

Growing energy

INDIVIDUAL ACCOUNTS REPORT **2011**



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GALP ENERGIA, SGPS, S. A.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2011 AND 2010

(Amounts stated in thousands of Euros - tEuros)

(Translation of income statement originally issued in Portuguese - Note 37)

| ASSETS | Notes | 2011 | 2010 |
|---|---------|------------------|------------------|
| Non-current assets: | | | |
| Tangible assets | 12 | 5 | 9 |
| Intangible assets | 12 | - | - |
| Investments in associates and jointly controlled entities | 4 | 1,224,882 | 1,196,626 |
| Investments in other companies | 4 | 151 | 153 |
| Other receivables | 14 | 3,111,704 | 2,850,635 |
| Deferred tax assets | 9 | 775 | 206 |
| Other investments | 17 e 27 | 1,032 | 702 |
| Total non-current assets: | | 4,338,549 | 4,048,331 |
| Current assets | | | |
| Trade receivables | 15 | 2,722 | 4,836 |
| Other receivables | 14 | 354,916 | 187,461 |
| Current income tax recoverable | 9 | 52,862 | 50,654 |
| Cash and equivalents | 18 | 56,669 | 434 |
| Total current assets: | | 467,169 | 243,385 |
| Total assets | | 4,805,718 | 4,291,716 |
| Equity and Liabilities | | | |
| Equity: | | | |
| Share capital | 19 | 829,251 | 829,251 |
| Share premium | | 82,006 | 82,006 |
| Other reserves | 20 | 193,827 | 193,827 |
| Hedging reserves | | (573) | - |
| Retained earnings | | 591,482 | 402,185 |
| Interim dividend | 30 | - | (49,755) |
| Net profit for the year | | 77,152 | 355,147 |
| Total equity: | | 1,773,145 | 1,812,661 |
| Liabilities: | | | |
| Non-current liabilities: | | | |
| Bank loans | 22 | 629,904 | 851,319 |
| Bonds | 22 | 905,000 | 1,000,000 |
| Other investments | 9 | 299 | - |
| Deferred tax liabilities | 17 e 27 | 1,756 | - |
| Provisions | 25 | 6,940 | 7,087 |
| Total non-current liabilities: | | 1,543,899 | 1,858,406 |
| Current liabilities: | | | |
| Bank loans and overdrafts | 22 | 725,295 | 229,707 |
| Bonds | 22 | 280,000 | - |
| Trade payables | 26 | 605 | 352 |
| Other payables | 24 | 451,456 | 337,562 |
| Current income tax payable | 9 | 31,317 | 53,028 |
| Total current liabilities | | 1,488,673 | 620,650 |
| Total liabilities | | 3,032,572 | 2,479,055 |
| Total equity and liabilities | | 4,805,718 | 4,291,716 |

The accompanying notes form an integral part of statement of financial position as of 31 December 2011.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Francisco Luís Murteira Nabo
 Manuel Ferreira De Oliveira
 Manuel Domingos Vicente
 Fernando Manuel dos Santos Gomes
 José António Marques Gonçalves
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 Maria Rita Galli

GALP ENERGIA, SGPS, S. A.**INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010**

(Amounts stated in thousands of Euros - tEuros)

(Translation of income statement originally issued in Portuguese - Note 37)

| | Notes | 2011 | 2010 |
|---|-----------|-----------------|-----------------|
| Operating income: | | | |
| Services rendered | 5 | 9,088 | 7,381 |
| Other operating income | 5 | 299 | 2,544 |
| Total operating income: | | 9,387 | 9,925 |
| Operating costs: | | | |
| External supplies and services | 6 | (6,036) | (8,491) |
| Employee costs | 6 | (5,200) | (5,033) |
| Amortisation, depreciation and impairment loss on tangible assets | 6 | (4) | (5) |
| Provision and impairment loss on receivables | 6 | 106 | (3,365) |
| Other operating costs | 6 | (1,487) | (808) |
| Total operating costs: | | (12,622) | (17,703) |
| Operating profit (loss): | | (3,234) | (7,777) |
| Financial income | 8 | 161,419 | 92,111 |
| Financial costs | 8 | (123,519) | (74,094) |
| Exchange gain (loss) | | - | (43) |
| Share of results of investments in associates and jointly controlled entities | 4 | 53,045 | 348,803 |
| Income (loss) on financial instruments | 27 | (619) | 702 |
| Profit before tax: | | 87,093 | 359,702 |
| Income tax | 9 | (9,941) | (4,555) |
| Net profit | 10 | 77,152 | 355,147 |
| Earnings per share (in Euros) | 10 | 0.09 € | 0.43 € |

The accompanying notes form an integral part of the income statement for the years ended 31 December 2011.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

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GALP ENERGIA, SGPS, S. A.**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011 AND 2010**

(Amounts stated in thousands of Euros - tEuros)

(Translation of statements of change in equity originally issued in Portuguese - Note 37)

| Changes in the period | Notes | Share capital | Share premium | Other reserves (Note 20) | Hedging reserves | Retained Earnings | Interim dividend (Note 30) | Net profit for the year | Total |
|---|-------|----------------|---------------|--------------------------|------------------|-------------------|----------------------------|-------------------------|------------------|
| Balance as of 1 January 2010 | | 829,251 | 82,006 | 193,827 | | 72,036 | (49,755) | 495,999 | 1,623,364 |
| Net profit for the year | 10 | - | - | - | - | - | - | 355,147 | 355,147 |
| Other gains and losses recognised in Equity | | - | - | - | - | - | - | - | - |
| Comprehensive income for the year | | - | - | - | - | - | - | 355,147 | 355,147 |
| Dividends distributed | | - | - | - | - | (165,850) | 49,755 | - | (116,095) |
| Appropriation of profit to reserves | | - | - | - | - | 495,999 | (49,755) | (495,999) | (49,755) |
| Balance as of 31 December 2010 | | 829,251 | 82,006 | 193,827 | - | 402,185 | (49,755) | 355,147 | 1,812,661 |
| Balance as of 31 December 2010 | | 829,251 | 82,006 | 193,827 | - | 402,185 | (49,755) | 355,147 | 1,812,661 |
| Net profit for the year | 10 | - | - | - | - | - | - | 77,152 | 77,152 |
| Other gains and losses recognised in Equity | | - | - | - | (573) | - | - | - | (573) |
| Comprehensive income for the year | | - | - | - | (573) | - | - | 77,152 | 76,579 |
| Dividends distributed | 30 | - | - | - | - | (165,850) | 49,755 | - | (116,095) |
| Appropriation of profit to reserves | | - | - | - | - | 355,147 | - | (355,147) | - |
| Balance as of 31 December 2011 | | 829,251 | 82,006 | 193,827 | (573) | 591,482 | - | 77,152 | 1,773,145 |

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2011.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

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GALP ENERGIA, SGPS, S. A.**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011 AND 2010**

(Amounts stated in thousands of Euros - tEuros)

(Translation of statement of comprehensive income originally issued in Portuguese - Note 37)

| | Notes | 2011 | 2010 |
|---|-------|---------------|----------------|
| Net profit for the year | 10 | 77.152 | 355.147 |
| Other gains and losses recognised in Equity net income tax expense | | (573) | - |
| Other gains and losses recognised in Equity net income tax expense | | (573) | - |
| Consolidated gains and losses recognised in Equity | | 76.579 | 355.147 |

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2011.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

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GALP ENERGIA, SGPS, S. A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

(Amounts stated in thousands of Euros - tEuros)

(Translation of Cash flow statement originally issued in Portuguese - Note 37)

| | Notes | 2011 | 2010 |
|---|-------|------------------|--------------------|
| Operating activities: | | | |
| Cash receipt from trade receivables | | 13,869 | 10,634 |
| Cash paid to trade payables | | (9,482) | (13,100) |
| Cash paid to employees | | (2,967) | (2,467) |
| Income tax received / (paid) | | (32,766) | (5,470) |
| other (payments)/ receipts relating to operating activities | | (1,779) | (744) |
| Cash flow from operating activities (1) | | (33,126) | (11,147) |
| Investing activities | | | |
| Cash receipts related to: | | | |
| Investments | 4 | 5 | 1,035 |
| Interest and similar income | | 53,860 | 71,401 |
| Dividends | 4 | 53,880 | 348,764 |
| Loans granted | | 59,451 | 26,250 |
| | | 167,196 | 447,450 |
| Cash payments related to: | | | |
| Investments | | (29,096) | (29,550) |
| Loans granted | | (337,716) | (1,461,080) |
| | | (366,812) | (1,490,630) |
| Cash flow from investing activities (2) | | (199,616) | (1,043,180) |
| Financing activities: | | | |
| Cash receipts related to: | | | |
| Loans granted | | 810,350 | 1,212,725 |
| Cash payments related to: | | | |
| Loans obtained | | (240,166) | (41,500) |
| Interest and similar costs | | (115,251) | (70,098) |
| Dividends | 30 | (116,095) | (165,850) |
| | | (471,513) | (277,448) |
| Cash flow from financing activities (3) | | 338,837 | 935,277 |
| Changes in cash and equivalents (4) = (1) + (2) + (3) | | 106,096 | (119,050) |
| Cash and equivalents at the beginning of the year | 18 | (75,557) | 43,493 |
| Cash and equivalents at the end of the year | 18 | 30,539 | (75,557) |

The accompanying notes form an integral part of cash flow statement as for the year ended 31 December 2011.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

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GALP ENERGIA, SGPS, S. A.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

(Amounts stated in thousands of Euros)

(Translation of notes originally issued in Portuguese – Note 37)

1 • INTRODUCTION

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 designation of Galp Energia, SGPS, S. A. on 13 September 2000.

The Company's head office is in Lisbon and its main purpose is the management of other companies having, as of the date of its incorporation, taken control of the State's direct participations in the following companies: Petróleos de Portugal – Petrogal, S. A.; GDP – Gás de Portugal, SGPS, S. A. (merged into the Company effective as of 1 January 2008) and Transgás – Sociedade Portuguesa de Gás Natural, S. A., currently designated Galp Gás Natural, S. A.

The Company shareholder position as of 31 December 2011 is stated in Note 19.

Part of the Company's shares, representing 25.32% of its capital, are listed on the Euronext Lisbon stock exchange.

The following financial statements are presented in Euros (functional currency) since this is most commonly used currency in the economic environment in which the Company operates.

2 • SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

Galp Energia's financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value based on the accounting records of the company, maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the year beginning 1 January 2011. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"). These standards and interpretations are hereinafter referred to as IAS/IFRS.

The approved and published standards "IAS/IFRS" in the Official Journal of the European Union ("OJEU") during 2011 applicable to present and subsequent years are as follows:

New standards, changes and interpretations of existing standards:

| Standards | Publication date in OJEU | Date of accounting application | Period to which it applies | Comments |
|---|--------------------------|--------------------------------|----------------------------|------------------------------------|
| Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets | November 23, 2011 | after June 30, 2011 | 2012 | No accounting impacts are expected |

The approved and published "IAS/IFRS" standards in the Official Journal of the European Union ("OJEU") applicable to 2011 and to subsequent years are as follows:

Annual improvement of standards effective for annual financial periods beginning on 1 January 2011:

| Standards | Publication date in OJEU | Date of accounting application | Period to which it applies | Comments |
|--|--------------------------|--------------------------------|----------------------------|------------------------------------|
| Improvements on the following standards: IFRS 3, IAS 21, IAS 27, IAS 28, IAS 31, IAS 32, IAS 39 e IFRS 7 | February 19, 2011 | after June 30, 2010 | 2011 | No accounting impacts are expected |
| Improvements on the following standards: IFRS 1, IFRS 7, IAS 1, IAS 34 e IFRIC 13 | February 19, 2011 | after December 31, 2010 | 2011 | No accounting impacts are expected |
| IFRIC 19: Extinction of financial liabilities over equity instruments | July 24, 2010 | after June 30, 2010 | 2011 | No accounting impacts are expected |
| Revision of the standard IAS 24: Related parties disclosures | July 20, 2010 | after December 31, 2010 | 2011 | No accounting impacts are expected |
| Amendment to IFRIC 14: Pre-payment of a minimum funding requirement | July 20, 2010 | after December 31, 2010 | 2011 | No accounting impacts are expected |
| Amendment to IFRS - Limited exemption from comparative IFRS7 disclosures for first-time adopters | July 1, 2010 | after June 30, 2010 | 2011 | Not applicable |
| Amendment to IAS 32-Financial instruments: Presentation - Classification of Rights Issues | December 24, 2009 | after January 31, 2010 | 2011 | No accounting impacts are expected |

The Board of Directors believes that the separate accompanying financial statements and notes provide a fair view of the Company's financial information. Estimates that affect the amounts of assets, liabilities, income and costs, at the reporting date, were used in preparing the accompanying financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the financial statements.

In the preparation and presentation of separate financial statements, the Company declares that it complies with the IAS / IFRS and their interpretations SIC / IFRIC as adopted by the European Union.

The main accounting principles considered by the Company in the preparation of its separate financial statements are stated below. During the year ended 31 December 2011, there were no significant changes in accounting principles applied compared to those considered in the preparation of financial information for the previous year. Additionally, the company did not record material errors in respect of previous years.

The financial statements presented refer to the Company's separate financial statements and were prepared according to the legal terms so that they may be approved at the shareholders general meeting, considering that investments are booked at acquisition cost as explained in note 2.2. The Company will prepare and separately present consolidated financial statements including the financial statements of the companies it controls.

Therefore, equity at 31 December 2011 and net profit for the year then ended included in these separate 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.

2.2 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are recorded at the acquisition cost net of impairment losses, when applicable.

The investments in subsidiaries are presented in Note 4.

Dividends received from subsidiaries are booked as Share of results of investments in associates and jointly controlled entities.

2.3 TANGIBLE ASSETS

Tangible fixed assets are recorded at acquisition cost net of depreciation and impairment losses.

Depreciation of the acquisition cost is calculated on a straight-line basis, as from the date the assets are available for operating, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life.

The average depreciation rates used were as follows:

| | Years |
|--------------------------|--------|
| Administrative equipment | 5 to 8 |
| Other tangible assets | 8 |

The capital gain/loss resulting from the write-off or disposal of tangible assets is determined by the difference between the sale price and the net book value as of the date of the write-off/disposal. The net book value includes accumulated impairment losses. The resulting accounting capital gain/loss is booked in the income statement under the caption "Other operating income" or "Other operating costs", respectively.

2.4 IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

Impairment tests are made as of the financial statements date and whenever a decline in the asset value is identified. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is booked to the income statement caption "Amortisation, depreciation and impairment loss on tangible assets".

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the weighted average cost of capital (WACC) used by the Galp Energia group.

Impairment losses recognised in prior periods are reversed when they no longer exist or have decreased. Such tests are made whenever there are indications that an impairment recognised in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption "Amortisation, depreciation and impairment loss of tangible assets". However, impairment losses are only reversed up to the book value that the asset would present (net of amortisation or depreciation), if the impairment loss had not been booked.

2.5 PROVISIONS

Provisions are recorded when, and only when, the Group has a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at each balance sheet date so as to reflect the best estimate at that date. Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan.

During the year ended 31 December 2011, there were no transactions that should be classified as restructuring provisions.

2.6 FOREIGN CURRENCY BALANCES AND TRANSACTIONS

Transactions are recorded in the separate financial statements of subsidiaries in their functional currencies, at the exchange rates in force on the dates of the transactions.

Gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement caption "Exchange gain/(loss)".

As of 31 December 2011 and 2010, the Company had no balances denominated in foreign currency.

2.7 INCOME AND ACCRUAL BASIS

Costs and income are recorded in the period to which they relate, independently of when they are paid or received. Where the actual amounts of costs and income are not known they are estimated.

The "Other current assets" and "Other current liabilities" captions include the costs and income from the current period for which the financial receipt or disbursement will only occur in future periods, as well as financial receipts or disbursements that have already occurred, relating to future periods, and that will be charged to the income statement in the respective periods.

The revenue from dividends is recognized when the right of the Company to recognize the amount is established.

2.8 FINANCIAL COSTS ON LOANS OBTAINED

Financial costs on loans obtained are recorded as financial costs on an accrual basis.

2.9 INCOME TAX

Since 2001, companies with head offices in continental Portugal in which the Group has a participation greater than 90% have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S. A.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities for accounting purposes and their amounts for tax purposes.

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

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each balance sheet date in order to recognise deferred tax assets that were not booked in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

2.10 FINANCIAL INSTRUMENTS

Financial assets and liabilities are booked on the balance sheet when the Group becomes a contractual party to the financial instrument.

a) Investments

Investments are classified as follows:

- Investments at fair value through profit and loss.

Investments at fair value through profit or loss are classified as current investments, unless they mature in more than 12 months, in which case they are classified as non-current.

All purchases and sales of these investments are recorded on the date of signing the respective purchase and sale contracts, independently of the financial settlement date.

Investments are initially booked at acquisition cost, which is the fair value of the price paid, including transaction costs.

After initial recognition, investments at fair value through profit or loss are revalued to fair value with reference to their market value at the reporting date, with no deduction for transaction costs which could be incurred upon sale. Equity instruments not listed on a regulated market and where it is not possible to reliably estimate their fair value, are maintained at cost less any non-reversible impairment losses.

Gains and losses resulting from changes in the fair value of investments at fair value through profit and loss are recognised in the income statement.

b) Receivables

Receivables are initially recorded at fair value and subsequently measured at amortized cost, less any impairment losses, presented in the caption Impairment losses on receivables.

Usually, the amortized cost of these assets does not differ from their nominal value.

c) Equity or liability classification

Financial liabilities and equity instruments are classified in accordance with their contractual substance, independently of their legal form.

d) Loans

Loans are booked as liabilities based on the nominal amount received, net of related costs.

Financial costs are calculated at the effective interest rate and recognised in the income statement on an accrual basis.

Financial costs include interest and any arrangement fees incurred relating to the assembly and structuring of the loans.

e) Trade and other payables

Accounts payable are recorded at amortized cost. Usually, the amortized cost of these liabilities does not differ from their nominal value.

f) Derivatives Instruments

Hedge accounting

The Company uses derivative instruments in managing its financial risks as a way to hedge such risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Company to hedge cash flows mainly relate to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and as such represent perfect hedges. Derivatives are booked at fair value through profit and loss. Whenever the hedged item is not measured at fair value (namely, borrowings measured at amortized cost), the effective hedge is adjusted in the carrying amount of the hedged item through profit and loss.

The following criteria are used by the Group to classify derivative instruments as cash flow hedging instruments:

- The hedge is expected to be highly effective in offsetting the changes in the cash flow of the hedged risk;
- The hedging effectiveness can be reliably measured;
- There is adequate documentation of the hedge at the beginning of the operation; and
- The hedged transaction is highly probable.

Interest rate hedging instruments are initially booked at cost, and subsequently revalued to fair value, calculated by independent external entities using generally accepted valuation methods (such as "Discounted Cash-flows", among others, depending on the type and nature of the financial derivative). Changes in the fair value of these instruments are presented in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects profit and loss.

Hedge accounting is discontinued when the derivative instruments mature or are sold. Where the derivative instrument stops qualifying as a hedging instrument, the accumulated fair value differences deferred in the equity caption "Hedging reserves" are transferred to the income statement or added to the book value of the asset which gave rise to the hedging transaction, and subsequent revaluations are recognised directly in the income statement.

A review was made of the Company's existing contracts so as to detect embedded derivatives, namely contractual clauses that could be considered as financial derivatives. No financial derivatives that should be recognised at fair value have been identified.

When embedded derivatives exist in other financial instruments or other contracts, they are recognised as separate derivatives in situations in which the risks and characteristics are not intimately related to the contracts and in situations in which the contracts are not reflected at fair value with unrealised gains and losses reflected in the income statement.

g) Cash and cash equivalents

The amounts included in the caption "Cash and cash equivalents" correspond to cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realised immediately with insignificant risk of change in their value.

For cash flow statement purposes, the caption "Cash and cash equivalents" also includes bank overdrafts included in the statement of financial position caption "Bank loans and overdrafts".

2.11 STATEMENT OF THE FINANCIAL POSITION CLASSIFICATION

Realisable assets and liabilities payable in more than one year from the date of the financial statement are classified as non-current assets and non-current liabilities, respectively.

2.12 SUBSEQUENT EVENTS

Events that occur after the balance sheet date that provide additional information on conditions that existed at the end of the reporting period are recognised in the financial statements. Events that occur after the balance sheet date that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements.

2.13 JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgement required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

Provisions for contingencies

The final cost of legal processes, settlements and other litigation can vary due to estimates based on different interpretations of the rules, opinions and final assessment of the losses. Consequently, any change in circumstances relating to these types of contingency can have a significant effect on the recorded amount of the provision for contingencies.

2.14 RISK MANAGEMENT AND HEDGING

The Galp Energia Group's operations lead to the exposure to risks of: (i) market risk, as a result of the volatility of prices of oil, natural gas and its derivatives, exchange rates and interest rates; (ii) credit risk as a result of its commercial activity; (iii) liquidity risk as the Group could have difficulty in obtaining financial resources to cover its commitments.

The Company has an organisation and systems that enable it to identify, measure and control the different risks to which it is exposed and uses several financial instruments to hedge them in accordance with the corporate directives common to the whole Group. The contracting of these instruments is centralised.

The accounting policies explained in this section contain more details of these hedges.

During the year ended 31 December 2011, only material changes required by IFRS 7 - Financial Instruments were disclosed.

2.15 EQUITY

Common shares are classified as equity. The costs directly attributable to the issuance of new shares or other equity instruments are presented as a deduction, net of taxes, of the amount received resulting from the issuance.

3 • COMPANIES INCLUDED IN THE CONSOLIDATION

Not applicable.

4 • INVESTMENTS IN ASSOCIATES

4.1 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as of 31 December 2011 and 2010 are as follows:

| Firm | Head office | | Percentage interest held | | Main activity | Acquisition cost | |
|---|-------------|-------------|--------------------------|------|---|------------------|------------------|
| | City | Country | 2011 | 2010 | | 2011 | 2010 |
| Galp Energia, S. A. | Lisbon | Portugal | 100% | 100% | Business Management and consultancy services. | 6,154 | 6,154 |
| Galp Energia E&P, B. V. (a) | Amsterdam | Netherlands | - | 100% | Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of business and other companies. | - | 29,568 |
| Next Priority SGPS, S. A. | Lisbon | Portugal | 100% | 100% | Management of equity participations. | 50 | 50 |
| Petróleos de Portugal - Petrogal, S. A. | Lisbon | Portugal | 100% | 100% | Refining crude oil and derivatives; transport, distribution and trading of crude oil and derivatives and natural gas; and any other industrial, commercial, research and related services. | 803,556 | 803,556 |
| GDP - Gás de Portugal, SGPS, S. A. | Lisbon | Portugal | 100% | 100% | Management of equity investments | 344,922 | 344,922 |
| Galp Power , SGPS, S. A. | Lisbon | Portugal | 100% | 100% | Management of equity investments as an indirect way of exercising business activities. | 12,376 | 12,376 |
| Galp Energia Netherlands, B. V. (a) | Amsterdam | Netherlands | 100% | - | Exploration and production of oil and natural gas. Trading of oil, natural gas and petroleum products; management of shareholdings of other companies and financing businesses and companies. | 53,987 | - |
| GALP Trading, S. A. (b) | Genève | Switzerland | 100% | - | Development of activities related to the trading of physical crude oil, petroleum products, petrochemicals and natural gas. Business of chartering ships for the shipment of products covered by the trading activity. | 92 | - |
| Galp Bioenergy B. V. (a) | Amsterdam | Netherlands | 100% | - | Production and trading of biofuels. | 3,745 | - |
| | | | | | | 1,224,882 | 1,196,626 |

| | 31 December 2011 | | | | |
|---|------------------|------------------|-------------------|------------------|----------------|
| | Head office | Total assets | Total liabilities | Equity | Net profit |
| Galp Energia, S. A. | Lisbon | 36,135 | 29,896 | 6,239 | 3,247 |
| Galp Energia E&P, B. V. | Lisbon | - | - | - | - |
| Next Priority SGPS, S. A. | Lisbon | 51 | 3 | 48 | (1) |
| Petróleos de Portugal - Petrogal, S. A. | Lisbon | 6,605,977 | 5,848,600 | 757,377 | 103,607 |
| GDP - Gás de Portugal, SGPS, S. A. | Lisbon | 1,412,929 | 1,062,065 | 350,863 | 45,655 |
| Galp Power , SGPS, S. A. | Lisbon | 162,279 | 166,242 | (3,963) | (695) |
| Galp Energia Netherlands, B. V. | Amsterdam | 55,636 | 113 | 55,523 | (71) |
| Galp Trading, S. A. | Genève | 103 | - | 103 | - |
| Galp Bioenergy, B. V. | Amsterdam | 3,788 | 63 | 3,725 | (21) |
| | | 8,276,897 | 7,106,982 | 1,169,915 | 151,721 |

(a) During the year ended 31 December 2011, Galp Energia group reorganized its company based in Netherlands, as follows:

- The Company subscribed 100% of the share capital in Galp Energia Netherlands B. V. which was incorporated in June 2011 with the purpose of holding the equity investments in exploration and production activities.
- In August 2011, in order to separate the exploration and production business from the biofuel business, Galp Energia E & P B. V. activities were split up. This resulted in the creation of Galp Bioenergy B. V. which now owns the biofuel business. This new company is 100% owned by Galp Energia, SGPS, S. A.
- In September, an exchange of shares between Galp Energia, SGPS, S. A. and Galp Energia B. V. Netherlands occurred, with the aim that the new company hold the entire stake in Galp Energia E & P B. V. During this process, Galp Energia E & P B. V. changed its name to Galp Brazil Services B. V.

(b) Galp Energia, SGPS, S. A. subscribed 100% of the capital of Galp Trading, S. A. The new Company that was incorporated in August 2011 did not perform any operations during the year ended 31 December 2011.

During the year ended 31 December 2011, the line item in share of results of investments in subsidiaries and jointly controlled entities can be detailed as follows:

| | 2011 | 2010 |
|---|---------------|----------------|
| Dividends received | 53,880 | 348,764 |
| Losses calculated on the exchange of shares in subsidiaries | (838) | - |
| Capital gains on sales of investments and subsidiaries | - | 39 |
| | 53,042 | 348,803 |

4.2 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Participations in associates and jointly controlled entities as of 31 December 2011 and 2010 were as follows:

| Firm | Head office | | Percentage interest held | | Acquisition cost | |
|--|-------------|-----------|--------------------------|--------|------------------|------------|
| | City | Country | 2011 | 2010 | 2011 | 2010 |
| Adene - Agência para a Energia, S. A. | Lisbon | Portugal | 10.98% | 10.98% | 114 | 114 |
| OEINERGE-Agência Municipal de Energia e Ambiente | Oeiras | Portugal | 1.45% | 1.45% | 1 | 1 |
| Central E, S. A. | Lisbon | Portugal | - | 0.70% | - | 2 |
| Omegas-Sociedade D'Etuded du Gazoduc Magreb-Europe | | Morocco | - | - | 35 | 35 |
| Galp Swazilândia | | Swaziland | - | - | 1 | 1 |
| Galp Gâmbia | | Gambia | - | - | - | - |
| | | | | | 151 | 153 |

During 2011, the Company sold the 318 shares it held in Central E, S. A., for 5 thousand Euros, with a gain of 3 thousand Euros.

5 • OPERATING INCOME

The operating income of the company for the year ended 31 December 2011 and 2010 were as follows:

| Captions | 2011 | 2010 |
|-------------------------|--------------|--------------|
| Services rendered | 9,088 | 7,381 |
| Other operating income: | - | - |
| Supplementary income | 299 | 2,544 |
| | 9,387 | 9,925 |

The services rendered in the amount of 9,088 thousand Euros, are essentially related to management services provided to other group companies.

Supplementary income refers mainly to charges to other group companies, for expenses incurred on their behalf.

The services rendered by the company in 2011 and 2010 by geographical market are distributed as follows:

| | 2011 | 2010 |
|-----------------|--------------|--------------|
| Domestic market | 7,863 | 6,881 |
| Foreign market | 1,225 | 500 |
| | 9,088 | 7,381 |

6 • OPERATING COSTS

Operating costs for the years ended 31 December 2011 and 2010 are made up as follows:

| Captions | 2011 | 2010 |
|---|---------------|---------------|
| External supplies and services: | | |
| Other specialized services | 4,279 | 6,331 |
| Travel and accommodation | 462 | 342 |
| Legal services | 240 | 74 |
| Other costs | 173 | 120 |
| Rents | 172 | 238 |
| Insurance | 154 | 231 |
| Studies and projects | 151 | 701 |
| Communication | 121 | 70 |
| Representation costs | 67 | 59 |
| Fuel | 65 | 93 |
| IT services | 47 | 49 |
| Marketing and communication | 32 | 34 |
| Fees | 23 | 20 |
| Gifts | 18 | 58 |
| Office supplies | 16 | 20 |
| Litigation and notaries | 8 | 4 |
| Maintenance and repairs | 6 | 9 |
| Books and technical documentation | 2 | 1 |
| Advertising and publicity | - | 35 |
| Tools and utensils | - | 1 |
| Cleaning services, hygiene and comfort | - | 1 |
| | 6,036 | 8,491 |
| Employee costs: | | |
| Remuneration of statutory board members (Note 29) | 4,188 | 4,018 |
| Remuneration of personnel | 722 | 743 |
| Social charges | 122 | 130 |
| Retirement benefits - pensions and insurance | - | 2 |
| Other insurance | 78 | 97 |
| Other costs | 90 | 43 |
| | 5,200 | 5,033 |
| Amortisation and depreciation: | | |
| Depreciation of tangible assets (Note 12) | 4 | 5 |
| Provisions and impairment of receivables: | | |
| Provisions and reversals (Note 25) | (106) | 3,365 |
| Other operating costs | | |
| Other taxes | 1,132 | 514 |
| Other operating costs | 355 | 294 |
| | 1,487 | 808 |
| | 12,622 | 17,703 |

Other specialized services mainly include remuneration costs of the Board and other key management personnel, 2,060 thousand Euros (Note 29), and corporate services, including accounting services, HR management, general services, financial services and audit services invoiced by the subsidiary Galp Energia S. A. (Note 28).

7 • SEGMENT REPORTING

Not applicable.

8 • FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2011 and 2010 were as follows:

| Financial income and costs | 2011 | 2010 |
|--------------------------------------|----------------|---------------|
| Financial income | | |
| Interest - related parties (Note 28) | 157,922 | 88,140 |
| Interest - other | 527 | 158 |
| Other financial income | 2,970 | 3,813 |
| | 161,419 | 92,111 |
| Financial costs | | |
| Interest - related parties (Note 28) | 3,593 | 749 |
| Interest - other | 109,726 | 63,742 |
| Commissions | 5,288 | 4,692 |
| Other financial costs | 4,911 | 4,911 |
| | 123,519 | 74,094 |

9 • INCOME TAX

The company and several of its subsidiaries are taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S. A.

However, estimated income tax of the Company and its subsidiaries is booked based on their individual tax results which, for the year ended in 31 December 2011, amounted to an account payable and receivable from these Group companies of 30,931 thousand Euros and 31,317 thousand Euros (Note 28), respectively.

The following matters could affect income tax payable in the future:

- (i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (Social Security can be reviewed for five years), except when there are tax losses carried forward, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;
- (ii) The Group's tax returns for the years 2008 to 2011 are still subject to review. Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the separate financial statements as of 31 December 2011 and 2010;
- (iii) In accordance with current tax legislation, gains and losses resulting from recognition of the results of subsidiaries and associated companies through application of the equity method are not considered as income or expenses for corporate income tax purposes in the year they are recognised for accounting purposes. Dividends are taxed in the year they are attributed.

Income tax for the years ended 31 December 2011 and 2010 were as follows:

| | Assets | | Liabilities | |
|---|---------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Group companies: | | | | |
| Income tax receivable / payable (Note 28) | 30,930 | 40,025 | 31,317 | 18,572 |
| State | | | | |
| Tax receivable / payable | 21,932 | 10,629 | - | 34,456 |
| | 52,862 | 50,654 | 31,317 | 53,028 |

The estimated income tax of the Company based on its taxable income in the fiscal year ended 31 December 2011 represents a tax payable of 9,941 thousand Euros and was calculated as follows:

| Income Tax | 2011 | 2010 |
|--|--------------|--------------|
| Current income tax | 9,917 | 4,208 |
| Excess/insufficiency of income tax of the preceding year | 60 | 332 |
| Deferred Tax | (36) | 15 |
| | 9,941 | 4,555 |

A reconciliation of the income tax for the years ended in 31 December 2011 and 2010 and details of deferred taxes is presented below:

| Current income tax | 2011 | 2010 |
|---|-----------------|------------------|
| Profit before income tax in accordance with the IFRS/IAS | 87,093 | 359,702 |
| Increase in taxable income | 1,100 | 3,633 |
| Non tax deductible provisions | - | 3,235 |
| Non tax deductible social costs | 96 | 136 |
| Other increases | 166 | 262 |
| Application of the equity method | 838 | - |
| Decrease in taxable income | (53,939) | (348,803) |
| Other deductions | (59) | (54) |
| Application of the equity method | (53,880) | (348,749) |
| Taxable income | 34,254 | 14,532 |
| Income tax | 9,369 | 3,946 |
| Municipal surcharge | 514 | 218 |
| Autonomous taxation | 34 | 44 |
| Estimated current income tax for the year | 9,917 | 4,208 |
| Deferred tax and excess estimate for the year | 24 | 347 |
| Income tax | 9,941 | 4,555 |
| Effective tax rate | 11.41% | 1.27% |

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2011 and 2010 were as follows:

| | Assets | | Liabilities | |
|---|------------|------------|-------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Financial instruments | 533 | - | - | 299 |
| Adjustments to tangible and intangible assets | 6 | 6 | - | - |
| Other | 236 | 200 | - | - |
| | 775 | 206 | 206 | 299 |

The variances in deferred taxes for the years ended 31 December 2011 and 2010 were as follows:

| | Assets | | Liabilities |
|-----------------------|------------|--------------|-------------|
| | 2011 | 2010 | 2011 |
| Beginning balance | 206 | 221 | - |
| Financial instruments | 533 | - | 299 |
| Other | 36 | (15) | - |
| Ending balance | 775 | (206) | 299 |

10 • EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2011 and 2010 were as follows:

| | 2011 | 2010 |
|---|-------------|-------------|
| Net income | | |
| Net income for purposes of calculating earnings per share (net profit for the year) | 77,152 | 355,147 |
| Number of shares | | |
| Weighted average number of shares for purposes of calculation earnings per shares (Note 19) | 829,250,635 | 829,250,635 |
| Basic earnings per share (amounts in Euros) | 0.09 € | 0.43 € |

As there are no situations that give rise to dilution, the diluted earnings per share are the same as the basic earnings per share.

11 • GOODWILL

Not applicable.

12 • TANGIBLE AND INTANGIBLE ASSETS

Tangible assets are recorded in accordance with the accounting policy stated in Note 2.3. The depreciation rates applied are explained in the same note. In the years 2011 and 2010 tangible assets had the following changes:

| | 2011 | | | | | 2010 | | | | |
|------------------------------------|-----------------|---------------------|--------------------------|-----------------------|--------------------------|-----------------|---------------------|--------------------------|-----------------------|--------------------------|
| | Basic equipment | Transport equipment | Administrative equipment | Other tangible assets | Total of tangible assets | Basic equipment | Transport equipment | Administrative equipment | Other tangible assets | Total of tangible assets |
| Acquisition cost: | | | | | | | | | | |
| Balance at 1 January | 33 | 52 | 295 | 1,009 | 1,389 | 33 | 52 | 295 | 1,009 | 1,389 |
| Balance at 31 December | 33 | 52 | 295 | 1,009 | 1,389 | 33 | 52 | 295 | 1,009 | 1,389 |
| Depreciation | | | | | | | | | | |
| Balance at 1 January | (33) | (52) | (286) | (1,009) | (1,380) | (33) | (52) | (281) | (1,009) | (1,375) |
| Depreciation for the year (Note 6) | - | - | (4) | - | (4) | - | - | (5) | - | (5) |
| Balance at 31 December | (33) | (52) | (290) | (1,009) | (1,384) | (33) | (52) | (286) | (1,009) | (1,380) |
| Accumulated Balance | (33) | (52) | (290) | (1,009) | (1,384) | (33) | (52) | (286) | (1,009) | (1,380) |
| Net amount: | | | | | | | | | | |
| at 31 December | - | - | 5 | - | 5 | - | - | 9 | - | 9 |

In 2011 and 2010 intangible assets had the following changes:

| | 2011 | | 2010 | |
|--------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Industrial property and other rights | Total intangible assets | Industrial property and other rights | Total intangible assets |
| Acquisition cost: | | | | |
| Balance at 1 January | 8 | 8 | 8 | 8 |
| Balance at 31 December | 8 | 8 | 8 | 8 |
| Depreciation: | | | | |
| Balance at 1 January | (8) | (8) | (8) | (8) |
| Balance at 31 December | (8) | (8) | (8) | (8) |
| Net amount: | | | | |
| Balance at 31 December | - | - | - | - |

13 • GOVERNMENT GRANTS

Not applicable.

14 • OTHER RECEIVABLES

The non-current and current captions "Other receivables" as of 31 December 2011 and 2010 were made up as follows:

| Captions | 2011 | | 2010 | |
|--|----------------|------------------|----------------|------------------|
| | Current | Non current | Current | Non current |
| State and other public entities | | | | |
| Value Added Tax - Reimbursement requested | 797 | - | 797 | - |
| Other | 109 | - | 109 | - |
| Other receivables - associated, jointly controlled, related and participated companies | 76 | - | 92 | - |
| Loans to associated, jointly controlled, related and participated companies (Note 28) | 275,534 | 3,111,704 | 171,111 | 2,850,635 |
| Advances to trade suppliers | 11 | - | 137 | - |
| Personnel | 119 | - | 200 | - |
| Other receivables | 433 | - | 1,194 | - |
| | 277,080 | 3,111,704 | 173,640 | 2,850,635 |
| Accrued income (Note 28): | | | | |
| Accrued interest | 77,324 | - | 13,581 | - |
| Other accrued income | 27 | - | 101 | - |
| | 77,350 | - | 13,682 | - |
| Deferred costs: | | | | |
| Interest and other financial costs | 701 | - | 358 | - |
| Prepaid insurance | 69 | - | 67 | - |
| | 771 | - | 424 | - |
| | 355,201 | 3,111,704 | 187,746 | 2,850,635 |
| Impairment of other receivables | (286) | - | (286) | - |
| | 354,916 | 3,111,704 | 187,461 | 2,850,635 |

15 • TRADE RECEIVABLES

As of 31 December 2011 and 2010, the caption of "Trade Receivables" balances amounted of 2,722 thousand Euros and 4,836 thousand Euros, respectively, regarding exclusively to related parties (Note 28).

16 • INVENTORIES

Not applicable.

17 • OTHER INVESTMENTS

As of 31 December 2011, other non-current investments, assets and liabilities, in respect of interest rate swaps are measured at fair value and amount to 1,032 thousand Euros and 1,756 thousand Euros respectively (Note 27).

18 • CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" as of 31 December 2011 and 2010 was as follows:

| Captions | 2011 | 2010 |
|---|---------------|-----------------|
| Cash | 6 | 8 |
| Demand deposits | 56,663 | 426 |
| Cash and cash equivalents in the statement of financial position | 56,669 | 434 |
| Bank overdrafts (Note 22) | (26,130) | (75,991) |
| Cash and cash equivalents in the cash flow statement | 30,539 | (75,557) |

19 • SHARE CAPITAL

Capital structure

The capital structure as of 31 December 2011 was unchanged in relation to the preceding year. The Company's fully subscribed and paid up share capital consists of 829,250,635 shares (Note 10) of 1 Euro each.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2011 and was held by the following entities:

| | Number of shares | % of capital |
|---|--------------------|----------------|
| Amorim Energia, B. V. | 276,472,161 | 33.34% |
| Eni, S. p. A. | 276,472,161 | 33.34% |
| Parública – Participações Públicas, SGPS, S. A. | 58,079,514 | 7.00% |
| Caixa Geral de Depósitos, S. A. | 8,292,510 | 1.00% |
| Other shareholders | 209,934,289 | 25.32% |
| | 829,250,635 | 100.00% |

20 • OTHER RESERVES

In accordance with the Commercial Company Code ("Código das Sociedades Comerciais") the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used.

As of 31 December 2011 and 2010 these captions were as follow:

| | 2011 | 2010 |
|---------------|----------------|----------------|
| Legal reserve | 165,850 | 165,850 |
| Free reserve | 27,977 | 27,977 |
| | 193,827 | 193,827 |

On 31 December 2011 and 2010, the legal reserve is fully provided for in accordance with the commercial legislation.

21 • NON-CONTROLLING INTERESTS

Not applicable.

22 • LOANS

Detail of loans

Loans obtained as of 31 December 2011 and 2010 were as follows:

| | 2011 | | 2010 | |
|---------------------------|------------------|------------------|----------------|------------------|
| | Current | Non-current | Current | Non-current |
| Bank loans: | | | | |
| Domestic loans | 685,250 | - | 150,000 | 250,000 |
| Foreign loans | 13,916 | 629,904 | 3,716 | 601,319 |
| Bank overdrafts (Note 18) | 26,130 | - | 75,991 | - |
| | 725,295 | 629,904 | 229,707 | 851,319 |
| Bank loans: | | | | |
| 2009 Issue | 280,000 | 420,000 | - | 700,000 |
| 2010 Issue | - | 300,000 | - | 300,000 |
| 2011 Issue | - | 185,000 | - | - |
| | 280,000 | 905,000 | - | 1,000,000 |
| | 1,005,295 | 1,534,904 | 229,707 | 1,851,319 |

Description of main loans

Bank loans

As of 31 December 2011 the Company subscribed for underwritten commercial paper programs of up to 1,060,000 thousand Euros, of which 200,000 thousand Euros are medium and long term and 860,000 thousand Euros are short term.

The loans bear interest at Euribor, for the period of the issuance, in force on the second business day prior to the subscription date, added by variable spreads defined in the contractual conditions of the commercial paper programs subscribed by the Company. The interest rates are applied to the amount of each issuance and remain unchanged during the entire period.

In 2006, the Company obtained a non-current loan of 58,000 thousand Euros from the European Investment Bank for the exclusive purpose of implementing a project related with the construction and administration of a cogeneration unit at the Sines refinery. The loan was received in two instalments of 39,000 thousand Euros and 19,000 thousand Euros, that pay interest at a fixed rate and a revisable fixed rate, respectively. The loan is reimbursed on "semester" basis, with maturing date 15 September 2021 and 15 March 2022, respectively.

In 2008, the Company contracted an additional non-current loan of 50,000 thousand Euros with the European Investment Bank for the exclusive purpose of construction and administration of a co-generating plant in the Matosinhos refinery. The loan bears interest at a revisable fixed rate, with a maturity of nine years.

In 2009, The Company contracted a non-current loan of 500,000 thousand Euros with the European Investment Bank, with the purpose of financing the conversion of the Sines and Matosinhos refineries. The loan was received in two instalments of 300,000 thousand Euros and 200,000 thousand Euros each payable over fifteen years, including a grace period of two years and thirteen years of repayment. The loan bears interest at a revisable fixed rate.

The loans from the European Investment Bank, excluding the instalment of 200,000 thousand Euros, are guaranteed by Petrogal, S. A.

The remaining loans with the European Investment Bank, in the amount of 200,000 thousand Euros are guaranteed by Banking Syndicate.

Bonds

2009 Issue – Galp Energia, SGPS, S. A.

On 13 May 2009, the company issued bonds totalling 700,000 thousand Euros, for private subscription, to finance its investment plan. The bonds bear interest at a six month Euribor rate added by a variable spread and has a reimbursement of 40% on 20 May 2012 and 60% on 20 May 2013.

The issuance was organized by Banco Santander Totta, S. A. and Caixa – Banco de Investimento, S. A.

The issuance was taken by a group of fourteen banks, national and international: Banco Santander Totta, S. A., Caixa – Banco de Investimento, S. A., Banco Espírito Santo de Investimento, S. A., Banco BPI, S. A., Banco Bilbao Vizcaya Argentaria (Portugal), S. A., BNP Paribas e a Caixa d'Estalvis y Pensiones de Barcelona (la Caixa) acting as Joint Lead Managers. As Co-lead Managers: Caixa Económica Montepio Geral, Banco Millennium BCP Investimento, S. A., BB Securities Ltd. (Banco do Brasil), The Bank of Tokyo-Mitsubishi UFJ, Ltd, Banco Itaú Europa, S. A. – Sucursal Financeira Internacional, Merrill Lynch International and Société Générale.

2010 Issue – Galp Energia, SGPS, S. A.

On 12 November 2010, the Company issued bonds totalling 300,000 thousand Euros, for private subscription, to finance its investment plan. The bonds bear interest at six month Euribor rate added of a variable spread and are reimbursed in 50% on 12 November 2013 and 50% on 12 November 2014.

The issuance was taken by a group of six international banks: Citibank International plc, ING Belgium SA/NV – branch in Portugal, Banco Itaú Europa, S. A. – Sucursal Financeira Internacional, Banco Español de Crédito S. A. (Banesto), Caixa d'Estalvis i Pensions de Barcelona “la Caixa” and BB Securities Limited.

2011 Issue – Galp Energia, SGPS, S. A.

On 3 August 2011, the Company issued bonds totalling 185,000 thousand Euros, for private subscription, to finance its investment plan. The bonds bear interest at six month Euribor rate added of a variable spread and with a reimbursement on 3 August 2014.

The issuance was taken by a group of three international banks: Banco Bilbao Vizcaya Argentaria, S. A., J.P. Morgan Securities Ltd. and Banco Itaú BBA International, S. A.(London).

23 • RETIREMENT AND OTHER EMPLOYEE BENEFITS

Not applicable.

24 • OTHER PAYABLES

The current caption “Other payables” as of 31 December 2011 and 2010 were as follows:

| Captions | Current | |
|--|----------------|----------------|
| | 2011 | 2010 |
| State and other public entities | | |
| Value Added Tax | 442 | 257 |
| Social Security contributions | 12 | 14 |
| Personnel and corporate income tax withheld | 99 | 94 |
| Personnel | 48 | 66 |
| Loans - Associated, related and participated companies (Note 28) | 428,810 | 320,524 |
| Other creditors | 27 | 27 |
| | 429,438 | 320,982 |
| Accrued costs: | | |
| Vacation pay, vacation subsidy and corresponding personnel costs | 441 | 450 |
| External supplies and services | 130 | 192 |
| Productivity bonus | - | 267 |
| Accrued insurance premiums | 26 | - |
| Accrued interest | 20,772 | 13,938 |
| Financial costs | 23 | 1 |
| Other accrued costs | 626 | 1,732 |
| | 22,018 | 16,580 |
| | 451,456 | 337,562 |

25 • PROVISIONS

The changes in provisions in the year ended 31 December 2011 were as follows:

| Captions | 2011 | | | | |
|---------------|-----------------|-------------|--------------------|-------------|----------------|
| | Opening balance | Increases | Decreases (Note 6) | Adjustments | Ending balance |
| Legal actions | 468 | (29) | (106) | - | 333 |
| Taxes | 6,607 | - | - | - | 6,607 |
| Other | 12 | - | - | (12) | - |
| | 7,087 | (29) | (106) | (12) | 6,940 |

| Captions | 2010 | | | |
|---------------|-----------------|--------------|------------|----------------|
| | Opening balance | Increases | Decreases | Ending balance |
| Legal actions | 333 | 138 | (3) | 468 |
| Taxes | 3,377 | 3,230 | - | 6,607 |
| Other | 6 | 6 | - | 12 |
| | 3,716 | 3,374 | (3) | 7,087 |

26 • TRADE PAYABLES

As of 31 December 2011 and 2010 the amounts recorded in the caption “Trade payables” were as follows:

| Captions | 2011 | 2010 |
|-----------------------------------|------------|------------|
| Trade payables - current account | 572 | 320 |
| Trade payables - invoices pending | 33 | 32 |
| | 605 | 352 |

27 • OTHER FINANCIAL INSTRUMENTS – DERIVATIVES

The characteristics of financial instruments as of 31 December 2011 were as follows:

| Type of derivative over Interest rate | Interest rate | Nominal value thousand Euros | Maturity | Fair value of the derivatives in thousand Euros |
|---|--|------------------------------|-----------|---|
| Assets | | | | |
| Fair value through profit and loss | | | | |
| Interest rate swaps | Pays between 3.438% and 3.872% Receives Euribor 6 m | tEur 30,000 | 2013 | 157 |
| Cash flow coverage | | | | |
| Interest rate swaps | Pays between 1.305% and 1.610% Receives Euribor 6m | tEur 265,000 | 2013-2014 | 876 |
| Liabilities | | | | |
| Fair value through profit and loss | | | | |
| Interest rate swaps | Pays 3.330% Receives Euribor 6m | tEur 29,639 | 2013 | (74) |
| Cash flow coverage | | | | |
| Interest rate swaps | Pays between 1.480% and 1.610% Receives Euribor 6m | tEur 280,000 | 2013-2014 | (2,267) |
| | | | | (724) |

Interest rate swaps

The Company's derivatives financial portfolio, classified as financial assets or liabilities at fair value through profit and loss, as at 31 December 2011 had the following variances:

| Interest rate derivatives | Assets | Liabilities |
|--|--------------|----------------|
| | Non-current | Non-current |
| Fair value at 1 January 2010 | - | - |
| Sold during the year | (972) | - |
| Increase /(decrease) on the sale reflected in the income statement | 972 | - |
| Increase /(decrease) in fair reflected in the income statement | 702 | - |
| Fair value at 31 December 2010 | 702 | - |
| Sold during the year | (1,005) | - |
| Increase /(decrease) on the sale reflected in the income statement | 1,005 | - |
| Increase /(decrease) in fair reflected in the income statement | (545) | (74) |
| Increase /(decrease) in fair reflected in Equity | 875 | (1,682) |
| Fair value at 31 December 2011 (Note 17) | 1,032 | (1,756) |

Financial derivatives are defined as, in accordance with IAS/IFRS, "financial assets at fair value through profit and loss" or "financial liabilities at fair value through profit and loss". The interest rate financial derivatives that are contracted to hedge the variance in interest rates on borrowings are defined as "cash flow hedges". Interest rate derivatives that are contracted to hedge changes in fair value or other risks that might alter the effects on profit and loss arising from borrowings are defined as "fair value hedges".

In accordance with IFRS 7 an entity must classify how it measures fair value, in a hierarchy that reflects the meaning of the inputs used in measuring. The fair value hierarchy must have the following levels:

- Level 1 - quoted prices (not adjusted) for similar instruments;
- Level 2 - directly observable market inputs other than Level 1 inputs (derivatives price);
- Level 3 - inputs not based on observable market data (not observable).

The fair value financial derivatives were determined by financial entities using observable market inputs and used generally accepted techniques and models (Level 2).

28 • RELATED PARTIES

Balances and transactions with related parties in the year ended 31 December 2011 were as follows:

Receivables:

| Related parties | 2011 | | | | | |
|--------------------------------------|--------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------------|----------------------------------|
| | Total of related parties | Non-Current | | Current | | |
| | | Loans granted (Note 14) | Trade receivables (Note 15) | Loans granted (Note 14) | Other receivables (Note 9 and 14) | Accruals and deferrals (Note 14) |
| Petrogal, S. A. | 2,989,478 | 2,675,000 | 1,533 | 236,693 | 751 | 75,501 |
| GDP Gás de Portugal, SGPS, S. A. | 279,474 | 278,743 | - | - | 137 | 594 |
| Galp Power, SGPS, S. A. | 163,039 | 157,871 | - | 3,916 | - | 1,252 |
| LisboaGás, S. A. | 25,342 | - | - | 16,190 | 9,153 | - |
| Sinecogeração, S. A. | 7,143 | - | - | - | 7,143 | - |
| Galp Gás Natural, S. A. | 6,843 | - | - | - | 6,843 | - |
| Transgás Armazenagem, S. A. | 4,873 | - | - | 4,594 | 279 | - |
| Galp Power, S. A. | 4,215 | - | 80 | 4,136 | - | - |
| Galp Açores, Lda. | 3,958 | - | 32 | 3,927 | - | - |
| Transgás, S. A. | 3,217 | - | - | 3,217 | - | - |
| GDP Serviços, S. A. | 2,192 | - | 156 | - | 2,036 | - |
| Galp Energia, S. A. | 1,674 | - | - | - | 1,674 | - |
| Galpgeste, S. A. | 1,600 | - | - | 1,256 | 344 | - |
| LisboaGás CUR, S. A. | 1,499 | - | - | - | 1,499 | - |
| Galp Madeira, Lda. | 1,185 | - | 3 | 1,181 | - | - |
| Petrogal Brasil | 650 | - | 650 | - | - | - |
| Tanquisado, S. A. | 558 | - | - | - | 558 | - |
| Gasinsular-Combustíveis do Atlântico | 402 | - | - | 400 | - | 2 |
| DurienseGás, S. A. | 254 | - | - | - | 254 | - |
| Serviexpress Portugal, S. A. | 116 | - | - | - | 116 | - |
| Galp Exploração | 101 | - | 101 | - | - | - |
| Adene-Agência para a Energia, S. A. | 90 | 90 | - | - | - | - |
| PaxGás, S. A. | 77 | - | - | 5 | 72 | - |
| Galp Brazil Services B. V. | 75 | - | 75 | - | - | - |
| Petrogal Moçambique, Lda. | 58 | - | 39 | - | 19 | - |
| Medigás, S. A. | 37 | - | - | - | 36 | - |
| Petrogás Guiné-Bissau, Lda. | 33 | - | 16 | - | 17 | - |
| Soturís, S. A. | 29 | - | - | - | 29 | - |
| Fast Access, S. A. | 26 | - | 22 | - | 4 | - |
| Dianagás, S. A. | 25 | - | - | 19 | 7 | - |
| TagusGás, S. A. | 19 | - | 8 | - | 11 | - |
| Número Um, S. A. | 15 | - | 4 | - | 11 | - |
| Petrogal Angola, Lda. | 7 | - | - | - | 7 | - |
| Petromar, Lda. | 6 | - | - | - | 6 | - |
| Tagus Re, S. A. | 6 | - | - | - | 6 | - |
| Petrogal Cabo Verde, Lda. | 4 | - | - | - | 4 | - |
| CORS, S. A. | 3 | - | 3 | - | - | - |
| Galpfer, S. L. | 3 | - | - | - | 3 | - |
| ASA - Abast. e Serv. Aviação, S. A. | 1 | - | - | - | 1 | - |
| Eni, S. p. A. | 1 | - | 1 | - | - | - |
| Sacor Marítima, S. A. | 1 | - | 1 | - | - | - |
| CLC, S. A. | 1 | - | 1 | - | - | - |
| Gasfomento, S. A. | (3) | - | (3) | - | - | - |
| | 3,498,326 | 3,111,704 | 2,722 | 275,534 | 31,021 | 77,351 |

The amount of 3,111,704 thousand Euros booked in the caption non-current granted loans, essentially respects to shareholder loans granted to related parties which bear interests at six month Euribor rate added of a 3% spread and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short term.

The amount of 275,534 thousand Euros presented as current loans granted consists essentially of "cash pooling" loans granted to Group companies. These loans bear normal market interest rates.

The amount of 31,021 thousand Euros booked in the caption of other current receivables includes 30,931 thousand Euros concerning income tax receivable from companies under the special regime for the taxation of groups of companies (Note 9).

The amount of 77,350 thousand Euros presented in the caption of current assets accruals and deferrals refers to accrued interest on granted loans at 31 December 2011, to other group companies.

| Related parties | 2010 | | | | | |
|-------------------------------------|--------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------------|----------------------------------|
| | Total of related parties | Non-Current | | Current | | |
| | | Loans granted (Note 14) | Trade receivables (Note 15) | Loans granted (Note 14) | Other receivables (Note 9 and 14) | Accruals and deferrals (Note 14) |
| Petrogal, S. A. | 2,537,308 | 2,500,000 | 4,238 | - | 20,737 | 12,333 |
| GDP Gás de Portugal, SGPS, S. A. | 217,462 | 216,736 | - | - | 316 | 410 |
| Galp Power, SGPS, S. A. | 134,647 | 133,809 | - | - | - | 838 |
| Transgás, S. A. | 96,606 | - | - | 96,606 | - | - |
| Lisboagás, S. A. | 34,692 | - | - | 32,687 | 2,005 | - |
| Duriensegás, S. A. | 10,350 | - | - | 9,798 | 552 | - |
| Medigás, S. A. | 8,673 | - | - | 8,670 | 3 | - |
| Galp Power, S. A. | 5,600 | - | 78 | 5,460 | 62 | - |
| GDP Serviços, S. A. | 5,363 | - | 154 | 3,153 | 2,056 | - |
| Dianagás, S. A. | 5,191 | - | - | 5,117 | 74 | - |
| Sinecogeração, S. A. | 4,405 | - | - | - | 4,405 | - |
| Lisboagás CUR, S. A. | 4,345 | - | - | 2,821 | 1,524 | - |
| Galp Gás Natural, S. A. | 4,219 | - | - | - | 4,219 | - |
| Paxgás, S. A. | 3,520 | - | - | 3,429 | 91 | - |
| Galp Energia, S. A. | 3,000 | - | - | - | 2,899 | 101 |
| Transgás Armazenagem, S. A. | 1,823 | - | - | 1,467 | 356 | - |
| Soturis, S. A. | 1,425 | - | - | 1,384 | 42 | - |
| Tanquisado, S. A. | 379 | - | - | - | 379 | - |
| Petrogal Cabo Verde, Lda. | 371 | - | - | 335 | 36 | - |
| Sucursal Espanha | 250 | - | 250 | - | - | - |
| Galpgeste, S. A. | 202 | - | - | - | 202 | - |
| Galp Energia E&P, B. V. | 190 | - | - | 185 | 5 | 1 |
| Serviexpress Portugal, S. A. | 115 | - | - | - | 115 | - |
| Adene-Agência para a Energia, S. A. | 90 | 90 | - | - | - | - |
| Petrogal Moçambique, Lda. | 58 | - | 39 | - | 19 | - |
| Petrogás Guiné-Bissau, Lda. | 33 | - | 16 | - | 17 | - |
| Fast Access, S. A. | 26 | - | 22 | - | 4 | - |
| Petromar, Lda. | 20 | - | (2) | - | 23 | - |
| Tagusgás, S. A. | 19 | - | 8 | - | 11 | - |
| Tagus Re, S. A. | 16 | - | - | - | 16 | - |
| Galp Açores, Lda. | 16 | - | 16 | - | - | - |
| Galp Madeira, Lda. | 15 | - | 15 | - | - | - |
| Número Um, S. A. | 15 | - | 4 | - | 11 | - |
| Petrogal Angola, Lda. | 7 | - | - | - | 7 | - |
| Galpfer, S. L. | 3 | - | - | - | 3 | - |
| ASA - Abast. e Serv. Aviação, S. A. | 1 | - | - | - | 1 | - |
| Eni, S. p. A. | 1 | - | 1 | - | - | - |
| CLC, S. A. | 1 | - | 1 | - | - | - |
| Gasfomento, S. A. | (4) | - | (4) | - | - | - |
| Combustíveis Líquidos, Lda. | (10) | - | - | - | (10) | - |
| | 3,080,443 | 2,850,635 | 4,835 | 171,111 | 40,180 | 13,682 |

The amount of 2,850,635 thousand Euros booked in the caption non-current granted loans, essentially respects to shareholder loans granted to related parties which bear interests at six month Euribor rate added of a 3% spread and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short term.

The amount of 171,111 thousand Euros presented as current loans granted consists essentially of "cash pooling" loans granted to Group companies. These loans bear normal market interest rates.

The amount of 40,180 thousand Euros booked in the caption of other current receivables includes tEuros 40,025 concerning income tax receivable from companies under the special regime for the taxation of groups of companies (Note 9).

The amount of 13,681 thousand Euros presented in the caption of current assets accruals and deferrals refers to accrued interest on granted loans at 31 December 2010.

Payables:

| Related parties | 2011 | | | | |
|--|--------------------------|----------------|--------------------------|-----------------------------|------------------------|
| | Total of related parties | Trade payables | Loans obtained (Note 24) | Income tax payable (Note 9) | Accruals and deferrals |
| Galp Gás Natural, S. A. | 148,926 | 8 | 148,919 | - | - |
| Galp Energia Portugal Holding, B. V. | 135,996 | - | 135,500 | - | 496 |
| Galp Exploração e Produção | 41,867 | - | 41,867 | - | - |
| Tagus Re, S. A. | 28,506 | - | 28,400 | - | 106 |
| Petrogal, S. A. | 25,909 | 68 | - | 25,841 | - |
| Sinecogeração, S. A. | 18,569 | - | 18,514 | 55 | - |
| Tanquisado S. A. | 16,497 | - | 16,495 | 2 | - |
| Sacor Marítima, S. A. | 13,912 | 32 | 13,879 | - | - |
| Galp Energia, S. A. | 8,663 | 260 | 8,385 | 9 | 9 |
| Lisboagás CUR, S. A. | 5,444 | - | 5,444 | - | - |
| GDP Distribuição, SGPS, S. A. | 2,876 | - | 2,876 | - | - |
| GDP Serviços, S. A. | 2,707 | - | 2,707 | - | - |
| Galp Power, S. A. | 1,864 | - | - | 1,864 | - |
| CLT Lda. | 1,749 | - | 744 | 1,005 | - |
| Galp Exploração Timor Leste, S. A. | 1,567 | - | 1,543 | 24 | - |
| Portocogeração, S. A. | 1,276 | - | 1,250 | 26 | - |
| Galp Power, SGPS, S. A. | 1,272 | - | 419 | 852 | - |
| Transgás, S. A. | 1,094 | - | - | 1,094 | - |
| Eni, S. p. A. | 846 | 220 | - | - | 626 |
| SM Internacional, S. A. | 616 | 1 | 615 | - | - |
| CORS, Lda. | 537 | - | 332 | 204 | - |
| Gasmár, S. A. | 383 | 1 | 382 | - | - |
| Medigás, S. A. | 269 | - | 269 | - | - |
| Galpgeste, S. A. | 251 | - | - | 251 | - |
| Tripul | 145 | - | 144 | - | - |
| Duriensegás, S. A. | 120 | - | 120 | - | - |
| Soturis, S. A. | 25 | - | 5 | 21 | - |
| Transgás Armazenagem, S. A. | 23 | - | - | 23 | - |
| Serviexpress Portugal, S. A. | 17 | - | - | 17 | - |
| Combustíveis Líquidos, Lda. | 12 | - | - | 12 | - |
| Galp Gás Natural Distribuição, SGPS, S. A. | 11 | - | - | 11 | - |
| Galp Madeira, Lda. | 8 | 8 | - | - | - |
| Galp Açores, Lda. | 2 | 2 | - | - | - |
| Gasfomento, S. A. | 1 | (4) | - | 5 | - |
| | 461,961 | 598 | 428,810 | 31,317 | 1,236 |

The amount of 428,810 thousand Euros booked as current obtained loans includes 135,500 thousand Euros obtained from Galp Energia Portugal Holding, B. V., 28,400 thousand Euros obtained from Tagus, Re, S. A. and 264,910 thousand Euros from "cash pooling" obtained from related parties. These loans bear normal market interest rates.

The amount of 31,317 thousand Euros booked in the current caption other payables, respects to income tax payable to companies under the special regime for the taxation of groups of companies (Note 9).

| Related parties | 2010 | | | | |
|--|--------------------------|----------------|--------------------------|-----------------------------|------------------------|
| | Current | | | | |
| | Total of related parties | Trade payables | Loans obtained (Note 24) | Income tax payable (Note 9) | Accruals and deferrals |
| Combustiveis Liquidos, S. A. | 6 | - | - | 6 | - |
| Eni, S. p. A. | 1,455 | 84 | - | - | 1,371 |
| Galp Energia Portugal Holding, B. V. | 103,170 | - | 102,750 | - | 420 |
| Gasfomento, S. A. | - | (4) | - | 4 | - |
| GDP Distribuição, SGPS, S. A. | 8,538 | - | 8,538 | - | - |
| GALP Power, SGPS, S. A. | 2,921 | - | 2,051 | 870 | - |
| Galp Exploração Timor Leste, S. A. | 2,792 | - | 2,794 | (2) | - |
| Galp Energia, S. A. | 8,693 | 290 | 8,358 | 1 | 44 |
| Petrogal, S. A. | 56,945 | 56 | 43,678 | 13,179 | 32 |
| Soturís, S. A. | 21 | - | - | 21 | - |
| Galpgeste, S. A. | 443 | - | 443 | - | - |
| Sacor Marítima, S. A. | 15,695 | 7 | 15,687 | - | - |
| Gasmar, S. A. | 475 | - | 475 | - | - |
| SM Internacional, S. A. | 617 | - | 617 | - | - |
| Tripul, S. A. | 108 | - | 108 | - | - |
| Galp Power, S. A. | 2,673 | - | - | 2,673 | - |
| Galp Exploração, S. A. | 15,148 | - | 15,148 | - | - |
| Galp Açores, Lda. | 1,318 | - | 1,318 | - | - |
| Galp Madeira, Lda. | 4,753 | 3 | 4,750 | - | - |
| Tanquisado S. A. | 15,754 | - | 15,737 | 18 | - |
| CLT Lda. | 2,610 | - | 1,857 | 753 | - |
| CORS, Lda. | 1,490 | 1 | 1,489 | - | - |
| Serviexpress Portugal, S. A. | 17 | - | - | 17 | - |
| Galp Gás Natural, S. A. | 93,541 | 13 | 93,524 | - | 4 |
| Transgás, S. A. | 925 | - | - | 925 | - |
| Sinecoeração, S. A. | 667 | - | 612 | 55 | - |
| Portcoeração, S. A. | 625 | - | 592 | 33 | - |
| Galp central de Ciclo Combinado, S. A. | 17 | - | - | 17 | - |
| Galp Gás Natural Distribuição, SGPS, S. A. | 2 | - | - | 2 | - |
| | 341,419 | 450 | 320,524 | 18,572 | 1,871 |

The amount of 320,524 thousand Euros recorded as current obtained loans includes 102,750 thousand Euros obtained from Galp Energia Portugal Holding, B. V. and 217,174 thousand Euros from "cash pooling" obtained from related parties. These loans bear normal market interest rates.

The amount of 18,572 thousand Euros recorded in the current caption other payables, in respect of income tax payable to companies under the special regime for the taxation of groups of companies (Note 9).

Transactions:

| Related parties | 2011 | | | |
|--------------------------------------|----------------|------------------|-------------------------|---------------------------|
| | Operating cost | Operating income | Financial cost (Note 8) | Financial income (Note 8) |
| Amorim, B. V. | 536 | - | - | - |
| CLT, Lda. | - | - | 5 | (18) |
| CORS, S. A. | - | - | 1 | (3) |
| Dianaqás, S. A. | - | - | - | (201) |
| Durienseqás, S. A. | - | - | 1 | (334) |
| Eni, S. p. A. | 1,598 | - | - | - |
| Galp Exploração Timor Leste, S. A. | - | - | 21 | - |
| Galp Açores, Lda. | - | (156) | 39 | (18) |
| Galp Brasil Serviços, B. V. | - | (75) | - | (5) |
| Galp Energia España, S. A. | 5 | - | - | - |
| Galp Energia Portugal Holding, B. V. | - | - | 1,853 | - |
| Galp Energia, S. A. | 2,340 | (28) | 77 | (4) |
| Galp Exploração, S. A. | - | (1,045) | 8 | (2,427) |
| Galp Gás Natural, S. A. | 61 | - | 732 | (50) |
| Galp Madeira, Lda. | - | (156) | 109 | (4) |
| Galp Power, S. A. | - | (778) | 1 | (298) |
| Galp Power, SGPS, S. A. | - | - | 35 | (6,185) |
| Galpgeste, S. A. | - | - | 14 | (7) |
| GásInsular, Lda. | - | - | - | (31) |
| Gasmar, S. A. | - | - | 4 | - |
| GDP Gás de Portugal, SGPS, S. A. | - | - | 120 | (10,490) |
| GDP Serviços, S. A. | - | (1,674) | 8 | (95) |
| Lisboaqás CUR, S. A. | - | - | 55 | (15) |
| Lisboaqás, S. A. | - | - | 1 | (457) |
| Medigás, S. A. | - | - | - | (337) |
| Paxqás, S. A. | - | - | - | (148) |
| Petrogal Brasil | - | (650) | - | - |
| Petrogal, S. A. | 632 | (4,310) | 8 | (132,362) |
| Petrogal, Sucursal España | - | (500) | - | (11) |
| PortCoeração, S. A. | - | - | - | (400) |
| Sacor Marítima, S. A. | - | - | 167 | (1) |
| Sinecoeração, S. A. | - | - | 131 | - |
| SM Internacional, S. A. | - | - | 7 | (1) |
| Soturis, S. A. | - | - | 2 | (3) |
| Tagus Re, S. A. | - | (11) | 106 | - |
| Tanquisado S. A. | - | - | 84 | (2) |
| Transgás Armazenagem, S. A. | - | - | 1 | (100) |
| Transgás, S. A. | - | - | 2 | (3,915) |
| Tripul, S. A. | - | - | 1 | - |
| | 5,172 | (9,383) | 3,593 | (157,922) |

The amount of 5,102 thousand Euros recorded as operational costs, includes of 2,134 thousand Euros related with Board costs charged by the shareholders Eni, S. p. A. and Amorim B. V., and 2,056 thousand Euros regarding services rendered by the subsidiary Galp Energia, S. A., namely consulting services and management support for accounting, treasury, financial management, administrative and logistics, purchasing and procurement, auditing, information systems, human resources and training.

The amount of 9,383 thousand Euros booked as other operating income in 2011, includes the amount of 9,088 thousand Euros regarding management services and 245 thousand Euros of recharged expenses to other group companies.

The amount of 157,922 thousand Euros refers to accrued interest on loans granted to related parties during 2011.

| Related parties | 2010 | | | |
|--------------------------------------|----------------|------------------|-------------------------|---------------------------|
| | Operating cost | Operating income | Financial cost (Note 8) | Financial income (Note 8) |
| Amorim, B. V. | 586 | - | - | - |
| CLT, Lda. | - | - | (16) | 1 |
| CORS, S. A. | - | - | - | 5 |
| Dianaqás, S. A. | - | - | (105) | - |
| Durienseqás, S. A. | - | - | (206) | - |
| Eni, S. p. A. | 2,683 | - | - | - |
| Galp Exploração Timor Leste, S. A. | - | - | - | 14 |
| Galp Açores, Lda. | - | (156) | (1) | 8 |
| Galp Energia España, S. A. | 1 | - | - | - |
| Galp Energia Portugal Holding, B. V. | - | - | (4) | 435 |
| Galp Energia, S. A. | 2,272 | (219) | (2) | 14 |
| Galp Exploração, S. A. | - | (1,046) | (1,053) | 4 |
| Galp Gás Natural, S. A. | 62 | (411) | (6) | 143 |
| Galp Gás Propano, S. A. | - | - | - | 7 |
| Galp Madeira, Lda. | - | (156) | - | 20 |
| Galp Power, S. A. | - | (780) | (117) | - |
| Galp Power, SGPS, S. A. | - | - | (3,949) | 8 |
| Galpgeste, S. A. | - | - | (1) | 5 |
| GásInsular, Lda. | - | - | (6) | - |
| Gasmar, S. A. | - | - | - | 1 |
| GDP Distribuição, SGPS, S. A. | - | - | (8,050) | 7 |
| GDP Serviços, S. A. | - | (2,074) | (10) | 4 |
| Lisboagás, S. A. | - | - | (731) | - |
| Lisboagás CUR, S. A. | - | - | (22) | 6 |
| Lusitaniagás, S. A. | - | - | (176) | - |
| Medigás, S. A. | - | - | (193) | - |
| Paxqás, S. A. | - | - | (66) | - |
| Petrogal, S. A. | 675 | (4,446) | (70,974) | 3 |
| PortCogeração, S. A. | - | (2) | (76) | - |
| Sacor Marítima, S. A. | - | - | - | 43 |
| Sinecogeração, S. A. | - | - | (108) | 5 |
| SM Internacional, S. A. | - | - | - | 1 |
| Soturis, S. A. | - | - | (30) | - |
| Spower, S. A. | - | - | (5) | - |
| Petrogal, Sucursal España | - | (500) | - | - |
| Tagus Re, S. A. | - | (30) | - | - |
| Tanquisado S. A. | - | - | - | 15 |
| Transgás Armazenagem, S. A. | - | - | (38) | - |
| Transgás, S. A. | - | - | (2,195) | - |
| | 6,279 | (9,820) | (88,139) | 749 |

The amount of 6,279 thousand Euros booked as operational costs, includes 3,269 thousand Euros related with Board costs charged by the shareholders Eni, S. p. A. and Amorim B. V., the amount of 2,272 thousand Euros from services rendered by the subsidiary Galp Energia, S. A., namely consulting services and management support for accounting, treasury, financial management, administrative and logistics, purchasing and procurement, auditing, information systems, human resources and training.

The amount of 9,820 thousand Euros booked as other operating income in 2010, includes the amount of 7,381 thousand Euros regarding management services and 2,438 thousand Euros of charged expenses to other group companies.

The amount of 88,140 thousand Euros refers to accrued interest on loans granted to related parties during 2010.

29 • REMUNERATION OF THE BOARD AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of Galp Energia corporate board's members for the years 2011 and 2010 were as follows:

| | December 2011 | | | | | | December 2010 | | | | | |
|--|---------------|----------|---------------|---------------------------------|-------------------------------|--------------|---------------|------------|---------------|---------------------------------|-------------------------------|--------------|
| | Salary | Bonuses | Pension plans | Allowances for rent and travels | Other charges and adjustments | Total | Salary | Bonuses | Pension plans | Allowances for rent and travels | Other charges and adjustments | Total |
| Corporate boards of Galp Energia SGPS | | | | | | | | | | | | |
| Executive management | 3,162 | - | 792 | 216 | 409 | 4,579 | 3,171 | 355 | 917 | 156 | 58 | 4,657 |
| Non-executive management | 1,226 | - | 194 | 46 | 98 | 1,564 | 1,284 | 68 | 69 | 45 | - | 1,466 |
| Supervisory board | 97 | - | - | - | - | 97 | 93 | - | - | - | - | 93 |
| Shareholder's Assembly | 7 | - | - | - | - | 7 | 4 | - | - | - | - | 4 |
| | 4,492 | - | 986 | 262 | 507 | 6,247 | 4,552 | 423 | 986 | 201 | 58 | 6,220 |

The amounts of 6,247 thousand Euros and 6,220 thousand Euros, booked on 2011 and 2010, respectively, include 4,188 thousand Euros and 4,018 thousand Euros Employee costs (Note 6) and 2,060 thousand Euros and 2,202 thousand Euros of external supplies and services.

Other charges and adjustments for 2011 include 449 thousand Euros of bonuses received by the directors in respect of 2010.

In accordance with the current policy, remuneration of Galp Energia corporate board members includes all the remuneration due for the positions exercised in Galp Energia group and the accrued amounts.

The information concerning fees charged by the statutory and external auditor is disclosed in the Group governance report.

30 • DIVIDENDS

Dividends in respect of the net profit for 2010 attributed to the Group's shareholders amounted to 165,850 thousand Euros in accordance with the shareholders meeting of 30 May 2011. Interim dividends of 49,755 thousand Euros were paid during the year ended 31 December 2010 and the remaining amount of 116,095 thousand Euros was paid during the current period.

31 • PETROLEUM RESERVES

Not applicable.

32 • FINANCIAL RISK MANAGEMENT

Risk management

Galp Energia is exposed to several types of risks, market risk (interest rate), liquidity risk and credit risk, inherent to its activity, which affect its financial results.

Market risk

Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans. The objective of managing interest rate risk is to reduce the volatility of financial costs in the income statement. The interest rate risk management policy is aimed at reducing exposure to variable rates through fixing interest rate risk on loans, using simple derivatives such as swaps.

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's difficulty in obtaining the financial resources necessary to meet its operating and investment commitments.

The Galp Energia group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short and medium and long term lines of credit that are not being used are sufficient to meet any immediate demand.

Credit risk

Credit risk results from potential non-compliance by third parties of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty.

In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp Energia and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

Impairment of accounts receivable is explained in Notes 14 and 15.

33 • CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

(i) Following the sale in 1999 of 40% of OPTEP SGPS, S. A.'s share capital, corresponding to 440,000 shares with a nominal value of Euros 5 per share, the base selling price of 189,544 thousand Euros was contractually established, of which 74,818 thousand Euros was attributed to the 093X segment and 114,726 thousand Euros to the E3G/Edinet segment.

The sale by GDP, SGPS, S. A. (currently designated Galp Energia, SGPS, S. A. for purposes of the merger carried out in 2008) and Transgás, S. A. (currently designated Galp Gás Natural, S. A.) to EDP, S. A. was established with the condition that if OPTEP SGPS, S. A., 093X or any other entity directly or indirectly controlled or participated in by EDP sells or in any other way disposes of, to a third party, a participation equivalent to 5% of Optimus, that is 450,000 shares with a nominal value of Euros 5 per share, during a period of 3 years as from the date of signature of the agreement (24 June 1999), the difference between the amount of tEuros 74,818 and the sale price would be divided between the parties, as follows:

| tEuros for each 220,000 shares | EDP | GDP group |
|--------------------------------|-----|-----------|
| Between 37,409 and 42,397 | 0% | 100% |
| Between 42,397 and 52,373 | 25% | 75% |
| More than 52,373 | 75% | 25% |

On 28 September 2000 GDP SGPS, S. A., Transgás SGPS, S. A. (currently designated GDP Distribuição, SGPS, S. A. for purposes of the merger carried out in 2006), Transgás, S. A. and EDP, S. A. made an amendment to the agreement, under which the deadline for dividing any potential gain on the future sale of Optimus shares was extended to 31 December 2003.

On 22 March 2002 EDP announced the sale of the participation in OPTEP SGPS, S. A., the company that holds a 25.49% participation in Optimus, to Thorn Finance, S. A.. The sales price was fixed at 315,000 thousand Euros, which means that Thorn Finance valued Optimus at 1,235,779 thousand Euros, which is higher than the value established between the parties, which was 748,197 thousand Euros. Therefore, an upside of 30,253 thousand Euros arose, payable by EDP, S. A., to be divided equally between GDP SGPS, S. A. (merged into Galp Energia SGPS, S. A. effective as of 1 January 2008) and Transgás SGPS, S. A. (currently called GDP Distribuição SGPS, S. A. as a result of the merger in 2006).

As EDP has not agreed to the GDP group's expectations, this account receivable has not been booked.

Pledged guarantees

At 31 December 2011 the pledged guarantees amounted to 51,460 thousand Euros, made up essentially of the following:

- Guarantees of 50,397 thousand Euros in benefit of the Tax Administration;
- Guarantee in the amount of 520 thousand Euros in benefit of EDP – Distribuição de Energia, S. A., to ensure that the company can provide electricity in the Portuguese electricity market;
- As at 31 December 2011 the Company had Standby letter import credits amounting to USD 12,900 thousand relating to insurance premiums.

The Company has some bank loans contracted with “covenants” that can, if they are called in by the banks, lead to early repayment of the amounts taken. As at 31 December 2011, the medium and long term debt of the Company amounts to € 1.5 billion. Of the total of that debt contracts that contain “covenants” amount to € 1.3 billion. The existing “covenants” embody essentially the ratio covenants in order to monitor the financial situation, including the Company's ability to service its debt. The ratio of Total Net Debt to Consolidated EBITDA is the most used and its value in terms of the Galp Energia group was below the value set in all contracts, except for an EIB loan amounting to € 296 million in which the value set is lower. As such, EIB may demand additional guarantees.

34 • INFORMATION REGARDING ENVIRONMENTAL MATTERS

Not applicable.

35 • SUBSEQUENT EVENTS

No subsequent events occurred after 31 December 2011, which have a material impact on the financial statements.

36 • APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 29, 2012.

37 • EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2.1) some of which may not conform to 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 Luís Murteira Nabo
Manuel Ferreira De Oliveira
Manuel Domingos Vicente
Fernando Manuel dos Santos Gomes
José António Marques Gonçalves
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Rui Paulo da Costa Cunha e Silva Gonçalves
João Pedro Leitão Pinheiro de Figueiredo Brito

Luca Bertelli
Claudio De Marco
Paolo Grossi
Fabrizio Dassogno
Giuseppe Ricci
Luigi Spelli
Joaquim José Borges Gouveia
Maria Rita Galli

REPORTS AND OPINIONS

AUDIT REPORT FOR STOCK EXCHANGE REGULATORY PURPOSES ON THE INDIVIDUAL FINANCIAL INFORMATION

(Free translation from the original in Portuguese)

Introduction

1. As required by law, we present the Audit Report for Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Galp Energia, SGPS, S. A., comprising the statement of financial position as at December, 31, 2011 (which shows total assets of thousand Euro 4.805.718 and total shareholder's equity of thousand Euro 1.773.145 including a net profit of thousand Euro 77.152), the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2. It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.
3. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.
5. Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.
6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Galp Energia, SGPS, S. A. as at December, 31, 2011, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8. It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Market Code.

Lisbon, March 30, 2012

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
Represented by António Joaquim Brochado Correia, R.O.C.

STATUTORY AUDITORS' OPINION ON THE STAND ALONE FINANCIAL STATEMENTS

Introduction

1. We have examined the stand alone financial statements of Galp Energia, SGPS, S. A. (the "Company") for the fiscal year 2011, comprising the balance sheet as of December 31, 2011 (which reflect total assets of 4.805.718 thousand Euros and a total equity of 1.773.145 thousand Euros, including a net income for the year of 77.152 thousand Euros), the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the related notes to the stand alone financial statements. These financial statements relate to the standing alone activity of the Company and have been prepared in accordance with the International Financial Reporting Standards (International Financial Reporting Standards) as adopted by the European Union.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of stand alone financial statements that present a true and fair view of the financial position of the Company, the results of its operations, the changes in shareholders' equity and its cash flows; (ii) the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control and (iii) the disclosure of any significant facts that have influenced its operations, financial position or results of operations.
3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

Scope

4. Our examination was made in accordance with generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the stand alone financial statements are free from material misstatements. Therefore, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements, assessment of the adequacy of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the financial statements, and evaluation of the overall adequacy of the presentation of the financial statements.
5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the stand alone financial statements, as well as the verification of the matters mentioned in paragraphs 4. and 5. of article 451º of the Portuguese Commercial Companies Code.
6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

Opinion

7. In our opinion, the stand alone financial statements mentioned above, present fairly, in all material respects, the stand alone financial position of Galp Energia, SGPS, S. A. as of December 31, 2011, its stand alone results of operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union.

Reporting on other legal requirements

8. It is also our opinion that the information included in the Board of Directors' Report is consistent with the stand alone financial statements and that the Company's Corporate Governance Report includes the disclosures required by article 245º-A of the Portuguese Securities Code.

Lisbon, March 30, 2012

P. Matos Silva, Garcia Jr., P. Caiado & Associados,
Sociedade de Revisores Oficiais de Contas, Lda.
Represented by Pedro Matos Silva

SUPERVISORY BOARD'S REPORT AND OPINION

(Translation of a report originally issued in Portuguese)

Dear shareholders,

According with the current legislation and the Company's articles of association, and under our mandate, we hereby present our report about the supervisory activities we have performed during 2011 and express our opinion about the management report, the consolidated and separate financial statements and the proposal for the appropriation of net profit that the board of directors of Galp Energia SGPS, S.A., has presented with regards to the 2011 financial year.

During the year, we followed on a regular basis the management and evolution of the Company's businesses and of its more relevant subsidiaries, with the timing and extension we considered appropriate, namely through regular meetings with the board of directors. We followed the examination of the accounting records, as well as the effectiveness of the risk management, internal control and internal audit systems. We monitored the fulfillment of the law and of the articles of association. While carrying out our duties, we have never faced any constraints.

We have met several times with the statutory auditor and with the external auditor, monitoring the audit works and the legal certification of the accounts, and supervising these entities' independence and qualification. We have reviewed the legal certification of the accounts and the audit report of the consolidated and separate accounts, with which we agree.

Under the scope of our mandate, we examine and we declare to the best of our knowledge that:

- a) the consolidated and separate financial statements and corresponding attachments, allow for an adequate understanding the financial position and results of the Company and of the subsidiaries included in the consolidation perimeter;
- b) the accounting principles and criteria used are in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and are adequate to guarantee a properly representation of the assets and results of the Company and of the Group;
- c) the management report includes a fair review of the development of the business and the performance and position of Galp Energia and the companies included in the consolidation as a whole, clearly highlighting the most relevant aspects of the business, as well as a description of the main risks that Galp Energia is exposed to in its operations;
- d) the corporate governance report includes all the information required by the article 245-A of the Securities Code.

Taking in consideration the information received by the board of directors and other departments of the Company, as well as the conclusions lay down on the legal certification of the accounts and audit report about the consolidated and separate financial statements, our opinion is that:

- a) the management report should be approved;
- b) the consolidated and separate financial statements should be approved;
- c) the proposal for the appropriation of net profit should be approved.

Lastly, the supervisory board wishes to express its gratitude to the board of directors and to the executive committee of Galp Energia, SGPS, S.A., whose cooperation materially simplified, at all times, the activities related to the supervisory board's duties.

Lisbon, March 30, 2012

Chairman - Daniel Bessa Fernandes Coelho

Member - Gracinda Augusta Figueiras Raposo

Member - Manuel Nunes Agra

EDITION



COVER PHOTO

Manuel Aguiar

DESIGN AND CONCEPTION

STRAT



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

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