



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 2007 AND 2006

(Amounts expressed in thousands of Euros)

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

ASSETS	NOTES	2007			2006
		GROSS	AMORT., DEPREC. AND ADJUSTMENTS	NET	NET
<b>FIXED ASSETS:</b>					
Intangible assets:					
Industrial property and other rights	8 e 10	8	(6)	2	2
		8	(6)	2	2
Tangible assets:					
Transport equipment	10	-	-	-	1
Administrative equipment	10	543	(508)	35	50
Other tangible fixed assets	10	-	-	-	33
		543	(508)	35	84
Investments:					
Equity investments in group companies	10 e 16	2,169,404	(425)	2,168,979	2,311,616
Loans to group companies	10 e 16	52,486	-	52,486	22,161
Securities and other financial applications	10 e 16	402	-	402	115
Other loans granted	10	90	-	90	90
		2,222,382	(425)	2,221,957	2,333,982
<b>CURRENT ASSETS:</b>					
Current receivables:					
Clients, current accounts	16	2,017	-	2,017	13,480
Group companies	16	460,556	-	460,556	623,038
Advances to suppliers		20	-	20	46
State and other public entities	28	32,611	-	32,611	11,380
Other debtors	49	430	-	430	687
		495,634	-	495,634	648,632
Negotiable securities:					
Other treasury applications	51	-	-	-	90,000
		-	-	-	90,000
Bank deposits and cash:					
Bank deposits	51	534	-	534	329
Cash	51	6	-	6	12
		540	-	540	342
<b>ACCRUALS AND DEFERRALS:</b>					
Accrued income	50	1,668	-	1,668	4,943
Deferred costs	50	422	-	422	1,326
		2,090	-	2,090	6,269
<b>Total amortisation and depreciation</b>			<b>(514)</b>		
<b>Total adjustments</b>			<b>(425)</b>		
<b>Total assets</b>		<b>2,721,197</b>	<b>(939)</b>	<b>2,720,258</b>	<b>3,079,310</b>

The accompanying notes form an integral part of the balance sheet as of 31 December 2007.

The Accountant  
Carlos Alberto Nunes Barata

The Board of Directors  
Francisco Luís Murteira Nabo  
Manuel Ferreira De Oliveira  
Francesco Antoniotti  
José António Marques Gonçalves  
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Alberto Maria Alberti

EQUITY AND LIABILITIES	NOTES	2007	2006
<b>Equity:</b>			
Share capital	36 e 40	829,251	829,251
Share premium	40	82,006	82,006
Adjustments in equity investments in subsidiary and associated companies	40	53,453	61,247
Reserves:			
Legal reserve	40	118,925	79,047
Other reserves	40	27,977	27,977
Interim dividends	40	(126,046)	-
Retained earnings	40	510,125	4,545
Net profit for the year	40	560,842	797,550
<b>Total Shareholders' Equity</b>		<b>2,056,533</b>	<b>1,881,623</b>
LIABILITIES:			
PROVISIONS:			
Other provisions	34	3,377	6,032
		<b>3,377</b>	<b>6,032</b>
MEDIUM AND LONG TERM LIABILITIES:			
Bank loans	48	58,000	39,000
		<b>58,000</b>	<b>39,000</b>
CURRENT LIABILITIES:			
Bank loans	48	173,425	400,123
Suppliers, current accounts		621	12,530
Suppliers, invoices pending		-	5
Group companies	16	419,899	645,374
State and other public entities	28	555	84,002
Other creditors	49	2,654	2,684
		<b>597,154</b>	<b>1,144,719</b>
ACCRUALS AND DEFERRALS:			
Accrued costs	50	5,194	7,937
<b>Total equity and liabilities</b>		<b>2,720,258</b>	<b>3,079,310</b>

**GALP ENERGIA, SGPS, S.A.**

INCOME STATEMENTS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of Euros)

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

COSTS	NOTES	2007	2006
External supplies and services		9,265	45,437
Personnel costs:			
Remuneration		4,516	8,161
Social charges:			
Pensions		-	298
Others		283	1,846
Amortisation and depreciation	10	15	31
Provisions		-	3,377
Other indirect taxes		401	419
Other operating costs		43	242
<b>(A)</b>		<b>14,523</b>	<b>59,811</b>
Loss on group and associated companies	45	1,777	163
Interest and similar costs:			
Relating to group companies	45	18,582	8,703
Others	45	11,803	6,377
<b>(C)</b>		<b>46,685</b>	<b>75,054</b>
Extraordinary costs	46	2,184	4,558
<b>(E)</b>		<b>48,869</b>	<b>79,612</b>
Income tax for the year	6	(2,758)	(1,743)
<b>(G)</b>		<b>46,111</b>	<b>77,869</b>
Net profit for the year		560,842	797,550
		<b>606,953</b>	<b>875,419</b>

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The accompanying notes form an integral part of the income statement by nature for the year ended 31 December 2007.

## The Accountant

Carlos Alberto Nunes Barata

## The Board of Directors

Francisco Luís Murteira Nabo  
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**GALP ENERGIA, SGPS, S.A.**

INCOME STATEMENTS BY FUNCTIONS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of Euros)

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

	NOTES	2007	2006
Services rendered	16	6,437	45,146
Cost of services rendered		(6,437)	(45,146)
<b>Gross result</b>		-	-
Other operating income		2,615	9,741
Distribution costs		-	-
Administrative costs		(4,813)	(6,166)
Other operating costs		(5,457)	(13,059)
<b>Operating profit/(loss)</b>		<b>(7,655)</b>	<b>(9,484)</b>
Net financial costs		(5,205)	(1,675)
Gain (loss) on subsidiary and associated companies	45	570,933	804,643
Gain (loss) on other investments	45	11	2,323
Unusual or infrequent items		-	-
<b>Current profit</b>		<b>558,084</b>	<b>795,807</b>
Income tax on current profit		2,758	1,743
<b>Current profit after income tax</b>		<b>560,842</b>	<b>797,550</b>
Extraordinary profit/(loss)		-	-
Income tax on extraordinary result		-	-
<b>Net profit</b>		<b>560,842</b>	<b>797,550</b>
Earnings per share		0.68	0.96

The accompanying notes form an integral part of the income statement by functions for the year ended 31 December 2007.

## The Accountant

Carlos Alberto Nunes Barata

## The Board of Directors

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**GALP ENERGIA, SGPS, S.A.**

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousand of Euros)

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

	NOTES	2007	2006
<b>Operating activities:</b>			
Cash receipts from customers		24,404	100,423
Cash paid to suppliers		(23,309)	(52,385)
Cash paid to employees		(4,368)	(10,959)
<b>Cash from/(used in) from operations</b>		<b>(3,273)</b>	<b>37,079</b>
Cash (paid)/received relating to income tax		70,161	(3,251)
Other (payments)/receipts relating to operating activities		(1,137)	(8,455)
<b>Cash-Flows generated before extraordinary items</b>		<b>65,751</b>	<b>25,373</b>
Payments relating to extraordinary items		-	(69)
		-	(69)
<b>Net cash from operating activities (1)</b>		<b>65,751</b>	<b>25,304</b>
<b>Investing activities:</b>			
Cash receipts relating to:			
Investments		-	14,964
Dividends	10	702,204	707,485
Interest and similar income		24,815	8,361
Loans granted		762,087	203,282
		1,489,106	934,092
Cash payments relating to:			
Investments	10	(287)	(2,963)
Loans granted		(674,886)	(624,420)
		<b>(675,173)</b>	<b>(627,383)</b>
<b>Net cash from investing activities (2)</b>		<b>813,933</b>	<b>306,709</b>
<b>Financing activities:</b>			
Cash receipts relating to:			
Loans obtained		802,405	1,764,500
		<b>802,405</b>	<b>1,764,500</b>
Cash payments relating to:			
Loans obtained		(1,268,745)	(1,007,676)
Interest and similar costs		(31,960)	(10,515)
Dividends/profit distributions	40	(378,138)	(1,092,953)
		<b>(1,678,843)</b>	<b>(2,111,144)</b>
<b>Net cash used in financing activities (3)</b>		<b>(876,438)</b>	<b>(346,644)</b>
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		3,246	(14,631)
Effect of foreign exchange rate changes		136	2,432
Cash and cash equivalents at the beginning of the year	51	(11,267)	933
Cash and cash equivalents at the end of the year	51	(7,885)	(11,267)

The accompanying notes form an integral part of the cash flow statement for the year ended 31 December 2007.

**The Accountant**

Carlos Alberto Nunes Barata

**The Board of Directors**

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**GALP ENERGIA, SGPS, S.A.**

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

(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..

The Company's shareholder structure has changed several times over recent years, its position at 31 December 2007 being shown in Note 37.

The following notes are numbered as defined in the Portuguese 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 2007 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 2007 and 2006 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 fixed assets

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

## b) Tangible fixed assets

Tangible fixed 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
Administrative equipment	5 to 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 f) below, the accumulated effect of currency translation adjustments resulting from the translation of the financial statements of subsidiaries expressed in foreign currencies is recorded in the 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 "Other provisions" (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) 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 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; and
- (iii) historical exchange rate for the remaining 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 2004 to 2007 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 2007.

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 the Company. However, estimated income tax of the Company and its subsidiaries is recorded based on their taxable results, which for the year ended 31 December 2007 represents an account payable to and receivable from these companies of tEuros 143,693 (Note 16) and tEuros 111,252 (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 tax (Note 28)	(2,758)
	(2,758)

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 2007 the Company had estimated current income tax recoverable of tEuros 2,758 when it had an accounting profit for the year before income tax of tEuros 558,084.

## 7. AVERAGE NUMBER OF EMPLOYEES

The average number of employees of the Company in 2007 and 2006 was 1 and 86, respectively, and was 1 at 31 December 2007.

## 8. INDUSTRIAL PROPERTY AND OTHER RIGHTS

At 31 December 2007 this caption was made up as follows:

	GROSS	ACCUMULATED AMORTISATION	NET
Industrial property and other rights:			
Software and licences	8	(6)	2
	8	(6)	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 2007 were as follows:

	Beginning balance	Increases	Sales/Decreases	Equity Method	GROSS ASSETS Ending balance
Intangible assets:					
Industrial property and other rights	6	2	-	-	8
	6	2	-	-	8
Tangible assets:					
Transport equipment	16	-	(16)	-	-
Administrative equipment	549	-	(6)	-	543
Other tangible fixed assets	87	-	(87)	-	-
	652	-	(109)	-	543
Investments:					
Investment in group companies	2,311,616	-	-	(142,212)	2,169,404
Loans to group companies	22,161	30,325	-	-	52,486
Securities and other financial applications	115	287	-	-	402
Other loans granted	90	-	-	-	90
	2,333,982	30,612	-	(142,212)	2,222,382
	2,334,640	30,614	(109)	(142,212)	2,222,933

	ACCUMULATED AMORTISATION, DEPRECIATION AND ADJUSTMENTS			
	Beginning balance	Increases	Sales	Ending balance
<b>Intangible assets (Note 8)</b>				
Industrial property and other rights	4	2	-	6
	4	2	-	6
<b>Tangible assets:</b>				
Transport equipment	15	-	(15)	-
Administrative equipment	499	13	(4)	508
Other tangible fixed assets	54	-	(54)	-
	568	13	(73)	508
<b>Investments:</b>				
Investments adjustments	-	425	-	425
	-	425	-	425
	572	440	(73)	939

The increase of tEuros 30,325 in the caption "Loans to group companies" includes tEuros 28,698 relating to loans to Galp Power, SGPS, S.A. and tEuros 1,627 relating to overdue interest capitalised on the loans to Galp Power, SGPS, S.A..

The changes during the year ended 31 December 2007 in the caption "Investments in group companies" were as follows:

<b>Beginning balance</b>	<b>2,311,616</b>
Effect of applying the equity method to results for the year (Note 45):	
Positive	570,041
Negative	(1,338)
	<b>568,703</b>
Effect of applying the equity method to other changes in shareholders' equity of subsidiaries (Note 40):	
Other changes in shareholders' equity	(463)
Adjustments in equity investments in subsidiary and associated companies	(7,331)
	<b>(7,794)</b>
Investment adjustments (Note 45)	(425)
	<b>(425)</b>
Dividends received:	
Petróleos de Portugal - Petrogal, S.A.	(278,012)
GDP, SGPS, S.A.	(424,192)
	<b>(702,204)</b>
Decrease in equity in Petróleos de Portugal - Petrogal, S.A. due to employee bonuses granted (Note 46)	(917)
<b>Ending balance</b>	<b>2,168,979</b>

## 16. GROUP COMPANIES

Investments in group and associated companies at 31 December 2007 and 2006 were as follows:

	31 DECEMBER 2007						2007		2006	
	Head office	Total Assets	Total Liabilities	Shareholders' Equity	Net result	%	Amount	%	Amount	
Petróleos de Portugal - Petrogal, S.A. (a)	Lisbon	3,151,699	1,785,247	1,366,452	342,135	100.00%	1,366,413	100.00%	1,305,475	
GDP - Gás de Portugal, SGPS, S.A.	Lisbon	800,665	3,303	797,362	227,654	100.00%	797,430	100.00%	999,476	
Galp Energia, S.A.	Lisbon	29,378	25,516	3,862	245	100.00%	3,862	100.00%	3,629	
Galp Power, SGPS, S.A.	Lisbon	66,114	64,415	1,699	(1,338)	100.00%	1,699	100.00%	3,036	
							<b>2,169,404</b>		<b>2,311,616</b>	

(a) For purposes of applying the equity method in 2007, equity was adjusted for the effect of minority participations of these companies in other subsidiaries of the Galp Group.

Securities and other financial applications at 31 December 2007 and 2006 are made up as follows:

	Head office	2007		2006	
		%	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
Central E, S.A. (a)	Lisbon	0.70%	2	-	-
ENACOL - Empresa Nacional de Combustíveis, Lda. (b)	Cape Verde	-	285	-	-
			402		115

(a) In 2007 Central - E - Informação e Comércio Electrónico, S.A., increase capital by tEuros 13,442, paid up in kind by the majority shareholder, EDP Imobiliária e Participações, S.A., decreasing the Company's participation to 0.73%. At the same time it decreased all its capital, essentially to cover losses accumulated in prior years and made a new capital increase of tEuros 227, through the issuance of 45,455 new shares with a nominal value of Euros 5 each. Galp Energia S.G.P.S., S.A. subscribed for 318 shares representing 0.7% of Central - E - Informação e Comércio Electrónico, S.A.

(b) in 2007 the Company acquired 7,144 quotas of the capital increase of ENACOL - Empresa Nacional de Combustíveis, Lda.

The asset and liability balances with the main group companies at 31 December 2007 were as follows:

	ASSETS BALANCES			
	Clients current accounts	Group companies	Loans to group companies (Note 10)	Accrued income (Note 50)
Eival - Soc. Emp.Inv. Ar. Gases, S.A.	15	13	-	-
Galp Exploração, Lda.	64	400	-	13
Galp Power, SGPS, S.A.	83	250	52,486	99
Galp Power, S.A.	179	-	-	-
Galp Energia, S.A.	190	124	-	-
Galpgeste, Lda.	-	414	-	-
Gasinsular, S.A.	-	1,450	-	3
GDP - Distribuição SGPS, S.A.	-	23,379	-	70
GDP - Gás de Portugal, SGPS, S.A.	-	1,695	-	-
Lisboagás, S.A.	255	58,382	-	545
Lusitaniagás, S.A.	-	44,000	-	186
Portcogeração, S.A.	-	800	-	5
Petróleos de Portugal - Petrogal, S.A.	887	266,445	-	594
Medigás, S.A.	-	6,929	-	101
Soturis, S.A.	3	121	-	-
Duriensegás, S.A.	-	5,500	-	5
Dianagás, S.A.	-	2,248	-	22
Fast Access, S.A.	22	9	-	-
Galp Gás Natural, S.A.	69	34,104	-	-
Transgás Indústria, S.A.	75	12,813	-	-
Transgás Armazenagem, S.A.	-	94	-	-
Tanquisado - Terminais Marítimos, S.A.	-	582	-	-
Petrogal Moçambique, Lda.	27	19	-	-
Petrogal Angola, Lda.	22	354	-	12
Petrogal Guiné-Bissau, Lda.	15	16	-	-
Petrogás Guiné-Bissau, Lda.	16	17	-	-
Petrogal Cabo Verde	-	339	-	12
Tagus RE, S.A.	37	-	-	-
Petromar-Sociedade Abastecimentos Petrolíferos, Lda.	22	23	-	-
Others group companies	19	36	-	-
	2,000	460,556	52,486	1,668

The loan of tEuros 52,486 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.	(1,098)	-	-
Drifital, S.A.	(183)	-	-
Eival - Soc. Emp. Inv. Ar. Gases, S.A.	(13)	-	-
Galp Açores, S.A.	(4,050)	-	(55)
Galp Madeira, S.A.	(12,250)	-	(104)
Galp Power, SGPS, S.A.	(940)	-	-
Galp Power, S.A.	(1,659)	-	-
Galp Energia, S.A.	(5,811)	(279)	(94)
Galpgeste, Lda.	(3,511)	-	(46)
GDP - Distribuição SGPS, S.A.	(479)	-	-
GDP - Gás de Portugal, SGPS, S.A.	(10,455)	-	(28)
Lisboagás, S.A.	(3,785)	-	-
Medigás, S.A.	(89)	-	-
Petróleos de Portugal - Petrogal, S.A.	(81,534)	(86)	(38)
Paxgás, S.A.	(56)	-	-
Sacor Marítima, S.A.	(50,000)	-	(24)
Soturis, S.A.	(1,173)	-	(6)
Tanquisado - Terminais Marítimos, S.A.	(7,026)	-	(80)
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	(192)	-	-
Galp Gás Natural, S.A.	(218,235)	(12)	(1,736)
Transgás Armazenagem, S.A.	(1,726)	-	-
Transgás Indústria, S.A.	(15,628)	-	(199)
Other group companies	(6)	23	-
	<b>(419,899)</b>	<b>(354)</b>	<b>(2,410)</b>

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

	Receivable	Payable
<b>Special regime for taxing groups of companies</b>	<b>111,252</b>	<b>143,693</b>
Loans conceded and obtained:		
CLT-Companhia Logistica de Terminais Maritimos, Lda.	-	1,000
Galp Açores, S.A.	-	4,050
Galp Madeira, S.A.	-	12,250
Transgás Industria, S.A.	-	15,600
GDP - Gás de Portugal, SGPS, S.A.	-	10,250
Galp Energia, S.A.	-	5,806
Soturis, S.A.	-	1,150
Tanquisado - Terminais Maritimos, S.A.	-	7,000
Galp Gás Natural, S.A.	-	163,900
Sacor Maritima, S.A.	-	50,000
Petróleos de Portugal - Petrogal, S.A.	215,000	-
Galp Exploração, Lda.	400	-
Dianagás, S.A.	2,200	-
Duriensegás, S.A.	5,500	-
Fast Access, S.A.	5	-
Lisboagás, S.A.	50,000	-
GDP - Distribuição SGPS, S.A.	22,000	-
Galp Power, SGPS, S.A.	250	-
Gasinsular - Combustiveis do Atlântico, S.A.	1,450	-
Lusitaniagás, S.A.	44,000	-
Medigás, S.A.	6,900	-
Petrogal Angola, Lda.	335	-
Petrogal Cabo Verde, Lda.	335	-
Transgás Armazenagém, S.A.	-	1,700
Galpgeste, Lda.	-	3,500
Blue Flag Navigation, Lda.	2	-
Portcogeração, S.A.	800	-
	<b>349,177</b>	<b>276,206</b>
Others	127	-
	<b>460,556</b>	<b>419,899</b>

The loans obtained from and conceded to group companies totalling tEuros 276,206 and tEuros 349,177, 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.	-	205
GDP - Distribuição SGPS, S.A.	18	479
Galp Power, SGPS, S.A.	-	667
Medigás, S.A.	-	89
Petróleos de Portugal - Petrogal, S.A.	-	10,981
Soturis, S.A.	-	21
Eival - Soc. de Empreend., Inv. e Arm. de Gases, S.A.	13	13
Porten - Portugal Energia, S.A.	-	573
Sinecogeração, S.A.	-	137
Transgás Armazenagem, S.A.	-	24
Other companies	1	15
	<b>40</b>	<b>13,377</b>
Payments on account:		
Petróleos de Portugal - Petrogal, S.A.	-	69,284
Lisboagás, S.A.	-	3,784
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	-	54,121
	-	<b>127,189</b>
Relating to 2007 (Note 28):		
CLT, Lda.	-	98
Dianagás, S.A.	49	-
Driftal, S.A.	-	10
Eival - Soc. de Empreend., Inv. e Arm. de Gases, S.A.	-	-
Galp Power, SGPS, S.A.	-	273
Galp Energia, S.A.	123	5
Galpgeste, S.A.	414	11
GDP - Distribuição, SGPS, S.A.	1,360	-
GDP - Gás de Portugal, SGPS, S.A.	1,695	-
Lisboagás, S.A.	8,382	2
Medigás, S.A.	29	-
Petróleos de Portugal - Petrogal, S.A.	51,445	1,270
Porten - Portugal Energia, S.A.	-	1,085
Sinecogeração - Cogeração da Refinaria de Sines, S.A.	-	55
Soturis, S.A.	121	2
Tanquisado - Terminais Marítimos, S.A.	582	26
Transgás - Sociedade Portuguesa de Gás Natural, S.A.	34,104	214
Transgás Armazenagem, S.A.	94	2
Transgás Indústria, S.A.	12,814	28
Paxgás, S.A.	-	46
	<b>111,212</b>	<b>3,127</b>
	<b>111,252</b>	<b>143,693</b>

Transactions with group companies in the year ended 31 December 2007 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.	-	-	3,381	508	12,261
Galp Energia, S.A.	2,381	124	-	788	6
Galp Gás Natural, S.A.	63	14,324	670	(5)	-
Lisboagás, S.A.	(1)	-	211	-	2,398
GDP - Distribuição SGPS, S.A.	-	1	-	-	1,189
Lusitaniagás - Comp Gás do Centro, S.A.	-	-	-	-	1,646
Galp Exploração, Lda.	-	496	633	-	153
Galp Power, SGPS, S.A.	-	-	820	76	2,100
Setgás - Soc Prod Distribuição de Gás, S.A.	(8)	-	-	-	-
Soturis, S.A.	-	86	-	-	-
Beiragás - Comp Gás das Beiras, S.A.	-	-	-	4	-
Galp Energia España, S.A.	1	-	-	-	-
CLC - Companhia Logística de Combustíveis, S.A.	-	36	-	5	-
CLT - Comp. Logística Term. Marítimos, Lda.	-	-	-	-	-
Galp Açores, S.A.	-	273	-	-	-
Galp Madeira, S.A.	1	528	-	-	-
Galpgeste, Lda.	-	149	-	-	-
Gasinsular, S.A.	-	-	-	-	86
GDP - Gás de Portugal, SGPS, S.A.	-	28	-	-	2,996
Sacor Marítima, S.A.	-	2,018	-	-	-
Fast Access, S.A.	-	-	-	-	14
Petrogal Trading Limited	663	-	-	-	-
Galp Power, S.A.	-	-	-	148	-
Tagus RE, S.A.	-	-	-	92	-
Transgás Indústria, S.A.	-	286	722	-	-
Tanquisado - Terminais Marítimos, S.A.	-	233	-	-	-
Transgás Armazenagem, S.A.	-	-	-	-	122
Dianagás, S.A.	-	-	-	-	108
Medigás, S.A.	-	-	-	-	311
Duriensegás, S.A.	-	-	-	-	72
Sinecogeração, S.A.	-	-	-	10	29
Other Galp Energia group companies	-	-	-	-	29
	<b>3,100</b>	<b>18,582</b>	<b>6,437</b>	<b>1,626</b>	<b>23,519</b>

Services rendered in the amount of tEuros 6,437 correspond essentially to management services rendered by the Company to group companies.

The caption "Supplementary income" corresponds to costs incurred by the Company during the year relating to 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 2007 and 2006 the Company had the following receivables from and payables to employees:

	2007	2006
Receivables from (Note 49)	189	463
Payables to (Note 49)	(61)	(64)

## 28. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2007 and 2006 there were no overdue accounts payable to the State and other Public Entities.

The balances with these entities were made up as follows:

	2007	2006
<b>Recoverable balances</b>		
VAT - Value Added tax recoverable	-	697
Corporate Income Tax recoverable	10,701	10,665
Estimated Corporate income Tax	21,910	-
Social security	-	18
	<b>32,611</b>	<b>11,380</b>
<b>Payable balances</b>		
Corporate Income Tax - Estimated tax	-	83,113
Corporate income tax payable	-	516
VAT - Value Added Tax Payable	360	-
Corporate income tax withheld at source	182	373
Social security	13	-
<b>Ending Balance</b>	<b>555</b>	<b>84,002</b>
	<b>32,056</b>	<b>(72,622)</b>

The recoverable caption "Estimated Corporate Income Tax" at 31 December 2007 is made up as follows:

	CORPORATE INCOME TAX RELATING TO			
	The Company (Note 6)	Subsidiaries (Note 16)		Total
		Recoverable	Payable	
Estimated Corporate Income Tax	2,758	1,560	(111,212)	(106,894)
Corporate income tax withheld by third parties	48	1,567	-	1,615
Corporate Income Tax - Payments on account (Note 16)	127,189	-	-	127,189
<b>Total</b>	<b>129,995</b>	<b>3,127</b>	<b>(111,212)</b>	<b>21,910</b>

## 32. BANK GUARANTEES

At 31 December 2007 the Company had bank guarantees arranged with BPI of tEuros 10,036 , tEuros 1,427 and tEuros 889 in favour of the General Directorate of Taxes ("Direcção Geral de Contribuições e Impostos"), relating to tax inspections and contested subsequent additional tax assessments received by companies included in the Special Regime for Taxation of Groups of Companies.

### 34. CHANGES IN PROVISIONS

During the year ended 31 December 2007 there were the following changes in provisions:

Caption	Beginning balance	Increases	Decreases	Ending balance
Others provisions				
Provision for taxes	3,377	-	-	3,377
	<b>3,377</b>	-	-	<b>3,377</b>
Equity investments	2,655	14	(2,669)	-
	<b>2,655</b>	<b>14</b>	<b>(2,669)</b>	-
	<b>6,032</b>	<b>14</b>	<b>(2,669)</b>	<b>3,377</b>

The increase of tEuros 14 in the caption "Equity investments" is to cover the accumulated losses of the subsidiary Central E, S.A. up to the date the participation in the subsidiary was decreased (Note 16). As a result of the decrease in the participation in Central E, S.A., in the second half of 2007 the Company reversed the provision to cover its liability up to that date for the accumulated losses of that subsidiary.

The increases and decreases in the provision were recognised by corresponding entry to gain and loss on group and associated companies (Note 45).

### 36. SHARE CAPITAL

The Company's capital remained unchanged in 2007. Subscribed and paid up capital consisted of 829,250,635 shares (Note 37) of one Euro each, divided into the following categories:

Share Type	December 2007	December 2006
A Type Shares	40,000,000	40,000,000
B Type Shares	789,250,635	789,250,635
<b>Total Shares Number</b>	<b>829,250,635</b>	<b>829,250,635</b>
Share Face Value	829,251	829,251

In accordance with article 4 of Galp Energia, SGPS, S.A.'s by laws 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;

### 37. SHAREHOLDERS

In January 2007 the State sold to Parpública SGPS, S.A., 40,000,000 A type shares and 1,494,501 B type shares, representing 5.0% of Galp Energia, SGPS, S.A.'s capital. After this acquisition Parpública become holder of 58,079,514 shares of Galp Energia SGPS,S.A., representing 7% of the voting rights, the Portuguese State ceasing as from that date to be a direct shareholder of the Company.

As a result of transactions carried out on the Stock Exchange from 29 August to 3 September 2007, the qualified participation attributed indirectly to Banco BPI, S.A., calculated in terms of voting rights in accordance with article 20 of the Securities Market Code, was increased to 5.09%.

In several transactions carried out on the Euronext Lisbon regulated market up to 4 October, Caixa Galicia sold 8,700,000 shares of Galp Energia SGPS, S.A., after which it ceased having a qualified participation in Galp Energia.

The Company's fully subscribed and paid up share capital at 31 December 2007 was held by the following entities:

	Number of shares	Nominal value	% Capital
Amorim Energia, B.V.	276,472,161	1 Euro	33.34%
Banco BPI, S.A.	42,220,051	1 Euro	5.09%
Caixa Geral de Depósitos, S.A.	8,292,510	1 Euro	1.00%
ENI, S.p.A.	276,472,160	1 Euro	33.34%
Iberdrola, S.A.	33,170,025	1 Euro	4.00%
Parública - Participações Públicas, SGPS, S.A.	58,079,514	1 Euro	7.00%
Other shareholders	134,544,214	1 Euro	16.23%
	<b>829,250,635</b>		<b>100.00%</b>

#### 40. CHANGES IN EQUITY

The changes in the equity captions in the year ended 31 December 2007 were as follows:

	Beginning balance	Increases	Decreases	Appropriation of profits	Ending balance
Capital	829,251	-	-	-	829,251
Share premium account	82,006	-	-	-	82,006
Adjustment in equity investments in group and associated companies (Note 10)	61,247	-	(7,794)	-	53,453
Legal reserve	79,047	-	-	39,878	118,925
Other reserves	27,977	-	-	-	27,977
Interim dividends	-	-	(126,046)	-	(126,046)
Retained earnings	4,545	-	-	505,580	510,125
Net profit for the year	797,550	560,842	-	(797,550)	560,842
	<b>1,881,623</b>	<b>560,842</b>	<b>(133,840)</b>	<b>(252,092)</b>	<b>2,056,533</b>

By decision of the Shareholders' General Meeting held on 28 May 2007, profit for the year ended 31 December 2006 was appropriated as follows:

Legal reserves	39,878
Retained earnings	505,580
Dividends	252,092
<b>Net profit for the year</b>	<b>797,550</b>

In addition, by decision of the Directors' Meetings held on 19 September and 4 October 2007, interim dividends of tEuros 126,046 were distributed out of profit for 2007.

#### 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 "Adjustments 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 2007 correspond to the variation between years of the accumulated currency translation adjustments resulting from translation of the foreign currency financial statements of subsidiaries and other changes in equity of the subsidiaries.

#### 43. REMUNERATION OF THE MEMBERS OF THE CORPORATE BOARDS

The remuneration of the members of the corporate boards in 2007 and 2006 amounted to tEuros 4,477 and tEuros 3,844, respectively.

Remuneration of the Administrators of Galp Energia designated by the shareholders ENI, S.P.A., Amorim Energia, B.V. and Iberdrola S.A. are included in the caption "External supplies and services" and amounted to tEuros 1,448 and tEuros 1,711 for the years 2006 and 2007, respectively.

#### 45. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2007 and 2006 is made up as follows:

	2007	2006
<b>Expenses:</b>		
Interest - bank loans	10,595	5,595
Interest - Subsidiary and associated companies (Note 16)	18,582	8,703
Interest - Others	-	415
Loss on group and associated companies	1,777	163
Exchange rate loss	81	2
Other	1,127	365
	<b>32,162</b>	<b>15,243</b>
<b>Net financial income</b>	<b>565,739</b>	<b>805,648</b>
	<b>597,901</b>	<b>820,891</b>
<b>Income:</b>		
Interest on bank deposits	63	-
Interest income - group and associated companies (Note 16)	23,519	7,995
Interest income - other	160	241
Gain on group and associated companies (Note 10)	572,710	804,806
Exchange rate gain	1,438	5,171
Other	11	2,678
	<b>597,901</b>	<b>820,891</b>

The loss and gain on group and associated companies in 2007 is made up as follows:

	Loss	Gain
Petróleos de Portugal - Petrogal, S.A.	425	342,130
GDP SGPS, S.A.	-	227,666
Galp Energia, S.A.	-	245
Galp Power, SGPS, S.A.	1,338	-
Central E, S.A.	14	2,669
	<b>1,777</b>	<b>572,710</b>

The total loss on group and associated companies in the amount of tEuros 1,777 was recorded by corresponding entry to the caption "Investments" in the amount of tEuros 1,763 (Note 10) and "Other provisions" in the amount of tEuros 14 (Note 34).

The gain of tEuros 572,710 includes tEuros 570,041 (Note 10) recorded as an increase in the amount of investments, as explained in Note 3. d) and tEuros 2,669 recorded as a decrease in other provisions (Note 34).

#### 46. EXTRAORDINARY INCOME AND COSTS

Extraordinary income and extraordinary costs for the years ended 31 December 2007 and 2006 are made up as follows:

	2007	2006
<b>Costs:</b>		
Donations	197	624
Loss on fixed assets	1	1
Bonuses attributes by subsidiaries to employees (Note 10)	917	2,772
Insufficiency of estimated income tax	1,003	-
Other	66	1,161
	<b>2,184</b>	<b>4,558</b>
<b>Net extraordinary items</b>	<b>(2,090)</b>	<b>(3,333)</b>
	<b>94</b>	<b>1,225</b>
<b>Income:</b>		
Gain on fixed assets	1	50
Prior year adjustments	84	-
Other	9	1,175
	<b>94</b>	<b>1,225</b>

The amount of tEuros 917 in the caption "Extraordinary costs" corresponds to bonuses attributed by Petróleos de Portugal- Petrogal,S.A. to employees out of profit for 2006, recorded as a decrease in the participation in that company.

#### 48. LOANS

At 31 December 2007 and 2006 this caption was made up as follows:

	2007		2006	
	Short term	Medium and long term	Short term	Medium and long term
<b>Bank loans</b>				
Foreign loans	-	-	23,515	-
Domestic loans	-	58,000	-	39,000
Commercial paper	165,000	-	275,000	-
Bank overdrafts (Note 51)	8,425	-	101,608	-
	<b>173,425</b>	<b>58,000</b>	<b>400,123</b>	<b>39,000</b>

In 2007 the Company repaid the full amount of foreign loans totalling tUSD 30,969, having realised an exchange rate gain of tEuros 1,222.

Of the 4 Commercial Paper Programs subscribed for in 2006 in the amount of tEuros 275,000, the Company maintained 3 contracts which mature in one year and are renewable for the same period. The contracts are made up as follows:

Agent	Paying bank	Amount
Caixa Banco de Investimento	Caixa Geral de Depósitos	100,000
Banco Santander Negócios	Banco Santander Totta	100,000
Banco Popular Portugal	Banco Popular Portugal	25,000
		<b>225,000</b>

At 31 December 2007 the Company had tEuros 225,000 available, having used tEuros 165,000 which bears interest at the Euribor rate for the term of the issue, in force on the second business day preceding the date of the subscription 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 2007 the Company contracted the second instalment, in the amount of tEuros 19,000, of a medium and long term loan with the European Investment Bank for the exclusive purpose of funding the construction and operation of a co-generating installation in the Sines refinery, totalling tEuros 58,000 at 31 December 2007. The loan bears interest at the Euribor six month rate plus a variable spread and is repayable as follows:

Year	1st Instalment	2nd Instalment	Total
2010	2,391	574	2,965
2011	2,519	1,197	3,716
2012	2,656	1,260	3,916
2013	2,800	1,328	4,128
2014	2,956	1,402	4,358
2015	3,112	1,478	4,590
2016	3,280	1,556	4,836
2017	3,459	1,642	5,101
2018	3,647	1,729	5,376
2019	3,845	1,824	5,669
2020	4,056	1,925	5,981
2021	4,279	2,029	6,308
2022		1,056	1,056
	39,000	19,000	58,000

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

#### 49. OTHER DEBTORS AND CREDITORS

At 31 December 2007 and 2006 these captions were made up as follows:

	2007	2006
<b>Other debtors</b>		
Personnel (Note 25)	189	463
Guarantees	213	213
Others	28	11
	430	687
<b>Other creditors</b>		
Personnel (Note 25)	61	64
Others	2,593	2,620
	2,654	2,684



## 50. ACCRUALS AND DEFERRALS

At 31 December 2007 and 2006 these captions were made up as follows:

	2007	2006
<b>Accrued income (Note 16):</b>		
Interest	1,668	4,392
Other	-	551
	1,668	4,943
<b>Deferred costs:</b>		
Other	422	1,326
	422	1,326
<b>Accrued costs:</b>		
Vacation and vacation bonus	415	392
Performance bonus	247	296
Cost of personnel ceded	1,462	1,429
Interest	2,993	5,148
External supplies and services	-	633
Other	77	39
	5,194	7,937

## 51. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December 2007 and 2006 are made up as follows:

	2007	2006
Cash	6	12
Demand deposits	534	329
Bank overdrafts (Note 48)	(8,425)	(101,608)
treasury applications	-	90,000
	(7,885)	(11,267)

## 52. SUBSEQUENT EVENTS

In 2008 Iberdrola sold its shares in Galp Energia to qualified institutional investors through an out-of-the-market operation carried out through private placing by Merrill Lynch International. The operation involved the sale of 31,772,282 shares of Galp Energia, representing 3.8314% of its capital, Iberdrola ceasing to have a qualified participation in Galp Energia.

After several operations carried out on the Stock Exchange, Banco BPI, S.A.'s indirect participation, calculated in terms of voting rights in accordance with article 20 of the Stock Market Code, was of 3.995%.

## 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

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luis Murteira Nabo

Manuel Ferreira De Oliveira

Francesco Antonietti

José António Marques Gonçalves

André Freire de Almeida Palmeiro Ribeiro

João Pedro Leitão Pinheiro de Figueiredo Brito

Fernando Manuel dos Santos Gomes

Enrico Grigesi

Diogo Mendonça Rodrigues Tavares

Carlos Nuno Gomes da Silva

Manuel Domingos Vicente

Angelo Fanelli

Camilo Gloria

Marco Alverà

Alberto Alves de Oliveira Pinto

Pedro António do Vadre Castelino e Alvim

Alberto Maria Alberti

## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

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

### INTRODUCTION

1. In compliance with the applicable legislation, we hereby present our Statutory Auditors' Report 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, 2007, which comprise the balance sheet that presents a total of 2,720,258,000 Euros and shareholders' equity of 2,056,533,000 Euros, including a net profit of 560,842,000 Euros, the income statement 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, 2007 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 basis and were prepared in conformity with generally accepted accounting principles in Portugal for approval and publication in accordance with current legislation. As explained in Note 3 d) the investments in group and associated companies 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 1, 2008

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by Jorge Carlos Batalha Duarte Catulo

## AUDIT BOARD'S REPORT AND OPINION SEPARATE ACCOUNTS

Dear shareholders,

1. In compliance with the law and the company's articles of association, we are pleased to present the report on our supervisory work during the 2007 financial year as well as our opinion on the management report, the accounts and the proposed allocation of results, which have been submitted for our perusal by the board of directors of Galp Energia, SGPS, S.A..
2. We also submit to you our appraisal of the legal certification of accounts which has been issued by the firm of chartered accounts.
3. Galp Energia operates in the oil and natural gas sector; in performing our role, we followed the management of the company's business affairs and its most significant resolutions; we also met with the board of directors who kept us informed about the several policies that were adopted for the development of the company.
4. In order to gain adequate insight into our work at Galp Energia, it is important to point out that:
  - 4.1. We checked accounting records as well as the underlying documents;
  - 4.2. We evaluated the accounting principles and the validation criteria adopted by the company;
  - 4.3. We checked that financial investments in subsidiaries and associates are recorded according to the equity method (in compliance with *Directriz contabilística n.º 9*), meaning that holdings are booked at acquisition cost adjusted for changes in the investees' equity;
  - 4.4. We followed the performance by the Internal Audit corporate unit of its obligation to set up a system for internal control, risk management and corporate governance, designed to effectively detect any risk to the company's operations.
5. In performing our work, we checked that the report of the board of directors mentions the most significant facts, complements the accounts and highlights business affair with an adequate explanation of management practice.
6. Within the scope of its role, the audit board also met with the firm of chartered accountants who were willing at all times to provide any technical or accountancy clarifications. We perused the legal certification of accounts issued by the chartered accountants in respect of the separate financial statements for the 2007 financial year, which had no qualifications or emphases and with which we agree.
7. As a result of the supervisory work which we have just summarised as well as the conclusions we have drawn on the basis thereon, we are of the opinion that the shareholders of Galp Energia, SGPS, S.A. should approve:
  - 1º - The management report and the financial statements for the financial year ended 31 December 2007, which have been presented by the board of directors;
  - 2º - The allocation of net profits for 2007 recommended by the board of directors;
  - 3º - A vote of praise and confidence to the board of directors for their skilful and effective conduct of the business affairs of Galp Energia.

Lisbon, 10 April 2008

Chairman - Daniel Bessa Fernandes Coelho

Member - José Gomes Honorato Ferreira

Member - José Maria Rego Ribeiro da Cunha

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EDITION



DESIGN AND CONCEPTION

**STRATDESIGN** ▶



Galp Energia, SGPS, S.A.  
Public Company  
Investor Relations and Corporate Communication Division

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