY
AUDIT AND AUDITORS'
REPORT - INDIVIDUAL
ACCOUNTS

STATUTORY AUDIT AND AUDITORS' REPORT - INDIVIDUAL ACCOUNTS

(Translation of a report originally issued in Portuguese - Note 53)

» INTRODUCTION

1 In compliance with the applicable legislation, we hereby present our Statutory Audit and Auditors' Report on the financial information contained in the Board of Directors' Report and the financial statements of Galp Energia, SGPS, S.A. ("the Company"), for the year ended December 31, 2006, which comprise the balance sheet that presents a total of 3,079,310,000 Euros and shareholders' equity of 1,881,623,000 Euros, including a net profit of 797,550,000 Euros, the statements of profit and loss by nature and by functions, the statement of cash flows for the year then ended and the corresponding notes.

» RESPONSIBILITIES

2. The Company's Board of Directors is responsible for: (i) the preparation of financial statements that present a true and fair view of the financial position of the Company, the results of its operations and its cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control and; (iv) the disclosure of any significant facts that have influenced its operations, financial position or results of operations.

3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

» SCOPE

4. Our examination was performed in accordance with the Auditing Standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. An examination also includes assessing the adequacy of the accounting policies used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the financial statements and assessing that, in all material respects, the information is complete, true, timely, clear, objective and licit. An examination also includes verifying that the information included in the Board of Directors' Report is consistent with the financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

» OPINION

5. In our opinion, the financial statements referred to in paragraph 1 above, present fairly in all material respects for the purposes explained in paragraph 6 below, the financial position of Galp Energia, SGPS, S.A. as of December 31, 2006 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal and the financial information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

» **EMPHASIS**

6. The financial statements referred to in paragraph 1 above refer to the Company's operations on an individual non-consolidated basis and were prepared in conformity with generally accepted accounting principles in Portugal for approval by the Shareholders' General Meeting and publication in accordance with current legislation. As explained in Note 3 d) the investments are recorded in accordance with the equity method. The Company prepared, in accordance with current legislation, consolidated financial statements in conformity with the International Financial Reporting Standards ("IFRS") as adopted in the European Union, for separately approval and publication.

Lisbon, April 24, 2007

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by Jorge Carlos Batalha Duarte Catulo

SUPERVISORY BOARD'S
REPORT AND
OPINION - INDIVIDUAL
ACCOUNTS

SUPERVISORY BOARD'S REPORT AND OPINION - INDIVIDUAL ACCOUNTS

To the Shareholders,

1. In the performance of its duties pursuant to the law and the Company's articles of association, the Supervisory Board of Galp Energia, SGPS, S.A. has reviewed the report of the Board of Directors, the balance sheet, the profit and loss accounts, the cash flow statement and the respective notes for the year ended 31 December 2006 and, consequently, submits hereby to your approval its report and opinion.
2. a) We inform that from 1 January to 28 September 2006, the Company was supervised by a Statutory Auditor that acted as the Company's sole auditor.

b) At their general meeting of 28 September 2006, the shareholders approved a new supervision model in accordance with the Companies Code, comprising a Supervisory Board and a firm of Statutory Auditors that also acts as the Company's external auditor.

c) The current Supervisory Board was appointed by a unanimous written deliberation of the Company's shareholders dated 5 October 2006, for the purpose of performing the duties described in the law and the Company's articles of association, during the period corresponding to the current three-year term 2005 - 2007.
3. It should be highlighted that one of the major events in 2006 was the public offering and listing of 23% of the share capital of Galp Energia, SGPS, S.A., previously held by a Company wholly owned by the Portuguese State.
4. Galp Energia operates in the oil and natural gas sectors and, in the performance of our role, we followed assiduously how the Company's operations and management developed; in this process, the Board of Directors and the departments' managers gave us all clarifications and support that were deemed appropriate.
5. Our work consisted of reviewing the Company's financial statements, accounting records and supporting documents pursuant to the accounting principles and valuation criteria described in the official accounting plan.

6. The following - among other - procedures were carried out:

- 6.1 - Review of the Company's business affairs and actions taken by management, by reading the minutes of the meetings of the Board of Directors and by requesting, and promptly receiving, clarifications;
- 6.2 - Analysis of disclosed financial information;
- 6.3 - Confirmation of the financial statements' conformity with the supporting accounting records;
- 6.4 - Appraisal of the Company's accounting policies as to their adequacy and consistency;
- 6.5 - Evaluation, jointly with the external auditors, of the effectiveness of internal control systems, risk management and accounting adjustments.

7. The Supervisory Board has been informed by Statutory Auditors (external auditors) of the content of the certification of the individual accounts and the auditors' report, both issued in accordance with the law, and with which we are in agreement.

8. We have verified that the report of the Board of Directors has been prepared in accordance with the legal rules in force, complements the financial statements and emphasizes the most relevant management aspects.

9. In our view, the balance sheet, the profit and loss accounts, the cash flow statement and the appended notes represent adequately the Company's assets as well as its earnings for 2006.

10. In view of the foregoing, our opinion is:

- 1º - That the report of the Board of Directors and the Accounts for 2006 should be approved as they are presented;
- 2º - That the proposed appropriation of net income should be approved;

3º - That an expression of praise and trust should be conveyed to the Board of Directors for the judicious and effective manner in which it has conducted the business affairs of the Company.

Lisbon, 8 May 2007

Chairman - Daniel Bessa Fernandes Coelho

Member - José Gomes Honorato Ferreira

Member - José Maria Rego Ribeiro da Cunha

» EDITION

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» DESIGN AND CONCEPTION

STRATDESIGN >

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