galp energia

Growing **energy**

ANNUAL REPORT AND ACCOUNTS **2011**

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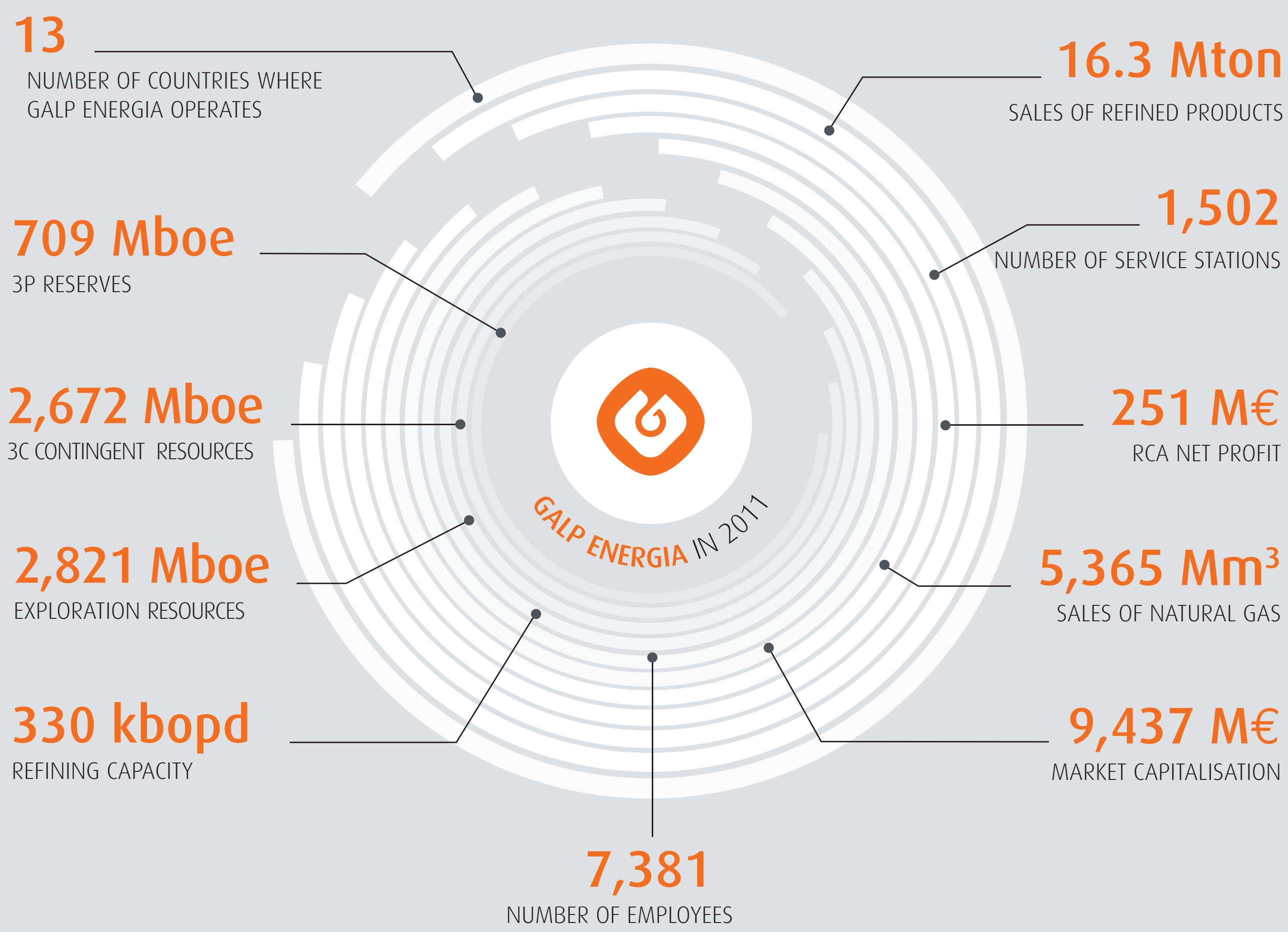
www.galpenergia.com

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

ANNUAL REPORT AND ACCOUNTS **2011**

Galp Energia is an integrated energy player which is rapidly developing and expanding its diversified activities in the oil and gas industry in several countries. Galp Energia's refining and marketing of oil products and natural gas activities are centred on the Iberian Peninsula. Its exploration and production activities, however, have their core in the South Atlantic region, which includes Brazil's Santos pre-salt basin and offshore Angola, as well as in Eastern Africa, namely offshore Mozambique, where major natural gas reservoirs were recently discovered.

The expansion of its exploration and production projects and the development of Galp Energia's activities in other areas such as the marketing of oil products and natural gas, support the Company's growth across 13 countries: Portugal, Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay and Equatorial Guinea.



01 • GALP ENERGIA

Exploration & Production

Galp Energia has strengthened its exploration and production activities, both by developing important discoveries such as the Lula field in Brazil, and by intensifying its exploration activities. In 2011, those activities resulted in a significant natural gas discovery in the Rovuma basin, offshore Mozambique.

In 2011, Galp Energia produced 21 thousand barrels of oil equivalent per day (kboepd), up 7% from 2010. This increase followed the start of commercial production from the Lula field.

The Company aims to produce more than 70 kboepd in 2015 and more than 300 kboepd in 2020. These targets are supported by Galp Energia's reserves of 709 million barrels of oil equivalent (Mboe) and 2,672 Mboe in 3C contingent resources as of the end of 2011.

+40 projects ongoing

Refining & Marketing

Galp Energia has a significant position in refining and marketing of oil products on the Iberian Peninsula and in Africa.

The Company is at the final stage of an upgrade project encompassing the Sines and Matosinhos refineries, which have a combined capacity to process 330 thousand barrels of oil per day (kbopd). The upgrade project has great strategic importance as it will align Galp Energia's production with the Iberian demand for diesel, while significantly improving the financial performance of the refining business.

In oil product marketing activities, Galp Energia has consolidated its competitive position and, in 2011, achieved 10.5 million tonnes (Mton) of sales to direct clients. The Company's strong presence in Portugal, Spain and Africa, namely through a broad network of 1,502 service stations, contributed to this result.

10.5 Mton of sales to direct clients

Gas & Power

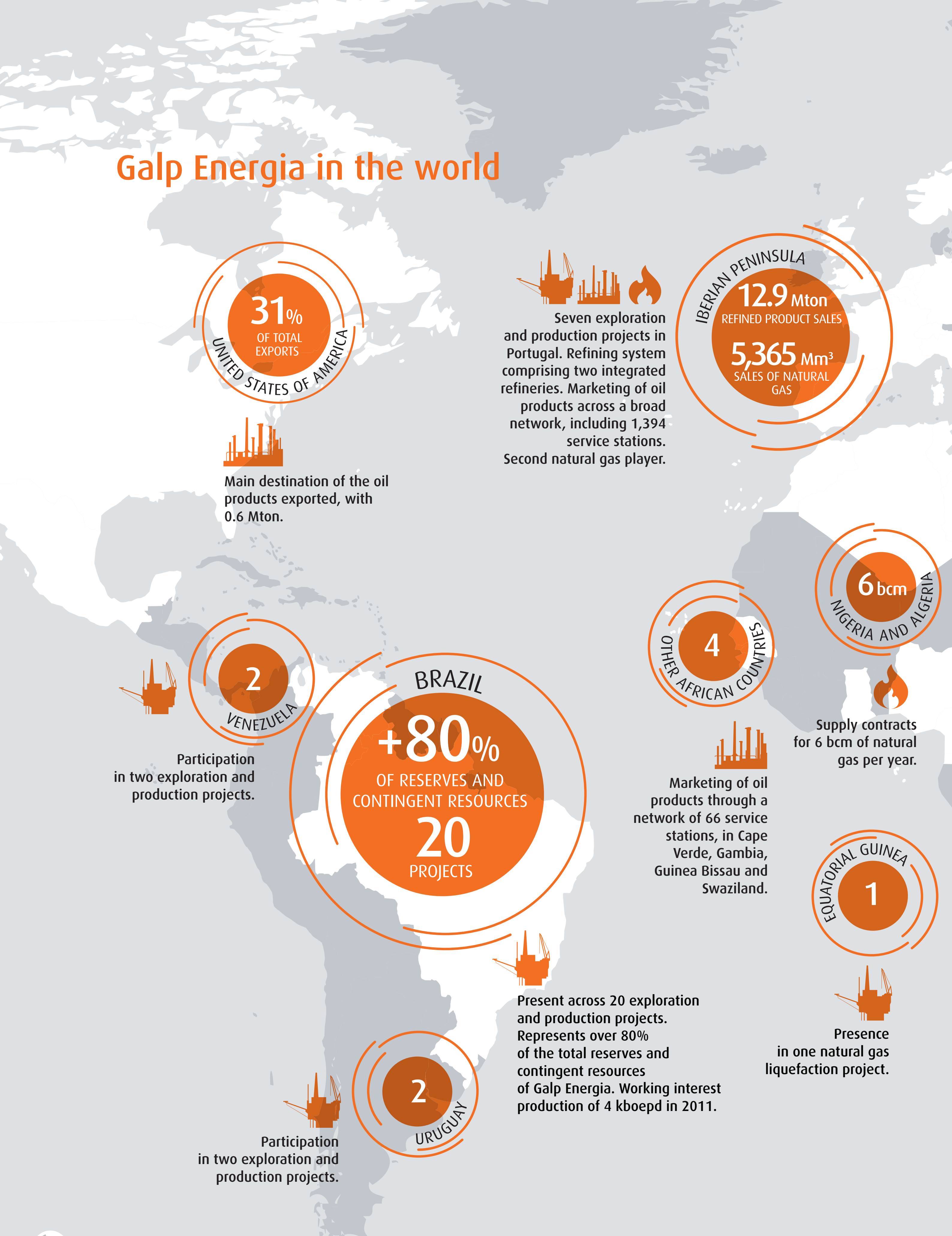
Galp Energia has consolidated its natural gas distribution and marketing activities on the Iberian Peninsula as it has intensified its activities in the power business.

The Company maintains its leading position in the Portuguese natural gas business and has been expanding its activities in Spain – supplying 1.3 million clients in 2011. Galp Energia is now the second largest supplier of natural gas on the Iberian Peninsula.

In the power business, the Company has broadened its presence through the construction of new cogeneration plants at the Sines and Matosinhos refineries. By ensuring higher consumption of natural gas in power generation, Galp Energia will further integrate its Gas & Power segment. Upon completion of the cogeneration plant at the Matosinhos refinery, scheduled for 2012, Galp Energia's installed capacity in this technology will be 245 megawatts (MW).

1.3 million natural gas clients

Galp Energia in the world



Main destination of the oil products exported, with 0.6 Mton.

Seven exploration and production projects in Portugal. Refining system comprising two integrated refineries. Marketing of oil products across a broad network, including 1,394 service stations. Second natural gas player.

Supply contracts for 6 bcm of natural gas per year.

Marketing of oil products through a network of 66 service stations, in Cape Verde, Gambia, Guinea Bissau and Swaziland.

Participation in two exploration and production projects.

Present across 20 exploration and production projects. Represents over 80% of the total reserves and contingent resources of Galp Energia. Working interest production of 4 kboepd in 2011.

Presence in one natural gas liquefaction project.

Participation in two exploration and production projects.

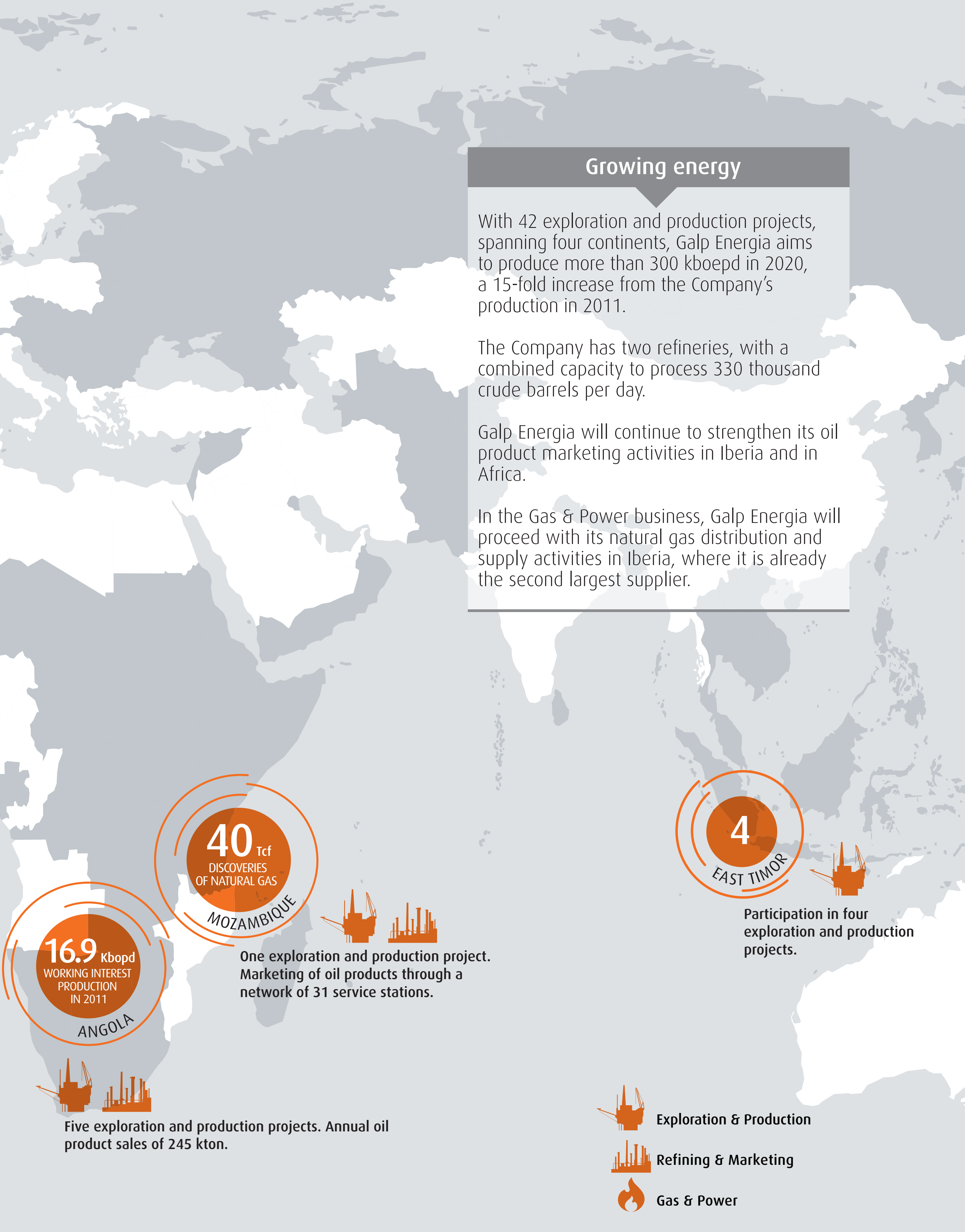
Growing energy

With 42 exploration and production projects, spanning four continents, Galp Energia aims to produce more than 300 kboepd in 2020, a 15-fold increase from the Company's production in 2011.

The Company has two refineries, with a combined capacity to process 330 thousand crude barrels per day.

Galp Energia will continue to strengthen its oil product marketing activities in Iberia and in Africa.

In the Gas & Power business, Galp Energia will proceed with its natural gas distribution and supply activities in Iberia, where it is already the second largest supplier.



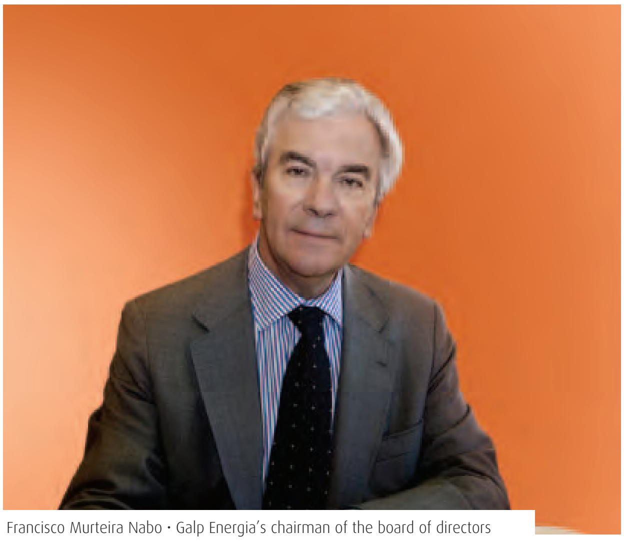
One exploration and production project. Marketing of oil products through a network of 31 service stations.

Five exploration and production projects. Annual oil product sales of 245 kton.

Participation in four exploration and production projects.

1.2 Board of directors' statement

Chairman statement



Francisco Murteira Nabo • Galp Energia's chairman of the board of directors

Dear shareholders

In 2011, the unfavourable economic environment was accentuated, and austerity measures, in Portugal and in other European countries, were increased, negatively impacting consumer demand and capital expenditure. In this difficult environment, made tougher by negative refining margins in Europe and lower demand for oil products on the Iberian Peninsula, Galp Energia reported an operating profit of 395 million euros and net profit of 251 million euros for 2011, both on a replacement cost adjusted basis.

In 2011, Galp Energia proceeded with the execution of its strategy, that is to say, the development and expansion of its activities, namely in the Exploration & Production business, based on a solid capital structure and, in particular, the sustained cash flow generated by the downstream activities.

In fact, 2011 was a crucial year to the finalization of the upgrade project in the Sines and Matosinhos refineries. After this project is concluded, Galp Energia will have a modern refining system, and one which is completely adapted to Iberian market needs. This project will increase the contribution of the refining business to earnings as soon as 2012.

On the exploration and production front, Galp Energia proceeded with the development of the Lula project, in the Brazilian pre-salt, with 2011 marked by the first commercial production from Lula field, which will be key to accomplish the 2020 production target of 300 kboepd.

In 2011, with the natural gas discoveries in Mozambique, this country is now an area of great importance for the execution of Galp Energia's strategy, particularly in regard to the Exploration & Production business, supporting expectations for future natural gas production in this country.

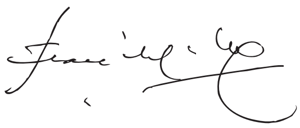
Considering that a solid capital structure is one of our strategic pillars, I am pleased to note the financial close in March 2012 of the capital increase at Petrogal Brasil, the Brazilian subsidiary that owns the exploration and production assets in that country, entirely subscribed to by Sinopec, who now owns 30% of Petrogal Brasil. This transaction, which resulted in a total cash inflow of 5.2 billion dollars, is crucial for the execution of upstream activities, while it enables Galp Energia to have one of the most robust capital structures within the European energy sector.

I would like to emphasise that Galp Energia has been, in terms of human capital, developing its people skills. The broadening scope of the Galp Energia Academy and the upgrade of human resources in the Exploration & Production business have been particularly noteworthy.

I would also highlight Galp Energia's commitment to creating sustainable stakeholder value, based on the protection of fundamental environmental and social values. In 2011, Galp Energia moved forward with the development of policies and practices in terms of social and environmental responsibility in the various countries where it operates. These increase the Company's standing adherence to ethics and sustainability principles.

I believe that Galp Energia's ambitious, yet realistic, strategy will be broadly executed with the cooperation of all the people involved. I would therefore like to thank all of Galp Energia stakeholders, particularly our shareholders, partners, employees, clients and suppliers, for their trust and support that lead us towards the future, with full energy.

I would like to conclude by expressing our enormous gratitude to Henrique Bandeira Vieira, chairman of Galp Energia's board of directors between 1999 and 2001, and who left us in 2011. As you know, it takes the work of many people to build a company like Galp Energia and leaders are at the forefront of such efforts. Bandeira Vieira led our Company during a transition period, dealing with its various obstacles, and that is why I would like to express here my most sincere gratitude to his contribution in making Galp Energia what it is today.



Francisco Murteira Nabo
Galp Energia's chairman of the board of directors

Statement by the chief executive officer

Dear shareholders

Despite an extremely adverse environment, the programme to transform our Company, which started after its flotation in 2006, proceeded unabated in 2011. Our net profit came in at 433 million euros, in IFRS (International Financial Reporting Standards) terms, or 251 million euros after adjusting for inventory effects and non-recurrent items, or RCA-adjusted. IFRS-based ebitda advanced by 3% to 1,090 million euros, although it decreased 7% to 797 million euros in RCA terms.

Underlying these results, we had sales of 16,804 million euros; production of 20.8 kboepd; refining throughput of 11.2 Mton of crude oil and other raw materials; 16.3 Mton of oil products sold, 10.5 Mton of which under Galp Energia's own brand; 5,365 million cubic metres (Mm^3) of natural gas sold and 1,201 GWh of power sold.

Incremental production came from the Lula field's floating, production, storage and offloading unit (FPSO) Cidade de Angra dos Reis, which started production in late 2010 and, by December 2011, had reached 80% of its total capacity. Operation at full capacity is expected in the second quarter of 2012, which is a widely recognised achievement.

Throughout 2011, there were several events strengthening our exploration position. On a common basis, and considering our 3P reserves, our 3C contingent resources and our mean estimate risked exploration resources, our overall resources increased 13% to 3,859 Mboe. This resource base already ensures that we will meet our long term production targets, notwithstanding the continued investment required in exploration activities.

Refining activities were hit by unsustainable margins that reached historic lows in the year. Although we realise there are still many challenges ahead, we believe the European refining industry will start recovering in 2012. Also, the start of operations of our new refining upgrade units will largely contribute to improved results in this activity. The upgrade project at the Matosinhos refinery has been completed and the Sines project, which is of higher dimension and complexity, will be physically completed in the first quarter of 2012. And so, following the start-up of the new units, this will enable our re-designed refining system to come on stream towards the end of the second quarter of 2012.

The market for oil products contracted as much as 7% in Portugal and 4% in Spain, with gasoline and diesel demand taking the worst hit. Despite this contracted demand setting, we managed to keep our Iberian market share while softening, after a significant cost-cutting effort, the impact of these harsh market conditions on the operating profit from these activities. I would also emphasize the results achieved by our marketing business in Africa, where volumes sold topped 700 thousand tonnes (kton), implying a growth of 19% and which boosted operating profit.

Manuel Ferreira De Oliveira · Galp Energia's chief executive officer

OUR STRATEGIC PLAN, THAT IS TO SAY, OUR SUSTAINED GROWTH, RESTS ON THE NEED TO MAINTAIN A STRONG CAPITAL STRUCTURE. WE HAVE ENSURED THIS IN 2011, WITH THE ANNOUNCEMENT OF THE CAPITAL INCREASE IN OUR SUBSIDIARY PETROGAL BRASIL, FULLY SUBSCRIBED TO BY SINOPEC.

During 2011, there was a number of events which were key to achieve the results presented in this report, but, more importantly, that are bound to impact the future of our Company. In particular, I would like to mention the following:

- the commissioning of the cogeneration plant at the Matosinhos refinery;
- the expansion of the Portuguese liberalised market for natural gas, which enabled Galp Energia to channel 78% of total sold volumes into this market;
- the completion of the upgrade project for the Matosinhos refinery and the 98% execution of the upgrade project construction in the Sines refinery;
- the outstanding progress in the development of Lula field in Brazil;
- the large-scale discovery of natural gas in Mozambique's Rovuma basin;
- the conclusion of the contractual design process for the capital increase in Petrogal Brasil, fully subscribed to by Sinopec International.

This capital increase, completed within extremely adverse financial environment, allowed for a cash-in of, approximately, 5.2 billion dollars, with Sinopec now holding a 30% equity stake in Petrogal Brasil. This new partnership, which involves a prestigious and global company, will expectedly become another example of cooperation with a high-dimension company, as well as it will highly contribute to the sustained growth of our exploration and production activities.

This transaction will strengthen Galp Energia's consolidated financial position while bringing down the Company's debt-to-equity ratio, marking it as one of the lowest within the industry. This strong balance sheet, along with the efficient operation of our oil and natural gas downstream activities, will provide us with the resources required to reach our long-term production targets, even in the face of the current challenging environment.

Galp Energia has laid solid foundations that ensure its competitive and sustainable growth throughout this decade. In this context, I would point out its strong financial position; its efficient and quality-based downstream operations, namely in refining and in the marketing of oil products and natural gas; its outstanding exposure to the Santos basin and, in general, to Brazil, Angola and Mozambique; and the exploration potential of upstream concessions elsewhere.

To successfully develop our Company's growth potential, we will have to deepen our efforts to qualify and develop our human capital. Also, we will have to pursue continuous-improvement policies in what regards health, safety, the environment and sustainability. In fact, we have already achieved encouraging results at this level, as one can find, at a greater extent, in our sustainability report. The technological and innovation challenges we face require the allocation of resources to research and development projects and to a multiplicity of advanced training programmes aimed at our professionals.

CONSIDERING OUR STRATEGIC VISION, WE HAVE BEEN PROMOTING ENERGY EFFICIENCY SOLUTIONS, PARTICULARLY AT OUR CLIENTS' PREMISES, WHICH ARE KEY TO ENSURE THEIR SUSTAINABLE OPERATIONS.

To conclude, I hereby summarise the targets of our programmes in progress that, when executed with strictness, the right skills and remarkable focus, will provide the basis for a rational and sustainable growth of our Company in the short, medium and long run:

- to develop, by the end of the current decade and from the already discovered resource base, a production capacity of 300 kboepd;
- to secure, following new exploration efforts, additional resources that will enable us to reach and sustain a production level of 400 kboepd;
- to operate our refining base in accordance with the highest standards of safety, efficiency and reliability, on a par with the top European refineries;
- to strengthen and develop the trading of crude and oil products in lockstep with our production, refining and marketing capacities;
- to reach and sustain a minimum 15% share in the Iberian market for oil products;
- to achieve sustained growth in the African market for oil products, aiming to sell, in the long term, a material volume of those products;
- to develop a minimum capacity for the trading and supply of natural gas and liquefied natural gas (LNG) consistent with our equity natural gas stakes and with the dimension of the market where we operate;
- to grow our sales activities in the Iberian market for natural gas to make sure we keep, at the very least, our current market share;
- to participate in the market for biofuels through a vertically-integrated approach;
- to foster energy efficiency solutions, in our own and our clients' operations, so as to ensure both the sustainability of our operations and a loyal client base;
- to ensure the development of Galp Energia's corporate centre, in terms of skills and responsibilities, in line with the growth and geographical dispersion of our activities and to consistently promote policies for innovation, sustainability, health, safety and the environment, permanently meeting, in anticipation, the needs of our different operations;
- to strengthen an advanced training programme of human resources that will provide the Company with the human capital it requires to address the challenges to come.

Last July, Mr. Bandeira Vieira, Galp Energia's chairman between 1999 and 2001, passed away. Dating back to 1846, our Company is the result of the work and dedication of several generations of professionals whose leadership has always left an enduring mark. It is against this background that I would like to express our recognition for all the good Mr. Bandeira Vieira did to and for Galp Energia.

I also owe a word of recognition to the members of the governing bodies of our Company, for the support they have always offered me. I would like to particularly thank Mr. Murteira Nabo, chairman of the board of directors, and Mr. Daniel Bessa, chairman of the audit board, for the courtesy, cooperation and friendship that have marked our professional relationship over the years.

I would also like to extend my thanks to our employees, suppliers, business partners and clients, for their valuable contribution to the results we are reporting. To our shareholders, I would like to express my most sincere gratitude for their support and trust.

Manuel Ferreira De Oliveira
Galp Energia's chief executive officer

FPSO Cidade de São Vicente

1.3 Strategy

Galp Energia's strategy is based on the creation of sustained shareholder value through the development and expansion of the Company's activities, namely in the Exploration & Production business, supported by a solid capital structure that benefits from steady cash flow generated from its downstream activities.

Galp Energia's clear strategy is complemented by rigorous delivery against its operating and financial targets.

When executing its strategy, Galp Energia accounts for the importance that social, environmental and safety aspects have in the responsible and sustainable achievement of corporate targets. Galp Energia follows industry best practices, and innovates with particular emphasis on energy efficiency.

2011 was crucial to the execution of Galp Energia's strategy, particularly through the announcement in November of the capital increase at Petrogal Brasil, the Company's Brazilian subsidiary engaged in exploration and production, and which was entirely subscribed to by Sinopec, a Chinese company. After the financial close of this transaction, which occurred in March 2012, Galp Energia owns 70% of Petrogal Brasil, retaining control of that company. This transaction led to a total cash injection of 5.2 billion dollars by Sinopec, both through the capital increase and a shareholder loan. With this transaction, Galp Energia has one of the most robust capital structures in the European energy sector. These financial resources add flexibility to the development of both current and future key exploration and production projects such as those in the pre-salt of Brazil's Santos basin.

In 2011, the development of the Lula project was particularly noteworthy. In the Lula field, two producing wells started operations, with a total of three at the end of the year, as well as a gas injector well, which contributed to a higher producing rate. In the Lula and Cernambi areas the on-going appraisal campaign aimed to gather additional data on these reservoirs. In the Lula NE area, an extended well test (EWT) began in April and continued until November. The Lula project will be key in strengthening Galp Energia's position as an oil and natural gas producer, and their contribution will be key to the Company's cash flow generation. Further to the Lula project's fast development, appraisal activities in the Santos pre-salt basin, particularly in the Iara area, were intensified during the year.

The discovery made in 2011 in Mozambique will diversify Galp Energia's production towards natural gas and will also allow for broader geographical diversification. The exploration drilling results obtained during the year in the Mamba South prospect and, at the beginning of the year of 2012, in the Mamba North-1 and Mamba North East-1 wells confirmed that area 4 in the Rovuma basin, where Galp Energia has a 10% stake, is a world-class natural gas area.

In 2012, Galp Energia will intensify its exploration and appraisal activities in area 4, where the discovered reservoirs contain at least 40 trillion cubic feet (Tcf) of natural gas in place. This exploration success has led Galp Energia to consider Mozambique as a core area for its production growth of natural gas.

In Angola, oil production is currently located in block 14's Benguela-Belize-Lobito-Tomboco (BBLT), Kuito and Tômbua-Lândana (TL) fields. Development activities continued in 2011, and are expected to follow in the coming years, not only in new areas within block 14 and block 14K, but also in blocks 32 and 33. Angolan production is, in fact, expected to resume its upward trend in 2015, after taking the maturity of the fields currently in production into account.

The drilling campaign carried out throughout 2011 contributed to increased knowledge on Galp Energia's resource portfolio, particularly on its extent and economic value.

Galp Energia's growth will be supported by the development of its exploration and production projects which will drive growth in the production of oil and natural gas to an estimated total of more than 300 kboepd in 2020 – fifteen times that of 2011. This growth will be crucially influenced by the development of projects in areas where Galp Energia now has oil resources as well as by continued exploration in Brazil, outside the Santos basin, and in other regions such as Portugal and Uruguay. To Galp Energia, sustained value creation relies on the development of existing projects as much as on the continuous exploration of new areas.

The milestone in the Refining & Marketing business in 2011 was the completion of the capital expenditure allocated to the upgrade project of the Matosinhos refinery, while in Sines the upgrade project is at its final stage. The project is expected to start operations in mid-2012, whereupon Galp Energia's refining system will be completely integrated and adapted to the needs of the Iberian market, namely diesel demand. The expected incremental refining margin arising from this project will lead to a higher cash flow from this activity in 2012.

Responding to deteriorated economic conditions, in 2011, Galp Energia continued taking steps to increase its marketing business efficiency.

In the Gas & Power business segment, the Company proceeded with the consolidation of its natural gas supply activities in Portugal and in Spain. In fact, 2011 was the first full year of activity following the acquisition of the natural gas supply business in the Madrid region, and was key in making the Company the second largest natural gas supplier in Iberia.

Iberian downstream operations, which include refining and marketing of oil products and marketing gas, generate stable cash flow that significantly contributes to the funding of Galp Energia's capital expenditure programme.

After the end of the capital expenditure allocated to the upgrade project, Galp Energia will enter a new era, in which the investment focus will be, from 2012, on the Exploration & Production segment, particularly on the Santos basin projects. By then, all downstream assets will be operating steadily and, consequently, fully generating cash flow.

Galp Energia is committed to creating value sustainably and responsibly. Therefore, the execution of its strategy takes into account the development of its human capital and the safeguarding of fundamental environmental and social values.

Developing its people's skills is crucial to the Company's growth, which has led Galp Energia to intensify training, primarily in the Exploration & Production business division.

Because it operates in an industry with considerable environmental hazards, Galp Energia has tightened its environmental, safety and energy efficiency policies in order to further ensure that it conduct its activities responsibly. Galp Energia believes that it is within its duties to support the local communities in the countries where it operates. Therefore, the Company has developed and will continue to develop projects designed to enhance the well-being of local communities, particularly at the educational and health levels, among others.

Due to this, Galp Energia's strategy rests on two fundamental and interdependent pillars: a solid capital structure, enabled by the Brazilian capital increase announced in 2011, and incremental cash flow, both from the upgraded refineries and from the development of its upstream projects in Angola and Brazil, particularly Lula.

The future growth of the Company will come from the development of other projects in the Exploration & Production division, particularly, but not exclusively, in the Santos basin, from the pipeline of high-potential projects still at an exploration stage, like Mozambique, and from the evaluation of new opportunities.

Galp Energia considers that for its strategy execution to be sustainable in the long term, it will have to rely on socially responsible foundations and, consequently, on the adoption of best practices in terms of environmental and safety aspects.

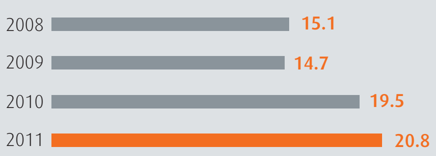
1.4 Main indicators

Operating indicators

	2008	2009	2010	2011
Exploration & Production				
Reserves 3P net entitlement (Mboe)	28	35	574	709
Contingent resources 3C (Mboe)	2,113	3,065	2,356	2,672
Average working interest production (kboepd)	15.1	14.7	19.5	20.8
Average net entitlement production (kboepd)	10.0	9.7	11.8	12.1
Refining & Marketing				
Raw materials processed (Mton)	13.1	11.5	12.3	11.2
Refined products sales (Mton)	16.6	17.3	17.3	16.3
Sales to direct clients (Mton)	10.1	11.7	11.0	10.5
Number of service stations	1,605	1,549	1,539	1,502
Gas & Power				
Natural gas sales (Mm³)	5,638	4,680	4,926	5,365
Natural gas distribution network (km)	10,462	11,028	11,342	11,655
Number of natural gas clients ('000)	868	915	1,327	1,301
Sales of electricity (GWh)	478	706	1,202	1,201

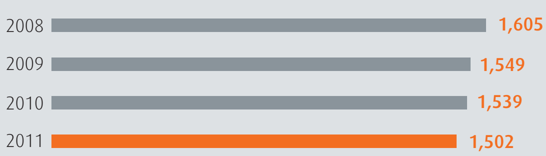
Net entitlement 3P reserves (Mboe)
2011: 709

Average working interest production (kboepd)
2011: 20.8



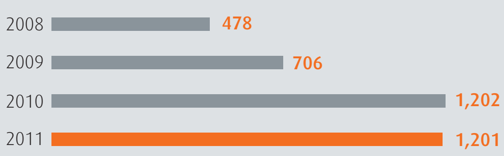
Sales to direct clients (Mton)
2011: 10.5

Number of service stations
2011: 1,502



Natural gas sales (Mm³)
2011: 5,365

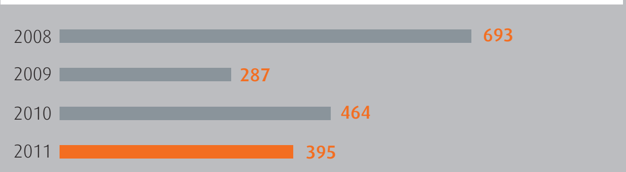
Sales of electricity (GWh)
2011: 1,201



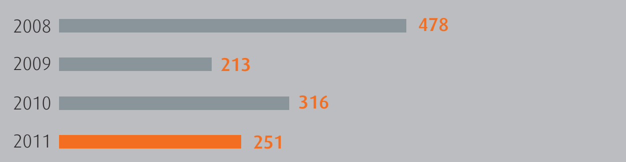
Financial indicators

Million euros (except otherwise noted)	2008	2009	2010	2011
Turnover RCA	15,062	11,960	13,998	16,804
Ebitda IFRS	449	830	1,064	1,090
Ebitda RCA	975	630	864	797
Operating profit IFRS	167	459	649	642
Operating profit RCA	693	287	464	395
Financial results IFRS	(61)	(76)	(98)	(123)
Net profit IFRS	117	347	452	433
Net profit RCA	478	213	316	251
Free cash flow	(1,129)	(63)	(912)	(667)
Capex	1,560	730	1,233	1,000
Shareholders' equity[1]	2,219	2,389	2,645	6,805
Net debt[1]	1,864	1,927	2,837	543
Net debt to equity[1]	84%	81%	107%	8%
Net debt to Ebitda RCA[1]	1.9	3.1	3.3	0.7
ROACE RCA	13%	7%	8%	6%
Earnings per share RC (€/share)	0.57	0.22	0.36	0.28
Payout ratio	56%	89%	56%	73%
Dividend per share (€/share)	0.32	0.20	0.20	0.20
Market capitalisation at 31 December	5,954	10,017	11,891	9,437

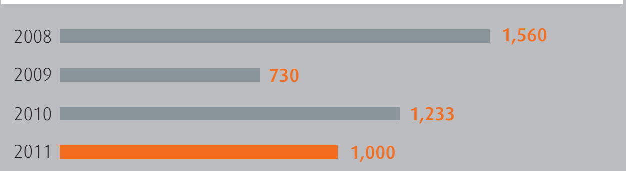
Operating profit RCA (M€)
2011: 395



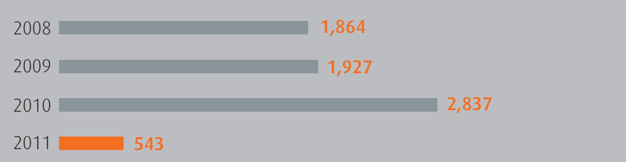
Net profit RCA (M€)
2011: 251



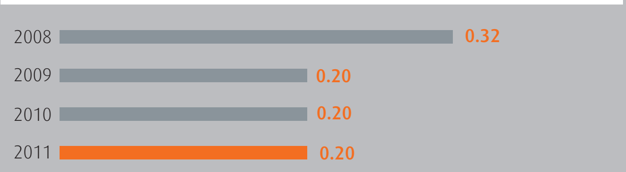
Capital expenditure (M€)
2011: 1,000



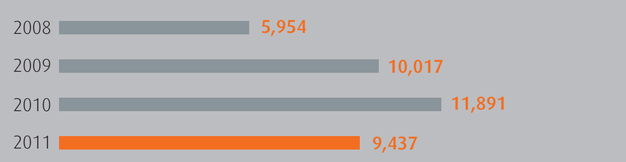
Net debt[1] (M€)
2011: 543



Dividend per share (€/share)
2011: 0.20



Market capitalisation at 31 December (M€)
2011: 9,437



Note: results classified as replacement cost adjusted (RCA) exclude gains and losses from the inventory effect or non-recurrent events; in the case of results classified as replacement cost (RC) only the inventory effect has been excluded. These results have not been audited.

[1] 2011 figures on a *pro forma* basis, i.e., considering the capital increase at Petrogal Brasil and subsequent loan to Sinopec.

02 · ACTIVITIES

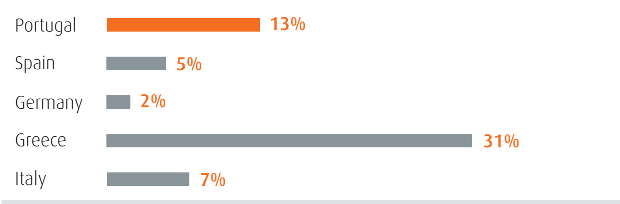
2.1 Market environment

In 2011, the oil and gas sector was strongly influenced by the international environment, which affected both the price and demand for these commodities. The Arab Spring prompted instability in Northern Africa, which reduced the supply of light oil and drove the price of this commodity upwards. On the other hand, the measures taken by several Eurozone countries to adjust their economies following the sovereign debt crisis slowed down the pace of economic activity, thereby lowering demand for oil products in Europe.

Sovereign debt crisis in the Eurozone

The accumulation of severe budget imbalances led to a rapid rise in the government debt of peripheral Eurozone countries, namely Greece, Ireland and Portugal, which were forced to request external support to avert financial collapse. The unresolved sovereign debt issue led to the contagion of other countries such as Spain and Italy, whose 10-year government bond yields rose up to 7%, considered to be an unsustainable borrowing cost.

Ten-year government bond yield at the end of 2011



Source: Bloomberg

In April, the Portuguese government reached out for external support, which would subsequently lead the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) to make available a financial package of 78 billion euros. In exchange for this bailout, Portugal was forced to apply a range of austerity measures designed to contain the government budget deficit and restore competitiveness to the economy. The adopted measures depressed economic activity, contributing to lower demand for oil products.

Money supply expansion in OECD

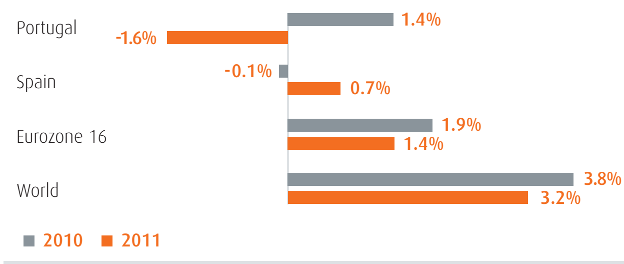
To counter deflationary pressures and stimulate the anaemic economies of most countries of the Organisation for Economic Co-operation and Development (OECD), monetary authorities pumped liquidity into the banking system after exhausting their ability to lower benchmark interest rates, which reached values close to zero. In spite of these stimuli, inflation rates in the Eurozone (1.4%), in the United States (2.1%), and in Japan (-1.5%), remained below target levels.

Slowdown in economic growth

The budgetary restraints forced upon Eurozone member-states contributed to limiting 2011 gross domestic product (GDP) growth in the Eurozone to 1.4%, down from 1.9% a year earlier. While the US (United States) economy grew 1.7%, the Chinese economy, soon to become the world's largest producer of goods and services, grew close to 9.3%, which boosted the demand for energy. The Japanese economy had an effect on global growth when its economic growth decelerated, with a growth of only 0.1%, following the natural disasters and the ensuing nuclear accident in March 2011.

The fact that Chinese and US economic growth was above that in the Eurozone contributed to global economic growth of approximately 3.2% in 2011, down from the pace of growth in 2010.

GDP growth rate



Source: Eurostat and World Bank

Deteriorating Iberian economies

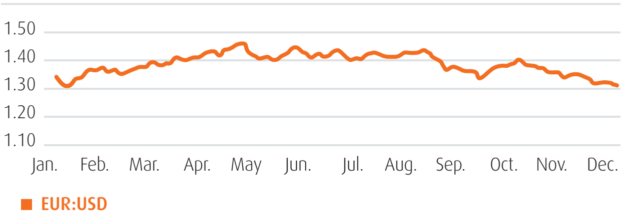
In 2011, the Portuguese and Spanish economies were affected by the sovereign debt crisis in the Eurozone. After having grown 1.4% in 2010, real Portuguese GDP (gross domestic product) contracted 1.6% as government austerity measures hit consumer expenditure.

In Spain, despite the steep rise in government bond yields, the economy grew 0.7% in 2011, after having contracted 0.1% in 2010.

Depreciation of the euro against the dollar

In 2011, the average euro / dollar exchange rate of 1.39 was 5% higher than in 2010. The single currency appreciated in the first half of 2011 but followed a downward path in the second half. The minimum in the year of 1.29 was reached in January whereas the maximum of 1.49 was hit in May, when the details of the package for financial assistance to Portugal were defined. From August onwards, after the US Congress raised the federal government debt limit, the euro started depreciating as fears mounted that the sovereign debt crisis could spread to other Eurozone economies. At the year's close, the exchange rate was at 1.30, very close to the January lows.

The euro/ dollar exchange rate in 2011



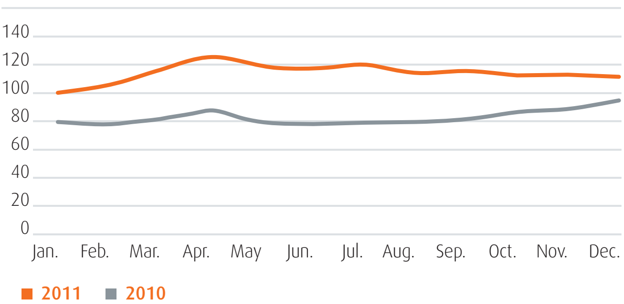
Source: Bloomberg

Stable crude oil prices

The price of dated Brent was affected in 2011 by turmoil in Northern Africa, particularly Egypt and Libya, where political leaders gave in to popular rebellion and stepped down from the position they had held for decades. These countries temporarily held back the supply of oil from the Organisation of Petroleum Exporting Countries (OPEC), which led to an increase in the price of the dated Brent, although production levels were eventually restored by Saudi Arabia.

The gradual world economic recovery supported the price of crude oil, which averaged around 111 dollars for barrel of oil (bbl) in 2011, or 31.8 dollars/bbl more than in 2010.

Dated Brent price evolution (USD/bbl)

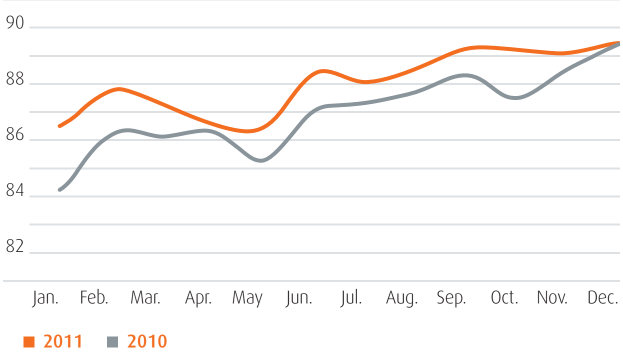


Source: Bloomberg

World oil demand also reflected the slowdown in European and US economic activity and grew 1.2% in 2011 compared with 3.2% in 2010. Daily demand averaged 88.1 million barrels (Mbbl) in 2011, up 1.0 Mbbl from 2010.

Non-OECD countries accounted for the largest share of the increase in global demand, with China and the former Soviet republics leading growth at 6.9% and 5.7%, respectively. Demand for oil in non-OECD countries rose 3.6% relative to 2010, reversing the trend in OECD countries, where it fell 0.9% after a contraction of 1.4% in Europe and 1.6% in the United States.

World oil demand (Mbopd)



Source: EIA

The spread between light and heavy crude prices averaged 2.1 dollars/bbl in 2011, 0.9 dollars/bbl higher than in 2010. This was caused by the cutback in production from Northern Africa, particularly Libya, which produces mostly light crude.

Lower growth in products demand

In 2011, growth in global demand for oil products in OECD countries slowed down 1.2%, compared with 2.0% in 2010. World demand was affected by economic deceleration in Europe and the United States, where the demand for oil products fell 2.2% and 1.5%, respectively.

Demand for diesel in Europe was hit by adverse economic conditions and fell 1.6% compared with 2010. In the United States, demand for gasoline, which represented around 45% of total country demand for oil products, decreased 2.8% despite the fact that currently, economic conditions in the United States are more favourable than in Europe.

The Iberian market for oil products contracted 4.2% to 66 mton. In both Portugal and Spain, demand was affected by the economic context that resulted, to a large extent, from the austerity measures applied by the governments of both countries. The market for oil products contracted 7% in Portugal and 4% in Spain. Contracting demand in the Iberian Peninsula stemmed primarily from the 7% fall in the demand for both gasoline and diesel. The demand for jet, however, rose 6%.

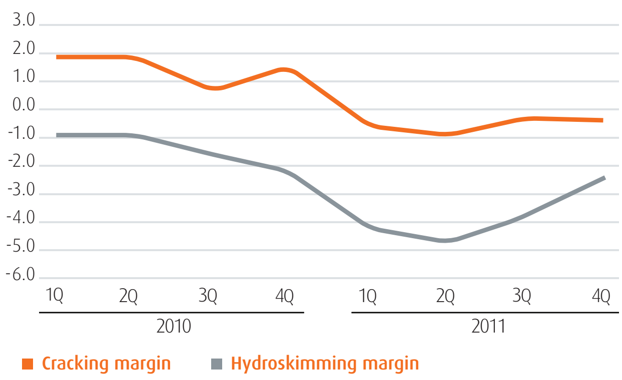
Matosinhos refinery

Refining margins under pressure

In 2011, cracking and hydroskimming margins fell compared with 2010. This was primarily due to the price of dated Brent in the year and the lower demand for oil products.

The average cracking margin in 2011 was -0.6 dollars/bbl, down 2.1 dollars/bbl from 2010. This was mainly due to the decline in the gasoline crack spread relative to 2010 as the price of dated Brent rose in early 2011. Demand for gasoline fell in the year with inventories piling up, particularly at the end of the year. The hydroskimming margin also followed a downward trend in 2011, from -1.5 dollars/bbl in 2010 to -3.9 dollars/bbl. This decline resulted mainly from the 3.5 dollars/bbl fall in the fuel oil crack spread relative to 2010 in the wake of the rising price of dated Brent in 2011.

Quarterly readings of benchmark refining margins (USD/bbl)



Source: Platts

Divergent trends in natural gas markets

World demand for natural gas has risen in the last few years. The nuclear accident at Japan's Fukushima plant in 2011 drove up demand for natural gas, particularly liquefied natural gas (LNG), and prompted plans for the replacement of nuclear energy by other sources of energy which might impact the demand for natural gas in the long run. In 2011, global gas demand rose 1.3% relative to 2010.

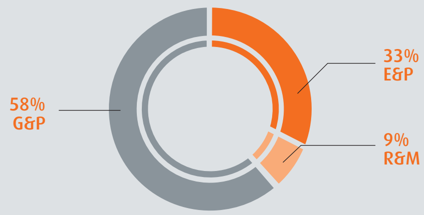
Conversely, the demand for natural gas on the Iberian Peninsula declined 6% in 2011, compared with the previous year. In Portugal, demand was 4,886 Mm^3, in-line with 2010. This followed higher demand by the power sector, namely the increased consumption from the new CCGT in Pego. On the other hand, in Spain, natural gas demand fell 7% from 2010, particularly due to the reduction of 19% of consumption from the power sector, following higher power generation from wind and hydro sources.

2.2 Exploration & Production


Tômbua-Lândana CPT platform
© Jan Berghuis

The Exploration & Production business is currently the Company's main pillar for value creation through its presence in some of the most promising basins worldwide. Galp Energia's exploration and production portfolio is focused on the Atlantic axis, in Angola and Brazil, as well as in the East African region, in Mozambique, where the scale of the natural gas discoveries will support sustained prodution growth in the coming years.

Galp Energia's RCA operating profit in 2011 by segment



MAIN INDICATORS

	2008	2009	2010	2011
Average working interest production (kboepd)	15.1	14.7	19.5	20.8
Average net entitlement production (kboepd)	10.0	9.7	11.8	12.1
Average sale price (USD/boe)	96.9	59.8	75.3	107.1
Opex (USD/boe)	9.0	10.5	10.4	15.9
DD&A (USD/boe)	24.0	17.3	29.5	34.0
Ebitda RCA (M€)	208	112	186	251
Operating profit RCA (M€)	141	67	61	130
Capital expenditure (M€)	196	193	341	299

MAIN EVENTS IN 2011

Net entitlement reserves (3P) amounted, at the end of 2011, to 709 Mboe, more than 24% above the 2010 figure; contingent resources (3C) and exploration resources (mean estimate unrisked) were also higher in 2011, reaching 2,672 Mboe and 2,821 Mboe, respectively.

First year of the Lula field development, offshore Brazil, marked by the connection of two additional producing wells and one gas injection well to the FPSO (floating, production, storage and offloading unit) Cidade de Angra dos Reis.

Start of the marketing of natural gas following the start of operation of the Lula-Mexilhão gas pipeline in the Santos basin.

Discovery of significant amounts of natural gas in the Rovuma basin, Mozambique.

Portfolio

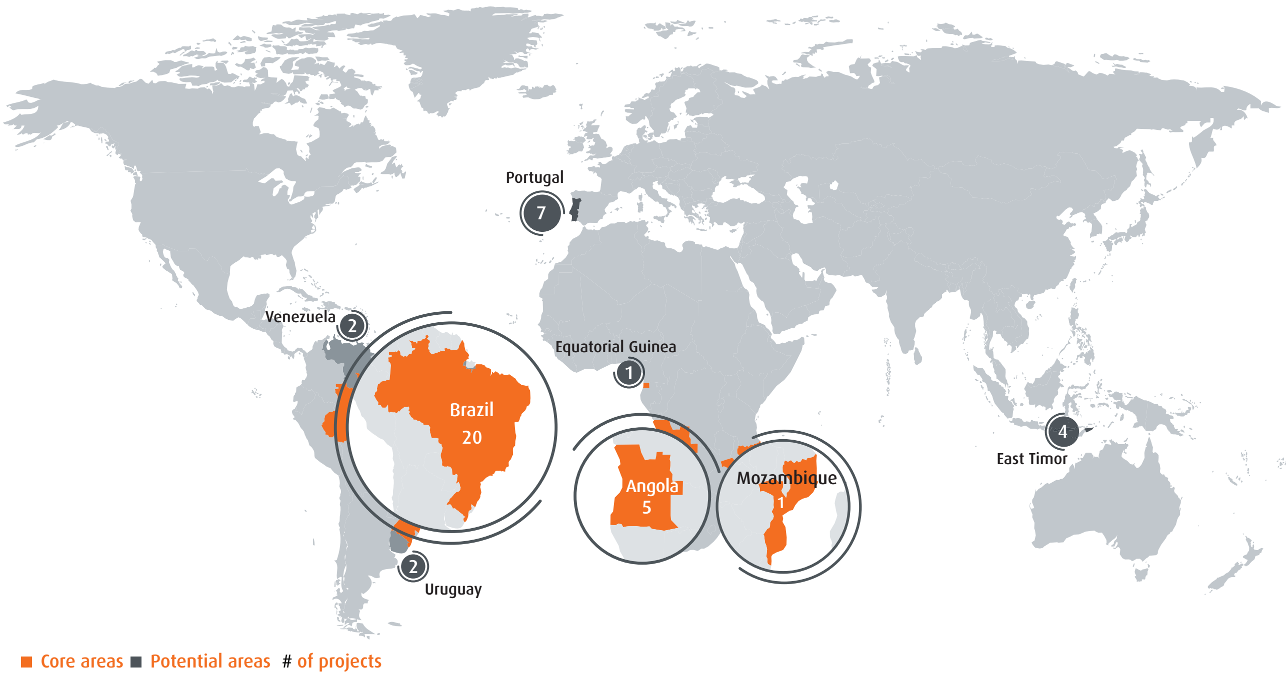
Galp Energia's portfolio includes 42 projects in different development stages, spanning four continents. Galp Energia centres its activities in three core areas – Brazil, Angola and Mozambique – and has also projects in Portugal, Uruguay, East Timor, Venezuela and Equatorial Guinea. Currently-producing projects are located in block 14, in Angola; in the Lula field in block BM-S-11 of the pre-salt Santos basin in Brazil, and, on a smaller scale, onshore Brazil.

Galp Energia's exploration and production portfolio comprises projects at different stages of exploration and development, with its most promising projects located offshore Brazil and Mozambique. As such, exploration and production activity in the coming years will be centred on the development of reserves and resources of the cluster in the Santos pre-salt basin; on the exploration and development of natural gas discoveries in Mozambique; on the exploration and development of new projects offshore Angola; and on the exploration of 112 prospects and leads, in which exploratory potential has already been identified.

It is worth mentioning that in 2011, Galp Energia had an average working interest production of 20.8 kboepd benefiting from the continuous growth in Brazilian production accounting for 19% of the total. In the years to come, this increasing trend will be reinforced with the expansion of development and production activities in Brazil.

Working interest production (kboepd)

Galp Energia's exploration and production portfolio



Strategy

The strategy of the Exploration & Production business division consists of the exploration and development of resources, which will be significant for Galp Energia's production of oil and natural gas. The size of projects and the scale of oil and natural gas resources are the foundation of the production growth and support the Company's long-term strategy. The development of existing resources will allow Galp Energia to reach production higher than 70 kboepd in 2015 and above 300 kboepd in 2020 – 15 times the production level achieved in 2011. To sustain these production levels in the future, Galp Energia considers essential to obtain further assets in the exploration phase.

To this end, Galp Energia intends to diversify its portfolio, both with oil and natural gas projects, mainly by following an organic growth strategy or by entering early-stage projects with significant exploratory potential.

Reserves and resources

The reserves and resources in Galp Energia's Exploration & Production portfolio have significantly evolved in recent years, both in size and in proportion between reserves and resources, driven by the success of the Company's exploration and production projects. Reserves and resources were certified by an independent entity, the consultants DeGolyer and MacNaughton (DeMac).

By the end of 2011, proved, probable and possible reserves (3P) reached 709 Mboe, of which 695 Mboe corresponded to the Brazilian projects in the development and production stage. This 3P reserves base reflects a 24% increase compared with the previous year, mainly due to the progress on the development and production project in the Lula field. In fact, the declaration of commerciality, submitted at the end of 2010, transformed Galp Energia's reserves base. Still in Brazil, natural gas reserves accounted, at the end of 2011, for around 14% of total reserves in that country, compared with 11% at the end of 2010, reflecting a diversification trend within Brazil.

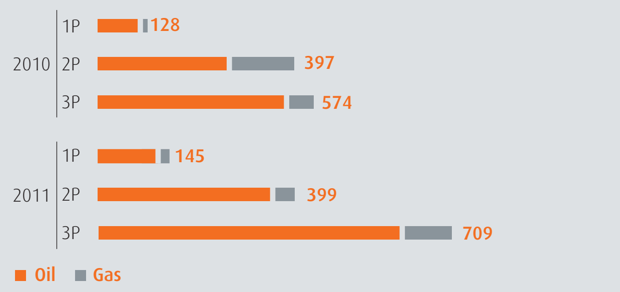
In Angola, net entitlement 3P reserves decreased in 2011 to 14 Mbbl, following an increase in the oil price used as reference for the calculation of reserves and production, which totalled 3 Mbbl on a net entitlement basis. The oil price used as reference in the year was 111 dollars/bbl, while in 2010 the reference oil price was 79.5 dollars/bbl.

By the end of 2011, the contingent 3C resources base stood at 2,672 Mboe, relative to 2,356 Mboe in 2010. This increase followed exploration and appraisal activities carried out in 2011, namely the significant natural gas discoveries in area 4 of the Rovuma basin, Mozambique. Natural gas resources accounted for 34% of contingent resources at the end of 2011, in comparison with 21% a year earlier, indicating the diversification of the Company's contingent resource base. Throughout 2011, the assets in the pre-salt in the Brazilian Santos basin maintained their high strategic importance to the Company, accounting for 78% of contingent 3C resources.

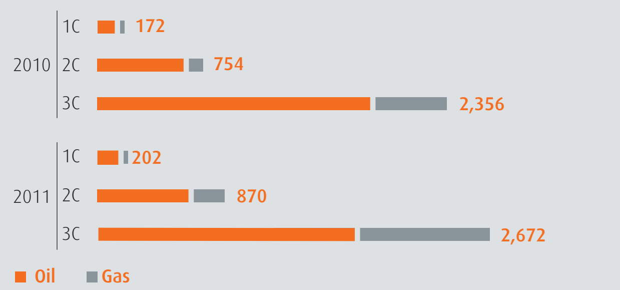
The exploration resource estimate (mean unrisked) at the end of 2011 reached 2,821 Mboe. The Company's exploration resource base is geographically spread across four continents. This amount of resources was achieved with the contribution of 112 prospects and leads previously identified through exploration activities, including acquisition, processing and seismic interpretation.

Compared with 2011, this estimate increased by 271 Mboe, due to the continuous de-risking process of Galp Energia's exploration portfolio. However, progress on some exploration projects, as in the case of area 4 in Mozambique, resulted in the incorporation of resources in the contingent category.

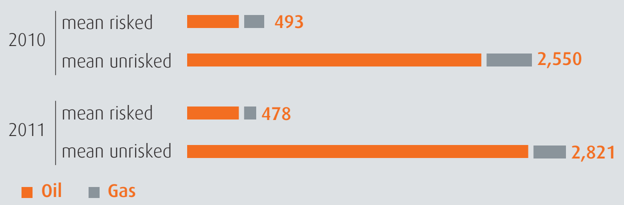
Reserves (Mboe)



Contingent resources (Mboe)



Exploration resources (Mboe)



Brazil

Basins where Galp Energia operates

Exploration and production activities in Brazil are currently the main foundation of Galp Energia's future growth in oil and natural gas production. Development and production activities are currently taking place in the Lula field, in the pre-salt of the Santos basin, while exploration activities are mostly focused on offshore areas with high potential.

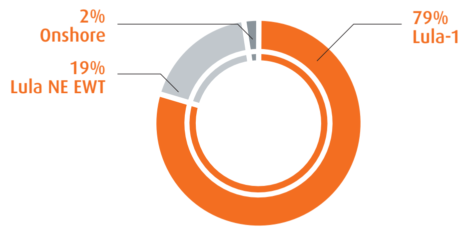
In late 2011, Galp Energia's stakes ranged from 10% to 50% in 20 exploration and production projects spread across seven sedimentary basins: 15 offshore Brazil and the remaining were onshore projects. Galp Energia has been in Brazil since 2000 through the participation in the second bidding round, partnering in all blocks with the Brazilian company Petrobras, which is the operator in every offshore block.

Galp Energia is the operator in several onshore projects in the Sergipe-Alagoas and Potiguar basins.

Production activities

During 2011, Galp Energia produced 4.0 kboepd in Brazil, 2.2 kboepd higher than a year earlier. The development of project Lula-1, with the FPSO Cidade de Angra dos Reis, made a decisive contribution to achieving this production level, which is the first production from a permanent production unit on the Lula field. The EWT (extended well test), conducted between April and November in the Lula NE field, also contributed to this progress, with an average annualized production of 0.8 kbopd. The onshore projects in the Potiguar and Sergipe-Alagoas basins, which are currently in the development and production phase, had a residual production of 0.1 kbopd. Following the start of operations of the Lula-Mexilhão gas pipeline at the end of September of 2011, Galp Energia started marketing natural gas produced in the Lula field (an average of 1.1 kboepd in the fourth quarter of 2011).

Working interest production per project in 2011



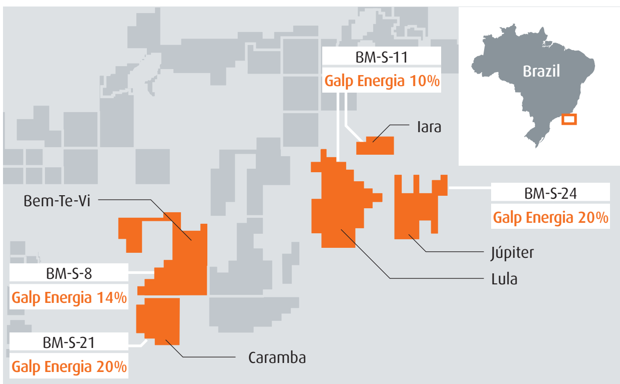
Projects in the Santos basin

Off the Brazilian coast, Galp Energia holds participations in four blocks in ultra-deep water in the pre-salt cluster of the Santos basin.

Continuous discoveries made since 2006 have made this basin a world-class province, since it holds the largest known concentration of oil and natural gas in ultra-deep water. Galp Energia has been present in this basin since 2000, namely since the initial phase of exploration, and is currently the second largest asset-holder in this basin.

Development of the Lula field

Santos basin



■ Galp Energia's blocks

By the end of 2010, after the submission of the declaration of commerciality of the Lula field, recoverable volumes of oil and natural gas were revised to 8.3 billion boe, marking the formal start of development and commercial production from that area.

The development plan for the Lula field comprises the execution of activities, prior to installation of permanent production units, aimed at maximising data on the reservoir in places where such units will be installed, including appraisal wells and extended well tests through the FPSO Cidade de São Vicente.

The operational activities in the Lula field in 2011 focused on drilling both production and injection wells in the area of the Lula-1 project, as well as on drilling appraisal wells that will later be used as producing wells, with the aim of gathering additional data on the reservoirs in both areas.

Although already in a development phase, five appraisal wells were drilled in 2011 in the Lula field, in block BM-S-11. These appraisal wells aimed to characterise reservoirs and define petrophysical parameters.

The development plan for the Lula field includes the installation of nine FPSOs by the end of 2017, which will have a combined production capacity of 1,270 kbopd.

At the end of 2011, three FPSOs had already been leased, of these, FPSO Cidade de Angra dos Reis, with a production capacity of 100 kbopd, has been producing since late 2010. In 2013, FPSO Cidade de Paraty, with a production capacity of 120 kbopd, will be installed at Lula NE, in order to develop this area. In 2014, FPSO Cidade de Mangaratiba will be set up in the Iracema South area, with a production capacity of 150 kbopd.

In addition to leasing these three units, contracting procedures for six additional FPSOs to be built in Brazil, with a production capacity of 150 kbopd each, were also started in late 2010. After awarding contracts for the construction of FPSO hulls in November 2010, several contracts for critical equipment to install topsides were awarded throughout 2011.

These units should start operating between 2015 and 2017. Construction is expected to take place in the Rio Grande shipyard, thereby maximising local content related with the development projects in the Lula field, in-line with the current Brazilian legal framework.

Lula-1 project

In 2011, two producing wells and one gas injection well were connected to the FPSO Cidade de Angra dos Reis, the first commercial-scale FPSO on the Lula field. By the end of the year, three producing wells and one gas injection well were producing on the Lula-1 project.

The connection of the gas injection well in April led to an increase in oil production from the producing well, and to improved reservoir management through gas injection. After connecting this injection well, the first producing well connected to the FPSO Cidade de Angra dos Reis increased production to 28 kbopd, exceeding initial expectations, and is currently the well with the highest production rate in Brazil.

FPSO Cidade de Angra dos Reis

At the end of September 2011, the Lula-Mexilhão gas pipeline was connected to the FPSO Cidade de Angra dos Reis. This pipeline has the capacity to transport gas produced by three FPSOs. The start of operation of this pipeline allowed for the first exports of the natural gas produced from the Lula field to onshore Brazil.

Currently, other options are being studied for the extraction and commercialisation of natural gas from the Santos basin, namely the construction of a second gas pipeline that would connect block BM-S-11 and the Cabiúnas plant, the construction of a floating liquefied natural gas (FLNG) unit as well as the construction of additional gas pipelines connected to onshore Brazil.

In 2011, the consortium for the study of the development of the FLNG project, in which Galp Energia participates, received the front-end engineering and design (FEED) projects from the companies involved (SBM Offshore, SAIPEM and TECHNIP). The final investment decision, initially scheduled for 2011, was postponed. The consortium will make the final investment decision when the analysis of the remaining options is completed.

In the Lula-1 project area, an oil producing well which is already in production, and a water and gas (WAG) injection well, which will be the second injector well within the first producing module development system, were drilled in 2011. These wells reached depths of 5,510 metres and 5,354 metres, taking 77 days and 47 days to be drilled, respectively.

The good performance achieved when drilling these wells testifies to the progress of drilling techniques in ultra-deep waters, and now serves as a benchmark for drilling new wells. The consortium now aims to lower the average well drilling time in this area to 45 days, thus reducing the investment necessary for new wells.

During the year began, the drilling of two development wells included in the area of the Lula-1 project, in particular on a producing well and a WAG (water and gas) injection well. These were still being drilled at the end of the year.

By the end of 2011, there were six rigs permanently active on the block BM-S-11, a sign of the intensity of the on-going operations.

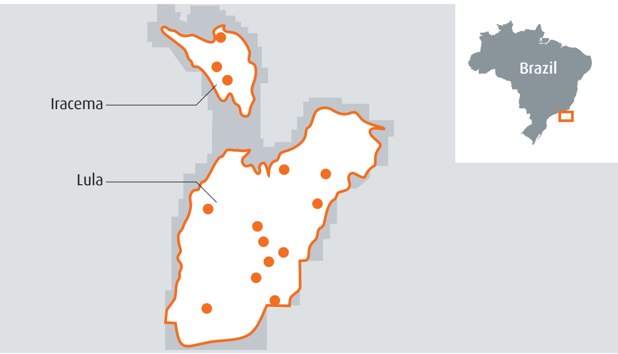
Extended well test

The EWT in the Lula NE area started late April and was completed in November. The EWT contributed to deeper knowledge in this area and 10% of its production, corresponding to Galp Energia's stake , was close to 1.0 kbopd, with a total of approximately 0.3 Mbbl in its seven months of activity. The EWT was performed through the FPSO Cidade de São Vicente, the same unit that had conducted the first EWT in the Lula field, in the pre-salt of the Santos basin.

Main exploration and appraisal activities in 2011

The Lula South well, on which drilling started in the last quarter of 2010, was completed by the end of the first quarter of 2011, with a total depth of 5,180 metres. This well proved the existence of microbial carbonate reservoirs similar to those continuing along the southeast-northeast structure of the Lula field. The proximity to the south border of the development area also allowed for the recognition and characterisation of the reservoir in a region adjacent to the so-called South of Tupi area, which is included in the onerous cession granted to Petrobras. A formation test is scheduled to take place in this well in 2012, to better characterise the dynamics of the reservoir in this area.

Lula field, in block BM-S-11



● Oil discovery

In the Lula NE area, a well was drilled to acquire reservoir data (ARD), reaching a depth of 5,400 metres.

By the end of 2011, a new ARD well was also being drilled in the area of Lula Alto, which can be used as a development well later on.

In the area of Iracema, on Lula field, the consortium proceeded with its activities of identification and characterisation of reservoirs and fluids, since the depositional conditions prior to the formation of reservoirs in the field and the relationship with generation processes, migration and retention of hydrocarbons are not completely identical to those in the Lula field – although they are similar and correlated.

In 2011, the Iracema North and Iracema South wells, which were started in 2010, were also completed. After the drilling, it was decided to carry out an EWT on Iracema South, on Lula field, which will start in the first quarter of 2012, using FPSO Cidade de São Vicente.

The Iracema Alto well was drilled with the main goal of characterising the reservoir and fluids, reaching an overall depth of 5,328 metres.

Well results confirmed that the Iracema area is an accumulation independent of the Lula field while revealing the existence of oil / water contacts, pressure gradients and different compositions of hydrocarbons.

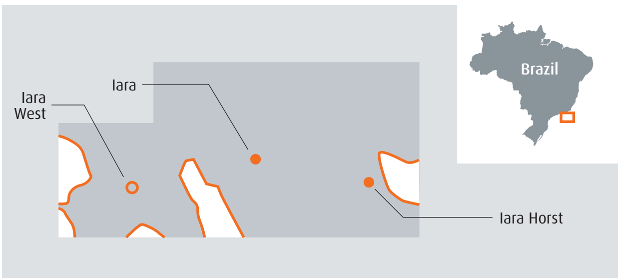
To better define reservoir properties in the north-west area of the Iracema area, the consortium started to drill an ARD well in late November, and completion is scheduled for the end of the first half of 2012.

Activities carried out in the area have confirmed the excellent qualities of the reservoir and reinforced confidence in estimated recoverable volumes.

In the Iara area, also in block BM-S-11, the consortium proceeded with the activities included in the appraisal plan, which are schedule to be completed in December 2013.

In accordance with the appraisal plan, drilling of the Iara Horst well was completed in April. The Iara Horst well is located about 8 kilometres (km) from the Iara discovery well, and reached a depth of 5,973 metres in a water depth of 2,279 metres. The results confirmed the presence of a compact reservoir and better petrophysical properties than those obtained on the first well. The thick column of oil found has a density of 28° API, similar to the one from the Iara well.

Iara area, in block BM-S-11



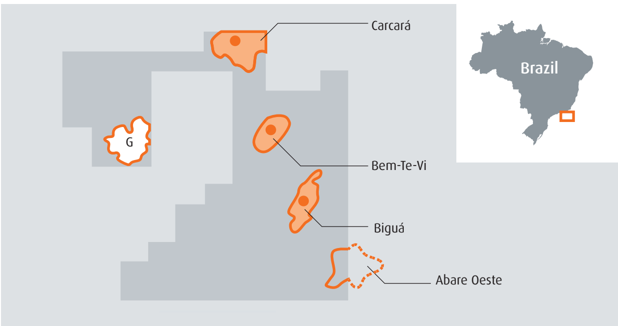
● Oil discovery ○ Well to be drilled

By the end of 2011, drilling was started on the second appraisal well, Iara West. The main purpose of this well is to investigate the continuity of the reservoir in the western part of the structure, in an area where target reservoirs may have been subject to several structural and depositional conditions as they are located at the limit of the structure. It is therefore possible that the reservoir may have better characteristics. This well should be completed in the second quarter of 2012.

The activities in the appraisal plan also comprise the drilling of two or three additional appraisal wells besides an EWT.

In block BM-S-8, the Biguá exploration well was also drilled and completed in 2011. This well is located 21 km from the Bem-Te-Vi discovery well, in an area with a water depth of 2,200 metres and at a total depth of 6,175 metres. Sampling and cable testing confirmed the presence of oil traces with good carbon quality that may be stratigraphically related to the Lula field.

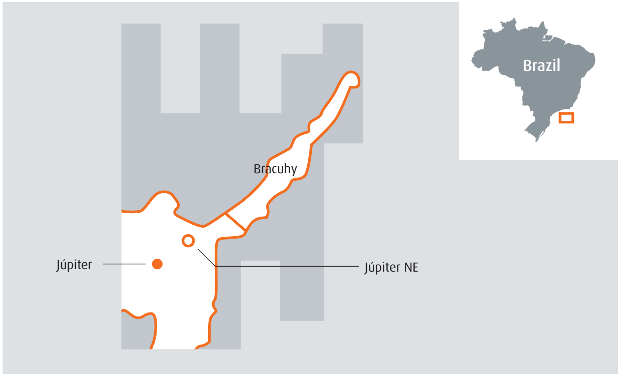
Block BM-S-8



After drilling this well, the rig was realocated to the Carcará prospect in the northern area of the same block. By the end of 2011, drilling of the well was still in progress with a target of achieving a depth of 7,300 metres. After the well result analysis, the consortium will consider whether to execute an EWT in the second half of 2012, as outlined in the appraisal plan.

In block BM-S-24, also located in ultra-deep waters in the Santos basin, the location for a new well, Júpiter NE, was decided following the seismic reprocessing and data interpretation in 2010. Although initially scheduled for 2011, the drilling of the well was postponed to 2012 due to the limited availability of drilling rigs for ultra-deep water.

Block BM-S-24



In block BM-S-21, activities in 2011 focused on the processing and interpretation of the 3D seismic acquired in 2010, which aimed to identify new prospects to drill.

Other offshore projects

Galp Energia holds a 20% stake in an offshore block located in the Espírito Santo basin and in which, in 2010, the Ambrósia well was drilled, reaching reservoirs that did not contain hydrocarbons. In 2011, the consortium decided to proceed to a second exploration period and committed to drilling an additional appraisal well.

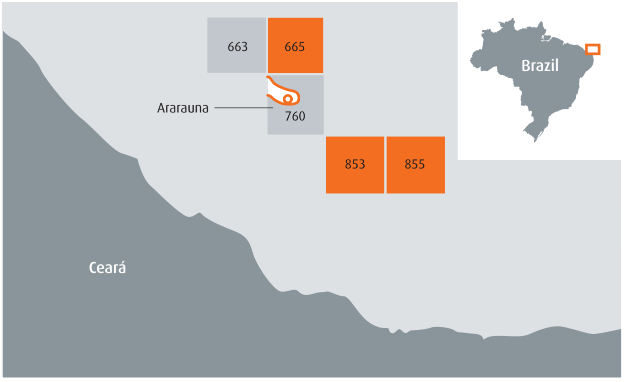
This new exploration well, initially scheduled for 2011, was postponed to 2012, benefiting from an extended deadline by the Brazilian national agency for oil, natural gas and biofuels (ANP), which expanded the exploration period to December 2012. The second exploration well from block BM-ES-31, which aims to investigate the prospect Boca Maldita, will be drilled in the second quarter of 2012.

In the offshore Potiguar basin, Galp Energia holds a 20% stake in two consortia operated by Petrobras, consisting of five blocks in deep waters.

The drilling of the first exploratory well in block POT-M-760 was initially scheduled for 2011. This well aims to investigate a prospect named Araruna through target reservoirs of turbiditic nature, from the Albian-Cenomanian age. Drilling of this well will start in the second half of 2012.

Although the consortium already had a rig contracted, the well was not drilled in 2011 following a delay in the issuing of the licence by the environmental authorities. As a result of this constraint, the consortium requested an extended deadline for the first exploration period of the BM-POT-16 contract, initially scheduled for January 2012. ANP (the Brazilian national agency for oil, natural gas and biofuels) accepted this request, with the deadline for the first exploration period now suspended and without a determined date.

Potiguar offshore basin



Well to be drilled ■ BM-POT-16 ■ BM-POT-17

After assessing the exploratory opportunities of the BM-POT-17 contract, the consortium expressed to the ANP its intention to proceed to the second exploration period, which will begin in January 2012 and will last for two years. The drilling of that structure is scheduled for 2013.

In March 2011, the consortium for block C-M-593, located in the shallow waters of the Campos basin, and in which Galp Energia holds a 15% stake, exercised its option to proceed to the second exploration period, committing to drill an exploration well until March 2013. Several prospects were identified in this block, and it is likely that an exploration well will be drilled in the Obsidiana prospect. This well is scheduled to be drilled in the second half of 2012.

The Pernambuco-Paraíba basin is one of the basins located along Brazil's offshore and there is little known about it. Galp Energia has a 20% stake in three blocks, in partnership with Petrobras. It is located in the northern part of the alignment of the rift type basins related to the opening of the South Atlantic. In 2011, data from the 3D seismic campaign, acquired in 2010, was processed. The results of this first data processing were not satisfactory and, as such, the data is being reprocessed in order to allow a better visualisation of the ultra-deep section of this basin, where, conceptually, there may be an active oil system and there may be structures with the potential to retain relevant hydrocarbons.

In the shallow waters of the Santos basin, the consortium where Galp Energia held a 20% stake in three blocks in partnership with Petrobras and Queiroz Galvão, an exploration well was drilled in 2011 in the Enseada structure, identified in block BM-S-76. This well reached a final depth of 4,254 metres and, although gaseous hydrocarbons were detected, there were no reservoirs identified as potential producers. This result led the consortium to abandon this project at the end of the first exploration period and to return the three exploratory blocks to ANP.

Onshore projects

Galp Energia participates in hydrocarbon exploration and production projects in three onshore basins: Sergipe-Alagoas, Potiguar and Amazonas. The Company operates a field and an appraisal plan in the Sergipe-Alagoas basin, and four fields and three exploration blocks in the Potiguar basin. Galp Energia sees its participation on onshore operations as a way to obtain experience as an operator.

In the Potiguar basin, drilling activities and the acquisition of new 3D seismic data continued in 2011. In the Andorinha and Andorinha South fields, the production of oil began in 2011, and represented the first production in a field discovered and operated by Galp Energia. By the end of the year, the accumulated production from three wells reached 50 kbbl. The development activities in the Sanhaçu field, in blocks operated by Petrobras, suffered some delays. Production is scheduled to start in the first quarter of 2012. Exploration and appraisal activities will continue in the remaining areas of this basin.

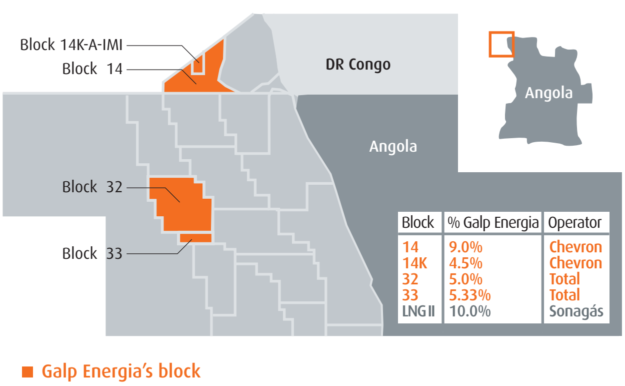
In the Sergipe-Alagoas basin, following the discovery in Sati of a small gas accumulation for which a declaration of commerciality was submitted and which was named Dó-Ré-Mi field, a development plan was approved in 2011. The completion of the well, which will enable the start of the production phase, is scheduled for the first quarter of 2012. Along with the activities of exploration and appraisal of hydrocarbons, an intensive programme of data acquisition was developed to define the complementary programme for the assessment of the Brahma structure. Infrastructure was designed and built for the appraisal of the potential of this area, to ensure the start of an EWT in 2012. If natural gas production reaches the expected amounts, it will be used for power generation.

In the Amazonas basin, where Galp Energia has a 40% stake in three blocks, a seismic acquisition campaign started in 2011, and this requires a complex logistical process due to the potential environmental impact and the characteristics of the ground in this region. An exploratory drilling campaign is scheduled to start at the end of 2012. The first exploration period will end in 2014 with the drilling of six exploration wells, among other activities to be carried out during this period.

Angola

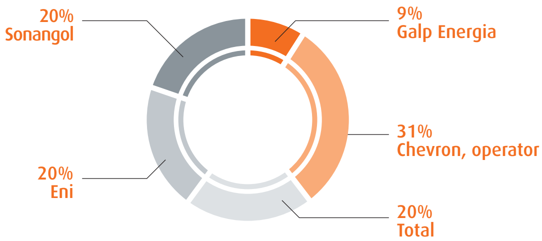
Galp Energia has been involved in exploration and production activities in Angola since 1982, having initially participated in the exploration of the Safueiro field. The Company currently participates in exploration and oil production in four offshore blocks – block 14, block 14K-A-IMI (Lianzi), block 32 and block 33 – and also on an integrated natural gas exploration and production project with Sonagás. Galp Energia's oil production in Angola is focused on its activities in block 14, which accounted for 81% of the Company's working interest production in 2011. There are three fields currently in production, the FPSO on Kuito, the BBLT (Benguela-Belize-Lobito-Tomboco) platform and the compliant piled tower (CPT) on TL (Tômbua-Lândana).

Oil concessions in Angola



Block 14 remains the greatest contributor to Galp Energia's oil production and it is the Company's sole producing block in the African continent. This block, where Galp Energia has been producing oil since December 1999, is composed of eight development areas: Kuito, BBLT, TL, Negage, Gabela, Malange, Lucapa and Menongue. The first three development areas correspond to the fields currently in production. Galp Energia is proceeding with its programme for development of the Negage, Gabela, Lucapa, Malange and Menongue areas.

Consortium of block 14



In the development of the exploration and production portfolio in Angola, Galp Energia elaborated on the exploration and development plan for 2012, which will cover the areas in block 14, block 32, block 33 and the Sonagás project, totaling 16 wells, for exploration, appraisal and development.

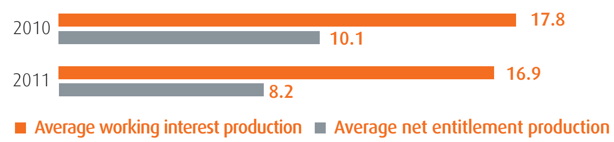
Production and development

In 2011, Galp Energia had an average working interest production of 16.9 kbopd in Angola, 5% below the level of production in 2010. This fall is essentially due to the natural decline of the more mature fields in block 14, mitigated by the rise in the production from the Tômbua-Lândana field.

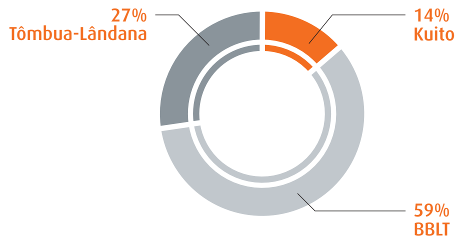
The BBLT field produced 9.9 kbopd, or 59% of the total working interest production in Angola.

In 2011, the average net entitlement production was 8.2 kbopd, 19% less than in 2010. This decrease followed the trend of working interest production, reflecting the decline of production in the Kuito and BBLT fields on the one hand, and, on the other hand, the lower cost oil rates, related to the cost recovery mechanisms of production sharing agreements (PSA) for the Kuito and BBLT fields, with the higher oil price.

Production (kbopd)



Working interest production by field in 2011



In 2011, 4D seismic data acquired in 2010 was processed in order to establish a complementary development plan for the BBLT complex. A new portfolio of prospects was put together based on the gathered data.

Galp Energia's employee at Kuito FPSO

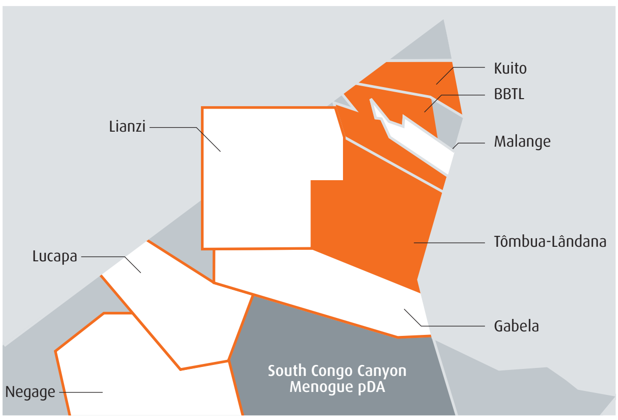
In 2011, the drilling rig incorporated in the BBLT tower was also successfully used for necessary tasks relating to the operational recertification process. Three development wells were also drilled, of which one is in the Kuito development area. Findings obtained from the 4D seismic interpretation will allow a drilling campaign of new development wells in 2012.

In 2011, the technical and economic feasibility studies on the Kuito field continued in order to identify the most appropriate solution for extending the life of the field. It was decided to maintain production on this FPSO until 2014, when the operational certification expires. By the end of the year, as laid down in the concession contract, a fund for the abandonment of the field was created.

The CPT production field, in the TL area, is located about 80 km off the coast, in water depth of approximately 366 metres. The production peak of 54 kbopd was reached in March 2011. Throughout the year, three producing wells and two water injection wells featured in the development plan were drilled. Drilling of six additional wells, of which three are injectors and three producers, was scheduled for 2012. 3D/4D seismic acquisition and processing in the area of this producing field were also scheduled for 2012, in order to refine the reservoirs management models.

In block 14, Galp Energia proceeded with activities that will allow the development of areas that are still not in production.

Main areas in blocks 14 and 14K in Angola



Development areas | Provisional DA's | Production areas

In Lucapa, studies proceeded on the optimal development concept of this field, resulting in the selection of an FPSO unit to develop the field. Studies conducted in 2011 enabled the approval of a FEED (front-end engineering and design) contract in the first quarter of 2012.

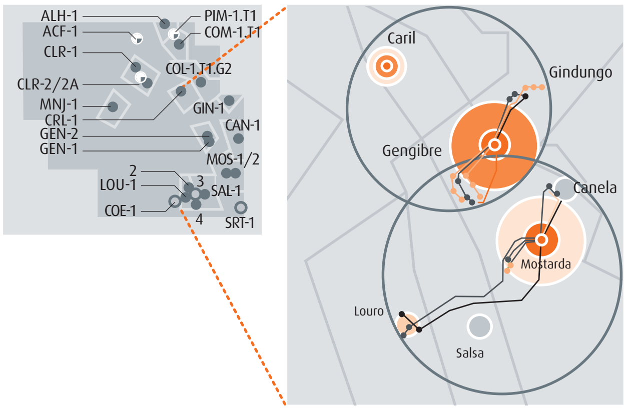
In the area of Malange, after the drilling of the Malange-2 well in 2009 and 2010, a Declaration of Commercial Discovery was issued and the development plan for the discovery was presented, with the definition of the development area currently being studied. The start of engineering studies (pre-FEED and FEED) is scheduled for 2012.

In the Gabela field, the technical appraisals made jointly with the concession holder continued in 2011 in order to find an economically viable solution for the development of that discovery. In this context, the operator of block 14 presented to the concession holder a request for the merger of the development area of Gabela with the area of Tômbua-Lândana. As a result, an extension of the first production of oil in this development area until 2018 was approved by the concession holder.

Regarding the Negage field and the Menongue discovery, Galp Energia is currently waiting for the outcome of negotiations with the concession holder representing the interest of the governments of the Democratic Republic of the Congo and Angola regarding the common interest zone (CIZ).

In 2011, in block Lianzi (14K-A-IMI), the preparation of studies on the development plan of the discovery and the respective execution and contracting plan was completed. The FEED for the construction project was completed. The chosen technical option for the development of the project was the connection of that discovery to the BBLT platform. The final investment decision is only waiting on confirmation from the authorities from Angola and Congo for the production-sharing and tax agreements. The project is scheduled to start in 2012.

Block 32: main discoveries and development areas



Oil discovery

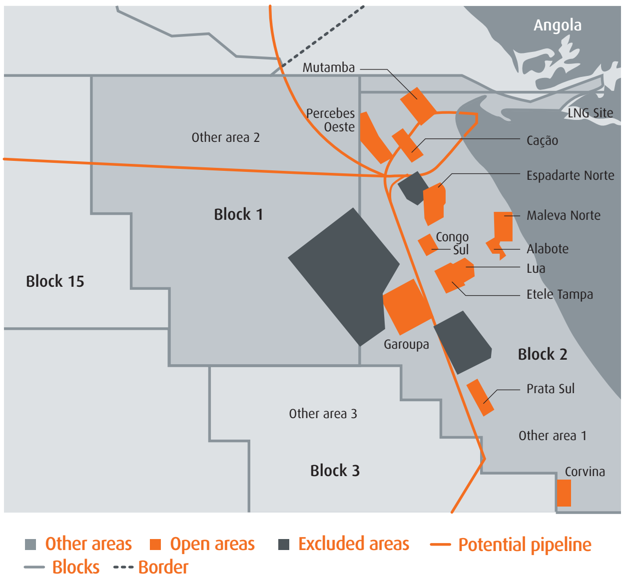
In 2011, drilling of the Mostarda-3 well in block 32 was completed, which aimed to verify the extension of the reservoir in the South-east region of the development area. The concept of a split hub for the development of the area of Kaombo had already been approved in 2010. Also in 2011, a study proceeded on the tie-back of the Alhos and Cominhos discoveries to a production field of a block adjacent to block 32. A FEED in the area of Kaombo and the drilling of another appraisal well are scheduled to 2012. By the end of 2011, the potential extent of the exploration stage was being negotiated with the concession holder.

Exploration

In 2012, the consortium intends to launch a drilling campaign within the development areas of block 14 of at least two wells, which will aim to identify new reserves relating to Pinda prospects similar to the ones discovered in the Malange field. To this end, several studies were carried out in 2011 on geology, geophysics and well engineering, which will support this exploration campaign.

In block 33, geological and seismic reprocessing studies were completed in 2011 to support a seismic acquisition programme in 2012. Based on these studies and the prospects for the Calulu area, the drilling of a new well, the Sumatê-1 prospect, was approved, and will be drilled in the first half of 2012.

Integrated gas project in Angola



Since the end of 2007, Galp Energia has been participating in the consortium for the development of the first integrated project of natural gas in Angola, with Sonagás as the operator of the project. Galp Energia holds a 10% stake in the consortium that also comprises Eni (20%), Gas Natural (20%), Exem (10%), and the operator Sonagás (40%).

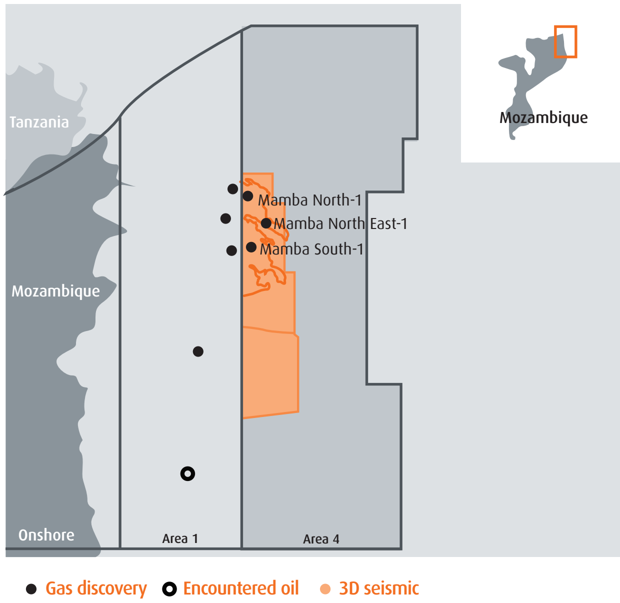
In 2011, the drilling of the Garoupa-2A well was completed. This well was still being drilled at the end of 2010 and the initial expectations of the existence of natural gas resources were confirmed. In the last quarter of the year, the Garoupa Norte-1A well was also drilled and the Etele-Tampa-7 well started to be drilled. In 2012, drilling of natural gas exploration wells will proceed.

Mozambique

In 2011, the start of drilling activities in area 4 of the Rovuma basin offshore Mozambique, in which Galp Energia has a 10% stake, revealed several natural gas discoveries of significant scale, and which exceeded pre-drill expectations. The significant natural gas volumes discovered made the Rovuma basin a world-class natural gas province.

The consortium continued its exploration plan in 2011, which included, among other activities, two 3D seismic acquisitions of 1,047 km² and 1,520 km², respectively. The seismic interpretation identified several prospects which were selected considering both their potential and associated risks.

Main discoveries in area 4 of the Rovuma basin



In 2011, two exploration wells were drilled, the Mamba South-1 and the Mamba North-1. The Mamba South-1 well was drilled in a water depth of 1,585 metres, 40 km off the coast of Cabo Delgado, in northern area 4, reaching a total depth of 5,000 metres. The well found a natural gas reservoir of 212 metres in high-quality Oligocene sands and 90 metres of gross pay in good quality Eocene sands. Combined volumes of natural gas in place amount to 22.5 Tcf. The results from this well far exceeded pre-drill expectations, and this discovery is one of the largest natural gas discoveries in recent years.

Mamba North-1 well, located 22 km north from the Mamba South-1 well, also started to be drilled in 2011, with completion in the beginning of 2012. Volumes of natural gas in place in Mamba North are estimated to be 7.5 Tcf. In the beginning of 2012 it was drilled the third exploration well, the Mamba North East-1, that increased the resource base of the reservoirs inside area 4 by at least 10 Tcf, of which 8 Tcf are contained in reservoirs exclusively located in this area. This new discovery further improves the potential of the Mamba complex to at least 40 Tcf of gas in place.

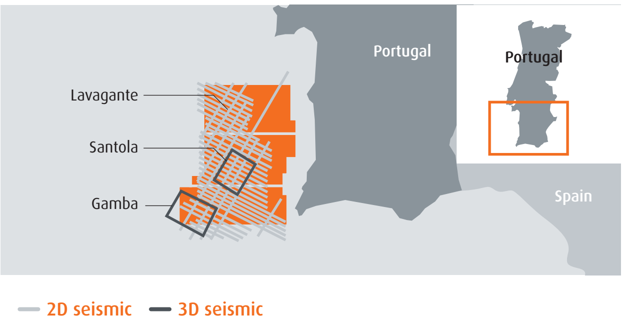
These wells marked the start of an intensive drilling campaign for exploration and appraisal of hydrocarbons that will be developed in 2012 with the drilling of four new wells in the region, of which two are appraisal wells in the Mamba structure, and will lead to a better understanding of the unprecedented potential of the tertiary age play in area 4 of the Rovuma basin.

Alongside these exploration activities, studies on potential solutions for the phase of development and production of natural gas resources were started through several appraisal studies for LNG (liquified natural gas) multi-train development scenarios. In the first stage, to begin as soon as in 2018, it is planned to supply India, China, Japan and other Southeast Asian countries, given the geographic position of the basin.

Portugal

Galp Energia has a 30% stake in four blocks in the Peniche basin and a 50% stake in 3 blocks in the Alentejo basin. Petrobras is the operator, with a 50% stake in both consortia.

2D and 3D seismic acquisition in the Alentejo basin



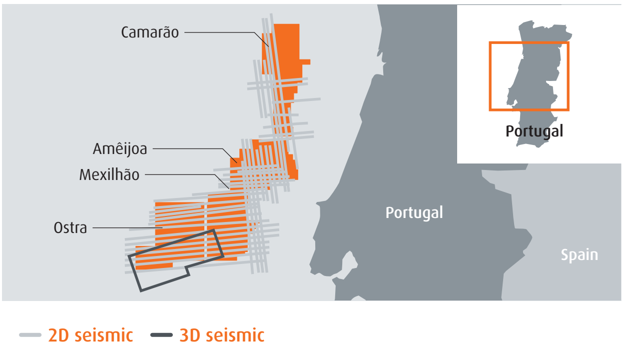
In 2011, the activity in the Alentejo basin focused on 3D seismic acquisition in the most prospective areas of the concession. The consortium continued geological and geophysical studies of existing data. The 3D seismic acquisition started in the Gamba block in August 2011 and was completed by the end of September, covering an area of 986 km². In block Santola, the 3D seismic campaign planned for an area of 792 km² was interrupted at 75% of the initially planned area due to adverse sea conditions. Its completion is scheduled for 2012. A 2D seismic line of 32 km between the two areas of 3D seismic acquisition was also conducted.

In 2011, processing of previously acquired seismic data started, and this should be completed in 2012. In the first quarter of 2012, an acquisition campaign of seabed coring will be conducted with samples below the seabed (37 points overall), to help in the study of generation, maturing and migration of hydrocarbons in the basin.


Seismic shooting support boat

In 2012, after interpreting all collected data, the consortium will be ready to make a decision about moving on to the following stage of exploration, which involves drilling an exploration well in this area.

2D and 3D seismic acquisition in the Peniche basin



In the Peniche basin, after the completion of the 3D seismic acquisition by the end of December 2010, studies performed in 2011 mainly focused on processing seismic 3D from the Ostra and Mexilhão blocks, while the consortium is waiting for the completion of in depth reprocessing of 30 2D lines acquired in 2008 (1,875 km) in the Camarão and Amêijoa blocks. Activities also included geological studies carried out to expand knowledge on the depositional model, stratigraphy, tectonic evolution and also on the oil system. These activities will be completed in 2012.

In 2012, a campaign scheduled for the acquisition of seabed coring, and subsea samples (55 points overall) will provide deeper understanding of the generation, maturing and migration of hydrocarbons in this area.

The outcome of the interpretation and integration of all existing data will allow the consortium to mature identified prospects and decide, in 2012, on whether to move on to the next phase of exploration. This phase will begin in 2013 and shall consist of drilling an exploration well.

East Timor

Galp Energia has a 10% stake in exploration and production activities in East Timor in the B, C, E and H offshore blocks.

The exploration period for these blocks will be completed in November 2013. By the end of 2010, following several geological studies which included the collection of subsea samples, seabed cores and 2D and 3D seismic interpretation, the first exploration well was drilled in block C, and the appraisal during 2011 concluded it was a non-commercial well. Nevertheless, this well was essential to collect information that will be important in making decisions on subsequent exploratory activities in this area.

Uruguay

Galp Energia secured access to two offshore areas in the Punta del Este basin in Uruguay, following the first bidding round for offshore licences in the country, in 2009. Areas 3 and 4 of the Punta del Este basin were awarded to the consortium in which Galp Energia participates. The Company has a 20% stake in both consortia, which also include Petrobras and YPF, which have a 40% stake each. Petrobras is the operator of area 4 and YPF the operator of area 3.

After signing the PSA (production-sharing agreements) in February 2010, studies focused on the interpretation of 2D seismic data acquired for the two blocks. Consequently, several leads were identified to support the 2012 execution of geological studies on the formation of the basin. According to the agreed schedule, the acquisition of 3D seismic data will be decided in the second half of 2012.

Areas 3 and 4 offshore Uruguay

Equatorial Guinea

Galp Energia is participating in an integrated natural gas project in Equatorial Guinea. In 2011, Galp Energia acquired part of E.ON Ruhrgas equity holding, expanding its 5% stake to 15%. The government of Equatorial Guinea also defined the general framework of the project, and the feasibility study will be completed in 2012.

Venezuela

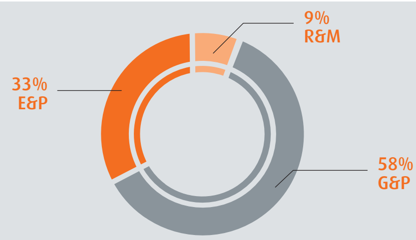
In 2011, Galp Energia maintained its partnership with Venezuela's state-owned oil company PDVSA in the certification project of reservoirs in block Boyacá 6, and the LNG projects targeting natural gas from the Deltana and Mariscal Sucre platforms. In late 2011, these projects were under evaluation.

2.3 Refining & Marketing

Matosinhos refinery

In the Refining & Marketing business segment, Galp Energia integrates several components of the oil value chain, from procurement of crude oil to marketing of oil products to the final client. The Company has two refineries in Portugal whose refined products are primarily marketed across Galp Energia's distribution network, which covers the Iberian Peninsula and part of Africa.

Galp Energia's RCA operating profit in 2011 by segment



MAIN INDICATORS

	2008	2009	2010	2011
Crude processed (kbopd)	245	213	232	209
Galp Energia refining margin (USD/bbl)	4.4	1.5	2.6	0.6
Refineries net operating costs (USD/bbl)	2.2	2.1	2.1	2.3
Refined products sales (Mton)	16.6	17.3	17.3	16.3
Sales to direct clients (Mton)	10.1	11.7	11.0	10.5
Number of service stations	1,605	1,549	1,539	1,502
Number of convenience stores	493	536	589	595
Ebitda RCA (M€)	540	295	403	244
Operating profit RCA (M€)	373	79	210	23
Capital expenditure (M€)	1,245	456	800	641

MAIN EVENTS IN 2011

Start-up of the new units at the Matosinhos refinery and entry into the final stage of the total capital expenditure of 1.4 billion euros allocated to the upgrade of both refineries.

Continued integration of the distribution of oil products within the Iberian Peninsula and expansion of this activity in Africa.

Implementation of measures to streamline the distribution of oil products and raise the efficiency of this business in a difficult economic environment.

Strategy

Strategy execution in the Refining & Marketing business segment is based on a refining system that, after the upgrade of both refineries, is better suited to the demand pattern in the Iberian market. The strategy of this business is also based on the optimisation of marketing activities through streamlined operations, which is the path to greater effectiveness and higher return on invested capital. Stable revenues and cash flows from the Refining & Marketing business is another pillar of the Company's strategy and one that is expected to contribute to funding and to the expansion of Galp Energia's activities in its other business segments.

In 2011, Galp Energia progressed towards achieving its goals for the Refining & Marketing business segment. The capital expenditure in the upgrade project in the Matosinhos refinery was completed and, in the Sines refinery, it reached its final stage, and important steps towards resource rationalisation were taken. Start-up of the project is scheduled for mid-2012, when operations are expected to start at Sines. Thereafter, Galp Energia will have a modern and integrated refining system.

Procurement and refining

Galp Energia has a refining system consisting of two refineries on Portugal's western seaboard with a combined processing capacity of 330 kbopd split between 220 kbopd at the Sines refinery and 110 kbopd at the Matosinhos refinery.

In 2011, the trading of oil, oil products and chemicals was consolidated by the setting-up of a subsidiary in Geneva. This subsidiary reinforced Galp Energia's pool of skills for increasing interaction with international markets.

Procurement

Galp Energia imports oil from 12 countries, which it refines for the production of several products which it markets – mostly gasoline and middle distillates.

In 2011, Galp Energia bought 76.9 million barrels of crude oil. Sweet crude, with low sulphur content, accounted for 65% of total crude purchases. The crude mix is computed by applying a model that optimises production to maximise the refining margin.

Galp Energia maintained its diverse supply sources within the African west coast – Angola, Nigeria, Equatorial Guinea and Cameroon – retaining its leadership position with 37% of total oil imports. Although Libyan supplies were temporarily interrupted in 2011, the Company's procurement of crude oil was not affected. In fact, the diversity of supply sources allowed the Libyan shortfall to be offset, namely by Saudi Arabia's stepped-up production.

Origin of imported crude in 2011

The balance between the production profile and the demand pattern in Galp Energia's primary markets requires the import of oil products to ensure that the market is adequately supplied. Most important are diesel imports, which totalled 319 kton in 2011. After completion of the refinery upgrade project, Galp Energia will no longer need to import diesel as it will have considerably increased its own production of this product.

Refining

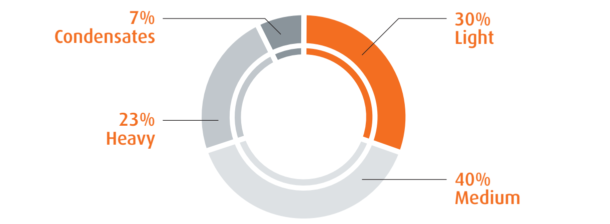
In 2011, the refining industry went through a long period of negative benchmark refining margins, even in times that traditionally benefited from seasonal effects. This stemmed partly from higher crude oil prices compared with previous years, and partly from the current structural imbalance in the refining sector as a result of the mismatch between supply and demand.

To counter this adverse environment, Galp Energia took important steps in 2011 to raise the efficiency of its refining business. An example of these steps was the lower refinery utilisation rate, optimising the production schedule, and the upgrade of units at Sines and Matosinhos refineries in order to boost energy efficiency.

The refinery utilisation rate in 2011 was 63%, lower than the previous year. A factor that contributed to this reduction was the scheduled and unscheduled outages at both refineries as a result of the activities related to the upgrade project. Beyond the general outage of the Sines refinery, scheduled for 2013, partial refinery outages are scheduled to cover specific units and their timing will be related to maintenance operations. This scheduling reflects the need to maintain the equipment at the main plants through the use of advanced engineering techniques, or Reliability-Centred Maintenance (RCM), that raise refinery operational efficiency while shortening shutdowns at the different units.

In 2011, 76.2 Mbbl were processed, 63% of which consisted of medium and heavy crude, relative to 60% a year earlier. This reflected the start of operations of new units at the Matosinhos refinery that can process heavier crude and, therefore, take advantage of the price gap between light and heavy crudes.

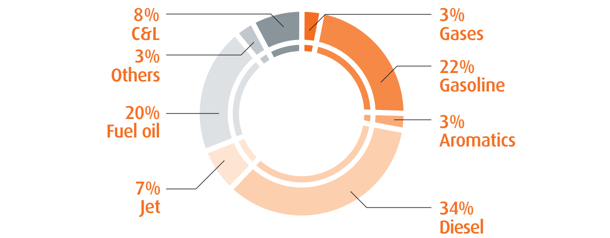
Types of crudes processed in 2011



In 2011, crude oil accounted for 92% of a total of 11.2 Mton of raw materials processed, including naphtha and heavy diesel.

Diesel 34% and gasoline 22% continue to make up the greatest proportion of Galp Energia's production profile. With the upgrade of the refining system, an increase is expected in the weighting of diesel within total production from 2012 onwards.

Production profile in 2011



In 2011, consumption and losses in the production process were maintained in-line with the previous year, at 8%, as a result of the optimisation of operations, particularly in terms of energy efficiency, which offer the impact of the start of operation of new units at the Matosinhos refinery.

A more sophisticated and efficient refining system

The growing demand for diesel in Europe and, particularly, in the Iberian market, prompted Galp Energia to reconfigure its refining system and adapt it to the new demand trend. Responding to this trend, the purpose of the upgrade project is to raise the production of diesel by reducing the production of fuel oil, which has a lower value on the market. With the upgrade project, Galp Energia will also take advantage of the difference between the prices of light and heavy crude as it will be able to process the latter in larger quantities when the project is completed.

Against a backdrop of excess refining capacity in Europe, upgrading the refineries to a higher level of complexity is a decisive factor of their competitiveness. As for the Nelson complexity index, which measures a refinery's secondary conversion capacity relative to its primary distillation capacity, considering the capital expenditure on this capacity and its potential value addition from refining, the Matosinhos refinery raised its index reading from 9.4 before the upgrade project to 10.7, while the Sines refinery will progress from 6.3 to 7.7.

In 2011, Galp Energia achieved important goals it had set out to do. These included the completion of the refinery upgrade project at Matosinhos and the installation of all new units and respective interconnections concluded, at Sines.

In June 2011, the atmospheric distillation unit at the Matosinhos refinery began to process heavy crude under the new operating conditions and the first samples of vacuum gas oil (VGO) were collected from the new vacuum distillation and visbreaker units. The start of operations of these units will be decisive in changing Galp Energia's production profile, with more diesel and less fuel oil.

At the Sines refinery, work on the upgrade project intensified with the construction of a steam reforming unit for the production of hydrogen and a unit for recovering sulphur from produced gases, both required for operation of the hydrocracker. At the end of 2011, all new units had been installed and the interconnections completed. The test phase will extend throughout the first quarter of 2012 and the start of operations is expected by mid-year, when Galp Energia will have a completely integrated, reliable, robust and complex refining system.

After the start-up of the new units at the Sines refinery, a positive effect is expected on Galp Energia's refining margin from the increases in:

(i) the refineries' utilisation rate;

(ii) the amounts processed of medium and heavy crude, which are expected to account for over 70% of total crude processed;

(iii) middle distillates produced, particularly diesel, to the detriment of fuel oil, whose market value is clearly lower.

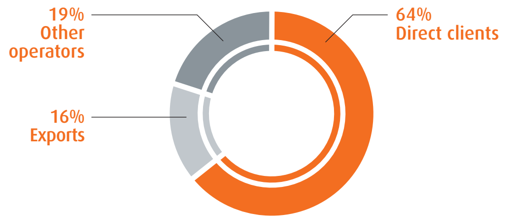
Alongside the refineries upgrade project, Galp Energia's project for raising the energy efficiency of its refining system made progress in 2011. This project encompasses a wide range of specific projects, whose main goal is for the refinery units to achieve savings in consumption. The project aims not only for improved efficiency of certain core units, such as the distillation units, but includes also several measures such as thermal insulation or simply the implementation of new routines. Within these projects, the construction of two cogeneration plants is particularly noteworthy: one at the Sines refinery, where it has been in operation since October 2009, and the other at the Matosinhos refinery, where it is scheduled to start operations in 2012.

The completion of significant investments in the downstream business in year 2011 made it a turning point in the history of Galp Energia. This was the year when expenditure of 1.4 billion euros on the upgrade of both refineries reached its final stage.

Sales of oil products

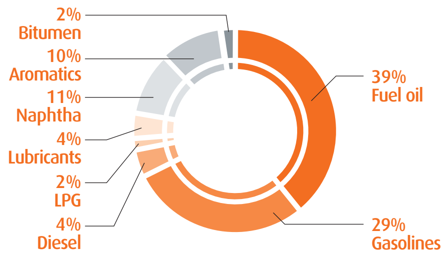
In 2011, the volume of oil products sold dropped 6% relative to 2010, to 16.3 Mton, as the adverse economic conditions constrained demand for these products and the optimisation of production lowered the volumes of crude processed. The lower level of crude processed came also as a result of the refinery outages in the wake of activities related to the on-going upgrade project. Sales to direct clients accounted for 64% of total sales of refined products.

Oil products sales in 2011, by segment



Exports of refined products fell 4% relative to 2010, to 2.7 Mton. This decrease was mainly due to the lower production in 2011, following the lower level of crude processed in the refineries. However, it is important to note that Galp Energia's main export markets, Europe and USA, were also impacted by lower oil products demand. In fact, gasoline exports, which are primarily exported to Mexico and the United States, and chemical naphtha, which is primarily exported to the United States, fell around 23%.

Exports in 2011, by product



Exports in 2011, by country

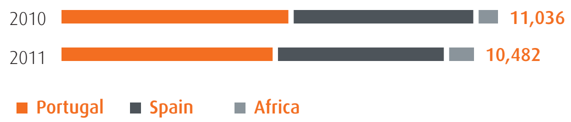
Marketing of oil products

As an integrated energy operator, Galp Energia distributes oil products on the Iberian Peninsula and in a few selected African markets. The main purpose of the distribution activity is to distribute and market oil products under the Galp Energia brand; however, non-fuel products are also marketed to take advantage of operating synergies and maximise the return on assets, particularly the service station network.

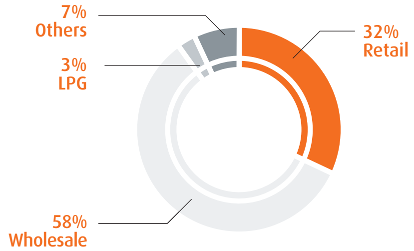
Oil products sold to direct clients dropped 5% relative to 2010, to 10.5 Mton, as the economy continued to deteriorate in 2011, which negatively affected the demand for oil products on the Iberian Peninsula.

In 2011, new projects were implemented to optimise the distribution of oil products through asset rationalisation policies and incentives to technological innovation to achieve efficiency gains.

Total sales to direct clients (kton)



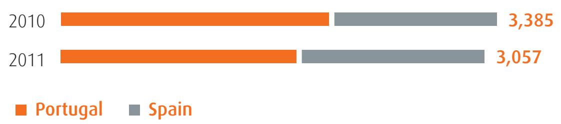
Sales in 2011, by segment



Retail in Iberia

The retail segment was affected by the deterioration in the Iberian market for oil products, with volumes sold declining 11% in Portugal and 8% in Spain. With this contraction, the weighting of the Spanish market rose as volumes sold in Spain accounted for 43% of the total sold by the Company in 2011.

Retail segment sales (kton)



Despite the recessionary conditions that prevailed in 2011, Galp Energia strengthened its leadership of the Portuguese retail fuel market for a share of 33% at the end of the year. In Spain, efforts made in the year translated into the maintenance of the Company's market share of 6%. Actions taken in the year included a step-up of promotional campaigns, the setting up of new partnerships along with the strengthening of existing ones and continued expansion of the network of convenience stores under an innovative concept that is better suited to client expectations.

Within a project to renew the convenience offering in Galp Energia's own network, 22 stores were revamped and three new ones opened in 2011. At the end of the year the Company had 68 stores under direct management, according to the new offering concept. In 2012, 21 stores are scheduled to be revamped.

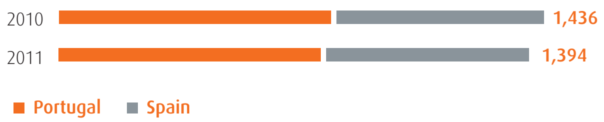
Beyond these commercial offering efforts, action was taken to raise profitability by rationalising assets and streamlining processes. The service station network was changed and several steps were taken to raise efficiency, particularly through saving energy.

With these rationalisation and efficiency-boosting measures, 29 service stations were closed down in Portugal in 2011. In Spain, the measures led to the closing down of 13 service stations in the year.

Galp Energia service station

The ownership and operation status of service stations in Portugal remained largely unchanged in relation to 2010. Dealer-operated stations, some of which are owned by the Company, accounted at the end of 2011 for 82% of the number of service stations in Portugal. In Spain the number of dealer-operated service stations accounted for 50% of the total at the end of the year. Most notably, higher returns from assets operated by third parties were achieved in particular through lower management costs sustained by the Company.

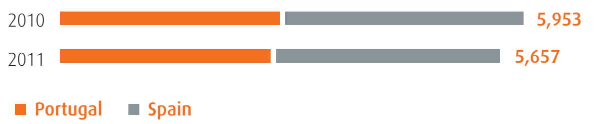
Number of service stations in the Iberian Peninsula



Wholesale in Iberia

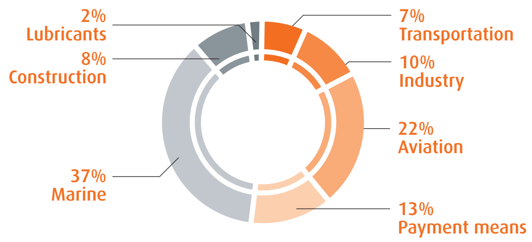
In 2011, volumes sold in the Portuguese wholesale segment decreased 4% compared with a year earlier, an outcome due to lower demand from the industrial sector, a repercussion of the adverse economic situation in the country. In Spain, the Company's efforts in this sector strengthened Galp Energia's competitive position in the country, despite a contracting economy.

Wholesale segment sales (kton)



In Portugal, the subsegments that contributed most to Galp Energia retaining its leading position were marine and aviation, which together accounted for 59% of total volumes sold in this market segment.

Subsegment shares in the Portuguese wholesale segment in 2011



In the aviation subsegment, the Company managed to keep its leadership position and volumes sold grew 2% relative to 2010, above the market increase. The new hydrant infrastructure, or fuel-filling system, at Ponta Delgada airport and the hydrant network extensions at Lisbon and Faro airports started operations in the year.

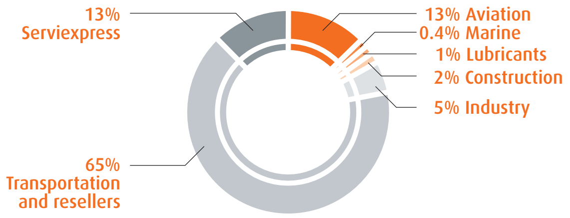
In the marine subsegment, Galp Energia also consolidated its competitive position and succeeded in raising its share in a market that rose more than 10%. In fact, this subsegment contributed the most to total sales volumes in the wholesale segment, accounting for 37% of total sales. Towards the end of 2011, a new ship with a capacity to transport 2,500 m³ of marine fuel started, mainly servicing the bunkers at the port of Lisbon with a view to meeting the expected growth in this market.

The industry subsegment reflected the state of the Portuguese economy and contributed 10% to total sales. In an extremely competitive market, Galp Energia strengthened its leadership position both by consolidating its client base and by developing its customer service in Portugal and Spain.

The Company managed to retain its leadership position in the contractors subsegment despite the adverse economic conditions in construction and public works. Exports of packaged bitumen were significant, particularly in the African market. Galp Energia has pioneered, on a world scale, two solutions for exporting bitumen in cold conditions, through big bags and through polycubes.

In Spain, volumes sold in the wholesale segment were impacted by a contracting economy in the country, that led to declines in sales in several subsegments, despite the growth in the aviation and marine subsegments.

Subsegment shares in the Spanish wholesale segment in 2011



In the aviation subsegment, volumes sold grew 5% on the back of Galp Energia's consolidating position as a supplier to Spanish airports with a larger number of clients.

In the marine subsegment, volumes sold almost doubled compared with 2010 as a result of the opening of Ribeira, in north-western Spain, a new point of supply on international sea routes to which Galp Energia has gained access. Another factor in the growth of this subsegment was the sales policy review in 2011, which focused on a broader client portfolio encompassing fishing vessels and shipping.

On the other hand, the Spanish market contracted in terms of fuel sold in the industrial (-12%) and in the transportation and resellers (-7%) subsegments. Volumes sold in these subsegments were also negatively affected by stronger competition in the country.

In the construction subsegment, austerity measures adopted in Spain led to a market contraction, which reduced volumes sold by 36%.

Volumes sold under Serviexpress, the brand that Galp Energia uses to market diesel to industry, agriculture and households clients, accounted for 13% of the wholesale total. In 2011, the areas where this business operates were restructured and rationalised.

LPG in Iberia

The market for liquefied petroleum gas (LPG) continued to contract in 2011, as a result not only of the adverse economic conditions but also of higher average air temperatures.

However, Galp Energia maintained its market share after it increased efforts in innovation and sales. In fact, the Hotspot became, in 2011, the leading indoor heater, with accumulated sales in excess of 25,000 units. Originally intended exclusively for the Iberian market, this product is now sold in several European countries such as Germany, France and Norway.

Sales in the Portuguese market for bottled LPG (liquefied petroleum gas) accounted for 64% of the total, which was partly a result of the Pluma bottle's notoriety.

The 2011 alignment in the taxation on natural gas and electricity consumption with the taxation on LPG consumption levelled competition between these sources of energy. Up to October 2011, taxation had been a constraint to the use of LPG.

In Spain, sales activities continued to focus on bulk LPG, which accounted for 39% of total sales in the country.

LPG segment sales (kton)

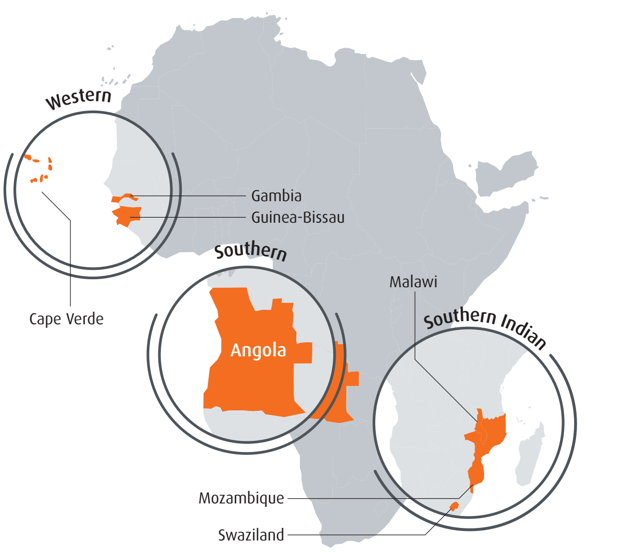
Marketing of oil products in the African market


Galp Energia service station in Mozambique

Galp Energia's presence in the African retail, wholesale (lubricants, marine and aviation) and LPG segments expanded steadily in 2011. The Company extended its presence into Malawi, where it started to sell lubricants.

Galp Energia has three development clusters for the distribution of oil products in the African market: Western Africa, which includes Guinea-Bissau, Gambia and Cape Verde; Southern Africa-Indian coast, with Mozambique, Swaziland and Malawi; and Southern Africa-Atlantic coast, centred in Angola.

Development clusters in Africa



Galp Energia's strategy for Africa has two main lines of action: firstly, to strengthen its position by identifying opportunities for organic growth and by participating in the development of local economies; and secondly, to expand into other countries and markets, namely through the export of oil products, where Galp Energia has competitive advantages in procurement, logistics or operations management.

Galp Energia's presence in the African market builds on the excellent relations it maintains on the basis of old cultural ties with a number of countries. This presence also fosters investments in other business segments, particularly in Exploration & Production and in Biofuels, and benefits Galp Energia's business in Portugal via the export of fuel, lubricants and bitumen.

Galp Energia considers that the brand awareness resulting from advertising and other promotional campaigns coupled with the Company's social development actions and the satisfaction of its clients are the factors that differentiate it from other operators. Customer satisfaction with logistics, for one, has been a constant source of client acquisition and loyalty.

In 2011, the volume of oil products sold in Africa rose 19% relative to 2010 to 713 kton, 62% of which in the wholesale segment. All the countries where the Company is present contributed to this rise, particularly Guinea-Bissau and Cape Verde, where sales increased around 30% compared with 2010.

In Cape Verde, the favourable results came from a growth strategy based on the focus on the marine subsegment and on intense sales activities in the aviation subsegment. In Guinea-Bissau the sales increase came not only from new-client acquisition but primarily from the procurement strategy in that country. Galp Energia is one of the country's main diesel suppliers and the only company that imports gasoline by sea, which gives it a significant competitive position.

At the end of 2011, Galp Energia's African service station network had 108 units after the addition of five units in the year, three of which are in Mozambique, where a pre-payment card was launched.

Sales and assets in the African market in 2011

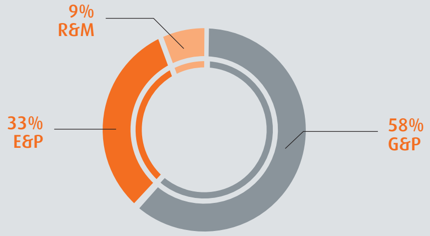
Country	Sales (kton)	Annual change (%)	# of service stations
Angola	245	18%	11
Cape Verde	219	29%	24
Gambia	33	21%	10
Guinea-Bissau	32	33%	9
Mozambique	105	17%	31
Swaziland	79	0%	23
Total	**713**	**19%**	**108**

2.4 Gas & Power

Autonomous gas unit

The Gas & Power business segment encompasses the procurement, distribution and marketing of natural gas activities, as well as multi-generation and the marketing of power activities, all centred on the Iberian Peninsula. To optimise this business operation, the Company aims to raise the integration level between natural gas and power activities. Galp Energia also aims to offer both natural gas and electricity, complemented by a diverse range of additional services, a dual offer provided by a single supplier.

Galp Energia's RCA operating profit in 2011 by segment



MAIN INDICATORS

	2008	2009	2010	2011
Natural gas sales (Mm³)	5,638	4,680	4,926	5,365
Number of natural gas clients ('000)	868	915	1,327	1,301
Installed capacity (MW)	163	163	163	175
Electricity sold (GWh)	478	706	1,202	1,201
Natural gas net fixed assets (M€)	755	1,036	1,045	1,063
Ebitda RCA (M€)	223	216	263	287
Operating profit RCA (M€)	176	135	184	230
Capital expenditure (M€)	116	77	87	55

MAIN EVENTS IN 2011

Natural gas volumes sold on the Iberian Peninsula were in excess of 5 bcm.

First full year after the acquisition of the natural gas marketing business in the Madrid region with more than 282 Mm^3 sold to over 311 thousand clients.

First connection to the grid of the cogeneration plant at the Matosinhos refinery.

Start of operations at the Vale Grande wind farm with a capacity of 12 MW.

Strategy

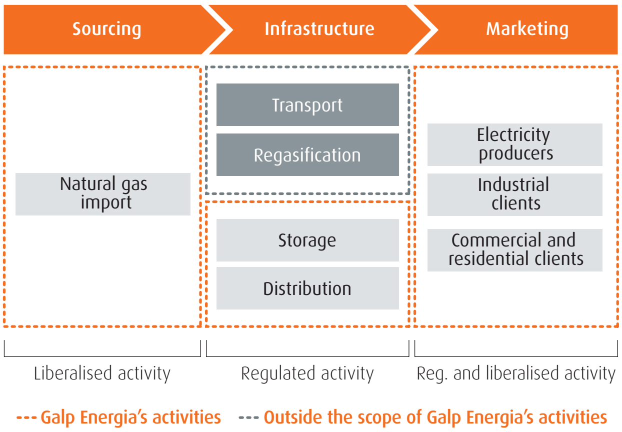
The Gas & Power business aims to maximise the integration of natural gas and power activities. In addition, Galp Energia's intention is to raise its profile in marketing natural gas and power in the Iberian market, where it has a dual offering of natural gas and power, coupled with differentiated services.

In the power business, the Company has focused not only on marketing activities but also on multi-energy generation, either by raising its wind power capacity or by building cogeneration plants, which raise the demand for natural gas.

Natural gas

Natural gas was introduced in Portugal for the purpose of making available a competitive, accessible and environmentally-friendly source of energy that would diversify the country's portfolio of energy resources, while raising the competitiveness of its industry. The natural gas sector consists of regulated and liberalised activities ranging from liberalised procurement to regulated operation of infrastructure and the marketing of natural gas together with other products to the end customer, on a regulated and liberalised basis.

The Portuguese natural gas sector



Procurement

In 2011, Galp Energia purchased 5,622 Mm³ of natural gas, up 12% from 2010. Out of this total, 2,074 Mm³ of natural gas came from Algeria, through the EMPL, Al-Andalus and Extremadura gas pipelines, and 3,025 Mm³ of LNG were purchased from Nigeria's NLNG for regasification at Sines.

Despite the shortfall in Portuguese demand, Galp Energia honoured its obligations under the long-term supply contracts in force.

Sources of natural gas in 2011

Equity holdings in international gas pipelines

International pipelines	Country	Capacity (bcm/year)	Galp Energia (%)
EMPL	Algeria, Morroco	12.0	27
Al-Andalus	Spain	7.8	33
Extremadura	Spain	6.1	49

Regulated infrastructure

Distribution

The regulated natural gas distribution market in Portugal consists of six distribution companies – five of which are partly owned by Galp Energia – that operate under 40-year concession contracts and by four local distribution companies, which are also partly owned by Galp Energia, and that operate under licenses with a 20-year exploration period. These companies, which supply the areas located far from the transportation network, resort to autonomous gas units (AGU) to its activity.

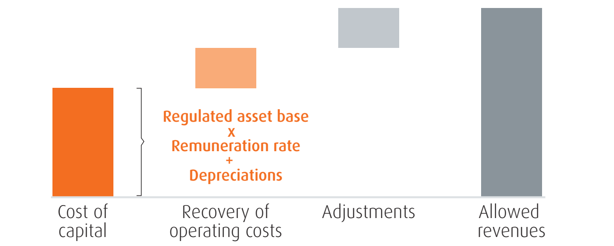
In 2011, Galp Energia focused on efficiency gains in infrastructure, namely by connecting new clients, primarily in geographical areas where a distribution network already existed. Priority was also given to the setting-up of infrastructure in areas with consumption points already prepared for the use of natural gas. In 2011, the companies partly owned by Galp Energia distributed 1.5 bcm. These companies also invested 47 million of euros, expanding the distribution network by 313 km to a total of 11,655 km.

Natural gas distributors owned by Galp Energia

Return on regulated assets

ERSE, the energy market regulator in Portugal, regulates the return of all regulated activities in the energy sector. Allowed revenues, on which tariffs for distribution of natural gas are calculated, are the sum of the cost of capital, recovery of operating costs and adjustments, namely the tariff deficit. The cost of capital is calculated as the product of the regulatory asset base and the rate of return set by the regulator, that is 9% up to June 2013, plus asset depreciation. The tariff deviation is defined as the difference between actual and estimated allowed revenues for year n-2.

Calculation of allowed revenues



Storage

Galp Energia operates the regulated underground storage of natural gas for a 40-year period up to 2046, with a current storage capacity of circa 40 Mm³. The asset base of this storage, valued at 17 million euros, returns 8% per year. Given their importance for the continuity of supply and the country's energy security, the storage caverns are operated under a public-service concession.

After completing leaching in 2011, cavern TGC-2 reached a geometric volume of around 748,000 m³, ranking it among Europe's largest caverns. With the start of operations of this cavern in 2013, Galp Energia's storage capacity will be raised to around 100 Mm³ of natural gas. Meanwhile, engineering work proceeded on two other caverns with a combined capacity of 118 Mm³, which are expected to start operations by 2020.

Marketing of natural gas

In 2011, natural gas sales totalled 5,365 Mm³, up 9% from a year earlier, as the residential and trading segments made a positive contribution. The residential segment benefited from the first full year after the acquisition of the marketing natural gas business in the Madrid region and the trading segment seized opportunities to sell natural gas in the international market.

Galp Energia is a major operator, and is the second-largest on the Iberian Peninsula, with 1.3 million clients.

Natural gas sales, by segment

Power segment

In 2011, demand for natural gas from the power plants supplied by Galp Energia decreased 4% relative to 2010, following the contraction of the overall generation market, due to milder air temperatures that moderated the use of power. Compared with a year earlier, power generation from all energy sources fell 4%.

Industrial segment

Volumes sold to the industrial segment rose 7% relative to 2010, to 2,001 Mm³ as a strategy overhaul in Spain raised the number of industrial clients and the volume of natural gas sold in this country to 163 Mm³. In Portugal, volumes sold were in-line with 2010, with sales of 1,838 Mm³. This was despite the lower demand from the cogeneration plant at Sines following the technical outage of the refinery in the first quarter of 2011.

Also in Portugal, the Company strengthened its offering of several technical services with a view to tightening client partnerships with the Company. From a single supply source, Galp Energia offers a complete energy range (oil products, natural gas and power) to its industrial clients.

Residential and commercial segment

The residential and commercial segment accounted for a volume of 635 Mm³, or 47% ahead of 2010, as 2011 was the first full year that included the new natural gas marketing business in the Madrid region.

In Portugal, in 2011, volumes sold in this segment reached 312 Mm³, an increase of 36 Mm³ compared with 2010. Galp Energia was able to strengthened its leadership position in the liberalised market for natural gas by offering differentiated products which generate value-added for its clients and distinguishing itself from its competitors. These products were packages consisting of natural gas, electricity and a service called Galp Comfort.

Although the regulated market made up a significant proportion of this segment at the end of 2011, all clients buying more than 500 m³ per year will have to move to the liberalised market on 1 July 2012. From 1 January 2013 onwards, all clients will be in the liberalised market, although there will be an interim tariff for two years.

Other segments

The combined volumes sold in 2011 through trading and sales to other supply companies rose 27% relative to 2010, to 862 Mm³. This rise built on the increase in trading, which sold 738 Mm³ on the back of new opportunities arising in the international market, namely the first LNG sales to the Japanese market.

Power

Galp Energia aims to develop a competitive portfolio of energy production units including cogeneration plants and wind power. Beyond power production, Galp Energia intends to strengthen its power marketing business so as to offer its clients a joint bundle of electricity and natural gas.

Cogeneration

Cogeneration plants produce electrical and thermal energy and are particularly efficient in comparison with conventional generation plants in curbing CO_2 emissions and saving primary energy used, which greatly contributes to energy supply security. In Portugal, these plants provide advantages to the industrial facilities where they operate. In the export sector, for instance, energy savings cut production costs, thereby raising industry competitiveness. Because they optimise the use of primary energy, cogeneration plants reduce imports of this type of energy.

As these plants are located close to points of consumption, the losses of power are smaller than with other technologies; they can have efficiency higher than 80% and can adjust production in-line with demand levels.

Galp Energia's current installed capacity of 163 MW will rise in 2012 to 245 MW, when the cogeneration plant at the Matosinhos refinery will start operating. This plant and Sines's will play an important role in the integration of the natural gas and power businesses as they are expected in the future to account for an aggregate demand of 500 Mm^3 of natural gas, or 25% of the industrial segment.

In 2011, the cogeneration plants used a total of 399 Mm^3 of natural gas and produced 1,192 GWh of power.

The cogeneration plant at the Sines refinery

In 2011, the cogeneration plant at Sines produced 608 GWh of power and 1.8 ton of steam. The production of power fell after the technical outage of the refinery in the first quarter of 2011, which caused a reduction of 8%, both in the production of electricity and in the production of steam. The plant used 226 Mm^3 of natural gas in the year.

Excluding the refinery shut down period, the Sines cogeneration operated with an availability of 99% in 2011.

Carriço, Powercer and Energin

Galp Energia has an equity stake in the Carriço, Powercer and Energin cogeneration plants, which have a combined capacity of 81 MW. In 2011, these three cogeneration plants produced 584 GWh of power and used 173 Mm^3 of natural gas.

The cogeneration plant at the Matosinhos refinery

At the end of 2011, the cogeneration plant at Matosinhos refinery, which is approaching completion, was synchronised for the first time with the power grid. The plant is scheduled to start operations in 2012.

This plant has a total installed capacity of 82 MW and will produce, after it starts operating, the equivalent of around 70% of the power consumption in the municipality of Matosinhos, where it is located.

Wind power

The Vale Grande wind farm, the first one operated by the Ventinveste consortium, in which Galp Energia has an equity stake of 49%, started operations in 2011. This farm has an installed capacity of 12 MW and is part of a project for the development of 400 MW in wind power. The farm had a load factor of 30% in the year and generated 11 GWh, which was supplied to the grid.

Marketing of power

To achieve its goal of becoming a multi-energy supplier, Galp Energia has established a position in the power marketing business. To secure multi-product contracts, the Company has focused its marketing efforts on industrial and business clients, particularly its current natural gas customers.

The Company currently supplies power to clients, mostly in the manufacturing and service sectors, in very high, high, medium and special low voltages. In 2011, 219 GWh of power were sold compared with 69 GWh a year earlier.

The goal in the future is to broaden the client portfolio and supply power at all voltage levels.

Trading of power

Galp Energia participates in the power market through MIBEL, the Iberian power market, both on the spot (OMEL) and forward (OMIP) markets. This activity is used to acquire electricity on the market, which is sold through the marketing business.

03 · FINANCIAL PERFORMANCE

3.1 Executive summary

In 2011, Galp Energia's replacement cost adjusted net profit of 251 million euros was 65 million euros lower than in 2010 as the Refining & Marketing business segment underperformed.

The most relevant facts to the operational and financial performance of Galp Energia in 2011 were the following:

- net entitlement production of crude oil and natural gas in 2011 was 12.1 kboepd, of which 33% from Brazil;
- Galp Energia achieved a refining margin of 0.6 dollars/bbl in 2011 compared with 2.6 dollars/bbl in 2010, influenced by the negative trend of refining margins in international markets;
- in 2011, the oil marketing business was negatively impacted by the adverse Iberian economic context;
- natural gas sold in 2011 rose 9% compared with 2010 to 5,365 Mm³, driven by sales in Spain and by the trading segment;
- operating profit RCA was of 395 million euros in 2011, 15% lower than in 2010;
- net profit RCA amounted to 251 million euros in the year, corresponding to 0.30 euros per share;
- in 2011, around 45% of total capital expenditure of 1,000 million euros was allocated into the refinery upgrade project;
- at the end of 2011, the net debt to equity ratio reached 119%. However, on a *pro forma* basis, that is, incorporating the effect from the Brazilian capital increase, net debt to equity ratio would be 8%.

3.2 Results analysis

Income statement RCA (M€)

	2010	2011	Change	% Change
Sales and services rendered	13,998	16,804	2,806	20%
Operating costs	(13,243)	(16,089)	2,846	21%
Other net operating revenues	109	82	(27)	(25%)
Ebitda	**864**	**797**	**(67)**	**(8%)**
DD&A and provisions	(400)	(402)	2	1%
Operating profit	**464**	**395**	**(70)**	**(15%)**
Net profit from associated companies	74	73	(1)	(1%)
Net profit from investments	0	0	0	n. m.
Net interest expenses	(98)	(123)	(24)	(25%)
Profit before tax and minority interest	440	345	(95)	(22%)
Income tax	(117)	(84)	(33)	(28%)
Minority interests	(6)	(9)	3	47%
Net profit	**316**	**251**	**(65)**	**(21%)**
Non recurrent items	(21)	(23)	2	11%
Net profit RC	**295**	**228**	**(67)**	**(23%)**
Inventory effect	156	204	48	31%
Net profit IFRS	**452**	**433**	**(19)**	**(4%)**

Sales and services rendered

In 2011, adjusted sales and services rendered rose 20% compared with 2010 to 16,804 million euros following the contribution of all business segments as the prices of crude, oil products and natural gas rose in international markets while volumes sold of crude oil and natural gas expanded.

Operating costs

In 2011, RCA net operating costs reached 16.1 billion euros, a 21% increase compared with 2010. This increase was mainly due to higher cost of goods sold.

Net operating costs RCA (M€)

	2010	2011	Change	% Change
Operating cash costs				
Costs of goods sold	12,142	14,855	2,712	22%
Supply and services	777	914	138	18%
Personnel costs	324	320	(4)	(1%)
Operating non cash costs				
Depreciation and amortization	325	358	33	10%
Provisions	75	44	(31)	(41%)
Total	**13,643**	**16,491**	**2,849**	**21%**

Cost of goods sold increased 22% in the wake of rising prices of crude oil and natural gas in international markets. Supply and services costs rose 18% in 2011 to 914 million euros as Madrileña Gas was consolidated from May 2010 and Enacol from the second quarter of 2011. Excluding these effects, supply and services costs rose 5%, compared with the previous year, following higher costs related to growing production in Brazil, the production activities in Angola and the new units of the upgrade project of the Matosinhos refinery.

In 2011, personnel costs fell 1% compared with 2010 to 320 million euros, mainly as a result of lower accruals in the period in respect of variable pay.

In 2011, adjusted depreciation and amortisation reached 358 million euros, an increase of 33 million euros compared with 2010, following higher depreciation and amortization in the Exploration & Production and Refining & Marketing businesses. The depreciation increase in the latter was mainly due to the start of the depreciation of the new units, related with the Matosinhos refinery upgrade project.

Adjusted provisions for 2011 reached 44 million euros, from which 25 million euros were provisions of the Refining & Marketing business. These were primarily related to doubtful debtors. Exploration & Production business segment also contributed to the increase in provisions. Provisions from this business reached 13 million euros, related mainly with provisions for abandonment of Angola's block 14.

Operating profit

Galp Energia's RCA operating profit was 395 million euros in 2011, a decrease of 15% compared with 2010, following the Refining & Marketing business worse performance in the year.

Exploration & Production

RCA operating profit of 130 million euros in 2011 increased 69 million euros from 61 million euros in 2010, as both net entitlement production and the average sale price of crude oil moved higher.

Operating profit (M€)

	2010	2011	Change	% Change
Operating profit	**649**	**642**	**(7)**	**(1%)**
Inventory effect	(212)	(285)	73	35%
Operating profit RC	**437**	**357**	**(81)**	**(18%)**
Non recurrent items	27	38	11	42%
Operating profit RCA	**464**	**395**	**(70)**	**(15%)**
Exploration & Production	61	130	69	113%
Refining & Marketing	210	23	(187)	(89%)
Gas & Power	184	230	47	25%
Others	10	11	2	20%

Brazil's contribution to the segment's RCA operating profit rose to 47% from 32% in 2010, on the back of the first results of project Lula-1 in 2011, which confirmed the country's growing importance in Galp Energia's portfolio of activities.

Production costs rose to 51 million euros from 34 million euros in 2010, following the start-up of the Lula-1 project in Brazil and well maintenance works in the BBLT and CPT Tômbua-Lândana fields, in Angola. On a net entitlement basis, unit costs rose to 15.9 dollars/bbl from 10.4 dollars/bbl in 2010.

Depreciation charges increased to 109 million euros, due to depreciation following the start-up of the first commercial project in the Lula field, which offset lower depreciation in Angola. In unit terms, on a net entitlement basis, depreciation charges rose to 34.0 dollars/bbl from 29.5 dollars/bbl in 2010.

Refining & Marketing

Operating profit RCA decreased in 2011 to 23 million euros from 210 million euros in 2010 due to the decrease in both the refining margin and oil product volumes sold on the Iberian Peninsula.

Galp Energia's refining margin was 0.6 dollars/bbl in the year, down from 2.6 dollars/bbl in 2010, reflecting the conditions prevailing in the international refining sector.

In 2011, the refineries' operating cash costs amounted to 126 million euros, which equated to unit costs of 2.3 dollars/bbl, or above the 2010 level, following lower volumes of crude processed in 2011, which narrowed the base for spreading fixed costs.

The austerity measures applied in Iberia and the generally adverse economic environment impacted the Iberian market for oil products, which showed lower volumes sold, leading to a reduced contribution from the oil marketing business in 2011 compared with 2010, notwithstanding the improved performance in Africa.

Sines refinery cogeneration

Gas & Power
RCA operating profit in the twelve months of 2011 climbed 25%, on an yearly basis to 230 million euros as all activities, particularly infrastructure and power, achieved better results.

In the natural gas supply segment, RCA operating profit rose 7 million euros to 86 million euros, following higher volumes sold and improved supply margins from optimised natural gas purchases.

The infrastructure business generated RCA operating profit of 116 million euros, up 25% from the previous year. This increase was affected by the extinction of the smoothing effect of allowed revenues in July 2010 and by the partially recovery, accounted for in 2011 of the difference between the two calculation methods for gas years 2008/2009 and 2009/2010, was partly recovered.

RCA operating profit in the power business rose to 29 million euros, above the 11 million euros from a year earlier.

Results from associates
Results from the Group's associated companies amounted to 73 million euros in 2011. The EMPL, Gasoducto Al-Andalus and Gasoducto Extremadura international pipelines contributed with 51 million euros to the results.

Financial results
Financial results decreased 24 million euros in the year, following higher financial costs, which followed the increase in both average debt and the average cost of debt. The average cost of debt for 2011 was 4.3%, or 80 basis points higher than in 2010, and was in-line with the rising trend in benchmark interest rates and the rise in the credit cost in Europe.

Taxes
RCA income tax of 84 million euros equated to an effective tax rate of 24%. In 2011, tax payable in Angola amounted to 35 million euros, after a nearly 10 million euros reversal of the excess estimate was recorded in the first quarter of 2011.

Taxes (M€)

	2010	2011	Change	% Change
Income tax[1]	**166**	**149**	**(17)**	**(10%)**
Effective income tax	27%	25%	1 p. p.	n. m.
Inventory effect	(55)	(81)	25	46%
Income tax RC[1]	**111**	**69**	**(43)**	**(38%)**
Non recurrent items	6	16	10	n. m.
Income tax RCA[1]	**117**	**84**	**(33)**	**(28%)**
Effective income tax	27%	24%	2 p. p.	n. m.

[1] Includes oil tax payable in Angola (IRP)

Net profit
RCA net profit of 251 million euros in 2011 was 65 million euros lower than in 2010 as the Refining & Marketing business segment underperformed following lower refining margins and lower volumes of oil products sold in the Iberian Peninsula.

IFRS net profit of 433 million euros in 2011 included a favourable inventory effect of 204 million euros as the prices of crude and oil products rose in international markets.

3.3 Capital expenditure

Capital expenditure (M€)

	2010	2011	Change	% Change
Exploration & Production	341	299	(42)	(12%)
Refining & Marketing	800	641	(159)	(20%)
Gas & Power	87	55	(32)	(37%)
Others	5	5	0	7%
Total	**1,233**	**1,000**	**(233)**	**(19%)**

Capital expenditure in 2011 amounted to 1,000 million euros, of which the Refining & Marketing business segment accounted for around 64%.

In the Exploration & Production business segment investment was mostly channelled into Brazil, which absorbed around 212 million euros. In block BM-S-11, around 144 million euros were invested, which were mainly allocated to development activities, particularly drilling of both producing and injecting wells throughout 2011. In Angola, capital expenditure of close to 54 million euros was primarily allocated to the development of block 14, particularly the connection of new development wells.

In the Refining & Marketing business segment, capital expenditure in 2011 amounted to 641 million euros, 452 million euros of which were allocated into the upgrade project of the Sines and Matosinhos refineries.

In the Gas & Power business segment, capital spending of 55 million euros was primarily related to the natural gas distribution network.

3.4 Capital structure analysis

Consolidated financial position (M€, except otherwise noted)

	31 December 2010	31 December 2011	31 December 2011 *pro forma*
Fixed assets	5,426	6,002	6,002
Work in progress	1,981	2,174	2,174
Strategic stock	792	996	996
Other assets (liabilities)	(402)	(407)	495
Working capital	(333)	(146)	(146)
Short term debt	616	1528	1,528
Long term debt	2,412	2,274	2,274
Total debt	**3,028**	**3,803**	**3,803**
Cash	191	298	3,260
Net debt	**2,837**	**3,504**	**543**
Total shareholder's equity	**2,645**	**2,941**	**6,805**
Capital employed	**5,482**	**6,446**	**7,347**
Net debt to equity	**107%**	**119%**	**8%**
Net debt to ebitda	**3.3**	**4.4**	**0.7**

Fixed assets of 6,002 million euros at 31 December 2011 were 576 million euros higher than at the end of December 2010, which reflected capital expenditure in the period, namely on the refineries upgrade project. Working capital requirements rose 187 million euros in 2011 as the average time of accounts payable shortened.

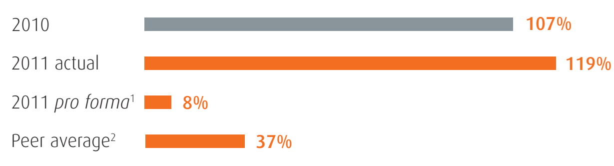
Net debt of 3,504 million euros at 31 December 2011 was 667 million euros higher than at the end of December 2010. Net debt to equity stood at 119% at the end of the period.

It is worth mentioning the capital increase, announced in 2011, in the Brazilian exploration and production subsidiary, Petrogal Brasil, which was subscribed by the Chinese company Sinopec. This transaction was concluded in March 2012, after which Galp Energia holds 70% of Petrogal Brasil, retaining control over the company. This agreement allowed for a cash injection of 5.2 billion dollars by Sinopec, through the realization of a capital increase, which amounts to 4.8 billion dollars, and of a shareholder loan, amounting to 0.36 billion dollars.

After this transaction, Galp Energia has one of the most robust capital structures within the European energy sector.

On a *pro forma* basis, that is, considering the capital increase at the end of 2011, net debt to equity ratio would have been 8%, lower than the 37% average of the peer companies within the Oil & Gas sector.

Change in net debt to equity ratio (%)

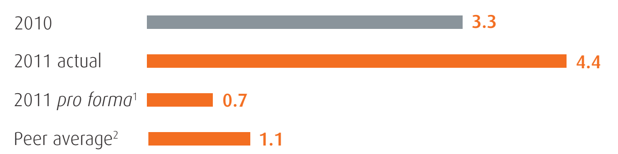


[1]Assumes loan to Sinopec.
[2]Peer average includes Eni, BG Group, Repsol, OMV, Total, BP, Royal Dutch Shell and Petrobras, at the end of December 2011.

Matosinhos refinery new units

Furthermore, on a *pro forma* basis it is clear the positive impact of the capital increase of Petrogal Brasil on the net debt to ebitda ratio, which decreased from 3.3 in 2010 to 0.7 in 2011, lower than the peer average.

Change in net debt to ebitda RCA

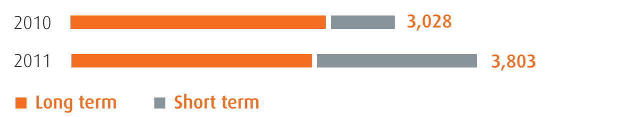


[1] Assumes loan to Sinopec.

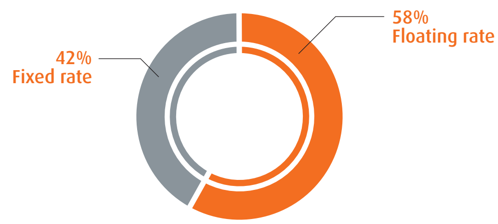
[2] Peer average includes BG Group, BP, Eni, OMV, Repsol e Total, at the end of December 2011.

At the end of December 2011, long-term debt accounted for 60% of total debt, relative to 80% at the end of December 2010. 42% of medium and long-term debt was on a fixed rate compared with 35% at the end of December 2010.

Debt by term (M€)

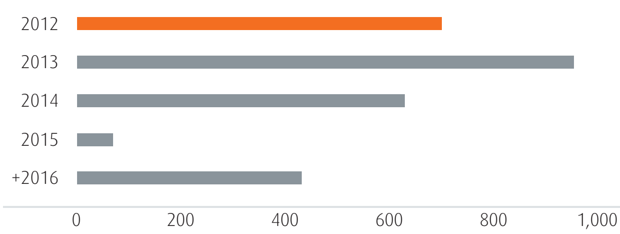


Debt by type of interest rate in 2011



The average maturity of debt was 2.1 years at the end of December 2011 and 79% of medium and long-term debt is scheduled to mature between 2012 and 2014.

Debt repayment profile (M€)



At 31 December 2011, net debt attributable to minority interests amounted to 22 million euros.

At the end of 2011, Galp Energia had contracted, but not utilised, credit lines for 900 million euros, of which 40% signed with international banks and 60% contracted guaranteed.

04 • PRINCIPAL RISKS

4.1 Risks faced by Galp Energia

Galp Energia's operations and results are subject to changes in competitive, economic, political, legal, regulatory, social, industry and financial conditions. Investors are advised to consider the risks associated with such changes, namely the consequences these may have on the results of Galp Energia's operations or on its financial position.

The Company's board of directors takes actions to mitigate some of these risks, which are identified and disclosed whenever appropriate. The fact that the following risks are emphasised does not rule out the possibility that other risks of equal or greater importance may exist.

Market risks

Galp Energia's activities are subject to several market risks, namely those related to fluctuating prices of raw materials and oil products, and to movements in exchange rates.

Fluctuating prices of raw materials and oil products

The prices of crude oil, natural gas, liquefied natural gas and oil products are affected by market supply and demand conditions. These are, in turn, influenced by different factors, such as economic or operational circumstances, natural disasters, weather conditions, political instability, armed conflict or supply constraints in oil-exporting countries.

Although the industry's long-run operational costs tend to follow rising and falling prices of raw materials and oil products, deviations may occur in the short run.

A decline in the price of crude oil or natural gas may have a material adverse effect on the operating results of the Company, as this may impair both the ability to extract discovered reserves economically and the prices achieved from production. Possible consequences could include planned or on-going projects becoming financially unfeasible.

Rising prices of crude oil or natural gas may also impact the Company negatively as purchase costs rise. Although the prices that Galp Energia charges its customers are always set to reflect market prices, it may not always be possible to adjust them immediately to fully do so, particularly in the regulated natural gas market. Significant price changes that take place in the period between the purchase of crude oil and other raw materials and the sale of refined products could therefore have an unfavourable effect on Galp Energia's results.

Changes in exchange rates

The prices of crude oil, natural gas and most refined products, which comprise a significant proportion of Galp Energia's costs and revenues, are either denominated in the US dollar or in currencies linked to it, whereas the Company's financial statements are prepared in euros. This means that any depreciation of the US dollar against the euro can impact Galp Energia's results unfavourably, as it would impair the value of the Company's profits in euros.

Changes in the euro-dollar exchange rate may also affect the euro-denominated value of inventories of crude and oil products or the value of dollar-denominated debt.

Operational risks

The operational risks to which Galp Energia is exposed include the risks of non-completion of projects, non-development of reserves and reliance on third parties.

Project completion

Galp Energia's strategy execution, its results and financial position depend on the completion of projects within budget, on time and according to specifications set beforehand. Such projects are subject to safety and environmental hazards as well as technical, commercial, legal, economic and execution risks. Projects may, for reasons ranging from cost overruns to legal or technical issues, not develop according to plan.

Discovery, estimation and development of reserves and resources

Galp Energia's future output of oil and natural gas depends on the Company successfully, regularly and economically finding, acquiring and developing new reserves that will replace depleting reservoirs.

The competition for exploration and development rights and for access to oil and natural gas resources is intense. In addition, there is never any assurance that exploration and development activities will succeed, or that, if they do, the size of the discoveries will be sufficient either to replenish current reserves or cover the costs of exploration.

If it is not successful in developing new reserves, Galp Energia will not meet its production targets, and its total proved reserves will decline. This will have a negative effect on the Company's future results and its financial position.

Estimates of oil and natural gas reserves are based on available geological, technological and economic data, and are therefore subject to a great number of uncertainties. The process of estimating reserves involves informed judgments, and estimated reserves are, therefore, subject to revision.

Once exploration opportunities or new projects have been identified, Galp Energia needs to carry out certain actions before making an investment decision. These actions include marketing and feasibility studies and concept selection and definition.

There are several factors during these pre-sanction phases that may expose a project to additional risks and costs. The main regulatory risks at this time are the potential failure to negotiate all required and appropriate agreements with host governments, a lack of knowledge and understanding of the host country's regulatory framework, and failure to obtain from relevant local authorities the necessary permits, licences or approvals needed to carry out certain operations.

Reliance on third parties

For a substantial part of its operations, Galp Energia depends on regular access to crude oil, natural gas and other raw materials, as well as the ability to procure them at appropriate prices. In particular, the Company is to a large extent dependent on sourcing natural gas from Sonatrach in Algeria and liquefied natural gas from Nigeria LNG.

The Company's ability to access current sources of crude oil, natural gas and other raw materials might be interrupted as a result of a number of events. These could include political changes that have structural effects on the sector, restrictions on pipeline capacity and other problems in transporting oil or natural gas from current sources, all of which may increase sourcing costs and have a negative effect on the Company.

Health, safety and the environment

Given the range and complexity of Galp Energia's activities, namely exploration and production in ultra-deep water, the Company faces a wide range of risks related to health, safety and the environment. These include major incidents related to the safety of processes and premises, failure to comply with approved policies, natural disasters, social unrest, civil unrest and terrorism, exposure to broader operational risks, health and personal safety risks and criminal activity.

Such incidents may cause injury or loss of life, environmental damage or the destruction of premises; and, depending on their cause and severity, they may affect Galp Energia's reputation, operational performance or financial position. The emission of greenhouse gases and related climate change are real risks for the Company and the world in general. If Galp Energia does not find solutions to mitigate the emission of CO_2 from both new and existing projects, regulation and criticism from society may lead to both delays in projects and additional costs, which may in turn affect Galp Energia's operational performance and financial position.

Human resources

The execution of Galp Energia's business strategy depends on the capabilities, experience and commitment of its employees and management teams. There is particularly intense competition for personnel with relevant qualifications and experience in the oil and gas industry. The Company's future success depends on its ability to attract, retain, motivate and organise highly skilled human resources.

Compliance risks

These risks include the possibility of changes in taxes and tariffs to which the Company is subject or in policies and regulations applicable in countries where Galp Energia operates, as well as the Company's obligations related to corporate responsibility.

Taxes and tariffs

Galp Energia operates in several countries around the world. All of these have the ability to modify their tax laws in ways that could adversely affect the Company. Galp Energia is subject, among other levies, to corporate taxes, energy taxes, petroleum revenue taxes, customs surtaxes and other indirect taxes, each of which may affect its revenues and earnings.

In addition, Galp Energia is exposed to potential changes in regimes affecting the royalties and taxes that are levied on crude oil and natural gas production. Significant changes in the tax regimes of the countries where the Company operates could have an adverse effect on Galp Energia's operational performance or financial condition.

Political and regulatory environment

Most of Galp Energia's exploration and production activities take place in non-European countries with developing economies or in political and regulatory environments that have been unstable at times.

Galp Energia also sources natural gas from Algeria and Nigeria for its marketing business, and sells its oil products in several African countries. As a result, a proportion of the Company's revenues is, and increasingly will be, derived from or dependent on countries with economic and political risks. These include the possible expropriation and nationalisation of property and increases in taxes or royalties.

Galp Energia believes that it abides by international norms in all the countries where it operates. However, any irregularities that may be either detected or alleged may have a material adverse effect on the Company's ability to conduct business and / or on the price of its shares.

Climate change

Galp Energia is subject to the effects of government policies to curb climate change. These initiatives may affect the conditions in which the Company conducts its businesses, namely in Exploration & Production, and Refining.

Although the Company also participates in the development of renewable energy, the adoption of policies to promote the use of this type of energy may affect the demand for hydrocarbon-based energy, which makes up the majority of Galp Energia's business. In addition, restrictions in licences for CO_2 emissions may significantly affect the cost of producing hydrocarbon-based energy.

Likewise, access to reserves of oil and natural gas to capture strategic growth opportunities may be restricted due to initiatives to protect the integrity of natural habitats. In this regard, Galp Energia closely monitors the development of government policies for environmental protection and adjusts its strategy in-line with relevant developments.

Stakeholder engagement

A number of stakeholder groups have legitimate interests in the Company's business. These include employees, investors, the media, governments, civil society groups, non-governmental organisations and people living in local communities affected by Galp Energia's operations.

Galp Energia's reputation and / or share price could suffer due to inappropriate or inadequate communication with stakeholders. This might include the failure to engage with certain groups and the delivery of inconsistent messages on the objectives and strategy of the Company. Other damaging actions might include making an inadequate response to any crisis or serious incident that might occur and a failure to provide adequate explanations if performance targets are not met or if the Company's performance is perceived as poor compared with its competitors.

Corporate responsibility

There is a possibility, however remote, that Galp Energia will not meet its stakeholders' expectations in terms of corporate responsibility, which would impair the Company's reputation and / or the price of its shares.

In this regard, there are particular risks related to the Company's potential inability to manage environmental impacts, if any, due to inadequately responding to stakeholder expectations, due to the lack of effective internal controls and due to inadequate enforcement of anti-corruption policies.

Financial risks

Financial risks include the possibility that interest rates may vary, that conditions of access to credit may change, that counterparties may default on their obligations, that retirement plans may not be adequately funded or that one or more than of the Company activities may not be covered by insurance policies.

Changes in interest rates

Despite the ability to access the market for instruments designed to hedge interest rate risk, Galp Energia's funding costs may be affected by volatile market rates, which may negatively influence its results.

Access to credit

Since borrowings have to be refinanced as they mature, Galp Energia is exposed to the risk that credit lines may not be available to refinance maturing loans or to meet cash requirements.

Default by counterparties

This risk follows from the possibility that a Galp Energia counterparty may default on its payment obligations, meaning that the level of risk to which Galp Energia is exposed depends on the credit risk of the counterparty. This risk includes both the possibility that a counterparty defaults on financial contracts, such as those related to the investment of cash surpluses by the Company or the purchase of instruments to hedge exchange rate, interest rate or other risks; as well as risks related to commercial relationships established with Galp Energia's customers.

Funding of retirement plans

Galp Energia provides a defined benefit retirement plan for some of its employees, under which additional benefits are paid as a supplement to social security pensions. The amount depends on the individual's length of service and final salary.

The most critical risks to pensions accounting usually concern both returns on invested assets and the discount rate used to calculate the current value of future payments.

Pension obligations can put significant pressure on cash flows. In particular, if pension funds are underfunded, Galp Energia may be called upon to make additional contributions. This may negatively affect its cash-flow results and its financial position.

Insurance cover

In line with industry best practice, Galp Energia contracts insurance to cover business-specific risks. Insured risks include the impairment of property and equipment, third-party liabilities, liabilities for the seaborne transportation of crude oil and other goods, for pollution and contamination, third-party liabilities of directors and staff and workplace accidents.

Nevertheless, some major risks inherent in Galp Energia's activities cannot reasonably be insured for a commercially appropriate sum. Therefore, under extreme conditions, Galp Energia may incur substantial losses following events that are not covered by insurance.

4.2 Risk management policy

Firefighting team at Sines refinery

Galp Energia is exposed to several types of risk as described in the first part of this section. The Company has designed policies and processes to monitor, measure and manage its exposure to these risks. The purpose of the Company's risk management policy is to support its business units in achieving their goals and to monitor the potential impact of risks on their results.

The way the risk management policy is to be executed is laid out by the risk management committee and approved by the executive committee. Outcomes are reviewed by the business units.

At the business unit level, commodity price risk is managed by monitoring the Company's global net commodity position and balancing its purchasing and supply commitments. In particular, Galp Energia manages its price-fixing period so as to obtain, at the end of each month, the average dated Brent for the month irrespective of daily fixed prices.

To this end, the Company buys and sells oil futures daily on the Intercontinental Exchange (ICE) based on the difference between the current price and the average price for each month. Purchases are spread over the month, based on market prices, without affecting the pattern of physical purchases.

To hedge movements in prices of exported products against the price of crude oil or purchased oil products, Galp Energia fixes the margin of part of its exports on a monthly basis. Swaps and futures are used in these hedging transactions.

In its natural gas business, following market liberalisation, Galp Energia uses the over-the-counter (OTC) market, so that it can offer its clients the pricing structures they request, while keeping the risk position on its own side unchanged.

Interest rate, exchange rate and other financial risks are managed across the Company. Galp Energia's overall interest rate position, including financial investments and debt, is monitored by the central unit that oversees the different business units. Exposure to interest rate risk is primarily related to interest-bearing debt on the balance sheet and interest rate derivatives.

The purpose of interest rate risk management is to reduce volatility of interest charges. Galp Energia's policy for managing interest rate risk aims to reduce exposure to floating interest rates by fixing the interest rate of part of the debt (including the portion of long-term debt classed as short-term debt) through the use of plain-vanilla derivative instruments such as swaps.

Galp Energia manages liquidity risk by maintaining available credit lines to meet cash requirements at all times regardless of market conditions.

Credit risk is managed on the business unit level, following executive committee rules, namely regarding credit limits and the actions to minimise or eliminate risk.

The capital increase at Galp Energia subsidiary in Brazil, which was announced in 2011, will significantly reduce the execution risk of the Company's transformational projects, namely in the Exploration & Production business, to be executed in the following years. Additionally, this transaction will not only allow Galp Energia to have one of the most solid capital structures within its sector but also will minimize the risk of Galp Energia of not having access to credit, reducing accordingly the dependence on the conclusion of transformational projects under way.

Internal control and risk management system

The Company's internal control system consists of a set of policies and procedures whose purpose is to ensure, with a reasonable probability of success, that corporate targets are achieved. These include the orderly and efficient conduct of business affairs, the safeguarding of the Company's assets, the prevention and detection of fraud and errors, the enforcement of laws and regulations and ensuring the reliability of financial reporting.

This system is based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on the main features of Galp Energia's internal controls, namely, the control environment, risk appraisal, and monitoring, information and communication.

Control environment

The control environment sets the starting point for all other internal control features and comprises the ethical values and other aspects of the executive committee, and these are standards for employees and other stakeholders.

The introduction of a code of ethics, designed to be a set of guidelines for the personal and professional conduct of all employees, contributes to the fulfilment of the Company's mission, vision and values. Galp Energia's code of ethics is available on the corporate website.

Galp Energia's control environment also comprises all the internal standards and procedures for delegating powers of authority, which ensure that there is adequate scrutiny of management decisions according to their nature and results.

To strengthen the internal control environment, the supervisory board oversees the effectiveness of the internal control, risk management and internal audit systems, regularly reviewing their adequacy. The supervisory board's recommendations are reported to the executive committee.

Risk appraisal

The executive committee, supported by internal units, is responsible for implementing a mechanism to identify and appraise internal and external risks that may affect the Company's performance.

At Galp Energia, there are systematic appraisals of risks and internal control systems at the various business units. These appraisals cover the risks identified by each business unit, which shares the responsibility for managing them.

Since inherent risks and the effectiveness of internal controls depend on variables both within and outside the organisation, the process of risk assessment cannot be a static one. Rather, risk is periodically reappraised for the Group's main businesses in order to ensure alignment between the risk profile set by the executive committee and the business units' response to risk.

In general, appraisals of risk analysis and internal controls start by identifying and classifying the main risks that affect both business unit goals and the control systems created to mitigate them. To evaluate the effectiveness of controls, residual risks are reviewed and, thereafter, deviations, if any, from the desired risk positioning set for the unit are checked.

Finally, business units comment on residual risks and commit to a response plan designed to minimise, transfer, avoid or accept residual risk. This process is illustrated by the figure below, which depicts the sequencing and interdependence of activities.

Implementing a risk management programme

Appraisals of risk and internal controls adopted by the business units as well as the associated response plans are submitted to the chairman of the board of directors and all executive committee members. As such, the level of risk chosen by the different business units' managers is adequately communicated to the Company's top management.

Monitoring, information and communication

The supervisory board supervises the adoption of those principles and policies that identify and monitor the principal financial and operational risks arising from the Group's activities, as well as the measures designed to monitor, control and disclose such risks.

To test the effectiveness of internal controls, the supervisory board conducts operational, compliance and financial audits in parallel with reviews of information systems. The annual audit plan, based on findings from the evaluation of residual risks of the different process of each business unit, is approved by the chairman of the board of directors.

05 • COMMITMENT TO SOCIETY

5.1 Corporate governance

Shareholder structure

The Company's shareholder structure remained stable in 2011 and the equity stakes of major shareholders did not change. These shareholders – Amorim Energia, Eni and Caixa Geral de Depósitos (CGD) – are parties to a shareholder agreement whose provisions are briefly described in this section. The stability in the shareholder base allowed Galp Energia to focus on the development of its activities, the execution of its strategy and the attainment of its goals.

Amorim Energia is based in the Netherlands and its shareholders are Power, Oil & Gas Investments, B. V. (30%), Amorim Investimentos Energéticos SGPS, S. A. (20%), Oil Investments, B. V. (5%), and Esperaza Holding, B. V. (45%). The first three companies are controlled, directly or indirectly, by Portuguese investor Américo Amorim and the last one is controlled by Sonangol, E. P., Angola's state-owned oil company.

Eni, an Italian energy company listed on the Milan and New York stock exchanges, carries out activities in over 75 countries in exploration and production, refining and marketing, gas and power, petrochemicals, engineering services, construction and drilling. At 31 December 2011 Eni had a market capitalisation of around 64 billion euros.

CGD (Caixa Geral de Depósitos), Portugal's largest credit institution, is wholly-owned by the Portuguese state.

Parpública – Participações Públicas, SGPS, S. A. (Parpública), is a state-owned entity that manages the Portuguese state's equity holdings in several companies. In September 2010, Parpública issued 7-year bonds with a fixed coupon of 5.25%; these bonds are exchangeable for Galp Energia shares from March 2013 and the issue was part of a transaction designed to privatise the 7% share of Parpública in Galp Energia's equity.

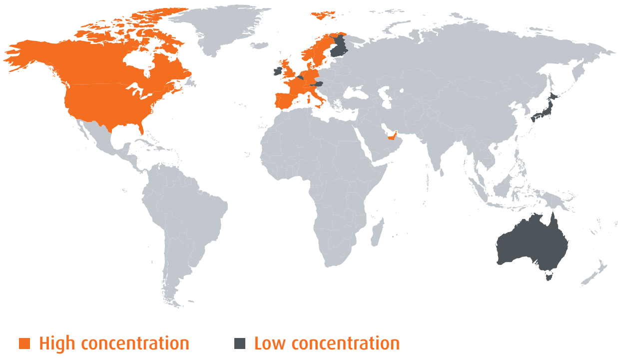
At the end of 2011, around 25% of the shares in Galp Energia were freely traded on the market. The largest slice of this free float - around 82%, or 20% of the total - was owned by institutional investors. Private investors owned the balance, or 5% of Galp Energia's equity. This split between institutional and private investors has been stable since 2008.

Shareholder structure at 31 December 2011

The shareholder roster at the end of the year included investors from 28 countries and the dispersion of over 80% of the institutional base outside the home country testified to Galp Energia's visibility in the international market.

The proportion of british institutional investors out of all institutional investors in the company increased from 34% in 2010 to 40% in 2011. Portuguese institutional investors accounted for 16% and their French counterparts for 11%. Recently, there has been an increase in investments from Middle Eastern sovereign wealth funds, namely from the United Arab Emirates and Kuwait.

Geographic distribution of institutional investors



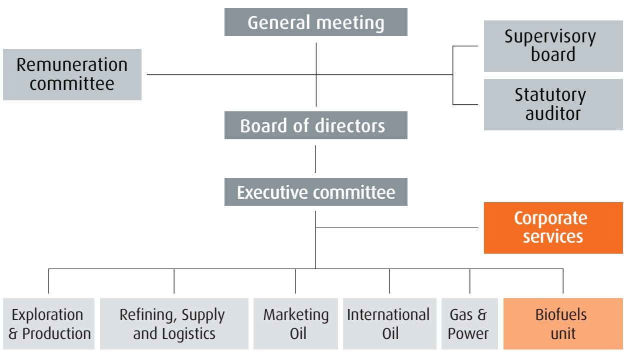
Governance model

Galp Energia's governance model is based on a responsible and transparent relationship between its shareholders, board of directors and supervisory bodies. In addition, trust and effectiveness are encouraged by a clear separation of powers between the board of directors and the executive committee.

The independence of the board of directors in relation to the executive committee is ensured because each has its own chairman.

Whereas the board of directors formulates the Company's strategy and monitors its execution, the executive committee has been delegated by the board of directors a range of operating tasks that are related to the current management of the business units and services. This power split does not preclude, however, that the executive committee plays an important part in the strategy formulation process.

Organisational structure



Shareholder agreement

Amorim Energia, CGD and Eni are parties to a shareholder agreement that is described in detail in the Company's corporate governance report and addresses a range of subjects related to the transfer of shares held by those companies in Galp Energia. The agreement is in force up to and including March 2014.

After 1 January 2011, any party may sell off its holding, although undivided. In this case, the other parties will have preference rights to the acquisition or tag-along rights in the case of a sale to third parties. If Amorim Energia is the selling party, CGD has a preference right to buy all or part of the shares held by the former or to assign its preference right to purchase the shares to a third party of its choice.

In all other cases or if CGD does not exercise its preference right to purchase the shares offered for sale by Amorim Energia the shares of the selling party will be apportioned equally between the parties that have exercised their preference rights regardless of the size of their share of Galp Energia's equity. Except for in the case of a sale by Eni, the exercise by CGD of its preference rights may not result in the Portuguese state or a state-owned entity owning more than 33.34% of Galp Energia.

If shareholder control changes in any of the parties, the others shall have the right to buy its equity stake in Galp Energia in equal parts with the proviso of CGD's preference rights.

Other provisions in the agreement are related to the appointment and dismissal of directors and supervisory board members and the need for a supermajority of more than two-thirds for certain resolutions such as the approval of business plans and budgets, strategic investments and related funding, the appointment of senior managers or the issuance of securities, particularly debt securities.

Board of directors

At the end of 2011, Galp Energia's board of directors had 17 members, of which six were executive and 11 non-executive. Among the latter, two were considered to be independent, one of them being the chairman.

In compliance with the shareholder agreement, seven directors were appointed by Amorim Energia, seven by Eni and one, the chairman of the board of directors, by CGD. The chief executive officer is jointly appointed by Amorim Energia and Eni, subject to CGD's approval. The 17th director is appointed by consensus among the three shareholders. The director list that has been jointly proposed by the signatories of the shareholder agreement is submitted for approval to the general meeting.

In addition to formulating the Company's strategy, the board of directors determines the organisational structure and the business portfolio, approves high-risk or high-cost investments and monitors their execution.

Board resolutions are generally adopted by simple majority except for the items provided in the shareholder agreement, which require a two-thirds majority. The items for resolution and their required majorities are described in detail in the corporate governance report.

In 2011, the non-executive directors monitored the execution of Galp Energia's strategy and appraised the executive committee's performance towards goal attainment. The non-executive directors also made sure that the Company's internal control and risk management systems worked properly.

In 2011, the board of directors held 15 meetings, where all directors were either present or duly represented. Electronic voting was used in three of these meetings.

The current directors in charge have been elected for a term that started in 2008 and was extended until the end of 2010. They remain in office up to the appointment of next board of directors.

Composition of the board of directors

Name	Position
Francisco Luís Murteira Nabo	Chairman, non-executive director
Manuel Ferreira De Oliveira	Vice-chairman, chief executive officer
Manuel Domingos Vicente	Non-executive director
Fernando Manuel dos Santos Gomes	Executive director
José António Marques Gonçalves	Non-executive director
André Freire de Almeida Palmeiro Ribeiro	Executive director
Carlos Nuno Gomes da Silva	Executive director
Rui Paulo da Costa Cunha e Silva Gonçalves	Non-executive director
João Pedro Leitão Pinheiro de Figueiredo Brito	Non-executive director
Claudio De Marco	Executive director, chief financial officer
Paolo Grossi	Non-executive director
Fabrizio Dassogno	Executive director
Giuseppe Ricci	Non-executive director
Joaquim José Borges Gouveia	Non-executive director
Luigi Spelli	Non-executive director
Maria Rita Galli	Non-executive director
Luca Bertelli	Non-executive director

Executive committee

The executive committee is composed of six directors appointed by the board of directors for a three-year period. This body remains in office until the appointment of its successor.

The executive committee is charged with the current management of the Company in accordance with the strategy laid down by the board of directors. The executive committee discharges its duties, which are described in the corporate governance report, by managing the business units, allocating resources, achieving synergies and monitoring the execution of proved policies.

The powers delegated to the executive committee by the board of directors require that it meets regularly. In 2011, the executive committee held 45 meetings.

The business of the board of directors and the executive committee complies with the regulations devised to formalise the workings of these two corporate bodies. These regulations can be reviewed on www.galpenergia.com.

Composition of the Executive Committee

MANUEL FERREIRA DE OLIVEIRA

Chief executive officer (CEO).

Galp Energia's CEO since January 2007 and a director since April 2006.

Over 20 years' international and oil industry experience.

CARLOS NUNO GOMES DA SILVA

Responsible for Distribution Oil business unit.

Galp Energia director since April 2007.

Several directorships since 2002.

CLAUDIO DE MARCO

Chief financial officer (CFO).

Director of Galp Energia since May 2008.

Experience in finance as chief financial officer of Italgas, S. p. A., and Snam Rete Gas, S. p. A.

FERNANDO DOS SANTOS GOMES

Responsible for Exploration & Production, International Oil and Biofuel business units.

Galp Energia director since May 2005.

Formerly Portugal's home secretary and several directorships.

ANDRÉ FREIRE DE ALMEIDA PALMEIRO RIBEIRO

Responsible for Procurement, Refining and Logistics business unit.

Galp Energia director since May 2005.

International experience in investment banking.

FABRIZIO DASSOGNO

Responsible for Gas & Power business unit.

Galp Energia director since May 2008.

Professional experience from Eni's gas and power division.

Supervisory bodies

Supervision is entrusted to a supervisory board and a firm of chartered accountants.

The supervisory board is composed of three standing members and a deputy member, all independent and elected by the annual general meeting in compliance with the provisions of the shareholder agreement.

The general meeting of 30 May 2011 elected the new supervisory board members for the 2011-2013 term.

Composition of the supervisory board

Name	Position
Daniel Bessa Fernandes Coelho	Chairman
Gracinda Augusta Figueiras Raposo	Member
Manuel Nunes Agria	Member
Amável Alberto Freixo Calhau	Deputy

The same meeting also elected the chartered accountants for the 2011-2013 term – Pedro João Reis de Matos Silva and António Campos Pires Caiado, as his deputy, both as representatives of P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC.

The supervisory board monitors the preparation and disclosure of Galp Energia's financial information, appoints, appraises and dismisses, if and when necessary, the external independent auditor, supervises the audit of financial statements and proposes to the general meeting the appointment of a firm of chartered accountants or a chartered accountant, whose independence it checks, particularly regarding the provision of additional services. The regulations that guide the action of the supervisory board may be reviewed on www.galpenergia.com.

In June 2011, the supervisory board decided that the external auditor should be rotated, according to best practice, and appointed, after a tender process, PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. as Galp Energia's external auditor for the three-year period 2011-2013.

The supervisory board held 14 meetings in 2011 and the conclusions of its supervisory and inspecting actions were forwarded to the board of directors and the general meeting. A summary of these conclusions can be found in the opinion of the supervisory board appended to this report.

Remuneration policy

Galp Energia's remuneration policy reflects the corporate goal of sustained shareholder value creation.

The remuneration of governing body members is set by a remuneration committee composed of three shareholders – CGD, the chair, Amorim Energia and Eni – which was elected at the general meeting of 30 May 2011 for a three-year period up to the end of 2013. Remuneration committee members may not sit on the board of directors or the supervisory board. The criteria that guide the remuneration policy are approved at the general meeting.

Executive directors earn a fixed monthly remuneration plus annual variable remuneration that depends on their individual and collective performance. The remuneration of executive directors is reviewed annually so as to make sure that the offered terms are competitive with the market for roles of equivalent complexity and responsibility.

Variable pay may vary between 0% and 60% of the fixed annual remuneration and is set according to the degree of achievement of certain economic, financial and operating goals and to the performance of the Galp Energia stock relative to its peers. The purpose is to create a competitive remuneration scheme and an incentive system that encourage the alignment of executive director interests with those of shareholders and other company stakeholders.

Total remuneration is predominantly cash-based and complemented by a retirement savings scheme. The remuneration policy is driven by the aim to attract and motivate the best professionals and encourage stability in role tenure.

In 2011, non-executive directors that do not hold any executive position in other companies of the Group, earned a exclusively fixed remuneration of 0.5 million euros based on the remuneration policy set by the remuneration committee and approved by the general meeting of 30 May 2011. This meeting set the criteria currently in force to reward the performance of the Company's board of directors.

Non-executive directors, who hold executive positions in other companies of the Group, earned a remuneration of 1.6 million euros, of which 1.1 million euros was fixed, 0.2 million euros variable and 0.3 million euros for a complementary retirement plan.

The members of Galp Energia's executive committee earned total remuneration of 4.3 million euros, of which 2.8 million euros was fixed, 0.8 million euros variable and 0.7 million euros for a complementary retirement plan.

The remuneration of each director can be found in the Company's corporate governance report.

The members of the supervisory board earned total remuneration of 98,000 euros as set by the remuneration committee.

Shareholder information

General meeting participation

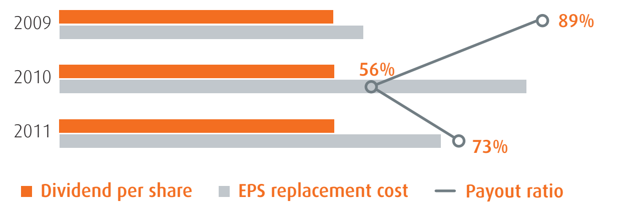
In 2011, the shareholders of Galp Energia met three times, two of them in extraordinary session. The primary goal of the annual general meeting of 30 May was to approve the management report and accounts of financial 2010. Seventy-five shareholders attended the meeting in representation of 72% of the Company's share capital. The extraordinary meeting of 28 March discussed a proposed revision of the articles of association, which was not approved, and the extraordinary meeting of 3 August approved the proposed revision of the articles of association which terminated the special rights previously assigned to A shares. These shares were owned by Parpública and the end of their special rights marked the end of the special rights the Portuguese state had in the Company.

Dividend policy

Galp Energia's dividend policy provides for the payment of 0.20 euros per share as annual dividend, subject to general meeting approval. In 2011, a final dividend of 0.14 euros per share was paid with respect to financial 2010 after the payment of 0.06 euros in 2010.

In 2012, the Company's board of directors aims to propose to the annual general meeting scheduled for 7 May a dividend of 0.20 euros per share for financial 2011, implying a dividend yield of 2% on the basis of the share price on 30 December 2011.

Dividend and earnings per share (€/share)



Source: Galp Energia

Codes and tickers of the Galp Energia share

ISIN	
Symbol: GALP	PTGAL0AM0009
State-owned shares (shares subject to the privatisation process)	PTGALSAM0003
State-owned shares (shares subject to the privatisation process)	PTGALXAM0006
Sedol	B1FW751
WKN	A0LB24
Bloomberg	GALP PL
Reuters	GALP.LS

Information to the capital markets

Galp Energia's policy for communicating with the capital markets aims to maintain a steady flow of relevant information that will accurately describe, symmetrically and simultaneously, for investors, shareholders, analysts and the public at large, the performance of the Company's business and strategy.

The information is disclosed in both Portuguese and English, preferably before the opening or after the close of NYSE through Euronext Lisbon, through publication on CMVM's disclosure system, through the Investors section of the Company's website and through the dispatch by email to subscribers, regardless of their being shareholders or not. Galp Energia has, since 2008, used an external platform to communicate price-sensitive information in Europe; this platform provides European Union investors with rapid access to information on a non-discriminatory basis and without additional cost.

Stock trading

Except for the shares owned by Parpública, Galp Energia's shares are freely traded on the market.

Out of the 829,250,635 shares that make up Galp Energia's share capital, 771,171,121 shares, or 93% of the total, are listed for trading on NYSE Euronext Lisbon. The remaining 58,079,514 shares, which account for 7% of the share capital, are indirectly held by the Portuguese state through Parpública and, despite being on the Eurolist by Euronext Lisbon, are not listed for trading. In September 2010, Parpública issued to the market bonds due September 2017 that may, after March 2013, be exchanged for shares in Galp Energia.

The extraordinary general meeting of 3 August 2011 approved a resolution that put an end to Galp Energia's two different classes of shares, A and B, thereby terminating the special rights previously assigned to A shares.

At 31 December 2011, Galp Energia had no treasury shares.

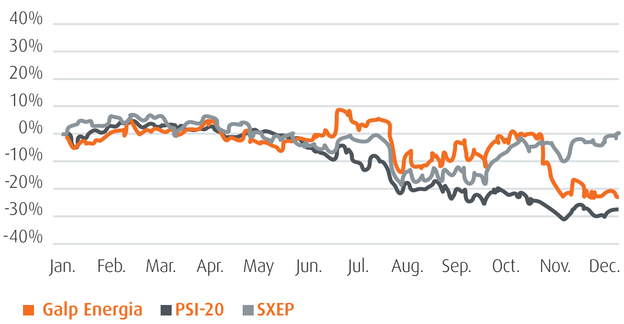
The Galp Energia share is part of several indices: the PSI-20, the Dow Jones STOXX 600(SXXP), the Dow Jones Europe STOXX Oil & Gas (SXEP), the Euronext 100, the FTSE World Oil & Gas, the MSCI Euro Index and the NYSE Euronext Iberian Index.

Performance of the Galp Energia share

As of 31 December 2011, Galp Energia had a market capitalisation of 9,437 million euros, down 21% from a year earlier. Despite this unfavourable change, the Galp Energia share outperformed the PSI-20, Portugal's benchmark stock index, which lost 28% in 2011. The Company's stock was, however, outperformed by the European oil & gas index, which gained 1% in the year.

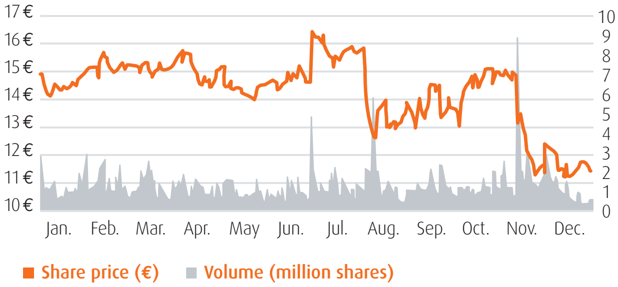
In 2011, 341 million shares, or 41% of Galp Energia's share capital or, even more importantly, almost two times its free float, were traded on the market. This volume provides evidence of the high liquidity of the share on Euronext Lisbon, where it is one of the most liquid. The daily traded volume averaged 1.3 million shares while the total number of shares traded fell 20%. The share peaked at 16.97 euros for the year on 30 June and hit the lowest at 11.26 euros on 12 December.

The Galp Energia share performance against the SXEP and PSI-20 indices in 2011



Source: Bloomberg

Performance of the Galp Energia share in 2011



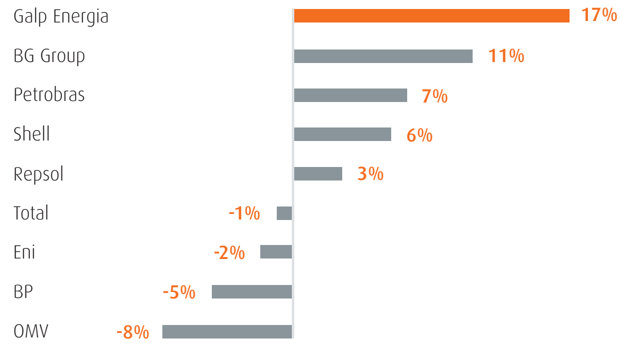
Source: Bloomberg

Main events in 2011

Date	Event
7 January	Announcement of the lease of a new FPSO for BM-S-11 in the Brazilian offshore
11 February	Earnings release 4Q2010 and FY2010
1 March	Confirmation of good-quality oil by Iara test
14 March	Capital Markets Day 2011
28 March	Extraordinary general meeting
29 April	Earnings release 1Q2011
30 May	Annual general meeting
6 June	Appointment of governing bodies
23 June	Ex-dividend date for the 2010 final dividend payment of 0.14 euros/share
7 July	Evidence of high potential by the Lula field's first producing well
29 July	Earnings release 2Q2011 and 1H2011
3 August	Bond issue of 185 million euros
	Extraordinary general meeting
16 September	Start of operation of the Lula-Mexilhão gas pipeline in Santos basin
20 October	Announcement of the natural gas discovery in Mozambique's Mamba South prospect
27 October	Announcement of the extended natural gas discovery in Mozambique's Mamba South prospect
28 October	Earnings release 3Q2011 and 9M2011
11 November	Announcement of capital increase at Petrogal Brasil
29 November	Assessment of oil presence by new well in Brazil's block BM-S-8

At the end of the year, Galp Energia shares had gained 96% compared with the price at which it was offered to the market in October 2006, which represented an annualised return of 17% in the period relative to its peer group.

Annualised return between 23 October 2006 and 31 December 2011



Source: Bloomberg
Note: prices are in euros and including dividends paid out by companies

Coverage of the share by analysts

At the end of 2011, 28 analysts, or four more than a year earlier, followed the Galp Energia share. The newcomers were Investec, Citigroup, BBVA and Tudor, Pickering, Holt & Co.

At 31 December 2011, the average price target for the 28 analysts was 17.01 euros, with 68% of the analysts recommending to buy, 29% to keep and one analyst, or 4%, to sell.

Financial calendar 2012

Following best practices, Galp Energia discloses scheduled events for 2012 that are relevant for shareholders. Trading updates and earnings will be released before the opening of NYSE Euronext Lisbon. These dates may be altered.

Financial calendar 2012

Date	Event
27 January	Trading update 4Q2011
10 February	Earnings release 4Q2011 and FY2011
6 March	Capital Markets Day 2012
4 April	Annual Report and Accounts 2011 (audited)
13 April	Trading update 1Q2012
27 April	Earnings release 1Q2012
7 May	Annual general meeting
13 July	Trading update 2Q2012
27 July	Earnings release 2Q2012 and 1H2012
12 October	Trading update 3Q2012
26 October	Earnings release 3Q2012 and 9M2012

■ Released ■ Scheduled

Primary school in Buzi, Mozambique

5.2 Social responsibility

Galp Energia's works on social responsibility across four areas: education, environment and energy efficiency, health and well-being, and road safety. The Company sponsors or participates in socially responsible projects whose educational, charitable and social goals aim to develop local communities in the countries where it operates.

As an integrated energy operator, Galp Energia deems it of great importance to develop educational projects that foster energy efficiency, thereby contributing to significant environmental improvements. To this end, the Company sponsored *Missão UP | Unidos pelo Planeta* (Mission UP | United for the planet), a project that targets students aged between 6 and 12. The project aims to alert the school system to new ecological challenges. In its first year 2010/2011, 386,000 students from 1,720 schools had 200 classes in eco-efficiency that were taught by over 50 Company's employees.

In order to facilitate volunteer work, the Company created Galp Voluntária in 2010. Through company-sponsored volunteer work, Galp Energia furthers the well-being of local communities and society in general as it develops activities in line with its business and institutional identity. By the end of 2011, close to 800 company workers had enrolled as volunteers. Galp Voluntária has 15 projects under way and its involvement has covered eight organisations in more than 2,500 hours of company-sponsored volunteer work.

The participation of Galp Voluntária in project REPARAR, whose purpose was to help elderly and needy people to repair their homes, was particularly important. The project, which was carried out in partnership with the charity entity Santa Casa da Misericórdia de Lisboa, covered the repair of ten homes with the help of 116 volunteers.

In Africa, where the exploration and production of oil and the marketing of oil products are expanding, Galp Energia has made great efforts to significantly improve the quality of life of local communities by develop significant educational and social initiatives designed to improve the health and well-being of people.

In education, the Company was particularly active in Angola and Guinea-Bissau. In Angola, Galp Energia awarded scholarships to employees' children, thereby complementing the local educational system. In Guinea-Bissau, the Company extended its agreement with Portugal's Instituto Camões to provide continuous training to Portuguese-language teachers at elementary levels. In the 2010/2011 school year, this project covered 1,768 teachers, with an estimated 107 thousand students benefiting from this training programme.

Galp Energia also promoted the inclusion of people into society. In 2011, the Company renewed its support to Paralympic sports people from Cape Verde and signed an agreement with the Cape Verde Paralympic Committee, which sponsors the participation of disabled sports people in regional and international games. Also in this country, messages were published on the importance of women in society, with a view to ending gender discrimination.

To make up for the shortcomings of healthcare in Africa, Galp Energia undertook initiatives deemed essential to address the needs of local communities. In Angola, besides promoting an HIV prevention campaign, the Company provided support to Luanda's Paediatric hospital. In Swaziland Galp Energia took humanitarian activities and supported several organisations such as Swaziland Hospice at Home, which offers help to terminal patients, and National Emergency Response Council on HIV and AIDS (NERCHA), which constitutes the national emergency council on HIV and AIDS. The Company also supported Hope House, an institution that gives shelter to orphans and other children at risk and provides important counselling and educational services.

The Galp Energia Foundation

The Galp Energia Foundation is a philanthropic organisation whose purpose is to promote and deepen the Company's role in society. The Foundation's scope of activity is centred on Portuguese society, where it develops environmental, cultural and social projects.

In 2011, the Foundation proceeded with the activities it had committed itself to under multi-year agreements with other institutions, namely the construction of Casa dos Marcos in partnership with Raríssimas, a Portuguese association for mental disorders and rare diseases, and the sponsoring of the campaign *100 Mecenas Unidos pela Diabetes* (100 Supporters United Against Diabetes).

In 2011, the Foundation developed a project in Lisbon integrating sustainable mobility with energy and environmental efficiency. The project aims to build a bridge for pedestrians and cyclists by 2012 as well as other initiatives.

In the mobility field, the Foundation established in 2011 an agreement with Associação Salvador to provide assisted customer service to people with reduced mobility. This service allows its users to benefit from customised treatment when filling gasoline and purchasing products available in Galp Energia's convenience stores. The company distributed 500 specially designed electronic devices.

In order to strengthen the inclusion of people into society, the foundation partnered with the Portuguese Paralympic Committee and became its exclusive sponsor. The agreement provides for high-quality training of sports people by making better sporting facilities available.

5.3 Human resources

Strategy

The development and improvement of human resources at Galp Energia is aimed at strengthening employees' technical and behavioural skills, to retain and develop talent, to encourage initiative and entrepreneurship, to enable professional flexibility, continuous learning, functional and geographic mobility, and finally to guarantee a strong connection between the Company needs and the qualifications of its employees.

To achieve these goals, Galp Energia initiated training programmes focus on the development of skills and potential of its employees in order to provide them with technical and behavioural skills, which are fundamental for the Company's sustainable growth. In addition, Galp Energia regularly measures the satisfaction and motivation of its employees to assess the climate on the Company and consequently take the necessary measures to improve these results.

Training

Galp Energia is highly aware of the importance of its safety policy. The Company constantly invests in professional training in areas like Environment, Quality and Safety and also in the training of superior technicians in Health and Hygiene at Work. The main goal is to ensure the safety of all of its employees and simultaneously contribute to sustainable development.

In 2011, Galp Energia continued with training focused on the development of the behavioural skills of its employees.

During 2011, the total number of training exceeded 141 thousand hours, with over 14 thousand presences throughout those hours.

Geo-Engineering lesson

The Galp Energia Academy

In 2011, Galp Energia continued to develop the Galp Energia Academy's activities, a training center of excellence that aims to reinforce the Company's human capital skills, so to prepare the future leaders.

Galp Energia Academy teaches the advanced course in Management, including seminars, workshops and conferences; the EngIQ, which is a PhD programme in Refining Engineering, Petrochemistry and Chemistry in a corporate environment and the Program for Advanced Training and Research in reservoirs Geo-Engineering.

The Advanced Course in Management comprises three levels, and takes employees starting at level one 9 years to complete. This programme was created and launched in partnership with four well-known Portuguese academic institutions. From its start in 2010 until the end of 2011, the course has totalled 18,400 training hours and 179 trainees, grouped in 9 classes. Galp Energia's ultimate goal is for all of the approximately 600 senior managers to attend the course, as well as over 100 employees with high potential, and all new employees.

The third season of the EngIQ started in October 2011. The PhD programme in Refining Engineering, Petrochemistry and Chemistry (EngIQ) is associated with all the major schools of chemical engineering in Portugal, and also with companies that form the Association of Petrochemical, Chemical and Refining Industries.

Over 36 trainees have participated in the programme since its beginning in 2009 until the end of 2011, 20 of which were Galp Energia's technical employees. Another point of focus of this programme is that its research and development projects are carried out in a corporate environment, and eight of the projects were on-going in Galp Energia's refineries and seven of them at other participant companies.

Also in 2011, Galp Energia and Petrobras signed an agreement to launch the advanced training and shared investigation of hydrocarbons in ultra-deep water research programme in the exploration and production sector. The Programme's first step was the approval of the advanced course in Geo-engineering of Carbonate Reservoirs in partnership with five major academic institutions from this sector in Portugal and in Brazil. The classes will start on 30 January 2012 and can be attended via videoconference or in person. The main focus of this programme is the integration of areas of knowledge such as geophysics, geology and engineering of reservoirs, with the aim of developing trained professionals capable of working in an integrated way through all the process of oil exploration and production, especially on the carbonate rocks in the Brazilian pre-salt.

The Galp Energia Academy created a new training programme in 2011: the Advanced Course in Commercial Sciences, whose fundamental purpose is to develop the skills of the Company's sales employees.

This course will start in 2012 when the Galp Energia Academy will be running two additional training programmes, one focused on the exploration and production and the other focused on the commercial side of the business, with a total of four training courses.

Basics of Leadership Skills programme

The Basics of Leadership Skills programme started in 2011, involving a total of 320 employees in lower and middle management positions, with the aim of improving their performance in their area of work. The main goal of this programme is to provide a vision of the activities in which Galp Energia engages in and reinforce the development of technical and behavioural skills which are essential to the continuous improvement of management teams, especially in terms of leadership and ethics. The Programme extends over 12 months and it is composed of four levels and nine days of training. Three of these levels will be taught by Galp Energia's senior management and the remaining one by internal specialists, focusing on the reinforcement of behavioural skills associated with team leadership and people development.

Recruitment policies

In order to succeed in a complex and competitive market, Galp Energia values the recruitment of employees who are enthusiastic towards new challenges and have communication, integration and teamwork skills, as well as those who have undergone solid technical training.

The Company's recruitment and selection policies ensure it has a permanent pool of employees with technical and behavioural skills which are essential to the achievement of its strategic goals. The foundation of these policies can be summarised in three key ideas:

- the Company's various management units annually identify, characterise and communicate its recruitment needs, which are essential to manage its human resources;
- priority is given to internal mobility as way of developing skills, broaden professional experience and promote mobility within the Group;
- development of collaboration with universities and other technical or non-technical higher education institutions as sources of external recruitment, hence attracting talent and strategic skills to the Group.

Internship programmes

The human resource policy at Galp Energia is partly composed of external recruitment, mainly through the Generation Galp programme, a source of recruitment of graduates with high potential from major Portuguese universities.

To ensure the availability of human resources that will ensure the continuity of Galp Energia's high performance, several actions were taken in 2011 in partnership with major Portuguese universities to recruit the most talented students. The outcome of these actions was a significant rise in the number of spontaneous applications, mainly to the Generation Galp programme. Through this recruitment process 41 trainees were selected, of which 10 were integrated and are currently receiving training in the Exploration & Production business segment.

Along with the internship programme, young graduates are exposed to several professional scenarios with continuous guidance and evaluation. By the end of the programme, the best participants are invited to join the Company. In the previous two years, 82.5% of the participants were hired by the Company.

In the recruitment process for the annual Generation Galp programme, a number of key variables are assessed, in particularly, the candidate's professional ambitions, their personal qualities and academic course, as well as the level of compatibility of their personal profile with the demanding level required by the programme. The selection of candidates is based on good academic results, adequately meeting the goals of the programme and a profile that fits Galp Energia Group's culture.

Focus on the Exploration & Production business segment

In 2011, the Company strengthened the structure of employees in the Exploration & Production business segment, by recruiting highly-skilled experienced employees to functions deemed critical. In Brazil, 13 new employees were hired as part of technical personnel recruitment. The main goal was to strengthen the team and prepare them to face the challenges in this country.

Human resources in Africa

Galp Energia has been implementing Company-wide policies at several of the Group's affiliates. Therefore, 2011 was a year in which the Company took important steps to consolidate policies and practices, as well as processes of human resources in several African countries where Galp Energia operates. These policies, practices and respective processes have already been implemented in Mozambique, Gambia and Swaziland.

The first steps were also defined in Guinea-Bissau through an organisational diagnosis and a survey of the human resource needs in this country.

In Angola, the practices and policies which were developed and implemented conform to the local regulations, namely the professional skills certificate.

Employee satisfaction

By the end of 2010, the Company proceeded with the diagnosis and monitoring tasks initiated in 2009 through the launch of a new survey which assessed the change in seven factors relating to the levels of satisfaction and personal motivation. 1,524 employees participated in the surveys, 5.5% more than in the previous year.

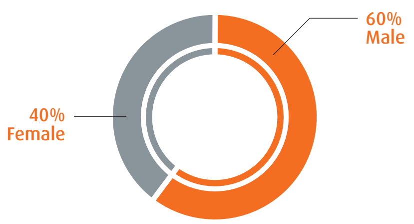
The latest assessment, based on the factors of clarity, team commitment, flexibility, reward, responsibility, exigency and training levels, reveals an increase in satisfaction in all factors in comparison with the results obtained in 2009. These results concern not only business units, but also Galp Energia as a whole and the Group was assessed most highly on the factor of responsibility.

After this diagnosis, most of the business units started analysing the results along with staff to implement measures for improvement.

Galp Energia's employees

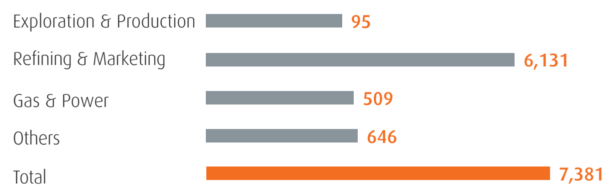
The split of Galp Energia's staff by gender remained unchanged in comparison with 2010, with women representing 40%.

Employees by gender in 2011



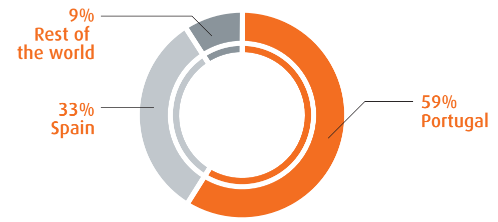
The distribution of Galp Energia's employees by business sector remained stable compared with a year earlier. Nevertheless, the overall number of employees increased from 7,311 at the end of 2010 to 7,381 by the end of 2011, as a result of the continuous focus on its human capital.

Employees by business segment in 2011



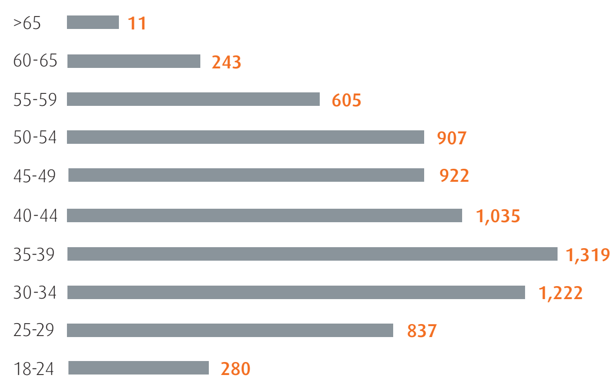
Portugal remains the country with the highest number of employees, with 59% of the total, with the number of employees in Spain also continuing to be very significant. However, the number of employees in the rest of the world represented 9% of the total at the end of 2011, versus 4% at the end of 2010.

Geographic spread of employees in 2011



In 2011, 64% of employees were under 45 years old. Despite Galp Energia's effort to decrease the average age workforce and to attract high-potential employees, the average age stood at 41 years old.

Employees by age group in 2011



5.4 Health, safety and environment

In order to guarantee continuous improvement, Galp Energia has been implementing a health, safety and environment (HSE) policy; the main goal of which is to achieve zero accidents, whether personal, material, environmental, operational or on the road.

For this reason, in 2011, the Company developed and implemented the G+ System, a HSE (health, safety and environment) management system aimed to continuously improve the performance of Galp Energia in these three matters.

In the Exploration & Production business segment, the G+ System has guaranteed a continuous improvement of security, health and environmental levels. Through the identification of risks inherent to the activities and operations of Galp Energia, namely onshore Brazil, it was possible to define measures to control and minimise and eliminate risks, thereby contributing to the sustainable development of business.

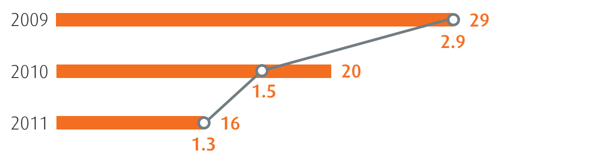
Given its participation in offshore exploration consortia, even with a minority stake, the Company always plays an active role in discussions over matters of safety, security and environment, namely during the preparation of seismic campaigns, the definition of drilling programmes and also the draft of development plans for various prospects. HSE matters are essential to the Company, mainly in drafting working plans. Therefore, Galp Energia defines a thorough system of responding to incidents, whether external or internal, even though the likelihood of occurrence is very remote.

Considering the significant contribution of Galp Energia's business partners, as well as service providers, the Company has been promoting the crucial practices of verification, supervision, inspection and audit.

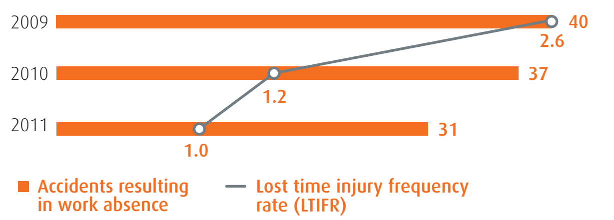
Safety and health

In order to achieve the zero accidents goal and promote a sustainable culture of excellence and prevention, Galp Energia continuously monitors its safety performance.

Accidents in Galp Energia's universe
Employees



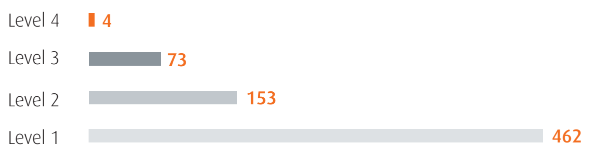
Employees and service providers



In this matter, the efforts made by the Company have resulted in a reduction in terms of the workplace accident rate in recent years. In 2011, the lowest ever number of accidents resulting in lost time, whether with employees or service providers, was recorded. The lost time injury frequency rate (LTIFR), which measures the number of accidents per million hours worked, also reached an annual minimum of 1.0 (including employees and service providers), a decrease of 62% since 2009. In 2011, the number of hours worked was 24.7 million.

Incident-reporting and investigation also improved with the expansion of the perimeter of incident-reporting and investigation (accident and quasi accidents) to new regions, namely in the African countries where Galp Energia operates.

Incidents by type in 2011



Incidents recorded include those involving clients and service providers, whether or not there was material damage or Galp Energia's services and assets were involved, even if they did not occur as part of the Company's regular activities.

However, there were four serious accidents in 2011, which were duly investigated. Of these, three accidents involved products marketed by Galp Energia, even though they were in conditions that were not within Company's control. In particular, there was a road accident, involving a vehicle carrying dangerous materials, and two accidents in clients' residences originated with LPG.

The fourth serious accident, a fire on one of Galp Energia's premises, resulted in small material damages. There was no personal or environmental damage. As in the other cases, investigation and subsequent identification of the accident causes led to a set of recommendations and an action plan outline, so to prevent such accidents from being repeated.

Galp Energia has been developing its safety practices according to best practices in the sector, thereby adopting the recommended practice API 754 – Process Safety Performance Indicators for the Refining and Petrochemical Industries, which identifies the advanced safety indicators and enables the identification of the probable causes in accidents with damaging consequences, namely those involving product leaks.

Although the API-754 has four levels of indicators, established according to the seriousness of the potential accidents, Galp Energia is currently only considering the two levels related to the events with more serious consequences. In these terms, the Company's results can be compared with those from its peer companies. Galp Energia meets the standards of CONCAWE, an association of companies that operate in the Oil & Gas sector, with the primary goal of analysing the environmental issues which are relevant to the sector.

Environmental responsibility

As an integrated energy operator, Galp Energia has been promoting greater environmental responsibility through an intensification of its environmental actions and implementation of a policy which aims to minimise the negative impact of the Company's activities on the environment.

CO_2 emissions in 2011 (kton)

In 2011, Galp Energia continued to receive an excess of licences for emission of CO_2 as a result of the Company's efforts towards decreasing its environmental footprint.

Therefore, under the terms of the European Union Emissions Trading Scheme (EU ETS), for the third consecutive year in the period 2008-2012, Galp Energia has registered lower emissions than the licences awarded. As a result, the Company accumulated surpluses, which are marketed, making profits that vary according to the prices in the markets of emission licences.

To improve its performance in emissions of CO_2, Galp Energia has been adopting several measures such as reducing the carbon content of its fuel portfolio, using cogeneration plants to produce electricity and high efficiency steam, and energy rationalisation by integrating the existing units in the new units installed in the two refineries.

Galp Energia has also been covering possible fluctuations that may occur in the market for emission licences, namely from 2012 to 2020, under the terms of EU ETS. In this period, the award of licences will be done by auction, benchmarking or for free in exceptional cases. Companies operating in the refinery sector can receive free emission licences up to the calculated quantity based on a benchmark. In the power sector only production in cogeneration plants, such as Galp Energia's cogeneration plants, can be awarded free emission licences.

Galp Energia acknowledges the need for reaching higher energy efficiency and using sustainable resources as matters of the utmost importance. Therefore, the Company promoted several actions to captivate the community's attention to this subject, through educational campaigns for energy efficiency and partnerships with clients, who hold companies to further sustainable measures in its facilities.

Investment in biofuels

Taking into account the new environmental challenges and the increasing demand for less polluting energies, Galp Energia has been consolidating its position in the biofuels sector, namely through palm plantations in Brazil and *jatropha curcas L.* (jatropha) in Mozambique to produce vegetable oil.

In the development of its biofuel project, Galp Energia practices a strict environmental responsibility policy. The Company only plants fields in rural areas which are not developed and with soil which has low potential for agricultural production. The Company also respects the regions' biodiversity at all times.

In Brazil, at the end of 2011, the second phase of palm plantation was progressing. After this is completed, 13.6 thousand hectares will have been planted out of the total of 48 thousand hectares expected to be planted over the next three years. First harvesting of this fruit, which will be used in biodiesel production, is expected in 2013. In Mozambique, in 2011, progress was made on agricultural development in an area that already spans thousand hectares. A study aimed at increasing knowledge on processes from harvesting to the establishment of an agro-industrial pole to produce vegetable oil was also started. This project has the support of the Fundo de Apoio à Inovação, created by the Portuguese government in 2008.

In 2011, Galp Energia introduced around 290 thousand m^3 of biodiesel in Portugal, an incorporation of around 5% of energy from renewable sources into the road transportation sector. According to the Renewable Energy Directive (RED), this will reduce greenhouse gas emission by more than 350 kton of CO_2 equivalent, which is determinant to comply with the targets imposed by European Union.

In Spain, around 215 thousand m^3 of biofuels replacing both diesel and gasoline, were introduced into the market, in compliance with that country's laws. This incorporation enabled a potential reduction of around 210 kton of CO_2 equivalent.

In 2012, with the new mechanisms for verification of the sustainability criteria, set up by the 2009/28/CE Directive, Galp Energia will continue incorporating fuels from renewable sources into the road transportation sector, requiring its suppliers to provide all information on the sustainability of the biofuels it procures, with the aim of introducing such fuels to the Iberian market and having them make up 5% of the total energy in Portugal, and 6.5% in Spain, thus complying with the legislation in the countries where it operates.

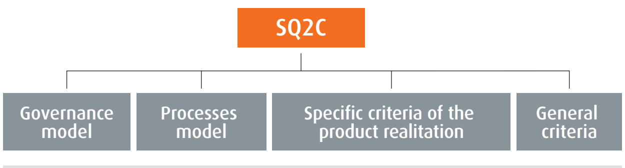
5.5 Quality

Galp Energia consolidated its quality management model in 2011, underpinned by inter-functional articulation between business units in-line with the strategic priorities of the Company.

Quality guarantee programme

The white fuel quality guarantee programme (Q2C) was developed to consolidate the Company's processes and activities related with the quality guarantee for white fuel, namely gasoline and diesel, and simultaneously fulfil clients' requirements and expectations. The project anticipates the implementation of a management system that guarantees the quality of white fuel (SQ2C) and its main goal is to raise the level of trust in these products.

Four essential features of SQ2C



The implementation of this management system will take approximately a year and a half, starting in 2012.

Product quality improvement

Galp Energia has a commitment to its stakeholders to ensure that its products and services available in the market comply or exceed legal or contractual requirements. The Company also made a commitment of ensuring the efficient use of resources, through investments in innovative technologies and the best operational techniques available. This represents a series of efficiency and effectiveness challenges, which can only be successfully achieved through shared knowledge in the areas of science, technology, economy and legislation.

To this end, Galp Energia participates in several national and international institutions which supervise the control of products quality. This enables the Company to foresee the risks relating to changes of specifications and also consolidate strategic scenarios.

Regarding fuel, Galp Energia is currently following the revision process of the norms EN 228, EN 590 and EN 14214, which concern the European standards on integration of ethanol in gasoline and also the incorporation of FAME in diesel oil and its specifications.

The standard for gasoline specifications is currently being revised to eventually enable the integration of 10% of ethanol in these products. The delay in the approval of this standard is due to disagreements about the volatility characteristics in gasoline, which may have economic consequences once the ethanol incorporation begins. As for the diesel standard, its lack of revision may imply a review of the goals for biofuel incorporation in this product.

Qualifications

Galp Energia has several certifications of management systems in the areas of environment, quality, safety and health at work. In 2011, Galp Energia continued to be recognised by the certifying entities of the several systems covered.

In 2011, the Company was awarded several new certifications: one for quality (ISO 9001) in Galp Energia's GPL business in Azores, and others for environment, quality and safety (ISO 9001, ISO 14001 e OHSAS 18001 / NP 4397), awarded to Galp Energia's subsidiaries in the natural gas business in the south of Portugal.

These certifications are a reflection of Galp Energia's continuous efforts to improve the quality of the various marketed products.

Internal audits programme

In 2011, the programme of internal environmental, quality and safety audits made further progress on using available resources and strengthening the audit process. In these terms, the Company strived to reinforce technical aspects and carefully follow up corrective actions highlighted by audits.

During 2011, 54 such audits were conducted, involving 80 internal auditors with a total of 115 employees participating. These audits resulted in a ratio of non-conformities observed to improvement opportunities detected of 0.94, which can be compared with a ratio of 0.45 found by the external audits performed. Such results reflect not only Galp Energia's efforts for continuous improvement of its operations but also confirm the Company's ability to detect non-conformities, compared with the external audits contracted.

5.6 Innovation

Galp Energia promotes a culture of research and development in all its activities in order integrate new skills and develop new external relationships, namely through the national technology base and active participation in the development of sector policies which underpin the future development of the energy sector.

Galp Energia fast recharging station for electric cars

In this way, the Company aims to encourage innovation and make the range of products and services it provides stand out, so improving its competitive position and increasing its potential for creating value.

In 2011, several projects were developed enabling Galp Energia to pursue its search for permanent innovation. As a result, the Company was able to create differentiated offers for its clients and to contribute for a more sustainable use of energy.

Energy efficiency

In 2009, the Galp Soluções de Energia (GSE) unit was created to help the Company's customers optimise their energy consumption, namely through the most recent technologies and the best practices in energy management.

These projects aim to optimise energy consumption and reduce CO_2 emissions through the use and installation of efficient systems as well as using renewable sources for autonomous energy production. This can be achieved by measures such as modification of air conditioning systems, recovery of thermal energy to heat waste water, replacement of lighting systems, installation of solar plants and cogeneration systems and also energy performance management systems, among others.

GSE already serves a diversified set of clients, specifically universities, hotels, airports, industrial facilities, shopping centres and companies in the food distribution sector. In 2011, GSE developed several projects, amongst which the most noteworthy ones were the "energetically efficient hotel" concept, the "sustainable campus" concept and the "energy-efficient parking lot" concept. Galp Energia entered into a deal for energy efficiency with Hotel Corinthia, the University of Aveiro, the University of Beira Interior, and EMEL – the city of Lisbon's parking company. In the Hotel Corinthia project in Lisbon, the most advanced until now, it is planned to save over 20% of the hotel's energy consumption.

Sustainable mobility

In 2011, Galp Energia obtained a licence to commercialise electricity and a licence to operate recharging points for sustainable mobility.

Although there are only a small number of electric vehicles in use, Galp Energia aims to strengthen its role in the sustainable mobility market by providing a competitive offer from the energy sector.

After installing the first fast recharging station for electric cars at a European service station in 2010, the Company installed, during 2011 four new recharging stations at its service stations located on the highway between Lisbon and Porto, as part of a pilot network project promoted by the Portuguese state. These chargers are in compliance with the CHAdeMO standards for fast charging and involve the installation of electronic infrastructure of charging with a maximum power of 50 kW (kilowatt) with a voltage between 200 and 500 volts (V), which enables charging 80% of a battery in less than 30 minutes. Galp Energia is the only operator with a fast recharging service in Portugal.

In this way, the Company has established itself as a supplier of electric energy in the mobility business, being responsible for installation, operation and maintenance of recharging points for electric vehicles.

Science and technology system

Galp Energia developed, in 2011, a research unit at the Sines refinery, which has an hydrocracking pilot unit. This pilot unit models the functioning of the hydrocracker, whose start-up is scheduled for 2012. This research enables the development of several tests which will provide information that can be used in the optimisation of the hydrocracker's functioning in Galp Energia's refining system.

The Company also has a number of Research & Development projects currently underway in the refining area, which aim to increase the competitiveness of the refining system. These projects are included in the EngIQ Programme, the PhD programme in Refining Engineering, Petrochemistry and Chemistry.

Energy efficiency

In 2010, Galp Energia started developing an innovative project in the smart metering area of fuel, gas and power consumption, named Smart Galp – Smart energy solution.

Throughout 2011, Galp Energia installed the necessary equipment for pilot-clients and developed information support systems with its partners ISA – Intelligent Sensing Anywhere, Logica and MIT-Portugal. At the end of the year, final tests were made to make the service available for pilot-clients in 2012.

Smart Galp is based on the development of a commercial portal, the "Trifuel", which will enable interactions with power, natural gas and fuel clients, simultaneously promoting the management of use of energy and innovative ways of establishing a commercial relationship with clients. At home or in the car, the project is supported by a set of intelligent equipment which encourages behavioural changes related to energy saving, more efficient energy consumption as well as testing new customer relationship models.

06 · APPENDICES

6.1 Proposed allocation of net profit

Galp Energia, SGPS, S. A., holds shares in Galp Energia group companies.

Galp Energia, SGPS, S. A., closed financial 2011 with a net profit of 77,152 thousand euros. This result is shown in the separate accounts of Galp Energia, SGPS, S. A., which are presented in accordance with the international financial reporting standards, as adopted by the European Union (IAS - International Accounting Standards).

The board of directors proposes that this result of 77,152 thousand euros to be allocated to dividend distribution.

Furthermore, the board of directors proposes that retained earnings in the amount of 88,698 thousand euros to be distributed as dividends, which corresponds to a total distribution of 165,850 thousand euros (0.20 euros per share).

No amount was allocated to legal reserves as the 20% of share capital required by law has already been reached.

6.2 Additional Information

Governing bodies

The current members of the board of directors were appointed for a term that began in 2008 and ended in late 2010, and will remain in office until the appointment of the next board of directors.

The members of the remaining governing bodies were appointed in the general meeting that took place on the 30 May 2011.The current composition of the governing bodies of Galp Energia, SGPS, S. A., is as follows:

Board of directors

Chairman
Francisco Luís Murteira Nabo

Vice-chairman
Manuel Ferreira De Oliveira

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

Executive committee

Chairman
Manuel Ferreira De Oliveira

Members
Claudio De Marco
Fernando Manuel dos Santos Gomes
André Freire de Almeida Palmeiro Ribeiro
Carlos Nuno Gomes da Silva
Fabrizio Dassogno

Supervisory board

Chairman
Daniel Bessa Fernandes Coelho

Members
Gracinda Augusta Figueiras Raposo
Manuel Nunes Agria

Deputy
Amável Alberto Freixo Calhau

Statutory auditor

Standing
P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, registered at OROC, with the number 44, and in CMVM, with the number 1054, represented by Pedro João Reis de Matos Silva, ROC no. 491.

Deputy
António Campos Pires Caiado, ROC no. 588

General meeting board

Chairman
Daniel Proença de Carvalho

Vice-chairman
Victor Manuel Pereira Dias

Secretary
Pedro Antunes de Almeida

Company secretary

Standing
Rui Maria Diniz Mayer

Deputy
Maria Helena Claro Goldschmidt

Remuneration committee

Chairman
Caixa Geral de Depósitos
Represented by António Maldonado Gonelha

Members
Amorim Energia, B. V.
Represented by Américo Amorim
Eni, S. p. A.
Represented by Maurizio Cicia

Mandatory notices and filings

Shareholders with major direct or indirect holdings at 31 December 2011

According to article 448, paragraph 4, of the Companies Code and article 20 of the Securities Code.

Shareholders	No. shares	% capital	% vote
Amorim Energia	276,472,161	33.34%	33.34%
CGD	8,292,510	1.00%	1.00%
Eni	276,472,161	33.34%	33.34%
Parpública	58,079,514	7.00%	7.00%
Other shareholders	209,934,289	25.32%	25.32%
Total	**829,250,635**	**100.00%**	**100.00%**

Treasury shares

According to articles 66 d) and 325-A, paragraph 1, of the Companies Code.

Galp Energia had no treasury shares.

In fiscal 2011, Galp Energia did not buy or sell any treasury shares.

Share ownership at 31 December 2011 by members of the board of directors and the supervisory bodies of Galp Energia, SGPS, S. A.

In accordance with article 447, paragraph 5, of the Companies Code.

		Acquisition			Disposal			
Members of the board of directors	Total number of shares at 31-12-2010	Date	No. of shares	Price (€/share)	Date	No. of shares	Price (€/share)	Total number of shares at 31-12-2011
Francisco Luís Murteira Nabo	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	85,640	-	-	-	-	-	-	85,640
Manuel Domingos Vicente	-	-	-	-	-	-	-	-
Fernando Manuel dos Santos Gomes	1,900	-	-	-	-	-	-	1,900
José António Marques Gonçalves	45,660	09-08-2011	5,840	11.74	-	-	-	51,500
André Freire de Almeida Palmeiro Ribeiro	950	-	-	-	-	-	-	950
Carlos Nuno Gomes da Silva	2,410	-	-	-	-	-	-	2,410
Rui Paulo da Costa Cunha e Silva Gonçalves	-	-	-	-	-	-	-	-
João Pedro Leitão Pinheiro de Figueiredo Brito	-	-	-	-	-	-	-	-
Claudio De Marco	-	-	-	-	-	-	-	-
Paolo Grossi	-	-	-	-	-	-	-	-
Fabrizio Dassogno	-	-	-	-	-	-	-	-
Giuseppe Ricci	-	-	-	-	-	-	-	-
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
Luigi Spelli	-	-	-	-	-	-	-	-
Maria Rita Galli	-	-	-	-	-	-	-	-
Luca Bertelli	-	-	-	-	-	-	-	-
Members of the supervisory board								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
Gracinda Augusta Figueiras Raposo	-	-	-	-	-	-	-	-
Manuel Nunes Agria	-	-	-	-	-	-	-	-
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Statutory auditor firm								
P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC	-	-	-	-	-	-	-	-

Directors' dealings with the Company

In accordance with articles 66 e) and 397 of the Companies Code.
In 2011, no authorisations were given to Galp Energia board members for any dealings with the Company.

Other roles by directors

In accordance with article 398 of the Companies Code.
In 2011, no director other than João Pedro Leitão Pinheiro de Figueiredo Brito had any other employment relationship, temporary or permanent, subordinated or autonomous, with the Company or related companies. Mr. Brito has suspended his employment contract with Petróleos de Portugal – Petrogal, S. A., since he was elected in 2005 to the board of directors.

In accordance with article 398, paragraph 3, of the Companies Code, the annual general meeting of 6 May 2008 approved a resolution whereby authorisation was given to the directors for holding roles in competition with Galp Energia. In the same meeting, the rules were approved for access by the directors to sensitive information at Galp Energia, in accordance with paragraph 4 of the same article.

Financial claims on associates

In accordance with article 5, paragraph 4, of government decree Decreto-Lei n.º 495/88 of 30 December as redrafted in Decreto-Lei no. 318/94 of 24 December.
See note 28 in the notes to the financial statements in Galp Energia's separate accounts.

6.3 Consolidated accounts

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated income statements for the years ended 31 December 2011 and 2010

(Amounts stated in thousands of Euros - tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

	Notes	2011	2010	
Operating income:				
Sales	5	16,362,671	13,747,406	
Services rendered	5	441,265	316,288	
Other operating income	5	183,341	201,407	(a)
Total operating income		16,987,277	14,265,101	(a)
Operating costs:				
Cost of sales	6	14,569,679	11,996,630	
External supplies and services	6	914,235	781,052	
Employee costs	6	326,719	344,370	(a)
Amortisation, depreciation and impairment loss	6	403,958	331,204	
Provision and impairment loss on receivables	6	43,914	83,267	
Other operating costs	6	87,092	79,480	(a)
Total operating costs		16,345,597	13,616,003	(a)
Operating profit		**641,680**	**649,098**	(a)
Financial income	8	20,395	27,235	
Financial costs	8	(140,536)	(113,632)	
Exchange gain (loss)		(246)	(11,074)	
Share of results of investments in associates and jointly controlled entities	4	72,204	73,834	
Income (cost) on financial instruments	27	(619)	702	
Other gains (losses)		(1,680)	(1,493)	
Profit before income tax		**591,198**	**624,670**	(a)
Income tax	9	(149,092)	(166,437)	
Profit before non-controlling interests		**442,106**	**458,233**	(a)
Profit attributable to non-controlling interests	21	(9,424)	(6,423)	
Profit attributable to equity holders of the parent	10	**432,682**	**451,810**	(a)
Earnings per share (in Euros)	10	**0.52**	**0.54**	(a)

(a) Amounts restated in relation to the approved financial statements for 2010 (see Note 2.23)
The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2011.

THE ACCOUNTANT
Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS
Francisco Luís Murteira Nabo
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Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of financial position as of 31 December 2011 and 2010

(Amounts stated in thousands of Euros - tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

ASSETS	Notes	December 2011	December 2010	1 January 2010
Non-current assets:				
Tangible assets	12	4,159,443	3,588,502	2,639,588
Goodwill	11	231,866	242,842	189,293
Intangible assets	12	1,301,481	1,307,873	1,318,596
Investments in associates and jointly controlled entities	4	303,929	282,969	226,985
Investments in other companies	4	2,893	2,893	2,725
Other receivables	14	171,342	90,560 (a)	67,835 (a)
Deferred tax assets	9	198,020	222,976 (a)	217,028 (a)
Other investments	17	3,282	1,429	461
Total non-current assets		**6,372,256**	**5,740,044**	**4,662,511**
Current assets:				
Inventories	16	1,874,807	1,570,131	1,228,833
Trade receivables	15	1,066,320	1,082,063	778,384
Other receivables	14	532,074	562,179	571,695
Other investments	17	2,283	5,065	1,803
Current income tax recoverable	9	9,251	-	1,807
Cash and cash equivalents	18	298,426	188,033	243,839
Total current assets		**3,783,161**	**3,407,471**	**2,826,361**
Total assets:		**10,155,417**	**9,147,515**	**7,488,872**

EQUITY AND LIABILITIES	Notes	2011	2010	1 January 2010
Equity:				
Share capital	19	829,251	829,251	829,251
Share premium		82,006	82,006	82,006
Conversion reserves	20	10,979	27,918	(10,761)
Other reserves	20	193,384	193,384	193,364
Hedging reserves		(1,001)	(3,892)	(7,057)
Retained earnings - Actuarial Gains and Losses		(106,359)	(76,094) (a)	(88,470) (a)
Retained earnings		1,444,541	1,158,581	1,324,431
Interim dividend	30	-	(49,755)	(49,755)
Consolidated net profit attributable to equity holders of the parent		432,682	451,810	-
Equity attributable to equity holders of the parent		**2,885,483**	**2,613,209**	**2,273,009**
Non-controlling interests	21	55,972	32,202 (a)	27,181 (a)
Total equity		**2,941,455**	**2,645,411**	**2,300,190**
Liabilities:				
Non-current liabilities:				
Bank loans	22	1,369,069	1,412,024	1,047,114
Bonds	22	905,000	1,000,000	700,000
Other payables	24	359,923	320,585	370,400
Retirement and other benefit liabilities	23	365,812	335,786 (a)	335,476 (a)
Deferred tax liabilities	9	84,486	84,275	56,684
Other financial instruments	27	1,807	98	9,295
Provisions	25	110,650	156,257	153,244
Total non-current liabilities		**3,196,747**	**3,309,025**	**2,672,213**
Current liabilities:				
Bank loans and overdrafts	22	1,248,491	616,462	422,273
Bonds	22	280,000	-	1,369
Trade payables	26	1,364,737	1,489,805	1,121,574
Other payables	24	1,033,498	1,034,083	971,013
Other financial instruments	27	90,489	7,696	240
Current income tax payable	9	-	45,033	-
Total current liabilities		**4,017,215**	**3,193,079**	**2,516,469**
Total liabilities		**7,213,962**	**6,502,104**	**5,188,682**
Total equity and liabilities		**10,155,417**	**9,147,515**	**7,488,872**

(a) Amounts restated in relation to the approved financial statements for 2010 (see Note 2.23)
The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2011.

THE ACCOUNTANT
Carlos Alberto Nunes Barata

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Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of cash flows for the years ended 31 December 2011 and 2010 (IAS/IFRS)

(Amounts stated in thousands of Euros - tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

	Notes	December 2011	December 2010
Operating activities:			
Cash receipts from trade receivables		16,708,028	13,879,966
Cash paid to trade payables		(12,217,358)	(9,373,270)
Cash paid to employees		(239,442)	(234,528)
Cash (paid)/received relating to tax on petroleum products		(2,400,329)	(2,707,359)
Cash (paid)/received relating to income tax		(187,054)	(107,849)
Contributions to the pension fund		(10,180)	(6,714)
Cash paid to early retired and pre-retired employeers		(16,214)	(15,158)
Cash paid relating to insurance costs of retired employeers		(11,386)	(10,663)
Other (payments)/receipts relating to operating activities		(592,589)	(705,603)
Net cash provided by operating activities (1)		**1,033,476**	**718,822**
Investing activities:			
Cash receipts relating to:			
Investments		6,718	3,741
Tangible assets		21,908	1,318
Intangible assets		-	300
Government grants	13	145	2,078
Interest and similar income		2,192	903
Dividends	4	64,969	60,024
Loans granted		11,696	6,214
		107,628	**74,578**
Cash payments relating to:			
Investments		(31,319)	(98,017)
Tangible assets		(1,224,135)	(1,281,121)
Intangible assets		(66,455)	(75,714)
Loans granted		(3,918)	(5,088)
		(1,325,827)	**(1,459,940)**
Net cash used in investing activities (2)		**(1,218,199)**	**(1,385,362)**
Financing activities:			
Cash receipts relating to:			
Loans obtained		1,092,565	964,735
Interest and similar income		5,378	1,483
Discounted notes		22,217	15,603
		1,120,160	**981,821**
Cash payments relating to:			
Loans obtained		(420,594)	(163,745)
Interest on loans obtained		(163,679)	(24,046)
Interest and similar costs		(24,296)	(86,124)
Dividends	30	(118,216)	(166,967)
Repayment of discounted notes		(9,453)	(6,858)
Payment of interest on finance lease contracts		(75)	(94)
Interest on bonds		-	(8)
		(736,313)	**(447,842)**
Net cash provided by (used in) financing activities (3)		**383,847**	**533,979**
Net decrease in cash and cash equivalents (4) = (1) + (2) + (3)		199,124	(132,561)
Effect of foreign exchange rate changes		(8,808)	2,650
Cash and cash equivalents at the beginning of the year	18	(171,297)	(61,290)
Change in consolidation perimeter	3	6,461	19,904
Cash and cash equivalents at the end of the year	18	25,480	(171,297)

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

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Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of comprehensive income for the years ended 31 december 2011 and 2010

(Amounts stated in thousands of Euros - tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

	Notes	December 2011	December 2010	
Consolidated net profit for the year	10	**432,682**	**451,810**	(a)
Other comprehensive income of the year:				
Differences arising on translation of foreign currency financial statements (Group companies)		(19,829)	31,804	
Differences arising on translation of foreign currency financial statements (Associated companies)	4	2,890	6,875	
Other increases / decreases		-	20	
		(16,939)	**38,699**	
Other increases / decreases in hedging reserves	27	4,295	4,189	
Other gains and losses recognised in equity from associated companies	27	(227)	(97)	
Income tax related with the components of gains and losses recognised in Equity		(1,177)	(927)	
		2,891	**3,165**	
Acturial Gains and losses		(31,626)	12,780	(a)
Tax - Actuarial gains and losses		1,361	(404)	
		(30,265)	**12,376**	
Comprehensive income net of tax		**(44,313)**	**54,240**	
Comprehensive income before non-controlling interests		**388,369**	**506,050**	
Other gains (loses) of Non-controlling interests		26,543	6,342	(a)
Total compheensive income		**414,912**	**512,392**	

(a) Amounts restated in relation to the approved financial statements for 2010 (see Note 2.23)
The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2011.

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Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statement of changes in equity for the years ended 31 December 2011 and 2010 (IFRS/IAS)

(Amounts stated in thousands of Euros - tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)	Hedging reserves
Balance as of 1 January 2010		**829,251**	**82,006**	**(10,761)**	**193,364**	**(7,057)**
Consolidated net profit for the period	10	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	38,679	20	3,165
Comprehensive income for the period		-	-	38,679	20	3,165
Dividends distributed		-	-	-	-	-
Appropriation of profit to reserves		-	-	-	-	-
Balance as of 31 December 2010		**829,251**	**82,006**	**27,918**	**193,384**	**(3,892)**
Consolidated net profit for the period	10	-	-	-	-	-
Changes in concolidation perimetre	3 e 21	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	(16,939)	-	2,891
Comprehensive income for the period		-	-	(16,939)	-	2,891
Dividends distributed	30	-	-	-	-	-
Appropriation of profit to reserves		-	-	-	-	-
Balance as of 31 December 2011		**829,251**	**82,006**	**10,979**	**193,384**	**(1,001)**

(a) Amounts restated in relation to the approved financial statements for 2010 (see Note 2.23)
The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2011.

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Retained earnings - Acturial gains and losses	Retained earnings	Interim dividend (Note 30)	Consolidated net profit for the year	Sub-Total	Non-controlling interests (Note 21)	Total
(88,470) (a)	**977,159**	**(49,755)**	**347,272** (a)	**2,273,009**	**27,184**	**2,300,193** (a)
-	-	-	451,810 (a)	451,810	-	451,810
12,376 (a)	-	-	-	54,240	6,342 (a)	60,582 (a)
12,376 (a)	-	-	451,810	506,050	6,342 (a)	512,392 (a)
-	(116,095)	(49,755)	-	(165,850)	(1,324)	(167,174)
-	297,517	49,755	(347,272)	-	-	-
(76,094) (a)	**1,158,581**	**(49,755)**	**451,810** (a)	**2,613,209**	**32,202** (a)	**2,645,411** (a)
-	-	-	432,682	432,682	9,424	442,106
-	-	-	-	-	17,127	17,127
(30,265)	-	-	-	(44,313)	(8)	(44,321)
(30,265)	-	-	432,682	388,369	26,543	414,912
-	(116,095)	-	-	(116,095)	(2,773)	(118,868)
-	402,055	49,755	(451,810)	-	-	-
(106,359)	**1,444,541**	**-**	**432,682**	**2,885,483**	**55,972**	**2,941,455**

CONTENTS

GALP ENERGIA, SGPS, S. A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

(Amounts stated in thousands of Euros - tEuros)

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

1 • INTRODUCTION

a) Parent company

Galp Energia, SGPS, S. A. (hereinafter referred to as Galp or the Company) has its head Office in Rua Tomás da Fonseca in Lisbon and its corporate object is to manage equity participations in other companies.

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

The Company is listed on the Euronext Lisbon stock exchange.

b) The Group

At 31 December 2011 the Galp Group ("the Group") was made up of Galp and its subsidiaries, which include, among others: (i) Petróleos de Portugal – Petrogal, S. A. ("Petrogal") and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP – Gás de Portugal, SGPS, S. A. and its subsidiaries, which operates in the natural gas sector; (iii) Galp Power, SGPS, S. A. and its subsidiaries, which operate in the electricity and renewable energy sector; and (iv) Galp Energia, S. A. which integrates the corporate support services.

b1) Crude oil upstream operations

The Exploration and the Production business segment ("E&P") is responsible for the presence of Galp Energia in the upstream sector of petroleum industry, which consists of the supervision and performance of all activities relating to exploration, development and production of hydrocarbons, essentially in Angola, Brazil, Mozambique, Portugal, East Timor, Uruguay and Venezuela.

b2) Crude oil downstream operations

The Refining and Distribution of Petroleum Products business segment ("R&D") owns the two only existent refineries in Portugal and also includes all activities relating to the retail and wholesale commercialisation of petroleum products (including LPG). The Refining and Distribution segment also controls the majority of petroleum products storage and transportation infrastructure in Portugal, which are strategically located, for both export and distribution of its main products to the consumption centres. This retail distribution activity, using the Galp brand, also includes Angola, Cape Verde, Spain, Gambia, Guinea-Bissau, Mozambique and Swaziland through fully owned subsidiaries of the Group.

b3) Natural gas and energy generating operations

The Gas and Power business segment covers the areas of Purchasing, Commercialisation, Distribution and storage of Natural Gas and electric and thermal power production.

The operations of the Galp Power Group subsidiaries consist in producing and trading electric, thermal power and wind power in Portugal and Spain.

The Power area generates electric energy and thermal power, which supplies power to large industrial customers. Galp Energia presently participates in four cogeneration plants, with an installed capacity of 160 MW, and in wind farms.

The Natural Gas area subdivides in to the areas (i) Purchasing and Commercialisation and (ii) Distribution and Commercialisation.

The Purchasing and Commercialisation of Natural Gas area supplies Natural Gas to large industrial customers with annual consumptions of more than 2 million m^3, power generating companies, and natural gas distribution companies and AGU ("Autonomous Gas Unit"). So as to meet the demand of its customers, Galp Energia has long term purchase contracts with companies in Algeria and Nigeria.

The Natural Gas Distribution area, includes the natural gas distribution companies in which Galp Energia has a significant participation. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 million m^3. Galp is also a player in the Spanish regulated market, supplying low pressure natural gas, through its subsidiaries, to 38 adjacent municipalities of the city of Madrid. This activity includes the sale of natural gas to final customers, both regulated and non-regulated, in the area covered described above.

The natural gas subsidiaries of group Galp that store, distribute sell natural gas in Portugal, operate based on concession contracts entered into with the Portuguese State, which end in 2045 for storage and 2047 for distribution and commercialisation. At the end of these periods, the assets relating to the concessions will be transferred to the Portuguese State and the companies will receive group's corresponding to the book value of these assets at that date, net of depreciation, financial co-participation and grants.

The accompanying financial statements are presented in the functional currency euros, as this is the currency preferentially used in the financial environment in which the Company operates.

The values are presented in thousands of euros, unless otherwise stated.

2 • SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the year ended 31 December 2011 there were changes in the accounting policies in relation to those used to prepare the financial information for the preceding year, which are presented in Note 2.23. No significant prior year material errors were recognised.

2.1 BASIS OF PRESENTATION

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.16), on the accounting records of the companies included in the consolidation (Notes 3 and 4) 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"), adopted by the European Union. These standards and interpretations are hereinafter referred to as "IFRS".

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

Standards and interpretations applicable to future periods, if applicable:

Standard	Publication date in OJEU	Date of accounting application	Application period	Comments
Amendments to IFRS 7 - Financial instruments: Transfers of Financial Assets Disclosures	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:

Standards and interpretations applicable to future periods, if applicable:

Standard	Publication date in OJEU	Date of accounting application	Application period	Comments
Improvements to IFRSs: 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 to IFRSs: IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13	February 19, 2011	after December 31, 2010	2011	No accounting impacts are expected
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 24, 2010	after June 30, 2010	2011	No accounting impacts are expected
Revised of the standard IAS 24 - Related Party Disclosures	July 20, 2010	after December 31, 2010	2011	No accounting impacts are expected
Amendments to IFRC 14 - prepayments of a minimum funding requirement	July 20, 2010	after December 31, 2010	2011	No accounting impacts are expected
Amendments to IFRS 1 - Limited exemption from comparative IFRS 7 disclousures for fist-time adopters	July 1, 2010	after June 30, 2010	2011	Not applicable
Amendments to IAS 32 Financial instruments: Apresentation	December 24, 2009	after January 31, 2010	2011	No accounting impacts are expected

Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the accompanying consolidated 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 consolidated financial statements Galp Energia group complies with the IAS / IFRS and their interpretations SIC / IFRIC adopted by the European Union.

2.2 CONSOLIDATION METHODS

The following consolidation methods were used by the Group:

a) Investments in Group companies

Investments in companies in which the Group holds, directly or indirectly, more than 50% of their voting rights in Shareholders' General Meetings and/or has the power to control their financial and operating policies (the definition of control adopted by the Group) were consolidated in these financial statements in accordance with the full consolidation method. The companies consolidated in accordance with the full consolidation method are shown in Note 3.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption "Non-controlling interests". The gain and loss attributable to non-controlling interests are allocated to the same.

The assets and liabilities of each Group company are booked at fair value as of the date of acquisition or, as established in IFRS 3, during a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill (Note 2.2.d)). If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is booked directly in profit and loss.

Transaction costs directly attributable to business combinations are immediately recognized in profit and loss.

Non-controlling interests include the third parties portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to be in accordance with the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

Where the Group has, in substance, control over other special purpose entities, even if it does not have a direct participation in their capital, these are consolidated in accordance with the full consolidation method. When such entities exist, they are detailed in Note 3.

b) Investments in jointly controlled entities

Investments in jointly controlled entities are included in the accompanying consolidated financial statements in accordance with the equity method as from the date joint control is acquired. The jointly controlled entities recognised by the equity method are listed in Note 4. The excess of cost in relation to the fair value of the identifiable assets and liabilities of each jointly controlled entity at the date of acquisition is recognised as goodwill and presented as part of the financial investment in the caption "Investments in associates and jointly controlled entities".

If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates and jointly controlled entities", after confirmation of the fair value.

The recoverable amount of investments in associates and jointly controlled entities are assessed for impairment when there are triggers that suggest the investments may be impaired. Goodwill is subject to an annual valuation. Impairment losses are booked in the income statement. With the exception of Goodwill, if the impairment losses booked in prior years are no longer applicable, these are reversed.

When the Group's share of cumulative losses in a jointly controlled entity exceeds its book value, the investment is written-off, except when the Group has assumed commitments in favour of the jointly controlled entity, in which case the Group recognises loss and a liability for the amount for which the Group has taken responsibility.

Unrealised gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the joint controlled entities, booked against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not mean that the transferred asset is impaired.

The classification of investments in jointly controlled entities is determined based on shareholders agreements that regulate joint control.

c) Investments in associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50%) are booked in accordance with the equity method.

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20%), are booked at fair value or alternatively, at cost, when the associates are not listed and their value can not be measured reliably.

In accordance with the equity method investments are recorded at cost and subsequently adjusted by the Group's share of the post acquisition changes in net equity (including net result) of the associated company booked against income statement caption "Share of results of investments in associates", as well as by dividends received.

The excess of acquisition cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and included in the value of the investment. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates", after confirmation of the fair value.

Valuations are made of investments in associates when there are facts that suggest the participation may be impaired. Goodwill is subject to an annual valuation.

When the Group's share of cumulative losses on in associated company exceeds the book value of the participation, the participation is written-off, except where the Group has assumed commitments in favour of the associated company, in which case the Group recognises a loss and a liability for the amount for which the Group has taken responsibility.

Unrealised gains and losses on transactions with associated companies are eliminated in proportion to the Group's interest in the associated company, booked against the investment in the associate. Unrealised losses are also eliminated, but only up to the part that the losses do not mean that the transferred asset is impaired.

With the exception of Goodwill, if the impairment losses booked in prior years are no longer applicable, these are reversed.

Investments in associated companies are presented in Note 4.

d) Goodwill

The positive differences between the acquisition cost of subsidiaries and the fair value of the identifiable assets and liabilities of these companies at the date of acquisition (or during a period of 12 months after that date), are recognised as goodwill (when it results from goodwill in group companies) (Note 11) or as investments in associates (when it results from associated companies). The negative differences are recognised in the income statement.

The positive differences between the acquisition cost of investments in foreign entities and the fair value of the identifiable assets and liabilities at the date of acquisition (or during a period of 12 months after that date), are recognised in their functional currencies and converted to the Group's functional currency (Euros) at the rate of exchange at the end of the reporting period. Exchange rate differences resulting from the translation are booked in equity in the caption "Conversion reserve".

Goodwill on acquisitions prior to the date of transition to IFRS (1 January 2004) was maintained at the amounts booked in accordance with generally accepted accounting principles in Portugal (deemed cost) as at that date and was subject to impairment tests. Goodwill stopped being amortised as at that date, but is subject to impairment tests, at least annually, to determine if there are impairment losses.

Any impairment losses are recorded immediately in the statement of financial position as a deduction to the amount of the assets booked against the income statement caption "Amortisation, depreciation and impairment loss", and are not subsequently reversed.

If the initial recording of a business combination can only be made provisionally at the end of the period in which the concentration was made because the fair values to be attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally, the Galp Group records the business combination using provisional amounts. The amounts determined provisionally are adjusted when the fair values of the assets and liabilities are objectively determined, up to a period of 12 months after the acquisition date. Goodwill or any other gain recognised will be adjusted as from the date of the acquisition booked against the adjustment to the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. To be recognised or adjusted and the comparative information presented for periods prior to conclusion of the initial recording of the concentration will be presented as if the fair value assessment had been concluded as at the date of the acquisition. This includes any depreciation, amortisation or other additional profit or loss recognised as a result of completing the initial bookings.

When performing impairment test on goodwill, goodwill itself is added to the respective cash generating unit. Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia group WACC before tax (Weighted Average Cost of Capital) for the reporting segment and country to which the cash generating unit belongs to.

e) Foreign currency financial statements conversion

Entities operating abroad that have organisational and financial autonomy, with functional currency different from the Group reporting currency are treated as foreign entities.

Assets and liabilities in the financial statements of foreign entities are converted to Euros at the rates of exchange in force on the end of the reporting period and income and costs and cash flows in these financial statements are translated to Euros at the average rates of exchange for the year. The resulting exchange differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Conversion reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were written-off against "Retained earnings" (Note 20).

Goodwill and the fair value adjustments resulting from the acquisition of foreign entities are accounted as assets and liabilities of these entities and converted to Euros at the exchange rates in force on the end of the reporting period.

When a foreign entity is disposed the accumulated exchange difference is transferred from the equity caption "Conversion reserve" to the income statement caption "Other gains and losses".

Shareholders' loans in a different functional currency from the parent company that do not have defined repayment terms are considered as net investments in the foreign entities. The exchange differences arising that are not cancelled out in the consolidation process, in transposing the balances of shareholders' loans to the company's reporting functional currency, are reclassified to the shareholders' equity caption "Translation reserve" in the consolidated financial statements.

The financial statements of foreign entities included in the accompanying consolidated financial statements were coverted to Euros at the following exchange rates:

	Year end		Average for the year	
Currency	2011	2010	2011	2010
Gambian Dalasi	37.91	37.32	39.42	36.70
Moroccan Dirhams	11.11	11.14	11.25	11.14
US Dollars	1.29	1.34	1.39	1.33
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swaziland Lilangeni	10.58	8.81	10.18	9.66
Mozambique Meticais	34.50	43.17	40.01	44.85
Brazilian Reais	2.42	2.22	2.33	2.33

f) The Exploration and Production (E & P) activity of the Group is carried out mainly through joint ventures with other entities reflected in the consolidated statement of financial position and consolidated income statement in accordance with the percentage held by the Group in these consortiums.

2.3 TANGIBLE ASSETS

General

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are measured, as allowed under an option included in IFRS 1, at deemed cost, which corresponds to cost, revalued, where applicable, in accordance with the legislation in force up to that date, less accumulated depreciation and cumulative impairment losses.

Tangible assets acquired after that date are booked at cost less accumulated depreciation and cumulative impairment losses. Acquisition cost includes the invoice price, transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress include tangible assets in the construction phase and are booked at cost less cumulative impairment losses. Tangible assets are depreciated as from the time the capital expenditure projects are mainly completed or the assets are ready for use.

Depreciation of the deemed cost (for acquisitions up to 1 January 2004) or acquisition cost are calculated on a straight-line basis (on a monthly basis), as from the year the assets are available for use in accordance with group management, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life, limited, when applicable, to the concession period.

The average annual depreciation rates used are as follows:

	Rates
Land and natural resources – public right of free passage	2.20% - 3.13%
Buildings and other constructions	2.00% - 10.00%
Machinery and equipment	2.20% - 12.50%
Transport equipment	16.67% - 25.00%
Tools and utensils	12.50% - 25.00%
Administrative equipment	5.00% - 33.33%
Reusable containers	7.14% - 33.33%
Other tangible assets	10.00% - 33.33%

The capital gain/loss resulting from the write-off or disposal of tangible assets are 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 consolidated income statements under the caption "Other operating income" or "Other operating costs", respectively.

Recurring repair and maintenance costs are expensed in the year when they are incurred. Major overhauls involving the replacement of parts of equipment or of other tangible assets are booked as tangible assets if the replaced parts are identified and written off, and depreciated over the remaining period of economic useful life of the respective tangible assets.

The Group has not made provisions for dismantling obligations as it considers the amounts involved to be immaterial.

Oil exploration and production

In the Exploration and Production activity there are several accounting methods and variants of these methods that can be applied. The Group adopts policies that it considers best reflect the expenditures made in this activity. These policies are based on "The Successful Efforts Method", despite capitalizing all expenditures made during research and explanation phase but, not recognizing expenses in wells that have no commercial viability. Galp uses a variant of this method in which it capitalizes costs incurred in the exploratory phase (research), as it is too early in the process to assess whether the areas of development or exploratory wells will be commercially viable or not.

The tangible assets related with oil exploration and production, are booked at acquisition cost and mainly relate to costs incurred in the exploration and the development of oil fields, plus overheads incurred up to the date production starts and are booked in tangible assets in progress. When the oil field starts producing, these costs are transferred from tangible assets in progress to the definitive tangible assets captions and depreciated according to the depreciation rate in accordance with the Unit of Production method ("UOP") based on the type of expenses.

Development expenses are depreciated in accordance with a coefficient calculated based on the proportion of the volume produced in each depreciation period in relation to the proved developed reserves at the end of the period plus production for the period ("UOP").

Exploration expenses are depreciated based on a coefficient calculated by the proportion of the volume of production in each depreciation period in relation to the total proved reserves at the end of the period plus production for the period.

The proved developed reserves and total proved reserves used by the Group to determine the depreciation rate in accordance with the Unit of Production ("UOP") method were determined by a specialised and independent entity.

Exploration expenses relating to fields which are still in the exploration and development phase are classified as tangible assets in progress in the caption "Tangible assets".

All costs incurred in the exploration phase related with unsuccessful oil fields are booked as costs in the income statement for the year except if the oil well drilled without success is expected to be used as an injector well or can be considered as an evaluation well for future drillings, in which case the expenses are capitalized until the decision to interrupt the exploration and/or development work is taken.

2.4 INTANGIBLE ASSETS

General

Intangible assets are measured at cost less accumulated amortisation, government grants and impairment losses. Intangible assets are only booked if it is probable that they will result in future economic benefits to the Group, they are controlled by the Group and can be reliably measured.

Development expenses are only recognised as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercialising or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are booked in profit and loss for the year.

Exploration expenses not related to upstream activities are booked in profit and loss.

Intangible assets include costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from ten to twenty years).

Intangible assets with finite useful life are amortised on a straight-line basis.

The amortisation rates are set in accordance with the period of the existing contracts or expected use of the intangible assets.

Oil exploration and production operations

Intangible assets recognised in oil exploration and production are recorded at acquisition cost and are mainly related with acquiring oil exploration and production licences (signature bonus), and are depreciated on a straight-line basis, as from the date production starts, over the remaining period of the licence.

Natural gas operations

As result of IFRIC 12, Galp Energia, recognizes natural gas assets included in the concession arrangements whose remuneration is defined by ERSE in accordance with the intangible assets model. Consequently, the tangible assets of regulated activities are recognized as intangible assets, in the caption "Service Concession Arrangements", and depreciated in accordance with their economic useful life, namely in accordance with the economic benefits model used by the regulator (ERSE) for effects of establishing the regulated tariffs and consequently the Group regulated revenue.

The natural gas infrastructures, namely the gas distribution networks, are depreciated over a period of 45 years corresponding to their economic useful life.

The Group capitalizes costs relating to the conversion of natural gas consumptions, which involves adapting the installations. The Group considers that it can control the future economic benefits resulting from this conversion, through the continued sale of gas to its clients (Dec-law 140/2006 of 26th of July). These costs are amortised on a straight-line basis up to the end of the natural gas distribution company's concession period.

2.5 IMPAIRMENT OF NON-CURRENT ASSETS EXCEPT GOODWILL

Impairment tests are performed 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 against income statement caption "Amortisation, depreciation and impairment loss".

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 before tax (WACC) used by the Galp Energia group for the reporting segment and country of the asset. The cash generating unit subject to impairment analysis depends on the reporting segment: in the refining and distribution segment the cash generating unit is the service station network in each country; in the exploration segment the cash generating unit is the property (commonly referred as Block); and in the gas & power segment the cash generating unit is the set of assets generating the economic benefits.

Impairment losses booked in prior periods are reversed when it is concluded that they no longer exist or have decreased. Such tests are made whenever there are indications that an impairment booked 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 amount the asset would be recorded (net of amortisation or depreciation) if the impairment loss had not been booked previously.

Refining and distribution segment assets

Tangible and intangible assets related with refining and distribution of oil products are assessed by the Group for impairment at the end of each reporting period, considering internal and external sources of information, namely the Portuguese and Spanish markets service station network.

In its annual impairment tests in respect of the oil distribution segment the Group has identified and considered as cash generating unit the service station network of each country. This is based on the fact the management information is analyzed in this way, and operational decisions and investments are made on that basis.

The impairment tests carried out by the Group are based on the estimated recoverable amount of each service station compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each service station, using the Weighted Average Cost of Capital ("WACC") discount rate of that business segment, according to its specific risk.

The projections period of cash flows are adjusted to the cash generating unit's average useful life.

Oil exploration and production segment assets

The Impairment losses on oil exploration and production assets are determined when:

- Economically feasible reserves are not found;
- The licensing period ends and the exploration licence is not expected to be renewed;
- When an acquired area is returned or abandoned;
- When the expected economic future benefits are less than the investment made.

Annually tangible and intangible assets related with oil exploration and production are assessed by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments.

The assessment for block impairment is made in accordance with the Expected Monetary Value ("EMV model"), comparing the carrying amount of the investments with the present value of the expected future cash flows using the Weighted Average Cost of Capital ("WACC") discount rate, calculated taking into account the estimates of:

(i) Probable reserves;
(ii) Investment and future operating costs needed to recover the probable reserves;
(iii) Contingent resources, adjusted by a factor of probability of success;
(iv) Investment and future operating costs required to recover the contingent resources;
(v) Reference price of a barrel of Brent;
(vi) Exchange rate Euro / U.S. Dollar;
(vii) Taxation of Block / Country.

The projection period of cash flow is equal to the recovery of reserves and resources and limited to the period of concession contracts, when applicable.

The information contained in paragraphs:
(i) is determined by independent experts for the quantification of the estimated oil reserves;
(ii), (iii), (iv) and (vii) is internally determined by Galp Energia, or, whenever available, through information provided by the operator of each Block, namely the information included in the approved development plans, adjusted to the expectation of the Company and legal information available; and
(v) and (vi) is the one contained in the Galp Energia Group five years budget and constant after that period.

The assessment of country impairment is similar to that described by block, however the estimated cash flows only take into account the information contained in paragraphs (iii) to (vii) above, since probable reserves are not yet determined.

2.6 LEASING

Lease contracts are classified as:

(i) Finance leases if all the risks and benefits of ownership are substantially transferred; and
(ii) Operating leases when this does not occur.

Finance and operating leases are classified based on the substance rather than the form of the legal contract.

Leases in which the Group is the lessee

Tangible assets acquired under finance lease contracts and the corresponding liabilities are booked in accordance with the financial method. In accordance with this method the cost of the assets (the lower of the fair value or the discounted amount of the lease installments) is booked in tangible assets, the corresponding liability is recorded and interest included in the lease installments and depreciation of the fixed assets, calculated as explained in Note 2.3, are booked as a financial cost and amortisation and depreciation cost in the income statement of the year to which they relate, respectively. In the case of operating leases, the lease installments are booked as costs for the year, on a straight-line basis over the period of the contract, in the income statement caption "External supplies and services".

The Group does not hold materially relevant operating or finance leases and so the provided disclosures in the notes to the financial statements are not presented.

Rents of the FPSO (Floating production storage and offloading) which are being used in the business of exploration and production (E & P) arising from contracts established by the existing consortiums in which Galp is engaged, are charged to the Group in proportion of the share held in each consortium.

2.7 INVENTORIES

Inventories (merchandise, raw and subsidiary material, finished and semi-finished products, and work in progress) are stated at the lower acquisition cost (in the case of merchandise and raw and subsidiary material) or production cost (in the case of finished and semi-finished products and work in progress) or net realizable value.

Net realizable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is booked in the operating cost caption "Cost of sales".

As such, the cost of inventories used/sold is determined as follows:

a) Raw and subsidiary materials

Crude oil – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis, applicable to a single family of products, which includes all crude oil types.

Other raw materials (excluding general materials) – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis, by family of products, determined considering the characteristics of the different materials.

General materials – The cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis.

b) Products and work in process
Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products
Crude oil – Crude oil produced in the oil exploration and production activity held in inventory at 31 December of each year, corresponds to the Company's share of the total inventory of each development area. Such inventories are measured at their production cost, which includes direct production costs, the depreciation for the year and abandonment provision costs. The cost of sales is determined on a weighted average basis. However, extracted crude oil, for which production costs are difficult to measure, is valued at net realizable value in accordance with the practice of the oil industry.

Oil products – Finished and semi-finished products are measured at production cost, which includes the cost of raw and other materials consumption, direct labour costs and production overheads. If acquired from third parties they are measured at cost, which includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis applied to families of products considering the characteristics of the products.

The Group includes, in the caption finished and semi-finished products, the Tax on Oil Products ("Imposto sobre Produtos Petrolíferos – ISP") relating to the introduction to consumption of finished goods dispatched subject to that tax, which is stated at cost (since its similar to a customs duty). The cost of sales is determined on a weighted average basis.

Other finished and semi-finished products – Production costs include raw materials and variable and fixed production costs. The cost of sales is determined on a weighted average basis.

d) Merchandise
Cost includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis.

The cost of imported natural gas also includes the costs relating to transport and rights of passage through Moroccan territory incurred up to the Portuguese border.

As mentioned above, the Group also includes, in the caption inventories, Tax on Oil Products relating to merchandise already dispatched subject to that tax.

Raw and subsidiary materials and merchandise in transit are not available for consumption or sale and are segregated from other inventories and recorded at specific cost.

e) Under/Over lifting
In the case of oil exploration and production activity, when the Company has underlifted oil in relation to its production quota and the amount underlifted has been lent to other joint venture partners, an account receivable measured at market price as of the date the loans were granted, is booked in the caption "Other receivables" (Note 14). Whenever the market price at the end of the year is lower than the price considered for valuing the quantities lent, an impairment loss is booked.

When the Company has overlifted oil in relation to its production quota, an account payable, representing the amount overlifted measured at market price on the date the loan was obtained is booked in the caption "Other payables" (Note 24).

The Company considers that in substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through physical delivery (Barrels of crude).

2.8 GOVERNMENT GRANTS AND OTHER GRANTS
Government grants are booked at fair value when there is certainty that they will be received and that Group companies will comply with the conditions required for them to be granted.

Government grants for operating costs are booked in the income statement in proportion of the costs incurred.

Non repayable government grants for tangible and intangible assets (conversions) are booked as deferred income in the caption "Other payables" and recognised in the consolidated income statement as other operational income, in proportion to the amortisation and depreciation of the granted assets.

2.9 PROVISIONS

General
Provisions are booked 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 on each balance sheet date so as to reflect the best estimate at that date.

Exploration and production operations
The provisions for abandonment costs are intended to cover all the costs incurred by the Company at the end of the useful production life of oil fields.

These are estimated based on the total abandonment costs to be incurred at the end of the project multiplied by a coefficient that is the proportion of the volume produced in each depreciation period in relation to the proved developed reserves at the end of the period plus production for the period ("UOP").

2.10 RETIREMENT BENEFITS
Some Group companies have assumed the commitment to pay their employees' pension supplements for retirement due to age, disability and pensions to survivors, as well as early retirement and pre-retirement pensions. With the exception of early retirement and pre-retirement pensions, these payments are calculated on an incremental basis in accordance with the years of service of the employee. Early retirement and pre-retirement pensions mainly respect to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

The Group has created autonomous pension funds managed by outside entities ("Fundo de Pensões Petrogal", "Fundo de Pensões Sacor Marítima", "Fundo de Pensão Galp Comercialización Oil España", and "Fundo de Pensões GDP") to cover their liabilities relating to pension supplements for retirement due to age, incapacity and survivor pensions to current employees and retired personnel and, in the case of Petrogal, also to pre-retired and early retired personnel. However, Petrogal Pension Fund does not cover the liability for early retirement and pre-retirement pensions, Social Security of pre-retired personnel and the payment of voluntary social insurance and retirement bonuses. These liabilities are covered by specific provisions included on the statement of financial position caption "Retirement and other benefit obligations" (Note 23).

In addition, the GDP pension plan does not cover the liability assumed by GDL to reimburse retirement pension supplements payable by EDP to its retired personnel and pensioners relating to GDL, as well as retirement and survivor supplements payable to retired personnel at the time of creating the Fund. These liabilities are covered by specific provisions included in the balance sheet caption "Retirement and other benefit obligations" (Note 23).

At the end of each reporting period the companies obtain actuarial valuations by a specialized entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with past services with the market value of the funds and with the balance of the liabilities, in order to determine any additional liabilities that need to be booked.

Actuarial gains and losses determined in a year for each of the benefits granted, resulting from adjustments to the actuarial assumptions. Experience adjustments are booked in the statement of comprehensive income impacting the financial position.

The benefit plans identified by the Petrogal sub-group for the calculation of these liabilities are:

- Pension supplements for retirement, disability and surviving orphans;
- Pre-retirement;
- Early retirement;
- Retirement bonus;
- Voluntary social insurance;
- Defined contribution minimum benefit plan.

The benefit plans identified by the GDP sub-group for determination of these liabilities are:

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp Energia defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S. A. created a defined contribution Pension Fund for its employees and allowed employees of other Group companies to join this fund. Petróleos de Portugal – Petrogal, S. A., GDP – Gás de Portugal, SGPS, S. A., Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S. A. and Galp eNova S. A. (on 17 December 2003 Galp eNova S. A. was merged into Galp Energia, S. A.) as associates of the Fund, allowed their employees to elect between this new defined contribution pension plan and the previous defined benefits plan. When the new plan is chosen, group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is booked as a cost for that year.

2.11 OTHER RETIREMENT BENEFITS – HEALTHCARE, LIFE INSURANCE AND DEFINED CONTRIBUTION MINIMUM BENEFIT PLAN

The Group's costs with respect to healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period the employees entitled to these benefits are in service of the respective companies, the liability being reflected in the statement of financial position caption "Retirement and other benefit obligations" (Note 23). Payments to the beneficiaries are deducted from the liability.

At the end of each reporting period the companies obtain actuarial valuations calculated by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with the market value of the funds and with the balance of the liabilities, in order to determine the additional liabilities to be recorded.

Actuarial gains and losses for the year are booked as explained in Note 2.10 above.

2.12 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.

All foreign currency monetary assets and liabilities in the separate financial statements of subsidiaries are coverted to the functional currency of each subsidiary using the exchange rates in force at the end of each reporting period. Foreign currency non monetary assets and liabilities recorded at fair value are converted to the functional currency of each subsidiary at the exchange rate in force on the date fair value is determined.

Gains and losses resulting from differences in 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 booked as income and expenses, respectively, in the consolidated income statement caption "Exchange/gain (loss)", except for those relating to non-monetary items, that are booked directly in equity.

Exchange differences arising from intra-group loans and that are part of the net investment in foreign operations are booked in the consolidated financial statements directly in equity.

When the Group intends to reduce its exposure to exchange rate risk, it contracts hedging derivative instruments (Note 2.16.f)).

2.13 INCOME AND ACCRUAL BASIS

Sales income is recognized in the income statement when the risks and benefits of ownership of the assets are transferred to the buyer and the amount of the income can be reasonably measured. Sales are booked at the fair value of the amount received or receivable, net of taxes (except for tax on petroleum products in the distribution of petroleum products segment), discounts and other costs incurred to realize them.

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

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

The interest received is booked in accordance with the accruals principle, taking into account the amount owed and the effective interest rate during the period until maturity.

Revenue from dividends is recognized when the right of the company established to recognize the amount is established.

Natural Gas operations

The sales price of natural gas to electricity producing companies, in the free regime, is based on specific commercial agreements.

The regulated tariffs used for invoicing natural gas in the national natural gas system are established by Entidade Reguladora do Sector Energético ("ERSE"), so that they allow the recovery of the estimated regulated revenue for each gas year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) commercialization activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating commercialization costs plus a commercialization margin; (ii) activities of receipt, transport and storage of natural gas, remuneration of 8% of the fixed assets net of depreciation and grants relating to these activities, (iii) activity of distribution of natural gas, remuneration of 9% of the fixed assets net of depreciation and grants relating to these activities. The regulated revenue of the pass-through activities/functions assumes recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred, when applicable, and its remuneration.

Following the above and as the Group holds credit risk related to the tariff invoiced to final costumers, income includes the remuneration/recovery of all the previous activities.

Given the regulatory framework and legislation, regulated revenue deviations in each year respect some conditions (reliability of their measuring; financial asset remuneration; right to recover and transmissibility, among other) that support their recognition as income and asset in the year they are calculated, namely that they can be reliably measured and the certainty that economic benefits will flow to the Company. The regulated revenue calculation formula for the "Gas Year n", in the first and second regulation periods as published in the Tariff Regulation, include the regulated revenue deviations in the "Gas Year n-1" This rationale is also applied to the negative regulated revenue deviations, which are booked as liabilities and costs.

In previous years, deviations to the regulated revenue booked by the Group were incorporated in the respective tariff calculations in accordance with the established mechanisms.

In the wholesale intermediate storage and distribution activity, the Group books in accruals and deferrals the deviation between the effective invoicing through sales of the natural gas regulated tariff and the regulated revenue defined for each Gas Year by ERSE, allocated to each semester in accordance with the agreed seasonality coefficient of included for the compensation mechanism by the natural gas companies – Regulated revenue (Notes 14 and 24).

In the wholesale last resort commercialization activity, the Group books in accruals and deferrals the difference between the effective invoicing through the sales of natural gas regulated tariff and the effective cost of natural gas acquired – Energy Tariff Deviation (Note 14).

Since the natural gas regulated system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to regulated revenue of these companies. Therefore ERSE, in its documents "Tariffs and prices of natural gas" for each Gas Year, identifies the amount of compensation to be transferred (charged) between companies of the national gas system. In order to ensure a practical, objective and transparent procedure for the referred settlement, the companies have agreed seasonal coefficients to be applied in the issuance of the invoice for the uniform tariff. The seasonality differences between distribution and commercialization activities reflect the difference in payment terms.

The invoicing of the gas distribution and commercialization activity is performed directly by the Group, and meter reading and collection activities are either performed by the company or by subcontracted external partners.

Uninvoiced gas sales are booked monthly in the caption "Other receivables" based on the estimated amount to be invoiced based on historical information or meter reading depending on the client nature, and corrected in the income statement in the period in which they are invoiced (Note 14).

2.14 FINANCIAL COSTS ON LOANS OBTAINED

Financial costs on loans obtained are booked as financial costs on an accruals basis.

Financial costs on loans to finance investments in tangible assets are capitalised in fixed assets in progress in proportion to the total costs incurred on the investments, net of government grants received (Note 2.8), up to the time they start operating (Notes 2.3 and 2.4), the remaining financial costs being recorded in the income statement caption "Financial costs" (Note 8). Any interest income on amounts obtained from loans that are obtained directly to finance tangible assets in construction is deducted from the capitalisable financial costs.

Financial costs included in tangible assets are depreciated over the period of useful life of the assets.

2.15 INCOME TAX

General

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area each Galp Energia group company head office is located.

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 recognize deferred tax assets that were not booked in prior years as they did not fulfill all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 9).

Deferred taxes are booked in the income statement for the year, unless they result from items booked directly in equity, in which case the deferred tax is also booked in equity.

Exploration and production operations

Whenever the Group performs a sale, it pays the Petroleum Income Tax - IRP to the Angolan Government, accounting the amount actually paid under the item of income tax in the income statement. However, not all of the tax paid will be cost for the year as the Group obtains loaned barrels from its partners in the consortium in order to perform sales in accordance with the agreement signed between all partners in block 14, leading to a situation of "Overlifting" (Note 9).

As such, a deferred tax asset is booked based on the barrels that are loaned to the Group by its partners, so that there is a direct relationship between the activity's margin and its tax expense. As such, tax expense only relates to barrels that could actually be sold by the Group. The deferred tax asset is reverted when the position of overlifting is also reverted.

When the Group grants loans (“underlifting”), IRP is calculated on the granted barrels, which are booked in income tax for the year.

2.16 FINANCIAL INSTRUMENTS

Financial assets and liabilities are booked in the statement of financial positions when the Group becomes a contractual party to the financial instrument.

a) Investments

Investments are classified as follows:

- Held-to-maturity investments;
- Investments at fair value through profit and loss;
- Available-for-sale investments.

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the consolidated statement of financial position date. These investments have a defined maturity date which the Group intends and has the ability to retain up to their maturity. At 31 December, 2011 the Group does not own held-to-maturity investments.

Investments at fair value through profit or loss are classified as current investments.

Available-for-sale investments are classified as non-current assets, for the investments in associates.

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

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

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

Gains and losses resulting from changes in the fair value of available-for-sale investments are recognized in the equity caption “Fair value reserve” until the investment is sold, redeemed or in some way disposed of, or until the fair value of the investment falls below cost over a long period, at which time the accumulated gain or loss is booked in the income statement.

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

Held-to-maturity investments are booked at amortized cost using the effective interest rate, net of repayments of principal and interest received.

b) Receivables

Receivables are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognized in the caption “Impairment loss” on receivables.

Receivables resulting from the operational activity usually do not bear interest.

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 recorded as liabilities based on the nominal amount received, net of related.

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

Financial costs include interest and any origination fees incurred relating to project finance.

e) Trade and other payables

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

f) Derivatives instruments

Hedge accounting

The Group 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 Group 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.

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”, Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, 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 recognized directly in the income statement.

A review was made of the Galp Energia group'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 recognized 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 unrealized gains and losses reflected in the income statement.

In addition, in specific situations the Group also contracts interest rate derivatives to hedge fair value. In such situations the derivatives are booked at fair value through the profit and loss. When the hedged instrument is not measured at fair value (namely loans measured at amortized cost), the effective portion of the hedge is adjusted in the hedged instrument's book value through the profit and loss.

Trading instruments

To manage the risk related to the variance in the Group's refining margin, tht Group uses derivative financial instruments, essentially crude oil and finished product swaps. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are booked in the income statement for the period in which they occur. These investments are measured at fair value.

g) Cash and cash equivalents

The amounts included in the caption "Cash and cash equivalents" includes cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realized 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".

2.17 CO_2 EMISSION LICENCES

CO_2 emitted by the Group's industrial plants and the "CO_2 emission licenses" attributed to it under the National CO_2 License Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licenses in the market, which would be recognized by the booking of a provision or (ii) it is not estimated that such licenses are sold in the event that they are excessive, in which case income would be recognized.

2.18 STATEMENT OF FINANCIAL POSITION CLASSIFICATION

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

2.19 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 booked in the consolidated 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 (Note 35).

2.20 OPERATING SEGMENTS

All the business and geographic segments applicable to the Group are identified in each period.

A business segment is a group of assets and operations of the Group that are subject to risks and returns different from other business segments.

The accounting policies for segment reporting are consistent with the Group. All inter-segmental revenues are at market prices and are eliminated in the consolidation process.

Financial information regarding income for identified segments is provided in Note 7, where they are identified and characterized.

2.21 ESTIMATES AND JUDGEMENTS

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 recognized 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.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: (i) proven crude oil reserves relating to the petroleum exploration activity; (ii) tangible and intangible assets and goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; (iv) actuarial and financial assumptions used to calculate retirement benefits; (v) deferred taxes and (vi) abandonment cost provisions

Crude oil reserves

The estimation of crude oil reserves is an integral part of the decision-making process relating to exploration activity assets and the development of crude oil, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the petroleum exploration and production assets in accordance with the "Unit of Production" method, as well as to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

Estimated proved reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proved reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proved reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being increased, respectively, based on the expected future production.

The quantity and type of petroleum reserves used for accounting purposes are described in Note 31.

Goodwill

The Group performs annual impairment tests of goodwill as explained in Note 2.2.d). The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. The amount of goodwill is referred in Note 11.

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.

Environmental liabilities

Galp makes judgements and estimates to calculate provisions for environmental matters (relating essentially to the known requirements of soil decontamination), based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually. The provision for environmental liabilities is referred in Note 25.

Actuarial and financial assumptions used to calculate retirement benefit liabilities

See Note 23.

2.22 RISK MANAGEMENT AND HEDGING

The 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 the financial resources to cover its commitments.

The Group has an organization 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 centralized.

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

2.23 CHANGES IN ACCOUNTING POLICIES

In prior periods and in accordance with IAS 19, Galp has recognized actuarial gains and losses based on the "corridor method". As such, actuarial gains and losses are only booked if the net cumulative value of these gains or losses, that has not been recognized at the end of the period (Total Variance) exceeds the absolutes greater of: 10% of the total liability or 10% of the market value of the fund.

In June 2011, IASB (International Accounting Standards Board) a revised IAS 19, which stipulates the abolition of the "corridor method" as of 1 January, 2013.

Taking into account the revision of IAS 19 referred above, Galp group decided during 2011, to change its accounting policy, based on the current IAS 19, with respect to the recognition of actuarial gains and losses of defined benefit plans, which also allows the non-application of the "corridor method", restating 2010 comparative figures. Thus, the Group now fully recognizes all actuarial gains and losses in the statements of comprehensive income as reflected in its financial position.

As disclosed to the market the Company recognized in 2010 costs and revenue associated with the construction of concession assets contemplated by IFRIC 12 under the heading of operating income. As at 31 December 2011 the Group restated the comparative figures for 31 December, 2010 and presents the revenue and cost from the construction of assets under IFRIC 12, of tEuros 38,684 in the headings of operating income and costs, respectively.

Due to the changes in the accounting policies, arising from the recognition of actuarial gains and losses from employee benefit plans, the financial statements were restated as at 31 December, 2010. The effects on the financial position and statement of results are shown in the Tables follow:

Statement of financial position

Captions	December 2010	Transfer of actuarial gains and losses to the statement of comprehensive income	December 2010 restated
Assets:			
Other receivables			
Deferred costs - Retirement benefits (Note 14)	21,297	(21,297)	-
Deferred tax			
Retirement benefits and other benefits (Note 9)	77,437	6,682	84,119
	98,734	**(14,615)**	**84,119**
Equity:			
Actuarial gains and losses - Retirement benefits			
Relating to the Pension Fund	-	58,246	58,246
Current personnel	-	(306)	(306)
Retired personnel	-	869	869
Pre-retirement	-	1,948	1,948
Early retirement	-	1,214	1,214
Retirement bonus	-	455	455
Voluntary social insurance	-	1,798	1,798
Actuarial gains and losses - Other benefits			
Healthcare	-	18,414	18,414
Life insurance	-	569	569
Defined contribution plan minimum benefit	-	(433)	(433)
Deferred tax	-	(6,680)	(6,680)
	-	**76,094**	**76,094**
Consolidated net profit for the year	441,375	10,435	451,810
Non - controlling interests (Note 21)	32,201	1	32,202
	473,576	**86,530**	**560,106**
Liabilities:			
Retirement benefits liabilities			
Relating to the Pension Fund	(375)	(28,253)	(28,628)
Current personnel	(1,040)	294	(746)
Retired personnel	(4,307)	(739)	(5,046)
Pre-retirement	(36,400)	(1,948)	(38,348)
Early retirement	(54,174)	(1,161)	(55,335)
Retirement bonus	(6,883)	(455)	(7,338)
Voluntary social insurance	-	(1,379)	(1,379)
Other benefitis liabilities			
Healthcare	(174,958)	(17,388)	(192,346)
Life insurance	(2,911)	(441)	(3,352)
Defined contribution plan minimum benefit	(3,696)	428	(3,268)
Deferred tax			
Retirement benefits and other benefits (Note 9)	(5,300)	(3)	(5,303)
	(290,044)	**(51,045)**	**(341,089)**

Income statement:

Captions	December 2010	Transfer of actuarial gains and losses to equity	December 2010 restated
Retirement benefits - Pensions and insurances (Note 6)	55,503	(10,437)	45,066
	55,503	**(10,437)**	**45,066**

3 • COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, percentage of interest held and their principal activities at 31 December 2011 and 2010 are as follows:

Company		Head office		Percentage interest held		Main activity
		City	Country	2011	2010	
A) Companies of the group						
Parent company:						
Galp Energia, SGPS, S. A.		Lisbon	Portugal	-	-	Management of equity participations in other companies as an indirect form of realising business activities
Subsidiaries:						
Galp Bioenergy B.V	(b)	Amsterdam	The Netherlands	100%	-	Pursuit of activities related to biofuels projects, including but not limited to research, production, processing, logistics, marketing of grain, vegetable oil, biofuel products and their derivatives; management of shareholdings in other companies and business and company financing
Galp Energia, S. A.		Lisbon	Portugal	100%	100%	Business management and consultancy services
Galp Trading, S. A.	(a)	Geneve	Switzerland	100%	-	Development of physical trading activity of crude oil, petroleum products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades
Next Priority SGPS, S. A.		Lisbon	Portugal	100%	100%	Management of equity participations

Company		Head office City	Head office Country	Percentage interest held 2011	Percentage interest held 2010	Main activity
Galp Energia Netherlands B. V.	(b)	Amsterdam	Netherlands	100%	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 businesses and other companies
Galp Brazil Services B. V. and subsidiaries:	(b)	Amsterdam	Netherlands	100%	100%	Exploration and production of oil and natural gas as well as oil, natural gas and petroleum products trading; management of shareholdings in other companies and business and company financing
Petrogal sub-group:						
Petróleos de Portugal - Petrogal, S. A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas
Petróleos de Portugal – Petrogal, S. A. Sucursal en España and subsidiaries:		Madrid	Spain	-	-	Management of participations in other refined products distributor companies in the Iberian peninsula
Galp Distribuición Oil España, S. A. U.	(e)	Madrid	Spain	-	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives
Madrileña Suministro de Gas SUR, S. L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities.
Galp Energia España, S. A. and subsidiaries:		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives
Galpgest - Petrogal Estaciones de Servicio, S. L. U.		Madrid	Spain	100%	100%	Management and operation of service stations
Galp Serviexpress, S. L. U.		Madrid	Spain	100%	100%	Deposit, storage and distribution of petroleum products and chemical products and their derivatives and sub products
Madrileña Suministro de Gas, S. L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities
Retail Operating Company, S. L.	(e)	Madrid	Spain	-	100%	Exploration or direct or indirect management of service stations and related or complementary activities, such as workshops, the sale of lubricants, parts and accessories for motor vehicles, restaurants and hotels
Sacor Marítima, S. A. and subsidiaries:		Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels
Gasmar - Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels
Tripul - Sociedade de Gestão de Navios, Lda.		Lisbon	Portugal	100%	100%	Technical management of ships, crews and supply
S. M. Internacional - Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels
Galp Exploração e Produção Petrolifera, S. A. and subsidiaries:		Funchal	Portugal	100%	100%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons
Galp Exploração Serviços Brasil, Lda.		Recife	Brazil	100%	100%	Business management and consultancy services
Galp Energia Overseas B. V.	(b)	Amsterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies
Galpbúzi - Agro-Energia, S. A.	(f)	Cidade da Beira	Mozambique	90%	66.67%	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities
Gite - Galp International Trading Establishment		Vaduz	Liechtenstein	24%	24%	Petroleum commerce and industry, including prospecting, research and exploration of hydrocarbons
Moçamgalp Agroenergias de Moçambique, S. A.		Maputo	Mozambique	50%	50%	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity
Galp Açores - Distribuição e Comercialização de Combustíveis e Lubrificantes, S. A. and subsidiaries:		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives
Saaga - Sociedade Açoreana de Armazenagem de Gás, S. A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores
Galp Madeira - Distribuição e Comercialização de Combustíveis e Lubrificantes, S. A. and subsidiaries:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives

Company		Head office		Percentage interest held		Main activity
		City	Country	2011	2010	
CLCM - Companhia Logistica de Combustíveis da Madeira, S. A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities
Gasinsular - Combustíveis do Atlântico, S. A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects
Galp Energia Portugal Holdings B. V. and subsidiaries:	(b)	Amsterdam	Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity
Galp Energia Rovuma B. V.	(b)	Amsterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies
Empresa Nacional de Combustíveis - Enacol, S. A. R. L. and subsidiaries:	(d)	Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S. A.	(d)	Mindelo	Cape Verde	100%	100%	Marine transport and related activities
EnacolGest , Lda.	(d)	Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the operation of fuel stations and vehicle assistance stations
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Import, storage and distribution of LPG
C. L. T. - Companhia Logística de Terminais Marítimos, S. A.		Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities
Combustiveis Líquidos, Lda.		Lisbon	Portugal	99.8%	99.8%	Sale of fuel, lubricants and vehicle accessories and any other business to which the partners agree and that does not require special authorisation
CORS – Companhia de Exploração de Estações de Serviço e Retalho de Serviços Automóvel, Lda.	(c)	Lisbon	Portugal	100%	100%	Operation of and/or management of service stations and other activities exercised within them, including the management of personnel of the service stations
Fast Access – Operações e Serviços de Informação e Comércio Electrónico, S. A.		Lisbon	Portugal	100%	100%	Realisation of operations and rendering of information services and electronic commerce for mobile users as well as the rendering of on-line commerce management and operating services
Galp Exploração e Produção (Timor Leste), S. A.		Lisbon	Portugal	100%	100%	Commerce and industry of petroleum, including prospecting, research and exploration of hydrocarbons in East Timor
Galp Gambia, Limited		Banjul	Gambia	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations
Galp Logística Aviação, S. A.	(c)	Lisbon	Portugal	100%	100%	Services rendered related to storage and supply of petroleum products to aircraft
Galp Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral

Company		Head office City	Head office Country	Percentage interest held 2011	Percentage interest held 2010	Main activity
Galp Serviexpress - Serviços de Distribuição e Comercialização de Produtos Petrolíferos, S. A.		Lisbon	Portugal	100%	100%	Rendering of transport, storage and commercialisation services for liquid and gas fuels, base oils and other petroleum derivatives to individuals, small companies and farmers in the domestic and foreign markets. Direct and indirect operation of fuel distribution centres and supporting activities, namely service stations, workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial or commercial activity and the rendering of related services
Galp Swaziland (PTY) Limited		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations
Galpgeste - Gestão de Áreas de Serviço, S. A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations
Petrogal Brasil, S. A.	(g)	Recife	Brazil	100%	100%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of petroleum and natural gas
Petrogal Cabo Verde, Lda.		São Vicente	Cape Verde	100%	100%	Distribution and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations and vehicle assistance
Petrogal Trading Limited		Dublin	Irland	100%	100%	Crude oil and petroleum product trading
Probigalp - Ligantes Betuminosos , S. A.		Amarante	Portugal	60%	60%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items
Sopor - Sociedade Distribuidora de Combustíveis, S. A.		Lisbon	Portugal	51%	51%	Distribution, sale and storage of liquid and gas fuel, lubricants and other petroleum derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels
Soturis - Sociedade Imobiliária e Turística, S. A.		Lisbon	Portugal	100%	100%	Real estate activities, namely the management, purchase, sale and resale of real estate
Tagus Re, S. A.		Luxembourg city	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance
Tanquisado - Terminais Marítimos, S. A.	(c)	Setúbal	Portugal	100%	100%	Development and operation of Marine Terminals
Sub-group GDP:						
GDP - Gás de Portugal, SGPS, S. A.:		Lisbon	Portugal	100%	100%	Management of equity investments
Subsidiaries:						
Beiragás - Companhia de Gás das Beiras, S. A.		Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas distribution networks
Dianagás - Soc. Distrib. de Gás Natural de Évora, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S. A.		Vila Real	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks
Galp Gás Natural Distribuição, SGPS, S. A.		Lisbon	Portugal	100%	100%	Management of equity investments
GDP Serviços, S. A.		Lisbon	Portugal	100%	100%	Business management services
Lisboagás Comercialização, S. A.	(c)	Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S. A.	(c)	Lisbon	Portugal	100%	100%	Obtain, store and distribute piped combustible gas
Lusitaniagás - Companhia de Gás do Centro, S. A.	(c)	Aveiro	Portugal	85.71%	85.71%	Operation, construction and maintenance of regional natural and other gas distribution networks
Lusitaniagás Comercialização, S. A.	(c)	Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas
Medigás - Soc. Distrib. de Gás Natural do Algarve, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks
Paxgás - Soc. Distrib. de Gás Natural de Beja, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks
Setgás Comercialização, S. A.	(c)	Setúbal	Portugal	66.95%	-	Commercialisation of retail last resort natural gas
Galp Gás Natural, S. A. and subsidiaries:		Lisbon	Portugal	100%	100%	Import of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S. A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment
Transgás, S. A.		Lisbon	Portugal	100%	100%	Wholesale commercialization or last resort of natural gas

Company	Head office		Percentage interest held		Main activity
	City	Country	2011	2010	
Sub-group Galp Power:					
Galp Power , SGPS, S. A. and subsidiaries:	Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S. A.	Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy
Galp Power, S. A.	Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy
Portcogeração, S. A.	Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy
Powercer - Sociedade de Cogeração da Vialonga, S. A.	Lisbon	Portugal	70%	70%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services
Sinecogeração - Cogeração da Refinaria de Sines, S. A.	Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations

During the year ended 31 December, 2011, the Galp Energia Group reorganized its company based in Netherlands, as follows:

a) Companies established:
Galp Energia, SGPS, S. A. subscribed 100% of Galp Trading, S. A., which was created in August 2011, and did not perform any operation during the year ended 31 December 2011.

b) Reorganization of societies with headquarters in Holand:
During the year ended December 31, 2011, the Galp Energia group reorganized companies 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 bio fuel 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 ocurred, with the aim that the new Company would 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.
- Galp Energia Portugal Holdings B. V. subscribed 100% of the share capital in Galp Energia Rovuma B. V., which was created in August 2011. During the year ended 31 December 2011, Galp Exploração e Produção Petrolifera S. A., undertook the sale of 10% stake that it held in the concession contract of Blok 4 (Rovuma) in Mozambique, in favor of Galp Energia Rovuma B. V., which develop the operational activities.
- Galp Exploração e Produção Petrolifera, S. A. subscribed 100% of the share capital of Galp Energia Overseas B. V., which was created in December 2011. During the year ended 31 December 2011, Galp Exploração e Produção Petrolifera, S. A. transferred its position to several concession contracts in Angola (Blocks 14, 14K, 32, 33 and Gas Block) and the ownership of 1% in the subsidiary Petrogal Brazil , S. A. in favour of Galp Energia Overseas B.V, which will develop the operational activities within the holding.

c) Reorganization of shareholdings in subsidiaries of natural gas:
In order to give greater autonomy to the regulated business of Natural Gas distribution, the Group initiated in June 2011 the reorganization process of its holdings in subsidiaries which owns Natural Gas Distributors and last resort natural gas sellers.

- The natural gas distributor, Lusitaniagás – Companhia de Gás do Centro, S. A. (held in 85.71% owned by the Group), has alienated 100% of its stake in the subsidiary Lusitaniagás Comercialização, S. A. that was fully acquired by GDP – Gás de Portugal, SGPS, S. A. In order to determine the market price and to comply with legal requirements, an independent study determined the selling price of tEuros 3,423.
- The subsidiary Lusitaniagás Comercialização S. A., of which the Group previously owned a 85,71% became 100% owned by the Group arising from the acquisition of the remaining 14.28% previously owned by other shareholder. tEuros 122, was booked in the profit and loss in the headings Investment in associated companies and jointly controlled entities, relating to the negative acquisition differences (notes 4.2 e 21)
- The associated natural gas distributor, Setgás – Sociedade de Produção e Distribuição de Gás, S. A. (45% owned by the group), sold 100% of its stake in subsidiary Setgás Comercialização S. A. As a result, 66,045% was acquired by GDP – Gás de Portugal SGPS, S. A. and 33.054% was acquired by Enagás, S. A. This last entity does not belong to the Group Galp Energia. In order to determine the market price and to comply with legal requirements, an independent study determined the selling price of tEuros 2,109.
- The subsidiary Setgás Comercialização S. A., is, as such, fully consolidated as the Group can appoint a representative majority of votes at board meetings. Arising from the acquisition of 21.9461%, the Group booked the amount of tEuros 608 in the caption of the results of equity investments in associated companies and jointly controlled entities, relating to negative acquisition differences (Note 4.2)
- The natural gas distributor, Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S. A. (100% owned by the Group), sold 100% of its stake in the subsidiary Lisboagás Comercialização, S. A. to GDP – Gás de Portugal, SGPS, S. A. In order to determine the market price and to comply with legal requirements, an independent study determined the selling price at tEuros 7,261.

  Since this is a transaction between two companies of the Group, there was no impact on the consolidated financial statements of the Galp Energia group.

d) Included companies:
Although the group Galp owns through its subsidiaries, Petrogal and Petrogal Cabo Verde, only 48.29% of de capital share of the Empresa Nacional de Combustíveis - Enacol S. A. R. L., the Group has assured control of the the financial and operating policies of this company by controlling the majority of the vote at the meetings of the Board. Due to this fact, the Group reclassified the financial stake held in the Empresa Nacional de Combustíveis - Enacol S. A. R. L. from associated to subsidiary company, applying the integral method of consolidation (Note 4.2)

Empresa Nacional de Combustíveis - Enacol, holds a stake in the following subsidiaries: (i) Enamar – Sociedade de Transportes Marítimos, Sociedade Unipessoal, S. A. (100%); (ii) EnacolGest, Ldª (100%); and (iii) Sodigás – Sociedade Industrial de Gases, S. A. R. L. (30%).

Enamar – Sociedade Transportes Marítimos, Sociedade Unipessoal, S. A. and EnacolGest, Ldª, are fully consolidated and Sodigás – Sociedade Industrial de Gases, S. A. R. L. is included in the caption Investments in associated companies (Note 4.2)

e) Merged companies:
On 1 September, 2011, the subsidiary Galp Distribuición Oil España, S. A. U., was integrated in Galp Energia España, S.A, through a merger by incorporation effective as of 1 January 2011.

On 1 October, 2011, the subsidiary Retail Operating Company, S. L. was incorporated in GalpGest – Petrogal Estacionaes de Servicio, S. L. U., through a merger by incorporation effective as of 1 January 2011.

f) Acquired companies:
The subsidiary Galp Exploração e Produção Petrolífera, S. A., acquired another 23.33% stake in Galpbúzi - Agro-Energia, S. A., and thus the Group holds 90% of its share capital. As result of this acquisition, the Group booked in the caption of results of equity investments in associated and jointly controlled entities, the amount of tEuros 190 referring to positive acquisition differences (Note 4.2 and 21).

g) Other changes:
In May 2011 the subsidiary Petrogal Brazil, Lda. was transformed into a joint stock company and renamed to Petrogal Brasil, S. A. In order to become a joint stock company 906,200 quotas were converted to 906,200 registered common shares subscribed and fully paid by Petróleos de Portugal – Petrogal, S. A. (897,138), and Galp Exploração e Produção Petrolífera, S.A (9,062). On the same date Petróleos de Portugal - Petrogal, S. A. transferred a common share to each member of the board (7 shares), and thus the Group holds 99.9993% stake in Petrogal Brazil, SA. As a result of this transfer, an amount of tEuros 4 was accounted for in the heading non controlling interests (note 21)

During the year ended 31 December, 2011, the registered headquarters of the subsidiary Petrogal Brasil, S.A were changed from Recife to Macaé.

In December 2011 the shares held by Galp Exploração e Produção Petrolífera, S. A. in Petrogal Brasil, S. A. were transferred to Galp Energia Overseas B. V. (Note 3 c).

As such as at 31 December, 2011 the subsidiary Petrogal Brasil, S. A. had the following shareholders structure: (i) Portugal - Petrogal, S.A (98.9993%), (ii) Galp Energia Overseas B. V. (1%) and (iii) other shareholders (0.0007%).

New comers to the consolidation perimeter for the year ended 31 December, 2011 had the following impact on the consolidated financial statements of the Galp Energia group:

Statement of financial position:

Caption	Note	Total	Empresa Nacional de Combustíveis - Enacol, S. A. R. L. and subsidiaries (December 31, 2010)	Setgás Comercialização, S. A. (May 31, 2011)
Non-current assets:				
Tangible and intangible assets	12	17,886	17,886	-
Investments in associates	4	318	318	-
Deferred tax assets	9	173	90	83
Current assets:				
Inventories		11,705	11,705	-
Trade receivables		19,174	16,944	2,230
Current income tax recoverable		330	10	320
Other receivables		13,800	8,153	5,647
Cash and cash equivalents		6,461	5,160	1,301
Non-current liabilities:				
Provisions	25	(115)	(115)	-
Bank loans		(1,968)	(1,968)	-
Current income tax payable		(2,483)	(2,400)	(83)
Other payables		(31,062)	(24,581)	(6,481)
Non-controlling interests	21	(17,127)	(16,130)	(997)
Total acquired / integrated		**17,092**	**15,072**	**2,020**
Value of investments	4	(19,401)	(19,401)	-
Positive acquisition difference	4 e 11	4,329	4,329	-
Negative acquisition difference	4	(608)	-	(608)
Net cost		**1,412**	**-**	**1,412**

Income statement:

	Total	Empresa Nacional de Combustíveis - Enacol, S. A. R. L. and subsidiaries: (31 December, 2010)	Setgás Comercialização, S. A. (31 May, 2011)
Operating income:			
Sales	174,244	165,016	9,228
Services rendered	7,342	605	6,737
Other operating income	562	562	-
Total operating income	**182,148**	**166,183**	**15,965**
Operating costs:			
Cost of sales	137,534	137,534	-
External supplies and services	14,596	7,709	6,887
Employee costs	4,125	4,125	-
Amortisation, depreciation and impairment loss on tangible assets	2,598	2,598	-
Provision and impairment loss on receivables	1,171	1,198	(27)
Other operating costs	1,564	1,551	13
Total operating costs	**161,588**	**154,715**	**6,873**
Operating profit	**20,560**	**11,468**	**9,092**
Financial income (costs)	370	178	192
Exchange gain (loss)	(514)	(514)	-
Profit before income tax	**20,416**	**11,132**	**9,284**
Income tax	(2,837)	(2,591)	(246)
Profit before non-controlling interests	**17,579**	**8,541**	**9,038**
Profit attributable to non-controlling interests (Note 21)	(3,798)	(3,627)	(171)
Net profit	**13,781**	**4,914**	**8,867**

4 • INVESTMENTS IN ASSOCIATES

4.1 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Investments in jointly controlled entities, their head offices and the percentage or interest held as of 31 December 2011 and 2010 are as follows:

		Head office		Percentage interest held		Book value		Financial information from jointly controlled companies				
Company		City	Country	2011	2010	2011	2010	Assets	Liabilities	Income	Result for the year	Main activity
Ventinveste, S. A.	(a)	Lisbon	Portugal	34.00%	34.00%	-	-	51,372	(52,407)	2,276	(50)	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms
Ventinveste Eólica, SGPS, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	19,617	(20,128)	1,168	(19)	Management of equity investments in other companies as an indirect form of carrying out economic activities and the construction and operation of wind farms
Parque Eólico da Serra do Oeste, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	1,213	(1,254)	5	(23)	Construction and operation of wind farms
Parque Eólico de Torrinheiras, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	43	(4)	-	(4)	Construction and operation of wind farms
Parque Eólico de Vale do Chão, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	2,937	(2,928)	1	(13)	Construction and operation of wind farms
Parque Eólico do Cabeço Norte, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	231	(363)	6	(12)	Construction and operation of wind farms
Parque Eólico de Vale Grande, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	20,826	(21,418)	783	(241)	Construction and operation of wind farms
Parque Eólico do Douro Sul, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	6,504	(6,702)	9	(79)	Construction and operation of wind farms
Parque Eólico do Pinhal Oeste, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	1,041	(2,217)	-	(1,108)	Construction and operation of wind farms
Parque Eólico do Planalto, S. A.		Lisbon	Portugal	34.00%	34.00%	-	-	811	(832)	-	(22)	Construction and operation of wind farms
Spower, S. A.	(a)	Lisbon	Portugal	50.00%	50.00%	-	-	8,493	(8,577)	6	(7)	Production and commercialisation of electric energy, including the conception, construction, and operation of a combined cycle thermal electric plant, as well as the exercise of any other related activities
Parque Eólico da Penha da Gardunha, Lda.	(a) (g)	Oeiras	Portugal	50.00%	-	1,707	-	11,975	(12,438)	(410)	65	Construction, maintenance and operation of Magrehb-Europe pipeline
C. L. C. - Companhia Logística de Combustíveis, S. A.	(b)	Aveiras de Cima	Portugal	65.00%	65.00%	29,020	31,713	160,765	(116,118)	30,463	7,358	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities

Company		Head office		Percentage interest held		Book value		Financial information from jointly controlled companies				Main activity
		City	Country	2011	2010	2011	2010	Assets	Liabilities	Income	Result for the year	
Caiageste - Gestão de Áreas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%	-	-	50	(151)	994	(115)	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points
Sigás - Armazenagem de Gás, A. C. E.	(b)	Sines	Portugal	60.00%	60.00%	-	-	16,371	(16,371)	5,589	-	Management and administration of LPG underground storage cave, Tanks and other complementary facilities
Asa - Abastecimento e Serviços de Aviação, Lda.	(b)	Lisbon	Portugal	50.00%	50.00%	46	10	386	(293)	1,155	9	Aircraft fuel services
Belem Bio Energy B. V.	(d)	Rotterdam	Netherlands	50.00%	50.00%	3,746	10	7,492	-	-	-	Manage investments in companies that develop bio fuel projects, including research, production, logistics, marketing grain, raw materials, vegetable oils, bio fuels and co-products as well as companies or business's related with generation and sale of electricity for its own operation
Tupi B. V.	(e)	Rotterdam	Netherlands	10.00%	10.00%	55,869	30,036	659,897	(83,122)	(15,739)	1,941	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs (floating production, storage, and off-loading), ships to transport crude, supply vessels and other types of vessels
						90.388	**61.769**					
Less: Provision for joint liabilities (Note 25)	(f)					(1.332)	(631)					
						89.056	**61.138**					

(a) Investment held by Galp Power, SGPS, S. A.

(b) Investment held by Petróleos de Portugal - Petrogal, S. A.

(c) Investment held by Galpgeste - Gestão de Áreas de Serviço, S. A.

(d) Investment held by Galp Bioenergy B. V.

(e) Investment held by Galp Brazil Services B. V.

(f) On 31 December 2011 and 2010, the provision for the capital of associated companies, reflected the commitment with the Group's associates that presented negative equity.

(g) Parque Eólico da Penha da Gardunha, Lda. is a jointly controled entity in which both Galp Power SGPS S. A. and Martifer renewables have 50% of the share capital.

The changes in the caption “Investments in jointly controlled entities” in the year ended 31 December 2011 were as follows:

Company		Beginning balance	Increase in participation	Gain / Loss	Exchange conversion adjustment	Hedging reserves adjustment	Result of previous years	Dividends	Transfers / adjustments	Ending balance
Investments										
C. L. C. - Companhia Logística de Combustíveis, S. A.		31,713	-	4,782	-	-	-	(7,475)	-	29,020
Tupi B. V.	(a)	30,036	25,249	(194)	775	-	3	-	-	55,869
Belem Bio Energy B. V.	(b)	10	3,736	-	-	-	-	-	-	3,746
Parque Eólico da Penha da Gardunha, Lda.	(d)	-	-	(32)	-	-	(47)	-	1,786	1,707
Asa - Abastecimento e Serviços de Aviação, Lda.		10	-	4	-	-	32	-	-	46
Sigás - Armazenagem de Gás, A. C. E.		-	-	-	-	-	-	-	-	-
		61,769	**28,985**	**4,560**	**775**	**-**	**(12)**	**(7,475)**	**1,786**	**90,388**
Provision for investment in associates (Note 25)										
Ventinveste, S. A.		(575)	-	(534)	-	(130)	-	-	-	(1,239)
Spower, S. A.		(38)	-	(4)	-	-	-	-	-	(42)
Caiageste - Gestão de Áreas de Serviço, Lda.	(c)	(18)	25	(58)	-	-	-	-	-	(51)
		(631)	**25**	**(596)**	**-**	**(130)**	**-**	**-**	**-**	**(1,332)**
		61,138	**29,010**	**3,964**	**775**	**(130)**	**(12)**	**(7,475)**	**1,786**	**89,056**

(a) mEuros 25,249 is related to the capital increase in Galp Brazil Service B. V. The control of subsidiary’s Tupi B. V. is shared between: Galp Brazil Services B. V., Petrobras Netherlands B. V. and BG Overseas Holding Ltd, which holds, respectively 10%, 65% e 25% of their capital.

(b) mEuros 3.736 relates to the capital increase carried out by Galp Bioenergy B. V. In the year ended 31 December 2011, following a split a new Company, Galp Bioenergy B., now holds the biofuel business (Note 3b)). As a result, the participation previously held by Galp Energia E&P B. V. (now renamed Galp Brazil Services B. V.), is owned by Galp Bioenergy B. V. The control of the subsidiary Belém Bio Energy B. V. is shared between: Galp Bioenergy B. V. and Petrobras Netherlands B.V, each one owning 50%.

(c) tEuros 25 corresponds to the supplementary equity provided by Galpgeste - Gestão de Áreas de Serviço, S. A. to its subsidiary Caiageste - Gestão de Áreas de Serviço, Lda, which was totally adjusted.

(d) The control of the subsidiary Parque Eólico da Penha da Gardunha, Lda., is shared between: Galp Power, SGPS, S. A. and Martifer Renewables, SGPS, S. A., each one owning 50%. As a result, the amount of tEuros 1,786 was transferred from Investments in associated companies to the heading Investments in jointly controlled companies

4.2 INVESTMENTS IN ASSOCIATES

Investments in associates, their head offices and the percentage or interest held as of 31 December 2011 and 2010 are as follows:

		Head office		Percentage interest held		Book value		Associates financial information				
Company		City	Country	2011	2010	2011	2010	Assets	Liabilities	Income	Result for the year	Main activity
EMPL - Europe Magreb Pipeline, Ltd.	(a)	Madrid	Spain	27.40%	27.40%	75,761	71,247	463	(105)	(308)	(220)	Construction and operation of the natural gas pipeline between Morocco and Spain
Compañia Logística de Hidrocarburos CLH, S. A.	(f) (j)	Madrid	Spain	5.00%	5.00%	57,363	56,854	1,995,682	(1,799,316)	(550,320)	(158,087)	Installation and operation of liquid and gas storage facilities and related transport structures
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	(b) (g)	Setúbal	Portugal	45.00%	45.00%	24,116	20,143	181,171	(127,632)	(37,210)	(8,753)	Production and distribution of natural and its substitute gases
Gasoduto Al-Andaluz, S. A.	(a)	Madrid	Spain	33.04%	33.04%	17,792	17,600	70,949	(17,100)	(28,225)	(10,036)	Construction and operation of Tarifa-Córdoba gas pipeline
Gasoduto Extremadura, S. A.	(a)	Madrid	Spain	49.00%	49.00%	15,322	15,147	34,342	(3,073)	(20,369)	(8,262)	Construction and operation of Córdoba-Campo Maior gas pipeline.
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	(b)	Santarém	Portugal	41.33%	41.33%	8,540	6,044	87,786	(67,123)	(29,241)	(4,642)	Production and distribution of Natural Gas and other piped combustible gases
Galp Disa Aviacion, S. A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%	5,551	5,143	11,100	(1)	(2,867)	(2,857)	Rendering of aeronautical petroleum refuelling services directly or through companies in that sector
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%	5,257	4,606	113,598	(102,862)	(79,607)	(1,579)	Distribution and Commercialisation of liquid fuel, lubricants and other petroleum derivatives, operation of service stations and automobile assistance and related services
Parque Eólico da Penha da Gardunha, Lda.	(i)	Oeiras	Portugal	-	50.00%	-	1,786	11,975	(12,438)	(410)	65	Construction and operation of wind farms
Metragaz, S. A.	(a)	Tânger	Morocco	26.99%	26.99%	1,537	1,395	12,552	(6,873)	(16,284)	(1,336)	Construction, maintenance and operation of the Maghreb-Europe gas pipeline
Terparque - Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%	993	1,055	21,528	(14,775)	(3,072)	261	Construction and/or operation of storage facilities for combustibles
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	(c)	Bissau	Guiné-Bissau	45.00%	45.00%	563	492	2,493	(1,378)	(496)	(207)	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal

Company		Head office City	Head office Country	Percentage interest held 2011	Percentage interest held 2010	Book value 2011	Book value 2010	Associates financial information Assets	Liabilities	Income	Result for the year	Main activity
Sodigás-Sociedade Industrial de Gases, S. A. R. L.	(k)	Mindelo	Cape-Verde	30,00%	-	318	-	1,059	-	-	-	Production and sale of oxygen, acetylene, nitrogen and other industrial gases
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	(i)	Lisbon	Portugal	35,00%	35,00%	227	169	27.017	(26.186)	(35.120)	(577)	Co-generation and sale of electric and thermic power
Gásfomento - Sistemas e Instalações de Gás, S. A.	(b)	Lisbon	Portugal	20,00%	20,00%	138	144	6.062	(5.377)	(6.882)	(64)	Activities relating to construction and civil engineering in general, project and construction and maintenance of installations
Aero Serviços, S. A. R. L. - Sociedade Abastecimento de Serviços Aeroportuários	(c)	Bissau	Guiné-Bissau	50,00%	50,00%	63	63	963	(836)	-	-	Services rendered related to storage and supply of petroleum products to aircraft
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.	(k)	Mindelo	Cape-Verde	48,29%	48,29%	-	19.312	-	-	-	-	Commercialisation of hydrocarbons and related activities
						213.541	**221.200**					

(a) Investment held by Galp Gás Natural, S. A.
(b) Investment held by GDP - Gás de Portugal, SGPS, S. A.
(c) Investment held by Petrogal Guiné-Bissau, Lda.
(d) Investment held by Saaga - Sociedade Açoreana de Armazenagem de Gás, S. A.
(e) Investment held by Petrogal Angola, Lda.
(f) Investment held by Galp Energia España, S. A.
(g) Investment held by Petróleos de Portugal - Petrogal, S. A.
(h) Investment held by Empresa Nacional de Combustíveis - Enacol, S. A. R. L.
(i) Investment held by Galp Power, SGPS, S. A. The amount of 1,786 tEuros was transfer for caption Investments in jointly controlled entities (Note 4.1)
(j) Although the investment held is only 5%, the Group has a significant influence and so the investment is stated as explained in Note 2.2 c).
(k) As at December 31, 2011, is now included by the full consolidation method (Note 3 d)).

The changes in the caption “Investments in associates” in the year ended 31 December 2011 were as follows:

Company		Beginning balance	Increase in participation	Gain / Loss	Exchange conversion adjustment	Hedging reserves adjustment	Result of previous years	Dividends	Transfers / adjustments	Ending balance
Investments										
EMPL - Europe Magreb Pipeline, Ltd.		71,247	-	43,306	2,822	-	-	(41,614)	-	75,761
Compañia Logística de Hidrocarburos CLH, S. A.	(a)	56,854	16	7,904	-	-	(33)	(7,378)	-	57,363
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.		20,143	-	3,944	-	-	29	-	-	24,116
Gasoduto Al-Andaluz, S. A.		17,600	-	3,316	-	-	-	(3,124)	-	17,792
Gasoduto Extremadura, S. A.		15,147	-	4,049	-	-	-	(3,874)	-	15,322
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.		6,044	-	1,919	-	(34)	611	-	-	8,540
Galp Disa Aviacion, S. A.		5,143	-	1,429	-	-	64	(1,085)	-	5,551
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.		4,606	-	1,362	(711)	-	-	-	-	5,257
Metragaz, S. A.		1,395	-	357	4	-	-	(219)	-	1,537
Terparque - Armazenagem de Combustíveis, Lda.		1,055	-	(61)	-	-	(1)	-	-	993
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.		492	-	71	-	-	-	-	-	563
Sodigás-Sociedade Industrial de Gases, S. A. R. L.	(c)	-	-	-	-	-	-	-	318	318
Energin - Sociedade de Produção de Electricidade e Calor, S. A.		169	-	171	-	-	(113)	-	-	227
Gásfomento - Sistemas e Instalações de Gás, S. A.		144	-	13	-	-	(19)	-	-	138
Aero Serviços, S. A. R. L. - Sociedade Abastecimento de Serviços Aeroportuários		63	-	-	-	-	-	-	-	63
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.	(b)	19,312	-	-	-	-	89	-	(19,401)	-
Parque Eólico da Penha da Gardunha, Lda.	(d)	1,786	-	-	-	-	-	-	(1,786)	-
		221,200	**16**	**67,780**	**2,115**	**(34)**	**627**	**(57,294)**	**(20,869)**	**213,541**

(a) In accordance with the contract for the purchase of the investment in CLH - Compañia Logistica de Hidrocarboros, S. A., the cost of the investment is revised annually for a period up to 10 years as from the date of the contract, based on the amount of CLH sales. The additional amount paid in 2009 amounted to tEuros 16.
(b) The subsidiary Empresa Nacional de Combustíveis - Enacol, S. A. R. L., is now included in the consolidation perimeter (Note 3). The 19,401 Euros recorded in transfers/ adjustments includes Goodwill in the amount of tEuros 4,329 and tEuros 15,072 corresponding to 48.29% of equity in the subsidiary held by the Group at the year ended 31 December, 2010. The amount relating to Goodwill is now presented under the heading of goodwill (Note 12) and the amount of 15.072 mEuros was replaced by the integration of assets, liabilities and non controlling interests of the subsidiary Empresa Nacional de Combustíveis - Enacol, S. A. R. L. (Note 3).
(c) The subsidiary Empresa Nacional de Combustíveis - Enacol, S. A. R. L., owns 30% stake in Sodigás - Sociedade Industrial de Gases, S. A. R. L. The amount of 318 mEuros registered in transfers/adjustments, relates to the value that was booked in the caption Investments in associated companies in the financial statements of the subsidiary Empresa Nacional de Combustíveis - Enacol, S. A. R. L. (Note 3) for the year ended 31 December, 2010.
(d) The control of the subsidiary Parque Eólico da Penha da Gardunha, Lda., is shared between: Galp Power, SGPS, S. A. and Martifer Renewables, SGPS, S. A., each owning 50%. As a result, the amount of tEuros 1,786 was transferred from Investments in associated companies to Investments in jointly controlled companies.

The consolidated income statement caption “Share of results of associates and jointly controlled entities” for the year ended 31 December 2011 is made up as follows:

Effect of applying the equity method:	
Associates	67,780
Associates - corrections related to prior years	627
Jointly controlled entities	3,964
Jointly controlled entities - corrections related to prior years	(12)
Effect of the adjustment of the selling price of the share capital of group companies and associates:	
Adjustment of the value of capital loss, that occurred in the year ended 31 December 2009, concerning the sale of 100% ownership of COMG – Comercialização de Gás, S. A.	(512)
Effect of the disposal of assets available for sale / Investments in subsidiaries:	
Less gain on sale of 0,07% of the Central-E, S. A.	4
Differences on the acquisition of the capital of group companies and associated (Note 3):	
Acquisition of 21,9461% of the participation of Setgás Comercialização, S. A.	608
Acquisition of 14,2861% of the participation of Lusitaniagás Comercialização, S. A.	122
Acquisition of 23,33% of the participation of Galpbuzi – Agro-Energia, S. A.	(190)
Effect of the adjustment of the purchase price of the share capital of group companies and associates:	
Settlement of the purchase cost of Galp Distribuición Oil España, S. A.U. participation, occurred in 2008.	(187)
	72,204

Dividends received in 2011 amounted to tEuros 64,969. However, the amount approved by the respective Shareholders’ General Meetings, and that has been reflected in the caption “Investment in jointly controlled companies” amounted to tEuros 64,769 (Notes 4.1 and 4.2).

The difference of tEuros 200 between the approved and received amount relates to exchange rate differences at the time of payment, which have been reflected in the income statement caption “Exchange gain/(loss)”

Positive goodwill in associates and jointly controlled entities is included in the caption “Investments in associates”, and was subject to impairment test for each cash generating unit. Its detail as at 31 December 2011 and 2010 was:

		2011	2010
Compañia Logística de Hidrocarburos CLH, S. A.		47,545	47,545
Empresa Nacional de Combustíveis - Enacol, S. A. R. L. (Nota 3 d))	(a)	-	4,329
Parque Eólico da Penha da Gardunha, Lda.		1,939	1,939
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.		143	143
		49,627	**53,956**

(a) In 2011 Enacol was consolidated by the full consolidation method, therefore its Goodwill was reclassified to the caption Goodwill (Note 11)

4.3 ASSETS HELD FOR SALE

The Group’s investments in other companies, the head office of the companies and the percentage of interest held as of 31 December 2011 and 2010 were as follows:

	Head office		Percentage of interest held		Book value	
Company	**City**	**Country**	**2011**	**2010**	**2011**	**2010**
Corporación de Reservas Estratégicas de Productos Petrolíferos	Madrid	Spain	n.d.	n.d.	1,808	1,808
InovCapital - Sociedade de Capital de Risco, S. A.	Porto	Portugal	1.82%	1.82%	499	499
PME Investimentos - Sociedade de Investimento, S. A.	Lisbon	Portugal	1.82%	1.82%	499	499
Agene - Agência para a Energia, S. A.	Amadora	Portugal	10.98%	10.98%	114	114
Omegás - Soc. D'Étude du Gazoduc Magreb Europe	Tânger	Morocco	5.00%	5.00%	35	35
Ressa - Red Española de Servicios, S. A.	Barcelona	Spain	n.d.	n.d.	23	23
Ambélis - Agência para a modernização Económica de Lisboa, S. A.	Lisbon	Portugal	2.00%	2.00%	20	20
Clube Financeiro de Vigo	Vigo	Spain	-	-	19	19
P.I.M.-Parque Industrial da Matola, S. A. R. L.	Maputo	Mozambique	1.50%	1.50%	19	15
Agência de Energia do Porto	Porto	Portugal	-	-	13	13
Imopetro - Importadora Moçambicana de Petróleos, Lda.	Maputo	Mozambique	15.38%	15.38%	12	9
Cooperativa de Habitação da Petrogal , C. R. L.	Lisbon	Portugal	0.07%	0.07%	7	7
Oil Insurance Limited	Hamilton	Bermuda	1.00%	1.00%	8	7
Others	-	-	n.d.	n.d.	40	44
					3,116	**3,112**
Impairment of other companies						
Ambélis - Agência para a modernização Económica de Lisboa, S. A.					(7)	(7)
InovCapital - Sociedade de Capital de Risco, S. A.					(52)	(52)
PME Investimentos - Sociedade de Investimento, S. A.					(145)	(145)
P.I.M.-Parque Industrial da Matola, S. A. R. L.					(19)	(15)
					(223)	**(219)**
					2,893	**2,893**

Other investments are recorded at cost as explained in Note 2.2 paragraph c).The net book value of these investments amounts to tEuros 2,893.

5 • OPERATING INCOME

The Group's operating income for the years ended 31 December 2011 and 2010 is made up as follows:

Captions	2011	2010
Sales:		
Merchandise	7,180,423	5,687,712
Products	9,182,248	8,059,694
	16,362,671	**13,747,406**
Services rendered	**441,265**	**316,288**
Other operating income:		
Supplementary income	62,740	84,310
Revenues arising from the construction of assets under IFRIC12 (Note 6)	39,274	38,684 (a)
Operating government grants	14,818	18,201 (a)
Internally generated assets	144	188
Investment government grants (Note 13)	9,684	8,482
Gain on fixed assets	14,705	3,077
Other	41,976	48,465
	183,341	**201,407**
	16,987,277	**14,265,101**

Sales of fuel include the Tax on Petroleum Products (ISP).

The variation in Sales is mainly due to the rise in quote prices of refined products in international markets, that gave rise to an increase in selling prices.

Services Rendered and sales includes the amount of tEuros 19,135 relating to the activity of distribution and storage of natural gas including (Note 14):

- tEuros 25,473 of positive adjustment between estimated regulated revenue and the amount invoiced relating to distribution, commercialization and storage (Note 14) regarding the second semester of 2009/2010 gas year and the first semester of 2010;

- Positive tEuros 3,380 relating to the adjustment made by ERSE in setting of tariff deviations – Corporate income allowed for the second half of the Gas Year 2009;

- Negative tEuros 12,237 relating to the amortisation of the allowed revenue for the 1st Semester of Year Gas 2009;

- Positive tEuros 2,519 for the amortisation of the adjustment of the gas Profit Allowed year 2008-2009.

As referred in Note 2.13 the total amount to recover was included by ERSE in the regulated revenue to refund in 2011-2012 Gas Year, and so the Group is recognizing in the income statement the reversal of the amount of tariff deviation approved.

The heading Other for the year ended 31 December 2011, includes: (i) tEuros 14,498 relating to sales of CO_2 emission securities (Note 34) and (ii) tEuros 2,000 relating to compensation resulting from process that the subsidiary CLCM - Companhia Logística de Combustíveis da Madeira, S. A. presented in court against third parties that did fulfil a construction contract. In the year ended 31 December 2011, the company received tEuros 50 and the remaining tEuros 1,500 were received in January of 2012 (Note 14).

The decrease in supplementary income is due to the fact that in the year ended 31 December 2010, tEuros 29,998 were booked relating to the renegotiation of the sales and rental contract of fiber optics with Onitelecom that ended with the anticipation of the deadline of the contract to 31 December 2010.

Concerning the construction contracts subject to IFRIC12, the construction of the concessioned assets is subcontracted to specialized entities. The full risk of the construction activity is borne by the specialized entities. Income and costs associated with the construction of these assets are equal and immaterial when compared to total revenues and operating costs below that can be detailed as follows:

	2011	2010
Costs arising from the construction of assets under IFRIC12	(39,274)	(38,684) (a)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	39,274	38,684 (a)
Margin	-	-

(a) These amounts were reclassified in order to be reflected in Income and Operating Costs (Note 6)

6 • OPERATING COSTS

The results for the years ended 31 December 2011 and 2010 were affected by the following items of operating costs:

Captions	2011	2010	
Cost of sales:			
Raw and subsidiary materials	7,375,031	5,906,526	
Merchandise	5,007,003	3,550,149	
Tax on Petroleum Products	2,429,888	2,725,778	
Variation in production	(231,623)	(187,810)	
Decrease (increase) in inventories (Note 16)	6,075	4,922	
Financial derivatives (Note 27)	(16,695)	(2,935)	
	14,569,679	**11,996,630**	
External supplies and services:			
Subcontracts - gas network usage	215,082	117,559	
Transport of goods	117,037	112,226	
Storage and filling	79,637	80,166	
Rental costs	74,846	83,259	
Maintenance and repairs	53,092	51,087	
Insurance	26,162	29,389	
Commission	22,229	20,935	
Publicity	19,320	22,644	
Subcontracts	10,967	12,207	
Royalties	11,678	4,530	
Port services and fees	9,585	8,378	
Other specialized services	152,708	121,895	
Other external supplies and services	63,465	62,447	
Other costs	58,427	54,330	
	914,235	**781,052**	
Employee costs:			
Remuneration of the statutory boards (Note 29)	5,403	5,053	
Remuneration of personnel	217,761	230,709	
Social charges	54,251	52,648	
Retirement benefits - pensions and insurance (Note 23)	40,019	45,068	(a)
Other costs	9,285	10,892	
	326,719	**344,370**	
Amortisation, depreciation and impairment:			
Amortisation and impairment of tangible assets (Note 12)	326,499	272,819	
Amortisation and impairment of intangible assets (Note 12)	43,595	26,404	
Amortisation and impairment of Service Concession Arrangements (Note 12)	33,864	31,981	
	403,958	**331,204**	
Provision and impairment of receivables:			
Provisions and reversals (Note 25)	19,890	67,962	
Impairment loss on trade receivables (Note 15)	22,431	12,865	
Impairment loss (gain) on other receivables (Note 14)	1,593	2,440	
	43,914	**83,267**	
Other operating costs:			
Other taxes	15,240	12,381	
Costs arising from the construction of assets under IFRIC12	39,274	38,684	(b)
Loss on tangible assets	1,861	3,774	
Other operating costs	30,717	24,641	
	87,092	**79,480**	
	16,345,597	**13,616,003**	

(a) These amounts were restated considering the accounting policies changes in Note 2.23.

(b) These amounts were restated in order to be accounted for under the Operational Income and Expenses heading (Note 5).

The fluctuation in the cost of sales is mainly due essentially to the rise in quoted of refined products in international markets that gave rise to an increase in purchase prices.

The caption Subcontracts – gas networks usage refers to charges for the use of: (i) Network distribution (URD); (ii) Network transportation (URT); and (iii) Global System Usage (UGS).

The amount of tEuros 215,082 included in this caption mainly comprises the amount of tEuros 70,070 charged by Ren Gasodutos and tEuros 80,183 charged by Madrileña Red de Gas. The increase is mainly due to the fact that Madrileña Suministro de Gas, S. L. and Madrileña Suministro de Gas SUR, S. L. subsidiaries, were acquired in 30 April 2010, and as a result, were only included in the consolidated financial statements from that date onwards.

The change in Amortisation, depreciation and impairment over the same period is mainly due to:

- tEuros 41,958 in the subsidiary Petrogal Brasil, S. A., which is due to the fact that in the year ended 31 December 2011 investments in basic equipment in Campo Lula (Block BSM11) have been transferred from construction in progress to tangible assets thereby increasing depreciation for the year. An impairment was booked regarding expenditure on research and rights (signing bonus) in the Santos and Potiguar (Brasil) blocks, with no economic viability.

	2011	2010
Amortisation of tangible and intangible assets	17,479	186
Impairment of tangible and intangible assets	36,602	11,937
	54,081	**12,123**

In the year ended 31 December 2011, an impairment of 34,814 tEuros was consumed.

- tEuros 7,926 in the subsidiary Galp Exploração e Produção (Timor Leste), regarding impairment in PSC Blocks S06-1, B-2 PSC S06, and S06-4 PSC PSC S06 and H-5 due to low exploration results.

- tEuros 2,598 in the subsidiary Empresa Nacional de Combustíveis - Enacol, S. A. R. L. due to the fact that the company was included in the consolidation perimeter during the year ended 31 December 2011.

Other operating costs includes tEuros 1,084 regarding donations to the Galp Energia Foundation.

7 • SEGMENT REPORTING

Business segments

The group is organized into four business segments which were defined based on the type of products sold and services provided, with the following business units:

- Gas and power;
- Refining and distribution of petroleum products;
- Exploration and production;
- Other.

For the business segment "Others", the group considered the holding company Galp Energia, SGPS, S. A., and companies with different activities including the Tagus Re S. A. and Galp Energia, a reinsurer and provider of services at the corporate level, respectively.

Note 1 presents a description of the activities of each business segment.

Below is the financial information on the previously identified segments, as at 31 December 2011 and 31 December 2010:

	Gas and power		Refining and distribution of petroleum products	
	2011	**2010(*)**	**2011**	**2010(*)**
Income				
Sales and services rendered	2,275,174	1,735,735	14,691,736	12,388,372
Inter-segments	228,474	128,121	64,609	1,124
External	2,046,700	1,607,614	14,627,127	12,387,248
EBITDA (1)	**297,782**	**273,981**	**524,921**	**595,603**
Non cash costs				
Amortisation and impairment losses	(50,017)	(41,195)	(197,202)	(178,796)
Provisions	(3,870)	(42,471)	(26,412)	(8,698)
Segment results	**243,895**	**190,315**	**301,307**	**408,109**
Results of investments in associates	56,643	55,519	16,463	18,843
Other non-operating results	(21,253)	(17,982)	(134,978)	(96,940)
Income tax	(78,223)	(61,090)	(29,847)	(53,116)
Non Controlling Interest	(5,653)	(3,234)	(3,771)	(3,189)
Consolidated net profit	**195,409**	**163,528**	**149,174**	**273,707**
In 31 December 2011 and 31 december 2010				
Other information				
Assets by segment (2)				
Investment (3)	138,600	128,188	108,440	127,458
Other assets	2,187,937	1,920,956	6,793,955	6,019,385
Total consolidated assets	**2,326,537**	**2,049,144**	**6,902,395**	**6,146,843**
Total consolidated liabilities	**1,408,193**	**1,421,869**	**6,590,208**	**5,820,812**
Investment in tangible and intangible assets	**54,975**	**86,955**	**641,013**	**820,199**

(*) Amounts restated in accordance with Note 2.1.
(1) EBITDA = Segment results/EBIT + Amortisation+Provisions.
(2) Net amount.
(3) In accordance with the equity method.

Inter-segmental sales and services rendered

Segments	Gas and power	Refining and distribution of petroleum products	Exploration and production	Other	TOTAL
Gas and Power	n.a.	64,031	-	23,812	87,843
Refining and distribution of petroleum products	228,474	n.a.	285,228	75,218	588,920
Exploration and production	-	34	n.a.	5,178	5,212
Other	-	544	-	n.a.	544
	228,474	**64,609**	**285,228**	**104,208**	**682,519**

The main inter-segmental transactions of sales and services rendered are primarily related to:

- Gas and Power: natural gas sales to the refining process of Sines and Matosinhos refineries (refining and distribution of petroleum products);

- Refining and distribution of petroleum products: supply of fuel to all group companies vehicles;

- Exploration and production: crude sales to the Refining and distribution segment;

- Other: back-office and management services.

Exploration and production		Other		Eliminations		Consolidated	
2011	**2010(*)**	**2011**	**2010(*)**	**2011**	**2010(*)**	**2011**	**2010(*)**
395,803	214,025	123,742	131,318	(682,519)	(405,756)	16,803,936	14,063,694
285,228	164,588	104,208	111,923	(682,519)	(405,756)	-	-
110,575	49,437	19,534	19,395	-	-	16,803,936	14,063,694
252,313	**186,379**	**11,266**	**6,539**	**3,270**	**1,067**	**1,089,552**	**1,063,569**
(153,589)	(108,859)	(3,150)	(2,354)	-	-	(403,958)	(331,204)
(13,739)	(28,732)	107	(3,366)	-	-	(43,914)	(83,267)
84,985	**48,788**	**8,223**	**819**	**3,270**	**1,067**	**641,680**	**649,098**
(191)	65	(711)	(593)	-	-	72,204	73,834
(411)	(1,032)	37,226	18,759	(3,270)	(1,067)	(122,686)	(98,262)
(29,901)	(45,866)	(11,121)	(6,365)	-	-	(149,092)	(166,437)
-	-	-	-	-	-	(9,424)	(6,423)
54,482	**1,955**	**33,617**	**12,620**	**-**	**-**	**432,682**	**451,810**
59,612	30,045	170	171	-	-	306,822	285,862
1,351,494	1,188,536	3,614,264	3,186,346	(4,099,055)	(3,453,570)	9,848,595	8,861,653
1,411,106	**1,218,581**	**3,614,434**	**3,186,517**	**(4,099,055)**	**(3,453,570)**	**10,155,417**	**9,147,515**
281,556	**171,884**	**3,033,061**	**2,541,109**	**(4,099,056)**	**(3,453,570)**	**7,213,962**	**6,502,104**
274,202	**341,474**	**4,912**	**4,578**	**-**	**-**	**975,102**	**1,253,206**

In respect of related parties, and similar to what happens between independent companies that engage in transactions, the conditions establishing their commercial and financial relations are governed by market mechanisms.

The assumptions underlying the determination of prices in transactions between Group companies rely on the consideration of the economic realities and characteristics of the situations at hand, namely, considering the characteristics of operations or companies that might have impact on the intrinsic conditions of the commercial transactions in analysis. In this context, among others, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

Compensation, in the context of related parties, corresponds to what is appropriate, by rule, to the functions performed by each company involved, taking into account the assets used and risks assumed. Thus, to determine such compensation the Group identifies the activities, the risks faced by companies in the value creating chain of goods/services traded, in accordance with their functional profile, particularly, in what concerns the functions they perform – import, manufacturing, distribution, and retail.

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but also bearing in mind the contribution of those elements to the company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the estimated ranges on the basis of the assessment of a panel of functionally comparable independent companies, thus allowing the prices to be fixed in order to respect the principle of full competition.

Geographical segments

Income from sales and services rendered and total assets for the year ended 31 December 2011 relate essentially to operations in Portugal and Spain. Exploration and production activities are carried out essentially in Angola and Brazil. The component of activity located in Spain, in respect of the distribution and commercialisation of fuel and has the following composition:

	Income from sales and services rendered		Total assets	
Geographical area	**2011**	**2010**	**2011**	**2010**
Spain	4,788,645	3,794,634	1,706,523	1,711,885

8 • FINANCIAL INCOME AND COSTS

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

Captions	2011	2010
Financial income:		
Interest on bank deposits	6,958	3,881
Other financial income	11,336	21,727
Interest and other income - related companies (Note 28)	2,101	1,627
	20,395	**27,235**
Financial costs:		
Interest on bank loans and overdrafts	(156,114)	(94,100)
Interest capitalized in fixed assets	59,325	27,067
Other financial costs	(43,396)	(46,264)
Interest - other stock holders	(223)	(225)
Interest - related companies (Note 28)	(128)	(110)
	(140,536)	**(113,632)**

During the year ended 31 December 2011, the Group capitalized in tangible assets in progress, the amount of tEuros 59,325 relating to interest on loans to finance capital expenditure on tangible assets during their construction phase.

The captions "Other financial income" and "Other financial costs" include the amounts of tEuros 10,714 and tEuros 9,371 respectively, regarding Energy Trading operations, trading future contracts on CO_2 and electricity in the ICE Exchange (Ice Futures Europe Exchange) and OMIP Futures.

9 • INCOME TAX

Since 31 December 2001, the companies with head offices in continental Portugal in which the Group has an interest 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.

From 2010 onwards, the Group companies with head offices in Portugal present their financial statements in accordance with IAS/IFRS, using these standards to determine the taxable profit/loss.

However, estimated income tax of the Company and its subsidiaries is recoverable based on their tax results which, for the year ended 31 December 2011, amounted to recoverable income tax of tEuros 9,251.

For companies with a tax resident in Spain and whose percentage held by the Group exceeds 75% have been, from 2005 onwards taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Petrogal S. A. - Branch in Spain.

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 except when there are carried forward tax losses, 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) From 2001 to 2010, the subsidiary Petrogal, S. A. had several inspections by the tax authorities relating to the fiscal years 1997 to 2008, which in accordance with the Company assessment are following its normal course. Paragraphs (v) and (xii) below detail the open inspections.

(iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S. A. and its subsidiary GDP - Gás de Portugal SGPS, S. A., tax returns which resulted in additional assessments summarized in paragraph (ix) below.

(iv) The Group's tax returns for the years 2009 to 2010 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 consolidated financial statements as of 31 December 2011 and 2010.

(v) As mentioned in paragraph (ii) above, in 2001 the corporate income tax returns for the years 1997, 1998 and 1999 were inspected by the tax authorities, which resulted in proposed additional assessments of tEuros 68, tEuros 429 and tEuros 3,361, respectively, communicated to Petrogal. As Petrogal does not agree with the proposed additional assessments, it contested those for the years 1998 and 1999 and Petrogal's management believes that the basis is valid. In 2006, the appeal relating to 1998 was denied. As Petrogal does not agree with the denial, it presented a legal appeal against the decision. Consequently, the financial statements as of 31 December 2011 do not include any provision for this contingency.

(vi) As mentioned in paragraph (ii) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in additional assessments communicated to Petrogal of tEuros 740, tEuros 10,806 and tEuros 2,479, respectively, of which tEuros 11,865 has been paid. Petrogal has appealed against the additional assessment for the year 2001. Therefore, based on its expectations, Petrogal has recorded a provision of tEuros 7,394 to cover the additional assessments (Note 25 and 33).

(vii) As mentioned in paragraph (ii) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of tEuros 12,098, which corresponds to an additional assessment communicated to Petrogal of tEuros 5,265, of which tEuros 2,568 was paid in 2008 and recognised in the income statement of that year.

(viii) As mentioned in paragraphs (ii) and (iii) above, in 2009 Galp Energia, SGPS, S. A. and its subsidiaries Petrogal, S. A. and GDP – Gás de Portugal, SGPS, S. A., 2005. income tax returns were inspected by the tax authorities, which resulted in additional assessment of tEuros 23,587 and for which during January 2010 the Company has conceded a bank warranty in the amount of tEuros 27,010. As the Group does not agree with the tax authority's position, which, is that tax gains on share sales that have been reinvested, are completely taxable, when the shares of the reinvestment are sold. The Company, supported by its tax and legal advisors, presented an administrative claim and a judicial review where the reasons for disputing the tax Administration's position, Galp Energia SGPS, S. A. has provided for tEuros 3,230 and its subsidiary, GDP SGPS, S. A. has provided for the amount of tEuros 2,092 for this purpose (Notes 25 and 33).

(ix) Additionally, during the year of 2010, and as consequence of inspections that occurred in 2006 and 2007, Petrogal S. A. tax statements were corrected by the tax administration, that resulted in an additional assessment of tEuros 479 and tEuros 190, respectively. As the company partially disagrees with these corrections, the amounts of tEuros 304 regarding 2006 and tEuros 87 regarding 2007 were not paid. Regarding these amounts the company has either contested or will contest the assessments.

(x) In the year 2011, the subsidiary Petrogal, S. A. was subject to a tax inspection regarding the year 2008, which resulted in a tax payable of tEuros 492. For disagreeing with some of the corrections referred to above, the company will present an administrative claim. At this date, the tax inspection regarding the 2009 financial year of subsidiary Petrogal S. A. is still ongoing.

(xi) In respect of the subsidiary Petrogal, S. A., as a result of the 2009 tax inspections the tax administrator concluded, a correction of tEuros 4,577 in VAT. As the correction is based on the compliance of a mere formality, the Company believes that the above amount is not due, provided that the required formalities are fulfilled, which has already occurred. Consequently, the Company has contested the correction via an administrator claim which has been denied. As such, the Company has proceeded to judicial action, given its conviction of the correctness of its position. For this reason the Group not included any provision for this contingency.

(xii) For the subsidiary Galp Energia España, there are a number of cases in litigation with the Spanish tax authorities and that mainly relate to corrections reported to the Company regarding corporate taxes for the years 1990 to 2003 and amount to tEuros 4,125 (Note 25). The Company has decided to fully provide for this amount. amount.

(xiii) As a result of the exploration and oil production operations in Angola, the Group is subject to Petroleum Income Tax ("PIT") based on the Angolan tax system applied to production sharing contracts where the Group participates. On 31 December 2011 an additional liquidation of IRP, related to the 2008 and 2009 corrections has not been paid. These are in discussion with the Ministry of Finance of Angola. The Group has decide to fully provide for these amounts to that effect. At 31 December 2011, the provision amounted tEuros 1,795 (Note 25).

(xiv) Under current legislation, tax losses can be carried forward during a period of 6 years ended before 2010 and for 4 years for the following period, after they are incurred from taxable income arising during the period. There is no limit for the use of tax losses of group companies based in the Brazilian territory. For tax losses of group companies based in Spain, the reporting period for tax losses is 15 years. The Group has accounted for deferred tax assets for tax losses only for subsidiaries in which there is high probability of recovery. On 31 December 2011, the tax losses amounted to approximately 122,184 tEuros and mainly related to companies based in Spain and Brazil, tEuros 101,365 and tEuros 20,819 respectively.

(xv) In accordance with current tax legislation, gains and losses resulting from recognition of the results of subsidiaries companies applying 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, if there is no deduction for dismissal of double taxation.

Income tax for the years ended 31 December 2011 and 2010 are made up as follows:

Captions	2011	2010
Current income tax	127,399	171,766
Excess/insuficiency of income tax for the preceding year	(19,534)	(13,379)
Deferred tax	41,227	8,050
	149,092	**166,437**

During the year ended 31 December, 2011 the Group booked tEuros 15,763 related to the excess income tax estimate mainly due to the consideration of fiscal benefits to investment activities (Regime Fiscal ao Investimento - RFAI) and Sistema de Incentivos Fiscais a Investigação e Desenvolvimento Industriais (Sifide), in the 2010 declaration, not included in the income tax estimate at 31 December 2010.

Bellow is a reconciliation of the income tax for the years ended 31 December 2011 and 2010 and details of deferred taxes:

Captions	2011	Rate	Income tax	2010	Rate	Income tax
Profit Before Tax in accordance with IAS/IFRS	**591,198**	**29.00%**	**171,447**	**624,670**	**29.00%**	**181,154** (a)
Adjustments to Tax income						
Application of the equity method		-1.38%	(8,148)		-0.85%	(5,315)
Fiscal benefits		-0.15%	(858)		-0.14%	(902)
Deductible social costs		0.55%	3,240		0.14%	904
Income tax rates differences		2.11%	12,501		2.98%	18,603
Fiscal losses (with no deferred taxes)		0.24%	1,390		0.00%	-
Other deductions		-1.19%	(7,055)		0.00%	-
(Excess)/Insufficiency of income tax of the preceding year		-3.30%	(19,534)		-2.14%	(13,379)
Autonomous taxation		0.22%	1,310		0.18%	1,151
Other deductions		-0.88%	(5,201)		-2.53%	(15,780)
Effective tax rate and Tax income		**25.22%**	**149,092**		**26.64%** (a)	**166,437**

(a) These amounts have been restated taking into consideration the change in the accounting policy described in Note 2.23.

In the year ended 31 December 2011 the Group paid Petroleum Income Tax ("PIT") by its subsidiary Galp Exploração e Produção Petrolífera, S. A. in Angola, in the amount of tEuros 42,568 relating to PIT on the sale and loans of crude oil, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates.

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2011 and 2010 are made up as follows:

	Deferred tax 2011 - Assets						
Captions	Beginning balance	Effect on results	Equity effect	Effect of foreign currency conversion	Changes in perimeter	Other adjustments	Ending balance
Adjustments to accruals and deferrals	4,545	(1,466)	-	4	-	1,112	4,195
Adjustments to tangible and intangible assets	9,698	26,742	-	1,404	-	(18,232)	19,612
Adjustments to tangible and intangible assets Fair value	157	(157)	-	-	-	-	-
Adjustments to inventories	217	1,383	-	13	-	-	1,613
Overlifting adjustments	918	9,878	-	-	-	-	10,796
Retirement benefits and other benefits	84,119 (a)	(2,107)	1,361	-	-	-	83,373
Double economical taxation	18,324	(13,079)	-	-	-	-	5,245
Financial instruments	1,521	(13)	(961)	-	-	-	547
Tax losses carried forward	66,248	(40,159)	21,534	(1,823)	-	(290)	45,510
Non tax deductible provisions	33,356 (a)	(11,783)	-	-	83	-	21,656
Other	3,871	1,506	-	-	90	6	5,473
	222,974	**(29,255)**	**21,934**	**(402)**	**173**	**(17,404)**	**198,020**

	Deferred tax 2011 - Liabilities						
Captions	Beginning balance	Effect on results	Equity effect	Effect of foreign currency conversion	Changes in perimeter	Other adjustments	Ending balance
Adjustments to accruals and deferrals	(3)	(1,347)	-	(206)	-	-	(1,556)
Adjustments to tangible and intangible assets	(17,119)	-	-	-	-	17,119	-
Adjustments to tangible and intangible assets Fair value	(20,412)	2,977	-	-	-	(5,875)	(23,310)
Underlifting adjustments	-	(1,850)	-	-	-	-	(1,850)
Retirement benefits and other benefits	(5,303) (a)	1,349	-	-	-	-	(3,954)
Dividends	(35,319)	(12,791)	-	-	-	-	(48,110)
Financial instruments	(174)	-	(299)	-	-	-	(473)
Accounting revaluations	(4,601)	306	-	48	-	33	(4,214)
Other	(1,344)	(616)	-	12	-	929	(1,019)
	(84,275)	**(11,972)**	**(299)**	**(146)**	**-**	**12,206**	**(84,486)**

(a) These amounts have been restated taking into consideration the changes in accounting classification described in Note 2.23.

The negative change in deferred taxes reflected in Equity under the caption Hedging reserve and retirement benefits and other benefits, in the amount of tEuros 117 mainly comprises changes in deferred taxes of those items in consolidated companies amounting tEuros 101 subtracted from the deferred taxes related to non controlling interests, tEuros 16.

The amount of tEuros 21,534 that affects Equity, refers to deferred tax resulting from the reclassification of foreign exchange differences (Note 20).

Other adjustments reflected in Deferred tax assets and liabilities of tEuros 17,404 and tEuro 12,206, respectively, include a reclassification between deferred tax assets and liabilities of tEuros 17,119.

10 • EARNINGS PER SHARE

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

	2011	2010
Net income		
Net income for purposes of calculating earnings per share (net profit for the year)	432,682	451,810 (a)
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic earnings per share (amounts in Euros)	**0.52**	**0.54** (a)

(a) These amounts have been restated taking into consideration the changes in the accounting policy described in Note 2.23.

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

On 31 December 2011, the difference between the acquisition costs of investments and their equity book value can be detailed as follows:

		Proportion of equity acquired as of the acquisition date					Goodwill				
Subsidiaries		**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**2010**	**Increase/ (Decrease) of fair value allocation**	**Exchange differences (g)**	**Increase**	**Decrease**	**2011**
Galp Energia España, S. A.											
Galp Comercializacion Oil España, S. L.	(a)	2008	176,920	100.00%	129,471	47,449	-	-	-	-	47,449
Petróleos de Valência, S. A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,838	-	-	-	-	7,838
Galp Distribuición Oil España, S. A. U.	(b)	2008	172,822	100.00%	123,611	49,211	-	-	-	-	49,211
						104,498	**-**	**-**	**-**	**-**	**104,498**
Petróleos de Portugal - Petrogal, S. A.								**-**			
Galp Comercialização Portugal, S. A.	(c)	2008	146,000	100.00%	69,027	50,556		-	-	-	50,556
						50,556	**-**	**-**	**-**	**-**	**50,556**
Madrileña Suministro de Gas S. L.		2010	43,356	100.00%	12,641	44,274 (d)	(10,349)	-	-	(3,210) (e)	30,715
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	17,466	-	(1,203)	-	-	16,263
Madrileña Suministro de Gas SUR S. L.		2010	12,523	100.00%	3,573	9,275 (d)	(1,207)	-	882 (e)	-	8,950
Galpgest - Petrogal Estaciones de Servicio, S. L. U.		2003	6,938	100.00%	1,370	5,568	-	-	-	-	5,568
Galp Gambia, Limited		2008	6,447	100.00%	1,693	4,754	-	(280)	-	-	4,474
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.		2007 and 2008	8,360	15.77%	4,031	-	-	-	4,329 (f)	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	2,965	-	62	-	-	3,027
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S. A.		2006	3,094	25.00%	1,454	1,640	-	-	-	-	1,640
Lusitaniagás - Companhia de Gás do Centro, S. A.		2002/3 and 2007/8/9	1,440	1.543%	856	584	-	-	-	-	584
Probigalp - Ligantes Betuminosos, S. A.		2007	720	10.00%	190	530	-	-	-	-	530
Gasinsular - Combustíveis do Atlântico, S. A.		2005	50	100.00%	(353)	403	-	-	-	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S. A.		2005	858	67.65%	580	278	-	-	-	-	278
Beiragás - Companhia de Gás das Beiras, S. A.		2003/6 and 2007	152	0.94%	107	51	-	-	-	-	51
						242,842	**(11,556)**	**(1,421)**	**5,211**	**(3,210)**	**231,866**

(a) The subsidiaries Petróleos de Valência, S. A. Sociedad Unipersonal and Galp Comercializacion Oil España, S. L. were merged in the subsidiary Galp Energia España, S. A., through a process of incorporation during 2010.

(b) The subsidiary Galp Distribuición Oil España, S. A. U., was incorporated in Galp Energia España, S. A. through a merger by incorporation, during 2011 (Note 3 e)).

(c) The subsidiary Galp Comercialização Portugal, S. A., was merged in the subsidiary Petróleos de Portugal - Petrogal, S. A., through a process of incorporation, during 2010.

(d) A provisional calculation of the Goodwill was performed at the acquisition date.

(e) Adjustments to the purchase price of the shares. The fair values of assets, liabilities and contingent liabilities acquired were adjusted in 2011 with reference to the acquisition date, as required by IFRS 3.

(f) The subsidiary was included in the consolidation perimeter (Note 3 d) and Note 4.2).

(g) Exchange differences arising from conversion of goodwill recorded in the functional currency, to the Group's reporting currency (Euros) in accordance with the exchange rate at date of financial statements (Note 2.2 d)).

The final Fair Value of acquired assets, as well as liabilities and the contingent liabilities of the acquisitions were determined as follows:

Madrileña Suministro de Gas, S. L.

On 30 April 2010, the Galp Energia group acquired 100% of Madrileña Suministro Gas, SL, whose activity is to trade natural gas in the unregulated regime, which includes the sale of natural gas to final unregulated customers, covering thirty-eight municipalities around Madrid. The deal also includes the supply of electricity and other value added services.

The details of net assets acquired and goodwill was as follows:

Acquisition cost	46,566
Adjustment to acquisiton price	(3,210)
Fair value of net assets acquired	12,641
Goodwill	**30,715**

Goodwill is due to the business's profitability, as well as synergies already achieved and which are expected from the integration in group Galp structure.

The assets and liabilities (presented in aggregate) resulting from the acquisition are detailed as follows:

Captions	Net book value at acquisition date	Fair value	Variation to Fair Value
Assets			
Intangible assets - Customer Portfolio (Note 12)	-	16,005	(16,005)
Other receivables	383	74	309
Trade receivables	23,812	22,085	1,727
Other receivables	313	313	-
Cash and cash equivalents	9,841	9,841	-
Total assets	**34,349**	**48,318**	**(13,969)**
Liabilities			
Deferred tax liabilities	-	4,801	(4,801)
Other payables	6	6	-
Trade payables	26,763	25,582	1,181
Other payables	5,288	5,288	-
Total Liabilities	**32,057**	**35,677**	**(3,620)**
Assets - Liabilities	**2,292**	**12,641**	**(10,349)**

The fair value, goodwill and other accounting figures presented in 2010 were provisionally established. The values now presented in 2011 are final.

During 2011, the accounting impact related with the determination of Fair Value were recognized in the income statement in accordance with the accounting standards. The impacts on results are detailed as follows:

Amortisation-Fair Value atributted to Customer Portfolio (Nota 12)	5,928
Deferred tax	(1,778)
Other operating expenses	855
Impact on results	**5,005**

The full impact of the partial recognition of fair value in the income statement for the year 2011 resulted in a decrease of the consolidated net profit of tEuros 5,005.

Madrileña Suministro Gas SUR, S. L.

On 30 April 2010, the Galp Energia group acquired 100% of Madrileña Suministro Gas SUR, SL, that trades of natural gas in the regulated market, including the sale of natural gas to final customers in thirty-eight municipalities around Madrid. The deal also includes the supply of electricity and other value added services.

The details of net assets acquired and goodwill were as follows:

Acquisition cost	11,641
Adjustement to acquisiton price	882
Fair Value of net assets acquired	3,573
Goodwill	**8,950**

Goodwill is due to the business's profitability, as well as the synergies already achieved and which are expected from the existing business in the group Galp.

The assets and liabilities (presented in aggregate) resulting from the acquisition are as follows:

Captions	Net book value at acquisition date	Fair value	Variation to fair value
Assets			
Intangible assets - Customer Portfolio (Note 12)	-	3,578	(3,578)
Trade receivables	32,128	25,657	6,471
Other receivables	37	37	-
Cash and cash equivalents	10,179	10,179	-
Total assets	**42,344**	**39,451**	**2,893**
Liabilities			
Deferred tax liabilities	-	1,073	(1,073)
Trade payables	39,676	34,503	5,173
Other payables	239	239	-
Current income tax payable	63	63	-
Total Liabilities	**39,978**	**35,878**	**4,100**
Assets - Liabilities	**2,366**	**3,573**	**(1,207)**

The fair value, goodwill and other accounting figures presented in 2010 were provisionally established. The values now presented in 2011 are final.

During 2011, the accounting impact related with the determination of Fair Value were recognized in the income statement in accordance with the accounting standards. The impacts on results are detailed as follows:

Amortisation-Fair Value atributted to Customer Portfolio (Nota 12)	1,325
Deferred tax	(398)
Other operating expenses	1,298
Impact on results	**2,225**

Goodwill impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit.

Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia Group's WACC (Weighted Average Cost of Capital) for the reporting segment and country of each cash generating unit.

		Assumptions		
Cash generating unit	**Method**	**Cash Flow**	**Growing factor**	**Discounted rate**
Investments (by business segment)	DCF (Discounted Cash Flow)	Sales volume projected to five years	Gordon growth model with a growing factor for perpetuity of 2%	WACC between: R&M [7%-11.6%] E&P [9.9%-16.4%] G&P [6%-9.4%]

According to the assumptions defined for the year ended 31 December 2011, no goodwill impairment losses were booked.

Sensibility analysis was carried out by varying WACC and cash flows plus and minus 10%, which also did not result in any impairment.

12 • TANGIBLE AND INTANGIBLE ASSETS

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils
Acquisition cost:					
Balance at 1 January	**284,353**	**861,243**	**4,045,914**	**25,574**	**3,956**
Additions	51	1,542	7,690	403	126
Write-offs/sales	(301)	(1,985)	(20,520)	(598)	(36)
Adjustments	529	1,183	(424)	(109)	8
Transfers	125	13,634	686,451	364	522
Changes in the consolidation perimeter (Note 3)	859	10,816	15,551	5,456	-
Gross acquisition cost at 31 December	**285,616**	**886,433**	**4,734,662**	**31,090**	**4,576**
Accumulated impairments at 1 January	**(2,765)**	**(16,935)**	**(15,397)**	**-**	**(63)**
Increase in impairment	(983)	(183)	(1,098)	-	-
Reversal of impairment	15	541	-	-	-
Utilisation/Transfers of impairment	(574)	1,492	42	-	-
Balance of impairments at 31 December	**(4,307)**	**(15,085)**	**(16,453)**	**-**	**(63)**
Balance at 31 December	**281,309**	**871,348**	**4,718,209**	**31,090**	**4,513**
Accumulated depreciation and impairment losses:					
Balance at 1 January:	**(1,725)**	**(536,263)**	**(3,123,707)**	**(22,176)**	**(3,578)**
Depreciation for the year	(165)	(32,417)	(233,308)	(1,809)	(221)
Write-offs/sales	2	1,568	19,908	533	36
Adjustments	22	(679)	1,066	64	(4)
Transfers	148	(213)	(29,588)	(108)	-
Changes in the consolidation perimeter (Note 3)	-	(4,343)	(10,680)	(3,317)	-
Accumulated balance at 31 December	**(1,718)**	**(572,347)**	**(3,376,309)**	**(26,813)**	**(3,767)**
Net amount:					
at 31 December	**279,591**	**299,001**	**1,341,900**	**4,277**	**746**

Tangible assets and depreciations are booked in accordance with the accounting policies explained in Note 2.4.

Adjustments to tangible assets amounting to tEuros 57,033 mainly result from the variation in the caption "Advances to suppliers of tangible assets (tEuros 20,493) and the currency conversion of foreign subsidiaries tangible assets stated in foreign currency (tEuros 36,302.)

The change in the perimeter results from the entry and exit of tangible assets, at the date of changes in the consolidation perimeter mentioned in Note 3.

Tangible assets

2011						2010
Administrative equipment	**Reusable containers**	**Other tangible assets**	**Tangible assets in progress**	**Advances to suppliers of tangible assets**	**Total tangible fixed assets**	**Total tangible fixed assets**
163,211	**155,209**	**153,956**	**2,005,867**	**23,792**	**7,723,075**	**6,575,177**
1,401	337	2,165	924,612	-	938,327	1,164,467
(3,438)	(3,040)	(1,190)	(24,147)	-	(55,255)	(64,830)
(42)	971	(52)	(38,604)	(20,493)	(57,033)	59,550
7,808	3,602	(52,791)	(665,082)	-	(5,367)	(5,616)
2,937	5,287	129	1,505	-	42,540	(5,673)
171,877	**162,366**	**102,217**	**2,204,151**	**3,299**	**8,586,287**	**7,723,075**
(1,232)	**(1)**	**(2,507)**	**(35,266)**	**-**	**(74,166)**	**(74,065)**
(85)	-	-	(35,499)	-	(37,848)	(13,163)
-	-	-	36	-	592	6,195
-	-	51	28,451	-	29,462	6,867
(1,317)	**(1)**	**(2,456)**	**(42,278)**	**-**	**(81,960)**	**(74,166)**
170,560	**162,365**	**99,761**	**2,161,873**	**3,299**	**8,504,327**	**7,648,909**
(130,927)	**(139,847)**	**(102,184)**	**-**	**-**	**(4,060,407)**	**(3,861,524)**
(10,449)	(5,287)	(5,587)	-	-	(289,243)	(267,190)
3,410	3,037	1,089	-	-	29,583	56,048
6	(483)	(10)	-	-	(18)	3,521
2,203	-	27,442	-	-	(116)	8,738
(2,046)	(4,198)	(99)	-	-	(24,683)	-
(137,803)	**(146,778)**	**(79,349)**	**-**	**-**	**(4,344,884)**	**(4,060,407)**
32,757	**15,587**	**20,412**	**2,161,873**	**3,299**	**4,159,443**	**3,588,502**

	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas
Acquisition cost:				
Balance at 1 January:	**4,539**	**465,102**	**24,341**	**18,809**
Additions	-	7,684	173	-
Write-offs/sales	(4,082)	(51,248)	-	(18,258)
Adjustments	(13)	17,042	-	-
Transfers	(186)	19,765	(4,030)	-
Changes in the consolidation perimeter (Note 3)	-	98	-	-
Gross acquisition cost at 31 December	**258**	**458,443**	**20,484**	**551**
Accumulated impairments at 1 January	**(5)**	**(4,763)**	**(236)**	**-**
Increase in impairment	-	(9,969)	-	-
Reversal of impairment	-	-	-	-
Utilization of impairment	-	9,036	-	-
Balance of impairments at 31 December	**(5)**	**(5,696)**	**(236)**	**-**
Balance at 31 December	**253**	**452,747**	**20,248**	**551**
Accumulated amortisation and impairment losses:				
Balance at 1 January:	**(4,325)**	**(217,772)**	**(12,372)**	**(18,632)**
Amortisation for the year	(11)	(32,991)	(585)	(33)
Write-offs/sales	4,088	35,496	-	18,258
Adjustments	10	(347)	116	-
Transfers	(15)	(1,977)	1,825	-
Changes in the consolidation perimeter (Note 3)	-	(69)	-	-
Balance at 31 December	**(253)**	**(217,660)**	**(11,016)**	**(407)**
Net amount:				
at 31 December	**-**	**235,087**	**9,232**	**144**

Intangible assets and amortisations are booked in accordance with the accounting policies explained in Note 2.4. Amortisations are calculated as defined in the same note.

Adjustments to intangible assets amounting tEuros 17,786 mainly relate to the fair value assigned to the customer portfolio Madrileña Suministro de Gas S. L. and Madrileña Suministro de Gas Sur S. L., amount to tEuros 19,583 (Note 11), and the negative amount of tEuros 2,306 related to the revaluation of opening balances stated in foreign currencies and the resulting increases in intangible assets in subsidiaries.

Amortisation for 2010 and 2011 periods were as follows:

	2011			2010		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Amortisation and depreciation for the year	289,243	33,626	322,869	265,851	27,067	292,918
Amortisation and depreciation for the year - Service Concession Arrangements	-	33,864	33,864	-	31,984	31,984
Increase in impairment	37,848	9,969	47,817	12,841	-	12,841
Decrease in impairment	(592)	-	(592)	(5,873)	(663)	(6,536)
Amortisation and depreciation (Note 6)	**326,499**	**77,459**	**403,958**	**272,819**	**58,388**	**331,207**

Main occurrences in 2011

The increase in the tangible and intangible assets captions in the amount of tEuros 995,084 mainly includes:

(i) Oil Exploration and Production segment

- tEuros 181,946 relating to exploration and development investments in blocks in Brazil;
- tEuros 40,135 relating to exploration and development investments in Block 14 in Angola;
- tEuros 15,758 relating to oil exploration investments on Portuguese coast;
- tEuros 10,835 relating to exploration investments in Block 4 in Mozambique;
- tEuros 9,525 relating to exploration investments in Block 32 and 33 in Angola;
- tEuros 5,600 relating to expenses of LNG floating in Brazil;
- tEuros 4,921 relating to natural gas exploration investments in Angola;
- tEuros 2,983 relating to exploration investments on blocks in East Timor;
- tEuros 1,236 relating to exploration investments on blocks 3 and 4 in Uruguai.

From the total investments, tEuros 198,822 and tEuros 156,669 were transferred from the caption “tangible assets in progress” to “Basic Equipment” in respect of the Lula field in Brazil and Block 14 in Angola, respectively.

(ii) Gas and Power segment

- tEuros 39,274 relating to the natural gas infrastruture construction (networks, plots and other infrastructures) covered by IFRIC 12 (Note 5 and 6);
- tEuros 13,111 relating to the conception and construction of Matosinhos and Sines cogeneration plants.

(iii) Oil Refining and Distribution segment

- tEuros 600,067 to relating to industrial investments in Matosinhos and Sines refinery;
- tEuros 41,215 to relating to wholesale business unit investments in its expansion, IT and improvements in service stations;

Intangible assets

2011					2010
Other intangible assets	**Service concession arrangements**	**Intangible assets in progress**	**Intangible assets in progress of service concession arrangements**	**Total intangible assets**	**Total intangible assets**
1,291	**1,395,684**	**11,706**	**16,355**	**1,937,827**	**1,893,653**
1	252	10,135	38,512	56,757	62,593
(253)	(3,945)	-	-	(77,786)	(6,597)
27	-	17	-	17,073	5,511
(544)	36,824	(9,638)	(36,824)	5,367	(17,333)
-	-	-	-	98	-
522	**1,428,815**	**12,220**	**18,043**	**1,939,336**	**1,937,827**
-	**-**	**-**	**-**	**(5,004)**	**(5,499)**
-	-	-	-	(9,969)	-
-	-	-	-	-	663
-	-	-	-	9,036	(168)
-	**-**	**-**	**-**	**(5,937)**	**(5,004)**
522	**1,428,815**	**12,220**	**18,043**	**1,933,399**	**1,932,823**
(1,025)	**(370,824)**	**-**	**-**	**(624,950)**	**(569,558)**
(6)	(33,864)	-	-	(67,490)	(59,048)
247	2,626	-	-	60,715	4,915
(27)	1	-	-	(247)	585
290	-	-	-	123	(1,844)
-	-	-	-	(69)	-
(521)	**(402,061)**	**-**	**-**	**(631,918)**	**(624,950)**
1	**1,026,754**	**12,220**	**18,043**	**1,301,481**	**1,307,873**

During the year ended 31 December 2011, the Group disposed or wrote-off tangible and intangible assets, in the amount of tEuros 133,041 as a result of the review of the Group's asset register and include:

(i) tEuros 34,687 relating to disposal of the wholesale business unit, essentially due to improvements in service stations, convenience stores, investments in its expansion, and IT development, most of which were fully depreciated.
(ii) tEuros 33,535 relating to equipment, expenses and rights disposals in the Santos bay (Brazil) with no economic viability.
(iii) tEuros 22,035 relating to natural gas assets disposals and development expenses, which were mostly fully depreciated.
(iv) tEuros 15,525 relating to disposals from Matosinhos and Sines refineries.
(v) tEuros 6,210 relating to surface rights disposals in Spain.

At 31 December 2011, the group has booked impairments amounting to tEuros 87,897 which includes tEuros 35,284 and tEuros 8,791, as a result of impairments of operated and non-operated blocks in Brazil and East Timor, respectively.

During 2011, the subsidiary "Empresa Nacional de Combustiveis – ENACOL, S. A. R. L." was included in the consolidation perimeter (Note 3), which added tEuros 42,540 to the caption of Tangible Assets in gross assets minus tEuros 24,683 of accumulated depreciations, and added tEuros 98 in the caption Intangible assets deducted of accumulated amortisations amounted tEuros 69.

Tangible and intangible assets in progress (including advances on account of tangible and intangible assets less impairment losses) at the year ending 31 December 2011 were made up as follows:

	Assets
Conversion projects of the Sines and Matosinhos refineries	705,012
Industrial investment relating to refineries	662,453
Research and exploration of petroleum in Brazil	359,577
Research and exploration of petroleum in Angola and Congo	205,822
Co-generation plants in Sines and Matosinhos	72,469
Other research in portuguese coast, Mozambique,Timor and Uruguay	34,796
Renewal and expansion of the network	28,313
Research of gas in Angola and Guinea	20,611
Floating LNG-Brazil	19,483
Research in Mozambique	16,942
Underground storage of natural gas	16,328
Construction of a ship	9,984
Other projects	43,645
	2,195,435

13 • GOVERNMENT GRANTS

Government grants received (accumulated) as of 31 December 2011 and 2010 were as follows:

	Amount received	
Program	**2011**	**2010**
Economic Operational Program	223,921	223,972
Energy Program	114,919	114,919
Desulphurisation of Sines	39,513	39,513
Desulphurisation of Matosinhos	35,307	35,307
Protede	19,708	19,708
Interreg II	19,176	19,176
Regional do Centro Operational Program	1,907	1,907
Algarve Operational Program	174	174
Innovation incentives system	102	-
Other	21,569	21,569
	476,296	**476,245**
Amount recognized as income	(222,236)	(212,552)
Government Grants - Assets - receivable (Note 13)	1	88
Grants to be recognized (Note 24)	**254,061**	**263,781**

In the year ending 31 December 2011, tEuros 102 were received in respect of government grants for investments in tangible assets, regarding projects of productive innovation promoted by the Group. There was also the restitution of tEuros 51 regarding amounts received from the Economic Operational Program, due to the non compliance with the proper procedures of public contract hiring.

For the years ending 31 December 2011 and 31 December 2010, tEuros 9,684 and tEuros 8,482 were booked in the consolidated income statements, respectively (Note 5).

14 • OTHER RECEIVABLES

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

	2011		2010	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and Other Public Entities:				
Value Added Tax - Reimbursement requested	3,787	-	4,999	-
Corporate Income Tax	1,358	-	-	-
Others	48	-	1,633	-
Advances to suppliers of fixed assets	34,531	-	54,606	-
Subsoil Rates	21,366	-	6,595	-
ISP - Tax on petroleum products	19,268	-	20,913	-
Government Grants - P&L - receivable	15,203		11,488	-
Underlifting	14,146	-	21,318	-
Means of payment	13,533	-	8,745	-
Advances to trade suppliers	8,471	-	11,550	-
Other receivables - associated, related and participated companies (Note 28)	5,176	9,440	9,408	10,274
Advances to the operator Petrobrás	4,920	-	7,851	-
Spanish Bitumen process	2,568	-	2,568	-
Personnel	2,260	-	2,173	-
Pension fund payment recovery	757	-	2,406	-
Loans to clients	631	1,961	581	2,073
Contract ceding the rights to use telecommunications infrastructures	459	-	1,252	-
Loans to associated, jointly controlled related and participated companies (Note 28)	258	47,657	132	53,675
Government Grants - Assets - receivable (Note 13)	1	-	88	-
Receivable from the Block 14 consortium in Angola (excess profit-oil receivable)	-	-	16,701	-
Other	69,538	19,531	55,263	24,538
	218,279	**78,589**	**240,270**	**90,560**
Accrued income:				
Sales and services rendered not yet invoiced	127,114	-	88,499	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	60,471	-	53,446	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	19,402	-	14,090	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	12,632	92,475	74,274	-
Financial neutrality - regulation ERSE	8,733	-	-	-
Accrued management and structure costs	5,150	-	5,072	-
Sale of finished goods to be invoiced by the service stations	2,469	-	2,492	-
Compensation for the uniform tariff	1,008	-	1,381	-
Commercial discount on purchases	863	-	523	-
Accrued interest	342	-	148	-
Receivable compensation	12	-	10,000	-
Other	19,861	-	13,671	-
	258,057	**92,475**	**263,596**	**-**
Deferred costs:				
Costs relating to service station concession contracts	36,642	-	39,807	-
Interest and other financial costs	8,325	-	8,988	-
Prepaid rent	2,152	-	197	-
Catalyser costs	1,625	-	3,237	-
Prepaid insurance	364	-	387	-
Retirement benefits (Note 23)	-	-	-	- (a)
Other deferred costs	17,346	278	14,595	-
	66,454	**278**	**67,211**	**-**
	542,790	**171,342**	**571,077**	**90,560** (a)
Impairment of other receivables	(10,716)	-	(8,898)	-
	532,074	**171,342**	**562,179**	**90,560** (a)

(a) These amounts were restated given the changes in the accounting policies referred to in Note 2.23.

The movements occurred in the caption Impairments – Other Receivables for the year ending 31 December 2011 were as follows:

Caption	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Changes in perimeter (Note 3)	Ending balance
Other receivables	8,898	1,877	(284)	(429)	(87)	741	10,716

The increase and decrease of the caption Impairment – Other receivables with the net amount of tEuros 1,593 was booked in the caption provisions and impairments – other receivables (Note 6).

The caption "Subsoil rates" amounting tEuros 21,366 refers to rates of subsoil occupation already paid to municipalities. In accordance with natural gas distribution concession agreement between the Portuguese Government and the Group companies, and with Cabinet Council Resolution No 98/2008, dated April 8, companies have the right to pass on to commercialization entities or to final customers, the full amount of subsoil rates paid to the local authorities in the concessioned area.

The amount of tEuros 19,268 booked in the caption Other receivables – ISP relates to the amount receivable from the Customs concerning the exemption of ISP on bio fuels that are under the tax suspension regime as stated in circular No 79/2005 of December 6.

The caption "Grants receivable" includes the amount of tEuros 15,203 regarding the compensation awarded by the Government of Mozambique to Petrogal Moçambique and by the regional Cohesion Fund of Azores to Galp Açores, due to the fixing of fuel sale prices.

The amount of tEuros 14,146 booked in the caption "Other receivables - Underlifting" corresponds to amounts receivable by the Group as result of lifting crude oil barrels below the production quota ("underlifting") and is measured at the lower amount of market price at the time the underlifting occurred or as of 31 December 2011.

The caption "Means of payment" amounts to tEuros 13,533 in respect of amounts receivable for sales made with Visa/ATM card, which as at 31 December 2011 were pending collection.

The amount of tEuros 14,616 booked in the caption Other receivables current and non-current - jointly controlled entities, related and participated companies refers to amounts receivables from companies which were not fully consolidated.

The caption "Other receivables" non-current includes tEuros 10,000 receivable from Gestmin, SGPS, S. A., for the purchase of COMG – Comercialização de Gás, S.A on 3 December 2009 and earns a six month Euribor interest rate plus a spread of 3,12% per year, and is expected to be received on 3 December 2016.

The caption of Accrued income - sales and services not yet invoiced mainly comprises December natural gas sales to be invoiced in January to customers of Galp Gás Natural, S. A., Madrileña Suministro de Gas, Madrileña Suministro de Gas SUR, Trangás and Lisboagás Comercialização, S. A. amounting to tEuros 39,714, tEuros 22,545, tEuros 21,182, tEuros 6,526 and tEuros 5,799, respectively.

The caption Accrued income – other includes tEuros 1,500 relating to an indemnity arising from the lawsuit filed by the subsidiary CLCM - Companhia Logística de Combustíveis da Madeira, S. A. (Note 5).

The amount of tEuros 2,469 in the caption "Sale of finished goods to be invoiced by the service stations" relates to sales made up to 31 December 2011 through Galp Frota cards, which will be invoiced in the following months.

Expenses recorded in the caption "Deferred costs - Costs relating to service station concession contracts" are booked as expenses during the concession period, which ranges between 17 and 32 years.

The caption "Accrued income – Adjustment to tariff deviation – Energy tariff - ERSE regulation" is detailed as follows:

Commercialization of wholesale natural gas - Tariff deviation - Energy tariff (CURG)	2010	Recovery of energy tariff deviation	Variation	2011
Gas Year 2008-2009				
Energy tariff amount to recover	74,274	(3,734)	34,567	105,107
Energy tariff amount to return (Note 24)	(1,307)	-	1,307	-
	72,967	**(3,734)**	**35,874**	**105,107**

The caption "Adjustment to tariff deviation – Energy tariff" amounting to tEuros 105,107 is in respect the cumulative difference between the cost of acquiring natural gas from the Group's suppliers and the energy tariffs defined by ERSE, for each Gas Year, applied in customers invoicing, that will be recovered in the revision of next years' tariffs, in accordance with the mechanism set out by ERSE. These amounts earn three months Euribor interest rate plus a 1.75% spread.

Galp has reclassified, during 2011, an amount of tEuros 92,475 related to the energy tariff deviation from current asset to non-current assets. This reclassification intends to reflect the ERSE publication, of the estimated period of recovery of the tariff deviation, which is 6 years.

The Group recovered the energy tariff deviation in respect of the 2008-2009 Gas Year, that amounted to tEuros 3,734. This deviation was included in portion II of the UGS tariff and was subsequently invoiced to the network operator REN Gasodutos, S. A., in accordance with the tariff regulation.

The caption "Accrued income – regulated revenue – ERSE regulation" is detailed as follows:

Operating of commercialisation, distribution and storage of natural gas	2010	Adjustment to regulated tariff - regulated revenue - ERSE regulation (Note 5)	Regulated revenue in respect of gas year 2008-2009 - Amortisation (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Reclassification between gas functions (Supplier and Sales) (a)	Other reclassifications	2011
Gas Year 2008-2009							
First half of 2008-2009 Gas Year (31.12.2008)	(2,059)	-	-	-	-	345	(1,714)
Second half of 2008-2009 Gas Year (30.06.2009)	(4,753)	-	-	-	-	(229)	(4,982)
Adjustment to regulated tariff - regulated revenue - ERSE regulation - Gas year (2008-2009)	554	-	-	-	-	419	973
Regulated Revenue in respect of Gas year 2008-2009 - Amortisation	3,457	-	2,519	-	-	(253)	5,723
	(2,801)	**-**	**2,519**	**-**	**-**	**282**	**-**
Second half of 2009							
Second half of 2009	26,619	-	-	-	-	596	27,215
Adjustment of second half of 2009	-	3,380	-	-	(5,501)	98	(2,023)
PP Reversal of second half of 2009	-	-	(12,237)	-	-	-	(12,237)
	26,619	**3,380**	**(12,237)**	**-**	**(5,501)**	**694**	**12,955**
Fiscal Year of 2010							
First half of 2010	1,476	-	-	-	-	(26)	1,450
Second half of 2010	18,049	-	-	-	-	1,557	19,606
	19,525	**-**	**-**	**-**	**-**	**1,531**	**21,056**
Fiscal Year of 2011							
First half of 2011	-	-	-	(8,488)	-	-	(8,488)
Second half of 2011	-	-	-	33,961	-	-	33,961
	-	**-**	**-**	**25,473**	**-**	**-**	**25,473**
	43,343	**3,380**	**(9,718)**	**25,473**	**(5,501)**	**2,507**	**59,484**
Accrued Costs (Note 24)	(10,103)	-	-	-	-	9,116	(987)
Accrued income:	53,446	3,380	(9,718)	25,473	(5,501)	(6,609)	60,471
	43,343	**3,380**	**(9,718)**	**25,473**	**(5,501)**	**2,507**	**59,484**

(a) Included in the caption Other Income – adjustment to tariff deviation – "pass through" – ERSE regulation

The caption "Adjustment to tariff deviation – regulated revenue" amounting to tEuros 60,741 relates to the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount (Note 2.13). These amounts are remunerated at a three months Euribor interest rate.

The amounts payable or receivable in respect of each Gas Year are presented for each activity at their net amount, depending on the nature in each Gas Year, since as it is the ERSE approval method of the adjustments to regulated revenue.

Since 2010, ERSE accounts – Regulatory Authority of Energy Sector began to be report in accordance with the calendar year. As such, the initial balances were reclassified to a calendar year basis.

During the year ended 31 December 2011 the differences regarding regulated revenue referring to the 2nd Semester of 2009, were fixed amount to a tEuros 25,192 receivable. As the accrual accounted for was insufficient, the amount of tEuros 3,380 was booked in the caption "Sales" (Note 5).

Additionally, the negative amount of tEuros 5,501 concerning the buying and selling role of natural gas was reclassified to the caption Accrued Income – Adjustments of tariff deviation – "pass through" – ERSE regulation.

As referred in Note 2.13 the total recoverable amount was included by ERSE in the recoverable regulated revenue in the Gas year 2011-2012. Group Galp is recognizing in its consolidated income statements the reversal of the approved tariff deviation.

The column Other reclassification includes the amount of tEuros 2,018, in respect of charges to the perimeter which is due to the acquisition of SetGás Comercialização, S. A. (Note 3).

The caption accrued income – financial neutrality – ERSE regulation concerns the gradual reposition of financial neutrality, associated with the extinction of the straightened capital cost for the first regulatory period mechanism, resulting from the difference between the straightened and unstraightened capital cost recoverable, recoverable over 6 years. The accrued amounts refer to the recoverable tariff values for the gas year 11-12 and gas year 12-13.

Following is an aging schedule of other receivables as of 31 December 2011 and 2010:

Aging	Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2011								
Gross	692,807	3,547	1,438	887	1,709	2,685	11,059	714,132
Impairment	-	(11)	(101)	(313)	(645)	(2,262)	(7,384)	(10,716)
	692,807	**3,536**	**1,337**	**574**	**1,064**	**423**	**3,675**	**703,416**
2010								
Gross	625,901 (a)	10,391	1,150	6,271	4,918	4,179	8,827	661,637
Impairment	-	(121)	(67)	(390)	(2,567)	(264)	(5,489)	(8,898)
	625,901	**10,270**	**1,083**	**5,881**	**2,351**	**3,915**	**3,338**	**652,739**

(a) These amounts were restated considering the alteration in the accounting policy referred in Note 2.23.

The Group considers as amounts not yet due, the balance of other receivables not overdue and the captions "Accrued income" and "Deferred costs" amounting to tEuros 324,511 and tEuros 330,807 as of 2011 and 2010, respectively.

Overdue balances that were not adjusted comprise to receivables for which there are payment agreements or a global or partial expectation of recovery.

Galp Energia held guarantees on accounts receivable, namely bank guarantees and security deposits, amounting to tEuros 88,299 as of 31 December 2011.

15 • TRADE RECEIVABLES

The caption "Trade receivables" as of 31 December 2011 and 2010 was made up as follows:

CAPTIONS	2011	2010
Trade receivables - current accounts	1,028,510	1,046,552
Trade receivables - doubtful accounts	137,091	126,289
Trade receivables - notes receivable	23,882	13,881
	1,189,483	**1,186,722**
Impairment of trade receivables	(123,163)	(104,659)
	1,066,320	**1,082,063**

The changes in the caption "Impairment of trade receivables" as of the year ended 31 December 2011 were as follows:

Captions	Opening balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimeter (Note 3)	Ending balance
Impairment of trade receivables	104,659	26,143	(3,712)	(6,682)	(840)	3,595	123,163

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of tEuros 22,431 was booked in the caption "Provision and impairment loss on receivables" (Note 6).

Following is an aging schedule of Group trade receivables as of 31 December 2011 and 2010:

Aging	Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2011								
Gross	888,752	140,629	27,535	22,428	12,683	8,637	88,819	1,189,483
Adjustments	-	(1,991)	(10,671)	(12,333)	(10,101)	(7,277)	(80,790)	(123,163)
	888,752	**138,638**	**16,864**	**10,095**	**2,582**	**1,360**	**8,029**	**1,066,320**
2010								
Gross	936,170	129,155	1,845	29,636	4,478	4,799	80,639	1,186,722
Adjustments	(6)	(17,780)	(1,677)	(10,220)	(1,896)	(1,926)	(71,154)	(104,659)
	936,164	**111,375**	**168**	**19,416**	**2,582**	**2,873**	**9,485**	**1,082,063**

The Group considers as amounts not yet due, the balance of other receivables not overdue. Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or a global or partial expectation of recovery.

16 • INVENTORIES

Inventories as of 31 December 2011 and 2010 are made up as follows:

Captions	2011	2010
Raw and subsidiary materials:		
Crude oil	308,575	139,938
Other raw materials	71,200	49,811
Raw material in transit	82,474	273,147
	462,249	**462,896**
Adjustments to raw and subsidiary materials	(10,773)	(11,104)
	451,476	**451,792**
Finished and semi-finished products:		
Finished products	479,074	339,038
Semi-finished products	443,048	310,640
Finished products in transit	-	23,452
	922,122	**673,130**
Adjustments to finished and semi-finished products	(6,101)	-
	916,021	**673,130**
Work in progress	-	(12)
	-	(12)
Adjustments to Work in progress	-	-
	-	(12)
Merchandise	505,793	447,646
Merchandise in transit	3,091	32
	508,884	**447,678**
Adjustments to merchandise	(1,601)	(2,503)
	507,283	**445,175**
Advances on account of purchases	27	46
	1,874,807	**1,570,131**

Merchandise as of 31 December 2011, in the amount of tEuros 505,793 mainly relates to natural gas in pipelines in the amount of tEuros 83,746, inventories of crude oil derivative products of the subsidiaries Galp Energia España, S. A., Empresa Nacional de Combustiveis – ENACOL, S. A. R. L.and Petrogal Moçambique, Lda. in the amounts of tEuros 375,780, tEuros 20,946 and tEuros 6,794, respectively.

As of 31 December 2011, the Group's liability to competitors for strategic reserves, which can only be satisfied by product delivery, amounted to tEuros 207,578 and tEuros 170,361 respectively and are reflected in the caption "Advances on account of sales" (Note 24).

In November 2004, under Decree-law 339-D/2001 of December, Petrogal together with Petrogal Trading Limited entered into a contract to purchase, sell and exchange crude oil for finished products for the constitution of strategic reserves with "Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE" ("EGREP"). Under the contract entered into in 2004 the crude oil acquired by EGREP, which is not reflected in the financial statements, is stored in a non-segregated form in Petrogal's installations, where it must remain so that EGREP can audit it in terms of quantity and quality, whenever it so wishes. In accordance with the contract, Petrogal must, when so required by EGREP, exchange the crude sold for finished products, receiving in exchange an amount representing the refining margin as of the date of exchange.

The changes in the caption "Impairment of inventories" in the year ended 31 December 2011 were as follows:

Captions	Begining balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimeter	Ending balance
Impairment of raw and subsidiary materials	11,104	235	(614)	-	48	-	10,773
Impairment of Finished and semi-produts products	-	6,101	-	-	-	-	6,101
Impairment of Work in progress	-	-	(2)	-	2	-	-
Impairment of merchandise	2,503	587	(232)	24	(1,655)	374	1,601
	13,607	**6,923**	**(848)**	**24**	**(1,605)**	**374**	**18,475**

The net increase in impairment, amounting to tEuros 6,075 was booked against the operating cost caption "Cost of sales" in the income statement (Note 6).

17 • OTHER INVESTMENTS

Current and non-current investments as of 31 December 2011 and 2010 were made up as follows:

	2011		2010	
Other investments	**Current**	**Non-current**	**Current**	**Non-current**
Financial instruments at fair value through profit and loss (Note 27)				
Swaps over Commodities	2,240	750	1,672	727
Swaps over interest rate	-	1,032	-	702
	2,240	**1,782**	**1,672**	**1,429**
Bank deposits (Note 18)				
Term deposits	43	1,500	3,393	-
	43	**1,500**	**3,393**	**-**
	2,283	**3,282**	**5,065**	**1,429**

As of 31 December 2011 and 2010 the financial instruments are recorded at their fair value reported at those dates (Note 27).

18 • CASH AND CASH EQUIVALENTS

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

Captions	**2011**	**2010**
Cash	5,690	6,477
Demand deposits	170,808	115,065
Term deposits	2,983	697
Other negotiable securities	3,663	3,720
Other treasury applications	115,282	62,074
Cash and cash equivalents in the balance sheet	**298,426**	**188,033**
Other current investments (Note 17)	43	3,393
Bank overdrafts (Note 22)	(272,989)	(362,723)
Cash and cash equivalents in the cash flow statement	**25,480**	**(171,297)**

The caption "Other negotiable securities" mainly includes:
- tEuros 2,329 on commodities futures (Brent);
- tEuros 1,029 on electricity futures;
- tEuros 122 on CO_2 futures.

These futures are booked in this caption due to their high liquidity (Note 27).

The caption "Other treasury applications" includes applications of cash surplus, with maturities less than three months, of the following Group companies:

Captions	**2011**	**2010**
Galp Gás Natural, S. A.	52,365	21,402
Petrogal Brasil, S. A.	21,532	10,762
Petróleos de Portugal - Petrogal, S. A.	17,398	-
CLCM - Companhia Logística de Combustíveis da Madeira, S. A.	15,165	18,450
Beiragás - Companhia de Gás das Beiras, S. A.	3,620	5,130
Galp Energia España, S. A.	2,070	-
Galp Exploração Serviços do Brasil, Lda.	1,682	1,751
Sacor Marítima, S. A.	765	1,609
Powercer - Sociedade de Cogeração da Vialonga, S. A.	685	-
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S. A.	-	970
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	-	2,000
	115,282	**62,074**

19 • SHARE CAPITAL

Capital structure

On 25 July 2011 the decree-law No 90/2011 was published, which stipulates the repeal of the special rights of the shareholder State in participated entities, previously contained in article 4 of decree law No 261-A/99 from July 7 – 1st privatization phase of Galp Energia, SGPS, S. A. Following the publication of legislation, the Company convened a shareholders general assembly that took place on 3 August 2011, to amend the statutes, where those special rights were enshrined.

Therefore, share capital, fully subscribed and paid up represented by 829,250,635 common shares (Note 10) with nominal value of 1 Euro, now has a subdivision of 58,079,514 shares that are a special category of shares subject to a privatisation process.

The shares of the category subject to the privatization process can be converted into ordinary shares through the simple request addressed to the Society by the respective holder(s). The referred conversion will have immediate effect, not requiring the approval of any Company body.

The ownership of the category shares subject to privatisation process must belong to a government entity, in accordance with nº 2, e) of the article nº1 of law No 71/88, from May 24.

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

	N.º of Shares	% of Capital
Amorim Energia, B. V.	276,472,161	33.34%
Caixa Geral de Depósitos, S. A.	8,292,510	1.00%
Eni S. p. A.	276,472,161	33.34%
Parpública – Participações Públicas, SGPS, S. A.	58,079,514	7.00%
Restantes acionistas	209,934,289	25.32%
	829,250,635	**100.00%**

20 • CONVERSION RESERVE AND OTHER RESERVES

Conversion reserve

The variation occurred in the year ended 31 December 2011, in the caption conversion reserve, in the amount of tEuros 16,939 concerns:

(i) tEuros 14,309 relating to the positive exchange differences resulting from the conversion of the financial statements in foreign currency to Euro;

(ii) tEuros 29,827 relating to exchange differences of the financial allocations of Galp Exploração e Produção Petrolífera, S. A. to Petrogal Brasil, Lda., in Euros and US Dollars, which are not remunerated and for which there is no intention of reimbursement similar to share capital ("quasi capital"), thus integrating the net investment in that foreign operational unit in accordance with IAS 21;

(iii) tEuros 1,421 relating to the negative Exchange differences resulting from the conversion update of foreign Goodwill.

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 utilized. In 2011 the caption did not change as the legal reserves have already achieved 20% of share capital.

As of 31 December 2011 and 2010 this caption was made up as follows:

	2011	2010
Legal reserve	165,850	165,850
Free reserves	27,977	27,977
Special reserves	(443)	(443)
	193,384	**193,384**

The amount of tEuros 443 in the caption special reserves includes tEuros 463 relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S. A. and the negative amount of tEuros 20 relating to a donation reserve in subsidiary Gasinsular – Combustíveis do Atlântico, S. A.

21 • NON-CONTROLLING INTERESTS

The equity caption "Non-controlling interests" as of 31 December 2011 and 2010 refers to the following subsidiaries:

		Balance at December 2010 (f)	Capital and reserves	Changes in perimeter (Note 3)	Dividends granted (a)	Prior year results	Exchange conversion reserves	Hedging reserves	Retained earnings- Actuarial Gains and Losses	Net result for the year	Balance at December 2011
Lusitaniagás - Companhia de Gás do Centro, S. A.	(b)	17,057	(122)	-	-	-	-	-	-	2,899	19,834
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.		-	-	16,130	(1,913)	-	-	-	-	3,627	17,844
Beiragás - Companhia de Gás das Beiras, S. A.		8,376	-	-	-	-	-	31	-	1,967	10,374
Sopor - Sociedade Distribuidora de Combustíveis, S. A.		3,082	-	-	(85)	-	-	-	-	2	2,999
Saaga - Sociedade Açoreana de Armazenagem de Gás, S. A.		1,398	-	-	(165)	-	-	-	(2)	229	1,460
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		1,007	-	-	(247)	-	-	-	-	603	1,363
Setgás Comercialização, S. A.		-	-	997	-	-	-	-	-	171	1,168
CLCM - Companhia Logística de Combustíveis da Madeira, S. A.		(389)	-	-	-	-	-	-	-	1,400	1,011
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		1,246	-	-	(363)	-	-	-	-	99	982
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S. A.		607	-	-	-	-	-	-	-	312	919
Powercer - Sociedade de Cogeração da Vialonga, S. A.		(69)	-	-	-	-	-	10	-	304	245
Gite - Galp International Trading Establishment		36	-	-	-	-	2	-	-	-	38
Petrogal Brasil, S. A.	(c)	-	4	-	-	-	-	-	-	-	4
Combustiveis Líquidos, Lda.		2	-	-	-	-	-	-	-	-	2
Galpbúzi - Agro-Energia, S. A.	(d) (e)	(262)	190	-	-	17	(22)	-	-	(17)	(94)
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(e)	(255)	-	-	-	-	-	-	-	14	(241)
Moçamgalp Agroenergias de Moçambique, S. A.	(e)	28	-	-	-	(70)	(46)	-	-	(175)	(263)
Probigalp - Ligantes Betuminosos, S. A.	(e)	338	-	-	-	-	-	-	-	(2,011)	(1,673)
		32,202	**72**	**17,127**	**(2,773)**	**(53)**	**(66)**	**41**	**(2)**	**9,424**	**55,972**

(a) Of the amount of tEuros 2,773 of allocated dividends, tEuros 2,121 were paid in the year ended 31 December 2011 (Note 30).

(b) The subsidiary Lusitaniagás Comercialização, S. A., of which 85.71% was previously owned by the Group, is now owned 100%. Arising from the acquisition of 14. 29%, the negative amount of tEuros 122 it was booked in the caption of Non controlling interests, in respect of the variation of the percentage held by the Group. (Note 4)

(c) The subsidiary Petrogal Brasil, S. A., which was previously 100% owned by the Group is now 99.9993%.owned. Arising from the decrease of 0.0007%, the amount of tEuros 4 was booked in the caption Non controlling interests relating to the variation of the percentage held by the group (Note 3 f).

(d) The subsidiary Galpbúzi - Agro-Energia, S.A which was previously 67. 67%owned is now 90% owned by the Group. The increase of 23. 33%, which represents a negative amount of tEuro 190, was booked in the caption Non controlling interests reflecting the variation of the percentage held by the Group (Note 3 f).

(e) On December 31, these subsidiaries present negative equity. As such, the Group only recognized the cummulative losses in the proportion of the capital held in those subsidiaries; as such, the non controlling interests are a receivable.

(f) These amounts were restated considering the alterations of the accounting policy referred in Note 2.23.

22 • LOANS

Details of Loans

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

	2011		2010	
	Current	Non-current	Current	Non-current
Bank loans:				
Domestic loans	933,215	719,601	220,770	739,977
Foreign loans	24,725	649,799	21,643	672,513
Bank overdrafts (Note 18)	272,989	-	362,723	-
Discounted Notes	17,560	-	11,324	-
	1,248,489	**1,369,400**	**616,460**	**1,412,490**
Other loans obtained:				
IAPMEI	2	213	2	174
	1,248,491	**1,369,613**	**616,462**	**1,412,664**
Project Finance Fees	-	(544)	-	(640)
	1,248,491	**1,369,069**	**616,462**	**1,412,024**
Bonds:				
Galp Energia, S. A., 2009 issue	280,000	420,000	-	700,000
Galp Energia, S. A., 2010 issue	-	300,000	-	300,000
Galp Energia, S. A., 2011 issue	-	185,000	-	-
	280,000	**905,000**	**-**	**1,000,000**
	1,528,491	**2,274,069**	**616,462**	**2,412,024**

The non-current loans, excluding project finance fees, as of 31 December 2011 had the following repayment plan:

2013	983,782
2014	658,392
2015	81,257
2016	99,194
2017	149,598
2018 and subsequent years	302,390
	2,274,613

Domestic and foreign loans as of 31 December 2011 and 2010 are expressed in the following currencies:

		2011		2010	
Currency		**Total amount**	**Amount due (tEuros)**	**Total amount**	**Amount due (tEuros)**
Dalasi	GMD	-	-	1,995	53
United States Dollars	USD	2,320	227	3,020	678
Cape Verde francs	CVE	218,384	1,981	-	-
Euros	EUR	2,412,632	2,324,860	1,805,834	1,651,287
Lilangeni Suazi	SZL	641	45	472	66
Meticais	MZM	7,839	227	121,684	2,819
			2,327,340		**1,654,903**

The average interest rates on loans and bank overdrafts, including commissions and other financial costs in 2011 and 2010 were of 4.35% and 3.55%, respectively.

The average fixed interest rate on loans in 2011 and 2010 were 4.71% and 4.27%, respectively and the average variable interest rates on loans in 2011 and 2010 were 3.85% and 3. 29%, respectively. Fixed interest rate loans represent about 33% and 29% of the total amount of obtained loans in 2011 and 2010, respectively.

Under the contracts with lenders and according to current laws and regulations for competition and practices observed in the market, neither Galp Energia nor its counterparts are authorized to disclose other information regarding the characteristics and contents of financing transactions to which such contracts relate, without prejudice to the freedom conferred to the parties to identify the counterparty and the loans obtained from each entity.

Description of the main loans

Bank loans

As of 31 December 2011 the Group subscribed for underwritten commercial paper programs of up to tEuros 1,060,000, of which tEuros 200,000 as non-current and tEuros 860,000 as current. Of these amounts the Group used tEuros 635,000 are short term loans.

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 of the issue.

Additionally the Group booked the amount of tEuros 677,101 in internal non-current loans obtained by: Petróleos de Portugal – Petrogal, S. A., Sucursal en España, CLCM – Companhia Logística de Combustíveis da Madeira, S. A., Beiragás – Companhia de Gás das Beiras, S. A., Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S. A. and Powercer - Sociedade de Cogeração da Vialonga, S. A.

The Group obtained a non-current loan of tEuros 58,000 from the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and administration of a cogeneration unit at the Sines refinery. The loan was received in two instalments of tEuros 39,000 and tEuros 19,000, respectively, and it bears interest at a six month Euribor rate added by a variable spread adjusted periodically. During 2011 the company paid back the amount of tEuros 2,519 and tEuros 1,197 concerning the first and second instalments.

In 2008 the Group contracted an additional non-current loan of tEuros 50,000 with the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and administration of a co-generating plant in the Matosinhos refinery. The loan bears interest at a revisable fixed rate adjusted periodically.

The Group contracted a non-current loan of tEuros 500,000 with European Investment Bank, with the purpose of financing the conversion of the Sines and Matosinhos refineries. The loan was received in two instalments of tEuros 300,000 and tEuros 200,000 each payable over sixteen years, including a grace period of three additional years and thirteen years of repayment.

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

The remaining loans with the European Investment Bank, in the amount of tEuros 270.725 are granted by a Banking Syndicate.

Petrogal issued comfort letters in favour of group and associated companies, relating to current credit lines, in the amount of tEuros 528,231.

Bonds

2009 Issue – Galp Energia, SGPS, S. A.
On 13 May 2009, the company issued bonds totalling tEuros 700,000, 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, Merril Lynch International and Société Générale

2010 Issue – Galp Energia, SGPS, S. A.
On 12 November 2010, the company issued bonds totalling tEuros 300,000, 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 Credito 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, Galp Energia SGPS, S. A. issued bonds totalling tEuros 185,000, for private subscription, to finance its investment plan. The bonds bear variable interest with maturity of three years, with interests based on variable rate, having fixed the interest rate for the first coupon in 5.32%.

The issuance was taken by a group of three international banks in the quality of Joint Lead Managers: Banco Bilbao Vizcaya Argentaria, S. A., J.P. Morgan Securities Ltd. and Banco Itaú BBA International, S. A. – Sucursal de Londres.

23 • RETIREMENT AND OTHER EMPLOYEE BENEFITS

As explained in Notes 2.10 and 2.11 some of the group companies assumed liabilities relating to retirement benefits. In 2011, the Group companies contributed with tEuros 10,180 to their Pension Funds to partially cover their liabilities.

As of 31 December 2011 and 2010 the Petrogal Pension Fund, Sacor Marítima Pension Fund and GDP Pension Fund assets were as follows in accordance with the report of the fund management entity:

	2011	2010
Bonds	180,259	215,276
Shares	49,947	63,223
Other investments	36,572	11,434
Real estate	36,659	36,245
Liquidity	14,955	9,798
Projection effect	-	113
	318,392	**336,089**

The projection effect is due to the fact that in the actuarial study used an estimate for the valuation of assets which was different from the real valuation of assets as of 31 December 2010.

As of 31 December 2011, the Group had booked the following amounts relating to Retirement and other benefit liabilities:

Captions	Liabilities	Equity
Retirement benefits:		
Relating to the Pension Fund	(53,069)	85,227
Current personnel	(808)	(329)
Retired personnel	(4,781)	954
Pre-retirement	(33,318)	2,275
Early retirement	(56,441)	(217)
Retirement bonus	(8,903)	2,021
Voluntary social insurance	(2,177)	2,718
Other benefits:		
Healthcare	(198,650)	21,394
Life insurance	(3,373)	504
Defined contribution plan minimum benefit	(4,292)	(94)
	(365,812)	**114,453**

The caption retirement benefits relating to the Pension Fund includes the amount of tEuros 49 in order to cover the early retirements already agreed which will only be effective in 2012.

The caption "Pre-retirement" amounting to tEuros 33,318 includes: (i) tEuros 28 relating to costs with pre-retirement of Sacor Marítima workers, that will be used up to 2013; (ii) tEuros 111 relating to costs with pre-retirement of a Tanquisado worker, that will be used up to 2014 and (iii) an increase in the provision in the amount of tEuros 1,447, tEuros 545 related to Petrogal and tEuros 902 from Lisboagás to cover the early retirements already agreed which will only be effective in 2012.

Additionally, the Group has the amount of tEuros 1,612 regarding agreed early retirement that will only be effective in 2012.
The Employee cost caption "Retirement benefits" amounting to tEuros 40,019 (Note 6) mainly includes: (i) tEuros 7,642 relating to benefits affected to the fund; (ii) tEuros 16,837 relating to other retirement benefits; (iii) tEuros 13,601 relating to other benefits; (iv) tEuros 2,450 relating to the defined contribution plan and (v) a gain of tEuros 2,450 relating to reversion of pre-retirement and early retirements not included in other benefits.

The difference of tEuros 8,094, in the detail of the Equity presented above and the caption Related earnings – actuarial gains and losses in the consolidated statement of financial position relates to the amount of deferred tax.

The assumptions used to calculate the retirement benefits are those considered by the Group and the entity specialised in the actuarial studies as those that best meet the obligations established in the pension plan, and were as follows:

	Group in Portugal	
	2011	**2010 - Restated**
Assumptions		
Asset remuneration rate	5.25%	5.25%
Technical interest rate	5.25%	5.25%
Salary increase rate	3.00%	3.00%
Pension increase rate	0.00%	0.00%
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90
Retired personnel mortality table	TV 88/90	TV 88/90
Disability table	50% EVK 80	50% EVK 80
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	361,105	374,681
Current service cost	2,469	2,635
Interest cost	18,352	18,810
Actuarial (gain) / loss for the year	9,226	(11,632)
Benefits paid in the year	(26,087)	(25,216)
Cut back - Early retirement	3,771	4,224
Cut back - Pre-retirement	17	(506)
Other adjustments	1,627	(1,891)
PSL at the end of the current period	**370,480**	**361,105**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous period	336,089	338,360
Expected return	16,933	15,617
Associate's Contribution	9,108	5,645
Benefit payments	(26,035)	(25,197)
Other adjustments	(774)	-
Financial gains/(losses)	(16,929)	1,664
Assets at the end of the current period	**318,392**	**336,089**
Conciliation of gains and loss		
(Gains) / losses to be recognized at the beginning of year	-	502
Other impacts	-	(502)
(Gains) / losses to be recognized in the year-end	**-**	**-**
Conciliation to the Statement of Financial Position		
(Gains) / loss to be recognized at the beginning of year	(25,016)	(35,819)
Net cost of the period	(7,676)	(9,540)
Associate's Contribution	9,108	5,645
Benefits paid directly by the company	52	19
Gains/(Loss) recognized - through Comprehensive Income	(26,155)	13,296
Other impacts	(2,401)	1,383
Total recognized at period end - Assets / (Liabilities)	**(52,088)**	**(25,016)**
Net cost of the year		
Current service cost	2,469	2,635
Interest cost	18,352	18,810
Expected return	(16,933)	(15,617)
Net cost of the period before special events	**3,888**	**5,828**
Cut back impact - Early Retirement	3,771	4,224
Cut back impact - Pre-retirement	17	(506)
Other adjustments	-	(6)
Net cost of the period	**7,676**	**9,540**
Conciliation of gains and loss recognized- through Comprehensive Income		
(Gains) / losses to be recognized at the beginning of period	55,671	66,855
Actuarial (Gains) and loss from experience	26,155	(13,297)
Other impacts	-	2,113
(Gains) / losses to be recognized at the end of period	**81,826**	**55,671**

	Group in Spain	
	2011	**2010 - Restated**
Assumptions		
Asset remuneration rate	5.25%	5.25%
Technical interest rate	5.25%	5.25%
Salary increase rate	3.00%	3.00%
Pension increase rate	2.00%	2.00%
Current personnel and pre-retirees mortality table	PERMF 2000P	PERMF 2000P
Retired personnel mortality table	PERMF 2000P	PERMF 2000P
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	8,033	8,214
Current service cost	8	15
Interest cost	405	436
Actuarial (gain) / loss	(8)	37
Benefits paid by the fund	(654)	(669)
PSL at the end of the current period	**7,784**	**8,033**
Changes in the coverage of financial assets (pension fund)		
Asset value at the end of the previous period	7,837	7,086
Expected return	394	393
Associate's Contribution	1,072	1,069
Benefit payments	(654)	(669)
Financial gains/(losses)	(834)	(42)
Asset value at the end of the current period	**7,815**	**7,837**
"Asset ceiling"		
Total recognized at the beginning of the period - Assets / (Liabilities)	(1,016)	(1,353)
Adjustments to net assets of the plan	53	337
Total recognized at period end - Assets / (Liabilities)	**(963)**	**(1,016)**
Conciliation to the Statement of Financial Position		
Total recognized at the beginning of the period - Assets / (Liabilities)	(1,212)	(2,481)
Net cost of the period	34	279
Associate's Contribution	1,072	1,069
Gains/(Loss) recognized - through Comprehensive Income	(826)	(79)
Total recognized at period end - Assets / (Liabilities)	**(932)**	**(1,212)**
Net cost of the year		
Current service cost	8	15
Interest cost	405	436
Expected return	(394)	(393)
Net cost of the period before special events	**19**	**58**
Changes in the "asset ceiling" effect	**(53)**	**(337)**
Net cost of the period	**(34)**	**(279)**
Conciliation of gains and loss recognized- through Comprehensive Income		
(Gains) / losses to be recognized at the beginning of period	2,575	2,496
Actuarial (Gains) and loss from experience	826	79
(Gains) / losses to be recognized at the end of period	**3,401**	**2,575**

	Group in 2011						
	Current personnel	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Total
Assumptions							
Asset remuneration rate	N/A	N/A	N/A	N/A	N/A	N/A	
Technical interest rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
Salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Pension increase rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	
Method	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	
Changes in past service liability (PSL)							
PSL at the end of the previous period	736	5,046	40,814	49,709	7,338	1,379	105,022
Current service cost	56	-	-	560	224	-	840
Interest cost	39	244	1,735	2,470	375	67	4,930
Actuarial (gain) / loss for the year	(23)	85	327	(1,431)	1,566	920	1,444
Benefits paid by the company	-	(659)	(10,590)	(5,624)	(406)	(245)	(17,524)
Cuts - Early retirement	-	-	-	9,518	(209)	56	9,365
Cut back - Early retirement	-	-	2,061	(374)	15	-	1,702
Other Adjustments	-	-	(2,615)	-	-	-	(2,615)
PSL at the end of the current period	**808**	**4,716**	**31,732**	**54,828**	**8,903**	**2,177**	**103,164**
Conciliation to the Statement of Financial Position							
Total recognized at the beginning of the period - Assets / (Liabilities)	(736)	(5,046)	(40,814)	(49,709)	(7,338)	(1,379)	(105,022)
Net cost of the period	(95)	(244)	(3,796)	(12,174)	(405)	(123)	(16,837)
Benefits paid directly by the company	-	659	10,590	5,624	406	245	17,524
Gains/(Loss) recognized - through Comprehensive Income	23	(85)	(327)	1,431	(1,566)	(920)	(1,444)
Other adjustments effect	-	-	2,615	-	-	-	2,615
Total recognized at period end - Assets / (Liabilities)	**(808)**	**(4,716)**	**(31,732)**	**(54,828)**	**(8,903)**	**(2,177)**	**(103,164)**
Net cost of the year							
Current service cost	56	-	-	560	224	-	840
Interest cost	39	244	1,735	2,470	375	67	4,930
Net cost of the period before special events	**95**	**244**	**1,735**	**3,030**	**599**	**67**	**5,770**
Cut back effect - Early Retirement	-	-	-	9,518	(209)	56	9,365
Cut back effect - Pre-retirement	-	-	2,061	(374)	15	-	1,702
Net cost of the period	**95**	**244**	**3,796**	**12,174**	**405**	**123**	**16,837**
Conciliation of gains and loss recognized- through Comprehensive Income							
(Gains) / losses to be recognized at the beginning of period	(306)	869	1,948	1,214	455	1,798	5,978
Actuarial (Gains) and Losses from experience	(23)	85	327	(1,431)	1,566	920	1,444
(Gains) / losses to be recognized at the end of period	**(329)**	**954**	**2,275**	**(217)**	**2,021**	**2,718**	**7,422**

	Group in 2010 - Restated							
	Current personnel	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Flexibility of the age for retirement (DL 9/99)	Total
Assumptions								
Asset remuneration rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Technical interest rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
Salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Pension increase rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	65	
Method	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	Credit unit projected	
Changes in past service liability (PSL)								
PSL at the end of the previous period	556	5,320	30,162	42,503	6,941	352	11,075	96,909
Current service cost	50	-	-	568	232	-	-	850
Interest cost	30	261	1,385	2,116	355	17	-	4,164
Actuarial (gain) / loss	(72)	(192)	1,970	2,302	(40)	1,156	-	5,124
Benefits paid by the company	-	(685)	(9,084)	(4,664)	(270)	(196)	-	(14,899)
Cuts - Early retirement	-	-	-	6,884	-	50	-	6,934
Cut back - Early retirement	-	-	15,847	-	120	-	-	15,967
Cut back - Pre-retirement	(7)	(1,486)	-	-	-	-	-	(1,493)
Liquidation	-	-	-	-	-	-	(11,075)	(11,075)
Opening balance from merger	-	1,828	-	-	-	-	-	1,828
Other Adjustments	179	-	534	-	-	-	-	713
PSL at the end of the current period	**736**	**5,046**	**40,814**	**49,709**	**7,338**	**1,379**	**-**	**105,022**
Conciliation of gains and losses								
(Gains) / losses to be recognized at the beginning of period	-	-	-	-	-	-	1,169	1,169
Liquidation effect	-	-	-	-	-	-	(1,169)	(1,169)
(Gains) / losses to be recognized in the period-end	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Conciliation to the Statement of Financial Position								
Total recognized at the beginning of the period - Assets / (Liabilities)	(556)	(5,320)	(30,162)	(42,503)	(6,941)	(352)	(9,906)	(95,740)
Net cost of the period	(73)	1,225	(17,232)	(9,568)	(707)	(67)	-	(26,422)
Benefits paid directly by the company	-	685	9,084	4,664	270	196	-	14,899
Gains/(Loss) recognized - through Comprehensive Income	72	192	(1,970)	(2,302)	40	(1,156)	-	(5,124)
Liquidation effect	-	-	-	-	-	-	9,906	9,906
Opening balance from merger	-	(1,828)	-	-	-	-	-	(1,828)
Other adjustments effect	(179)	-	(534)	-	-	-	-	(713)
Total recognized at period end - Assets / (Liabilities)	**(736)**	**(5,046)**	**(40,814)**	**(49,709)**	**(7,338)**	**(1,379)**	**-**	**(105,022)**
Net cost of the year								
Current service cost	50	-	-	568	232	-	-	850
Interest cost	30	261	1,385	2,116	355	17	-	4,164
Net cost of the period before special events	**80**	**261**	**1,385**	**2,684**	**587**	**17**	**-**	**5,014**
Cut back effect - Early Retirement	-	-	-	6,884	-	50	-	6,934
Cut back effect - Pre-retirement	-	-	15,847	-	120	-	-	15,967
Cut back - Pre-retirement effect	(7)	(1,486)	-	-	-	-	-	(1,493)
Liquidation effect	-	-	-	-	-	-	(9,906)	(9,906)
Other adjustments	-	-	514	-	-	-	-	514
Net cost of the period	**73**	**(1,225)**	**17,746**	**9,568**	**707**	**67**	**(9,906)**	**17,030**
Conciliation of gains and loss recognized- through Comprehensive Income								
(Gains) / losses to be recognized at the beginning of period	(234)	1,061	2,593	(1,088)	495	642	-	3,469
Actuarial (Gains) and Losses from experience	(72)	(192)	(645)	2,302	(40)	1,156	-	2,509
(Gains) / losses to be recognized at the end of period	**(306)**	**869**	**1,948**	**1,214**	**455**	**1,798**	**-**	**5,978**

As explained in Note 2.10, on 31 December 2002 the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution Pension Fund, giving the employees the possibility of choosing between the new defined contribution pension plan and the existing defined benefits plan. In 2011, tEuros 2.130 were booked in the caption "Employee costs", relating to contributions for the year of the companies associated with the Galp Energia defined contribution Pension Fund, in benefit of their employees, by transferring the amount to the fund manager.

Other retirement benefits – Healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor)

As explained in Note 2.11, as at 31 December 2011 the Group had a provision to cover its liability for healthcare, past service life insurance of current personnel and the full amount of the liability for the remaining population and minimum benefit defined contribution plan. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

	Group in 2011			
	Healthcare	**Life insurance**	**Defined contribution plan minimum benefit**	**Total**
Assumptions				
Technical interest rate	5.25%	5.25%	5.25%	
Salary increase rate	3.00%	3.00%	3.00%	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	196,761	3,352	3,268	203,381
Current service cost	2,679	117	537	3,333
Interest cost	9,926	171	171	10,268
Actuarial (gain) / loss	2,980	(64)	339	3,255
Benefits paid by the company	(11,386)	(203)	(23)	(11,612)
Other Adjustments	(2,310)	-	-	(2,310)
PSL at the end of the current period	**198,650**	**3,373**	**4,292**	**206,315**
Conciliation to the Statement of Financial Position				
Total recognized at the beginning of the period - Assets / (Liabilities)	(196,761)	(3,352)	(3,268)	(203,381)
Net cost of the period	(12,605)	(288)	(708)	(13,601)
Benefits paid directly by the company	11,386	203	23	11,612
Gains/(Loss) recognized - through Comprehensive Income	(2,980)	64	(339)	(3,255)
Other adjustments effect	2,310	-	-	2,310
Total recognized at period end - Assets / (Liabilities)	**(198,650)**	**(3,373)**	**(4,292)**	**(206,315)**
Net cost of the year				
Current service cost	2,679	117	537	3,333
Interest cost	9,926	171	171	10,268
Net cost of the period	**12,605**	**288**	**708**	**13,601**
Conciliation of gains and loss recognized- through Comprehensive Income				
(Gains) / losses to be recognized at the beginning of period	18,414	568	(433)	18,549
Actuarial (Gains) and Losses from experience	2,980	(64)	339	3,255
(Gains) / losses to be recognized at the end of period	**21,394**	**504**	**(94)**	**21,804**
Non-controlling interests (Note 21)	(1)	(3)	6	2
(Gains) / losses to be recognized at the end of period	**21,395**	**507**	**(100)**	**21,802**

Current service and interest cost amounting to of tEuros 13,301 was booked in the consolidated income statement caption “Employee costs”.

	Group in 2010- Restated			
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	5.25%	5.25%	5.25%	
Salary increase rate	3.00%	3.00%	3.00%	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	194,496	3,368	2,772	200,636
Current service cost	2,486	120	447	3,053
Interest cost	9,935	172	146	10,253
Actuarial (gain) / loss	403	(115)	(61)	227
Benefits paid by the company	(10,559)	(193)	(262)	(11,014)
Other Adjustments	-	-	226	226
PSL at the end of the current period	**196,761**	**3,352**	**3,268**	**203,381**
Conciliation to the Statement of Financial Position				
Total recognized at the beginning of the period - Assets / (Liabilities)	(194,496)	(3,368)	(2,772)	(200,636)
Net cost of the period	(12,421)	(292)	(593)	(13,306)
Associate's Contribution	-	-	-	-
Benefits paid directly by the company	10,559	193	262	11,014
Gains/(Loss) recognized - through Comprehensive Income	(403)	115	61	(227)
Other adjustments effect	-	-	(226)	(226)
Total recognized at period end - Assets / (Liabilities)	**(196,761)**	**(3,352)**	**(3,268)**	**(203,381)**
Net cost of the year				
Current service cost	2,486	120	447	3,053
Interest cost	9,935	172	146	10,253
Net cost of the period before special events	**12,421**	**292**	**593**	**13,306**
Other adjustments	-	-	196	196
Net cost of the year	**12,421**	**292**	**789**	**13,502**
Conciliation of gains and loss recognized- through Comprehensive Income				
(Gains) / losses to be recognized at the beginning of period	22,425	683	(372)	22,736
Actuarial (Gains) and Losses from experience	403	(115)	(61)	227
Other impacts	(4,414)	-	-	(4,414)
(Gains) / losses to be recognized at the end of period	**18,414**	**568**	**(433)**	**18,549**
Non-controlling interests (Note 21)	-	(1)	-	(1)
(Gains) / losses to be recognized at the end of period	**18,414**	**569**	**(433)**	**18,550**

Sensitivity analysis

A sensitivity analysis was prepared by the Group in order to measure the impact on liabilities caused by the change in the discount rate. For this purpose an increase of 25 b.p in the discount rate was considered.

Liabilities	Discount rate 5.25%	Discount rate 5.50%	Variation
Retirement benefits:			
Relating to the pension fund	377,943	368,792	-2.42%
Not relating to the pension fund	102,744	101,478	-1.23%
	480,687	**470,270**	
Other benefits:			
Healthcare	198,650	192,570	-3.06%
Life insurance	3,373	3,292	-2.39%
Defined contribution plan minimum benefit	4,292	4,102	-4.47%
	206,315	**199,964**	
	687,002	**670,234**	

From the analysis of the above table, we conclude that the increase of 100 basis point in the discount rate, with all the other assumptions constant leads to a decrease at the liabilities for past services by approximately:

Liabilities	Percentage
Retirement benefits:	
Relating to the pension fund	-9.70%
Not relating to the pension fund	-4.92%
Other benefits:	
Healthcare	-12.24%
Life insurance	-9.56%
Defined contribution plan minimum benefit	-17.86%

Rate of medical cost trend

The long term medical cost growth rate considered by the Group, based on historical growth of premiums and claims rates, is 4%. The sensitivity analysis made to Petróleos de Portugal – Petrogal, S. A., that represents 91% of Group, reflects that an increase of 1% in growth of premiums rate causes an increase of 14% in the liability, and a decrease of 1% in growth of premiums rate causes a decrease of 11% in liabilities.

Health insurance sensitivity analysis

Captions	3.00%	4.00%	5.00%
Current service cost	1,792	2,313	3,022
Interest cost	8,026	9,062	10,322
	9,818	**11,375**	**13,344**
Impact on current service cost and interest cost	(1,556)	-	1,969
Past service liabilities	161,705	181,724	206,080
Impact on past service liabilities	(20,019)	-	24,356

Historical analysis of gains and losses

The historical analysis of gains and losses was performed for Petrogal, as they represent 94% of the Galp Energia group:

Discount rate	5.25%	5.25%	5.25%	6.10%	5.45%
	2011	**2010**	**2009**	**2008**	**2007**
Liabilities amount (a)	336,401	329,908	339,565	311,357	328,220
Value of the Fund (b)	288,047	304,235	308,472	302,572	333,403
Actuarial Gains (+) and Losses (-)	(8,694)	8,833	(32,210)	12,871	24,205
Gains (+) and Losses (-) for changes in assumptions	-	-	(27,009)	20,337	30,430
Actuarial Gains (+) and Losses (-) from experience (c)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial Gains (+) and Losses (-) (d)	(15,219)	1,706	11,013	(26,840)	(7,363)
(c)/(a)	-3%	3%	-2%	-2%	-2%
(d)/(b)	-5%	1%	4%	-9%	-2%
Real Return on Plan Assets (%)	0.3%	4.8%	8.9%	-2.9%	3.1%
Real Return on Plan Assets	125	15,857	25,535	(9,796)	9,694

24 • OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2011 and 2010 was made up as follows:

	2011		2010	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
Value Added Tax payables	243,429	-	187,397	-
Tax on petroleum products	121,957	-	102,208	-
Social Security contributions	6,090	-	6,779	-
Personnel and Corporate Income Tax Withheld	5,550	-	5,736	-
Other taxes	15,447	-	12,465	-
Advances on sales (Note 16)	207,578	-	170,361	-
Suppliers - fixed assets	99,500	102,496	302,327	54,426
Overlifting	55,664	-	20,490	-
Trade receivables credit balances	34,078	-	7,747	-
Payable from the Block 14 consortium in Angola (insufficiency of "profit-oil" payable)	12,462	-	-	-
Personnel	7,304	-	7,258	-
Guarantee deposits and guarantees received	2,520	-	11,470	-
Other payables - Associated, participated and related companies (Note 28)	1,263	-	760	-
Loans - Associated, participated and related companies (Note 28)	365	2,902	-	2,902
Other payables - Other shareholders	271	-	375	-
Trade receivables advances	4	-	345	-
Loans - Other shareholders	-	4,760	-	5,308
Other creditors	25,814	2,868	19,121	3,402
	839,296	**113,026**	**854,839**	**66,038**
Accrued costs:				
External supplies and services	68,878	-	37,567	-
Vacation pay, vacation subsidy and corresponding personnel costs	28,536	-	27,205	-
Accrued interest	24,334	-	16,896	-
Adjustment to tariff deviation - Other activities - ERSE regulation	16,345	-	16,618	-
Discounts, bonuses and volume discounts on sales	7,030	-	4,994	-
Fast GALP prizes	5,413	-	5,944	-
Accrued insurance premiums	2,502	-	924	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation (Note 14)	987	-	10,103	-
Financial costs	937	-	915	-
Accrued personnel costs - other	136	-	61	-
Productivity bonus	69	-	11,852	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation (Note 14)	-	-	1,307	-
Other accrued costs	10,502	-	7,294	-
	165,669	**-**	**141,680**	**-**
Deferred income:				
Investment government grants (Note 13)	9,806	244,255	9,925	253,856
Services rendered	3,609	-	5,887	-
Fibre optics	396	2,555	2,751	595
Other	14,722	87	19,001	96
	28,533	**246,897**	**37,564**	**254,547**
	1,033,498	**359,923**	**1,034,083**	**320,585**

The caption "Advances on sales" includes tEuros 207,578 relates to liabilities for strategic reserves the Group's competitors (Note 16).

The caption Suppliers - Fixed Assets significantly decreased in 2011, as the current year's investments have been less than the prior year, as the Company approaches of its refinery conversion projects, but the decrease is also a result of a decrease in the payment period.

The amount of tEuros 55,664 in the caption "Overlifting – Block 1 and 14 partners" is the Group's liability for excess crude oil lifted regarding its production quota and is measured as described in Note 2.7 e).

The "PSA" (Production sharing agreement), that is applyable to the Blocks in which the Group has a stake in Angola, forces that a percentage of sales be tax recoverable to cover costs ("cost –oil"), whereas the remaining amount of barrels, that is profit oil, are immediately subject to PIT (petroleum Income Tax), after removing the effect of barrels that are contractually transferred to the concessionaire (Sonangol).

Cost oil is used by the partners to recover exploration, development and production costs in the annual tax statement that is presented to the Angolan Finance Ministry. As such, whenever available costs for recovery are higher than the cost-oil rate in force in that period, an effective cost-oil is calculated, up to a maximum foreseen in the PSA.

This effective cost-oil rate will counterbalance the profit-oil rate, giving rise to an increase in net entitlement quantities for which the Group has rights and a decrease in quantities transferred to the concessionaire. During 2010, a cost-oil adjustment occurred, due to the above reason, which led to an increase in the Group's available barrels for sale, amounting to tEuros 16,701 (Note 4). During the first semester of 2011, a change occurred in the calculation method, which gave rise to a decrease of tEuros 29,163. This amount was calculated base on 2011 fiscal prices.

The amount of tEuros 2,520 booked in the caption "Guarantee deposits and guarantees received" includes tEuros 2,000 relating to Petrogal's liability as of 31 December 2011 for deposits received on gas containers that were booked at acquisition cost, which is, approximately, their fair value.

The amount of tEuros 4,760 in the caption "Loans – Other shareholders" mainly relates to:

- tEuros 704, tEuros 704 and tEuros 352 booked as non-current payable to E.E.M. - Empresa de Electricidade da Madeira, S. A., Procomlog - Combustíveis e Logística, Lda. and AIE - Atlantic Island Electricity (Madeira) Produção, Transporte e Distribuição de Energia, S. A., relating to shareholders loans obtained by the subsidiary CLCM - Distribuição e Comercialização de Combustíveis e Lubrificantes, Lda., which bear interest at market rates and do not have defined repayment dates;

- tEuros 1,154 booked as non-current payable to EDP Cogeração, S. A. relating to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S. A., which bear interests at market rates and do not have defined repayment dates;

- The amount of tEuros 282 booked as non-current payable to Companhia Finerge - Gestão de Projectos Energéticos, S. A. relating to shareholder loans obtained by the subsidiary Powercer - Sociedade de Cogeração da Vialonga, S. A., which bear interests at market rates and do not have defined repayment dates;

- The amount of tEuros 1,367 recorded as non-current payable to Visabeira Telecomunicações, SGPS, S. A., relates to shareholder loans obtained by the subsidiary Beiragás-Companhia de Gás das Beiras, S. A., which bears interest at market rates and does not have defined repayment dates.

The amount of tEuros 5,413 in the accrued costs caption "Fast Galp prizes" is Petrogal's liability for Fast Galp card points issued but not yet claimed as at 31 December 2011, which are expected to be exchanged for prizes in subsequent periods.

The variation in the caption awards Productivity bonuses is mainly due to the decrease of accruals related to variable remuneration.

25 • PROVISIONS

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

Captions	Beginning balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in perimeter (Note 3)	Ending balance
Legal processes	12,763	5,908	(2,112)	(721)	2,517	107	-	18,462
Investments (Note 4)	631	596	-	(25)	-	130	-	1,332
Taxes	24,545	120	(2,547)	(1,285)	-	-	-	20,833
Environment	4,431	-	-	(96)	-	-	-	4,335
Abandonment Costs	-	15,108	-	-	35,427	(19)	-	50,516
Other risks and charges	113,887	7,411	(3,998)	(63,773)	(37,944)	(526)	115	15,172
	156,257	**29,143**	**(8,657)**	**(65,900)**	**-**	**(308)**	**115**	**110,650**

The increase in provisions, net of the decreases, was booked against the following heading of the consolidated income statement:

Provisions (Note 6)	19,890
Results in investments in associates and jointly controlled entities (Note 4)	596
	20,486

Legal processes
The provisions for current "legal processes" of tEuros 18,462 mainly includes: tEuros 6,128 related to responsibilities concerning the subsoil occupation taxes of the subsidiary Petróleos de Portugal – Petrogal, S. A., in respect of the process against Municipal Council of Matosinhos and tEuros 5,317 related to the non-compliance with the contractual conditions of service station management by Galp Energia España, S. A. The amount of the tEuros 2,517 booked in transfer results from the reclassification of provisions booked in the heading of "Other risks and charges".

Financial investments
The provision for investments reflects the statutory commitment of the Group to its associates that present negative equity. Please see Note 4 (note 4).

Taxes
The heading tax provisions, in the amount of tEuros 20,833 mainly includes:

(i) tEuros 7,394 concerning a tax contingency, related with corrections to the corporate tax return of its subsidiary Petrogal in respect of financial year 2001 and 2002 (notes 9 and 33);

(ii) tEuros 5,332 related with corrections to the corporate tax return, during the fiscal inspection done to the Coorporate Income Tax statement concerning Galp Energia, SGPS, S. A. and its subsidiary GDP – Gás de Portugal, SGPS, S.A financial years of 2005 and 2006. The tax contingency is related with the interpretation of the taxation rules for capital gains before 2000 (notes 9 and 33);

(iii) tEuros 4,115 concerning a tax contingency resulting from an inspection between 1990 and 2003 of the subsidiary Galp Comercialization Oil España, S. L., merged with the company Galp Energia España, S. A. (notes 9 and 33);

(iv) tEuros 3,377 concerning the tax risk associated with the sale of the participation in the ONI, SGPS, to Galp Energia, SGPS, S. A.

Environmental
The amount of tEuros 4,335 accounted for environmental provisions aims to sustain the costs related with soil decontamination of some facilities occupied by the Group where these are already legally mandatory. In the current year, an amount of tEuros 96 was used to decontaminate soils in the refineries.

Abandonment blocks
The amount of tEuros 50,516 accounted for in provisions for the abandonment of blocks is to meet the obligations related with the facilities located in Blocks 1 and 14 in Angola amounting tEuros 50,057 and tEuros 460 in respect of Brazilian facilities. This provision aims to cover all the costs at the end of the useful life of those areas.

Other risks and charges
On 31 December 2011 the heading provisions – Other risks and charges, amounting tEuros 15,172, mainly comprises:

(i) tEuros 4,561 concerning processes related to “sanctions” applied by Customs Authorities due to the late submission of the customs destination declaration of some shipments received at Sines;

(ii) tEuros 1,795 of additional liquidation of “IRP” concerning sales of 2008 and 2009;

(iii) tEuros 1,202 concerning petroleum tax on biofuels;

(iv) tEuros 1,150 relating to compensation interest regarding the disallowance of Leixões Ocean Terminal write-off as a tax deductible cost in 2002.

During the year ended 31 December 2011, the main variations of other provisions totalizing tEuros 7,411 of increases and tEuros 3,998 of decreases, mainly refer to tEuros 4,561 of increases concerning customs “sanctions” applied by the Sines Customs Authorities.

The use of provisions in the amount of tEuros 63,773 mainly relates to:

(i) tEuros 45,815 concerning the payment of invoices related with the natural gas purchase price review.

(ii) tEuros 16,538 concerning the additional payment of “IRP” in respect of 2005 and 2006 ;

The transfers registered in the heading of Other costs and charges results from the reclassification of:

(i) Keuros 2,517 to legal processes;

(ii) Keuros 35,427 to abandonment costs of blocks in the company Galp Exploração e Produção Petrolífera, S. A.

The amount of tEuros 115 included in the perimeter variation results from the entry of Empresa Nacional de Combustiveis – Enacol, S. A. R. L. (Note 3).

26 • TRADE PAYABLES

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

Captions	2011	2010
Trade payables - current accounts	566,907	737,640
Trade payables - invoices pending	797,283	752,150
Trade payables - notes payable	547	15
	1,364,737	1,489,805

The caption “Trade payables – invoices pending” corresponds mainly to the purchase of crude oil raw material and natural gas goods in transit.

27 • OTHER FINANCIAL INSTRUMENTS

The Group uses financial derivatives to hedge interest rate and market fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, as well as risks of variation in natural gas and electricity prices, which affect the amount of assets and future cash flows resulting from its operations.

Financial derivatives are defined as, in accordance with IAS/IFRS, “financial assets as at fair value through profit and loss” or “financial liabilities at fair value through profit and loss”. The interest rate financial derivates that are contracted to hedge the variance in interest rates on borrowings are defined as “cash flow hedges”. Interest rate financial 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”.

The fair value of financial derivates was determined by financial entities, applying generally accepted techniques and evaluation models.

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 of financial derivatives (swaps) was determined by financial entities using observable market inputs and using generally accepted techniques and models (Level 2). Futures are traded in the market and subject to a Clearing House, and as such their valuation is determined by quoted prices (Level 1).

Financial Derivatives – Swaps

The Group financial derivatives as of December 31, 2011 present the following characteristics:

Type of derivative over Interest rate	Interest rate	Nominal value	Maturity	Fair value of the derivatives in tEuros
Assets	**Fair value variation impact in results**			
Swaps	Pays Euribor 6m Receives between 3.438% and 3.872%	tEur 29,639	2013	156
	Cash-flow hedge			
Swaps	Pays between 1.305% and 1.610% Receives Euribor 6m	tEur 265,000	2013-2014	876
Liability	**Fair value variation impact in results**			
Swaps	Pays 3.33% Receives Euribor 6m	tEur 29,639	2013	(74)
	Cash-flow hedge			
Swaps	Pays between 1.480% and 1.610% Receives Euribor 6m	tEur 280,000	2013-2014	(1,682)
Swaps	Pays 6.24% Receives Euribor 6m	tEUR 1,201	2013	(50)
				(774)

Type of derivative over Commodities	Nature	Nominal value	Maturity	Fair value of the derivatives in tEuros
Assets	**Fair value variation impact in results**			
Swaps	Natural Gas	Sell 564,282 MwH	2013	636
Swaps	Natural Gas	Buy 1,016,382 MwH	2012-2013	1,632
Swaps	Brent	Buy 381,275 bbl	2012	722
Liability	**Fair value variation impact in results**			
Swaps	Brent	Buy 581,350 bbl	2012	(46)
Prepaid Swaps	Refined petroleum products	Buy 127,500 mt	2012	(90,443)
				(87,499)

Interest rate swaps

The Group's derivative financial instruments, classified as financial assets or liabilities at fair value through profit and loss, evolved as follows in 2011 and 2010:

	Assets		Liabilities	
Interest rate derivatives	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2010	**-**	**-**	**(9,294)**	**(240)**
Purchased during the year	-	-	-	-
Payment / (Receipt) of interest during the year	(972)	-	77	7,593
Receipt / (Payment) of interest reflected in the income statement	972	-	(77)	(7,593)
Increase /(decrease) in fair value reflected in the income statement	702	-	-	-
Increase /(decrease) in fair value reflected in equity	-	-	9,196	(4,872)
Fair value at 31 December 2010	**702**	**-**	**(98)**	**(5,112)**
Purchased during the year	-	-	-	-
Payment / (Receipt) of interest during the year	4,029	-	49	82
Receipt / (Payment) of interest reflected in the income statement	(4,029)	-	(49)	(82)
Increase /(decrease) in fair value reflected in the income statement	(543)	-	(74)	-
Increase /(decrease) in fair value reflected in equity	873	-	(1,635)	5,112
Fair value at 31 December 2011 (Note 17)	**1,032**	**-**	**(1,806)**	**-**

Interest incurred and obtained from interest rates derivatives are accounted for in the captions "Financial costs" and "Financial income".

The changes in fair value reflected in Equity, resulting from cash flow hedges, are as follows:

Fair value variation in equity	December 2011	December 2010
Fair value variation in subsidiaries	4,295	4,189
Fair value variation in non-controlling interest	56	135
	4,351	**4,324**
Fair value variation due to participation in associates	(227)	(97)
	4,124	**4,227**

Commodities swaps

The impact on December 31 2011 and 2010 in the heading Cost of Sales is as follows:

	Assets		Liabilities	
Commodity swaps	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2010	**300**	**300**	**-**	**-**
Purchased during the year	-	-	-	-
Payment/(Receipt) in settlement date during the period	-	170	-	(640)
Payment/(Receipt) in settlement date accounted for in P&L	-	(170)	-	640
Increase /(decrease) in fair value reflected in the income statement	427	1,372	-	(2,584)
Increase /(decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2010	**727**	**1,672**	**-**	**(2,584)**
Purchased during the year	-	-	-	-
Payment/(Receipt) in settlement date during the period	-	-	-	(89,494)
Increase/ decrease on the sale accounted for in P&L	-	-	-	2,952
Payment/(Receipt) in settlement date accounted for in P&L	23	568	-	(1,363)
Increase /(decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2011 (Note 17)	**750**	**2,240**	**-**	**(90,489)**

Financial Derivatives – Futures

The Galp Energia Group also trades commodity futures. Given their high liquidity, as they are traded in the market, they are classified as financial assets at fair value through profit and loss and included in Cash and cash equivalents. The gain and loss on commodity futures (Brent) are classified in the caption "Cost of sales" and the CO_2 and electricity futures are classified in the caption "Financial income and costs". As the futures are traded in the market, subject to a Clearing House, the gain and loss are continuously recorded in the income statement as follows:

	Assets		Liabilities	
Commodity futures (Brent)	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2010	**-**	**1,378**	**-**	**-**
Purchased during the year	-	53,269	-	-
Sold during the year	-	(56,584)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	3,250	-	-
Fair value at 31 December 2010	**-**	**1,313**	**-**	**-**
Purchased during the year	-	79,618	-	-
Sold during the year	-	(93,117)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	14,515	-	-
Fair value at 31 December 2011 (Note 18)	**-**	**2,329**	**-**	**-**

Beside the Futures above, the Group trades electricity futures, which are designated "Financial assets at fair value through profit and loss – held for sale". The Futures gains and losses in the negative amount of tEuros 234 are classified as financial results. The gain and losses are registered in the income statement as follows:

	Assets		Liabilities	
Electricity derivatives	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2010	**-**	**-**	**-**	**-**
Purchased during the year	-	9,060	-	-
Sold during the year	-	(5,508)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	(1,523)	-	-
Fair value at 31 December 2010	**-**	**2,029**	**-**	**-**
Purchased during the year	-	8,579	-	-
Sold during the year	-	(9,314)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	(85)	-	-
Fair value at 31 December 2011 (Note 18)	**-**	**1,209**	**-**	**-**

As at 31 December 2011, the subsidiary Galp Power, S. A., holds 140 CO_2 Futures with a maturity of December 2012. These Futures represent 140,000 ton/CO_2 with value of tEuros 122 recorded as at 31 December 2011 and are classified as financial assets at fair value through profit and loss – held for sale. The gains and losses are booked in the caption "Financial income and losses", as follows:

	Assets		Liabilities	
CO_2 Futures	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2010	**-**	**396**	**-**	**-**
Purchased during the year	-	1,646	-	-
Sold during the year	-	(1,760)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	94	-	-
Fair value at 31 December 2010	**-**	**376**	**-**	**-**
Purchased during the year	-	1,591	-	-
Sold during the year	-	(893)	-	-
Increase /(decrease) on the sale reflected in the income statement	-	(952)	-	-
Fair value at 31 December 2011 (Note 18)	**-**	**122**	**-**	**-**

28 • RELATED PARTIES

Balances and transactions with related parties in 2011 and 2010 were as follows:

Receivables

	2011						
		Non-Current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	14,608	12,491	-	2,064	-	50	3
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	8,832	3,778	-	2,430	-	2,020	604
Gasoduto Al-Andaluz, S. A.	5,253	4,653	-	-	-	-	600
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	5,130	5,046	-	-	-	-	84
EMPL - Europe Magreb Pipeline, Ltd.	3,640	-	-	(3)	-	-	3,643
Gasoduto Extremadura, S. A.	908	-	-	-	-	-	908
Gásfomento - Sistemas e Instalações de Gás, S. A.	350	-	-	345	-	5	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	320	-	-	156	-	129	35
Terparque - Armazenagem de Combustíveis, Lda.	242	-	-	242	-	-	-
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	135	-	-	3	110	22	-
Tagusgás Propano, S. A.	72	-	-	72	-	-	-
Metragaz, S. A.	33	-	-	-	-	5	28
Aero Serviços, S. A. R. L. - Sociedade Abastecimento de Serviços Aeroportuários	22	-	-	-	22	-	-
Compañia Logística de Hidrocarburos CLH, S. A.	1	-	-	-	-	1	-
	39,546	**25,968**	**-**	**5,309**	**132**	**2,232**	**5,905**
Jointly controlled entities							
Ventinveste, S. A.	11,850	11,821	-	1	-	2	26
Sigás - Armazenagem de Gás, A. C. E.	9,868	-	9,297	88	-	459	24
Parque Eólico da Penha da Gardunha, Lda.	6,651	6,637	-	-	-	-	14
Spower, S. A.	5,371	3,231	-	-	-	2,133	7
C. L. C. - Companhia Logística de Combustíveis, S. A.	504	-	-	132	-	310	62
Caiageste - Gestão de Áreas de Serviço, Lda.	38	-	-	32	-	4	2
Ventinveste Eólica, SGPS, S. A.	24	-	-	3	-	21	-
Parque Eólico do Douro Sul, S. A.	10	-	-	10	-	-	-
Parque Eólico do Pinhal Oeste, S. A.	4	-	-	4	-	-	-
Parque Eólico da Serra do Oeste, S. A.	4	-	-	4	-	-	-
Parque Eólico do Planalto, S. A.	2	-	-	2	-	-	-
Parque Eólico de Vale do Chão, S. A.	2	-	-	2	-	-	-
Parque Eólico de Torrinheiras, S. A.	1	-	-	(1)	-	2	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
	34,330	**21,689**	**9,297**	**277**	**-**	**2,932**	**135**
Related parties and participated entities							
Adene - Agência para a Energia, S. A.	93	-	90	2	-	1	-
Cooperativa de Habitação da Petrogal , C. R. L.	53	-	53	-	-	-	-
Eni, S. p. A.	38	-	-	100	-	11	(73)
SABA - Sociedade Abastecedora de Aeronaves, Lda.	28	-	-	28	-	-	-
Fundação Galp Energia	13	-	-	13	-	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	2	-	-	2	-	-	-
PME Investimentos - Sociedade de Investimento, S. A.	1	-	-	1	-	-	-
Other	126	-	-	-	126	-	-
	354	**-**	**143**	**146**	**126**	**12**	**(73)**
	74,230	**47,657**	**9,440**	**5,732**	**258**	**5,176**	**5,967**

	2010						
		Non-Current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	14,252	11,992	-	1,575	-	651	34
Gasoduto Al-Andaluz, S. A.	10,198	9,635	-	-	-	-	563
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	7,772	3,521	-	1,953	-	1,612	686
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	6,651	6,651	-	-	-	-	-
Gasoduto Extremadura, S. A.	5,702	4,833	-	-	-	-	869
Parque Eólico da Penha da Gardunha, Lda.	5,123	5,113	-	-	-	-	10
EMPL - Europe Magreb Pipeline, Ltd.	3,672	-	-	(3)	-	36	3,639
Setgás Comercialização, S. A.	3,552	-	-	1,902	-	2	1,648
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	2,046	-	-	1,918	-	94	34
Gásfomento - Sistemas e Instalações de Gás, S. A.	328	-	-	323	-	2	3
Terparque - Armazenagem de Combustíveis, Lda.	257	-	-	256	-	-	1
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	164	-	-	-	110	54	-
Tagusgás Propano, S. A.	103	-	-	103	-	-	-
Aero Serviços, S. A. R. L. - Sociedade Abastecimento de Serviços Aeroportuários	35	-	-	13	22	-	-
Metragaz, S. A.	28	-	-	-	-	-	28
Compañia Logística de Hidrocarburos CLH, S. A.	1	-	-	-	-	1	-
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.	(88)	-	-	146	-	(234)	-
Other	349	-	-	-	-	349	-
	60,145	**41,745**	**-**	**8,186**	**132**	**2,567**	**7,515**
Jointly controlled entities							
Sigás - Armazenagem de Gás, A.C.E.	11,405	-	10,131	119	-	1,138	17
Ventinveste, S. A.	8,870	8,840	-	1	-	7	22
Spower, S. A.	4,461	3,090	-	(22)	-	1,386	7
C. L. C. - Companhia Logística de Combustíveis, S. A.	734	-	-	73	-	578	83
Ventinveste Eólica, SGPS, S. A.	23	-	-	1	-	19	3
Parque Eólico do Douro Sul, S. A.	17	-	-	15	-	1	1
Caiageste - Gestão de Áreas de Serviço, Lda.	14	-	-	9	-	3	2
Parque Eólico do Pinhal Oeste, S. A.	10	-	-	8	-	1	1
Parque Eólico da Serra do Oeste, S. A.	8	-	-	6	-	1	1
Parque Eólico do Planalto, S. A.	5	-	-	3	-	1	1
Parque Eólico de Vale do Chão, S. A.	4	-	-	2	-	1	1
Parque Eólico de Vale Grande, S. A.	2	-	-	1	-	1	-
Parque Eólico do Cabeço Norte, S. A.	1	-	-	-	-	1	-
Parque Eólico de Torrinheiras, S. A.	1	-	-	-	-	1	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
	25,556	**11,930**	**10,131**	**216**	**-**	**3,140**	**139**
Related parties and participated entities							
Eni, S. p. A.	3,702	-	-	74	-	3,701	(73)
Adene - Agência para a Energia, S. A.	92	-	90	2	-	-	-
Fundação Galp Energia	63	-	-	63	-	-	-
Cooperativa de Habitação da Petrogal , C. R. L.	53	-	53	-	-	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	2	-	-	2	-	-	-
PME Investimentos - Sociedade de Investimento, S. A.	2	-	-	2	-	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	1	-	-	1	-	-	-
	3,915	**-**	**143**	**144**	**-**	**3,701**	**(73)**
	89,616	**53,675**	**10,274**	**8,546**	**132**	**9,408**	**7,581**

The current and non-current loans granted as of 31 December 2011 to associated, jointly controlled, participated companies and related parties refer essentially to the following loans:

	Current assets - granted loans (Note 14)	Non-current assets - granted loans (Note 14)	Interest from granted loans (Note 8)
Gasoduto Al-Andaluz, S. A.	-	4,653	191
Gasoduto Extremadura, S. A.	-	-	86
through Galp Gás Natural, S. A.	**-**	**4,653**	**277**
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	-	5,046	176
Spower, S. A.	-	3,231	142
Parque Eólico da Penha da Gardunha, Lda.	-	6,637	262
Ventinveste, S. A.	-	11,821	459
through Galp Power, SGPS, S. A.	**-**	**26,735**	**1,039**
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	-	9,413	397
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	-	3,778	257
through GDP - Gás de Portugal, SGPS, S. A.	**-**	**13,191**	**654**
Aero Serviços, S. A. R. L. - Sociedade Abastecimento de Serviços Aeroportuários	22	-	-
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	110	-	-
through Petrogal Guiné-Bissau, Lda.	**132**	**-**	**-**
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	-	3,078	131
through Petróleos de Portugal - Petrogal, S. A.	**-**	**3,078**	**131**
Other Associated companies	126	-	-
through Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	**126**	**-**	**-**
	258	**47,657**	**2,101**

These loans bear interests at market rates and do not have a defined repayment plan.

Payables

2011		Non-Current	Current			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL - Europe Magreb Pipeline, Ltd.	20,923	-	-	20,923	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	4,720	-	-	1,890	-	2,830
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	2,188	-	-	1,489	-	699
Gasoduto Extremadura, S. A.	1,910	-	-	1,910	-	-
Gasoduto Al-Andaluz, S. A.	1,869	-	-	1,869	-	-
Gásfomento - Sistemas e Instalações de Gás, S. A.	835	-	-	22	813	-
	32,445	**-**	**-**	**28,103**	**813**	**3,529**
Jointly controlled entities						
C. L. C. - Companhia Logística de Combustíveis, S. A.	82,784	-	-	82,784	-	-
Sigás - Armazenagem de Gás, A. C. E.	848	-	-	848	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	114	-	-	114	-	-
Parque Eólico da Penha da Gardunha, Lda.	(1)	-	-	-	(1)	-
	83,745	**-**	**-**	**83,746**	**(1)**	**-**
Related parties and participated entities						
Eni, S. p. A.	4,172	2,902	-	535	109	626
SABA - Sociedade Abastecedora de Aeronaves, Lda.	129	-	-	129	-	-
Central-E, S. A.	27	-	-	27	-	-
Adene - Agência para a Energia, S. A.	1	-	-	1	-	-
Others	707	-	365	-	342	-
	5,036	**2,902**	**365**	**692**	**451**	**626**
	121,226	**2,902**	**365**	**112,541**	**1,263**	**4,155**

2010		Non-Current	Current			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL - Europe Magreb Pipeline, Ltd.	16,091	-	-	16,091	-	-
Gasoduto Extremadura, S. A.	1,863	-	-	1,863	-	-
Gasoduto Al-Andaluz, S. A.	1,823	-	-	1,823	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	1,569	-	-	884	-	685
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	548	-	-	94	-	454
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.	541	-	-	536	5	-
Gásfomento - Sistemas e Instalações de Gás, S. A.	333	-	-	2	331	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	105	-	-	1	104	-
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	103	-	-	103	-	-
Terparque - Armazenagem de Combustíveis, Lda.	54	-	-	54	-	-
Setgás Comercialização, S. A.	29	-	-	27	2	-
	23,059	**-**	**-**	**21,478**	**442**	**1,139**
Jointly controlled entities						
C. L. C. - Companhia Logística de Combustíveis, S. A.	85,976	-	-	85,776	195	5
Sigás - Armazenagem de Gás, A. C. E.	477	-	-	-	-	477
Asa - Abastecimento e Serviços de Aviação, Lda.	54	-	-	54	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	2	-	-	2	-	-
	86,509	**-**	**-**	**85,832**	**195**	**482**
Related parties and participated entities						
Eni, S. p. A.	4,451	2,902	-	84	94	1,371
Central-E, S. A.	24	-	-	24	-	-
Other	29	-	-	-	29	-
	4,504	**2,902**	**-**	**108**	**123**	**1,371**
	114,072	**2,902**	**-**	**107,418**	**760**	**2,992**

The amount of tEuros 2,902 accounted for as non-current payable to Eni, S. p. A. is a shareholders' loan obtained by the subsidiary Lusitaniagás - Companhia de Gás do Centro, S. A., which bear interests at market rates and does not have a defined repayment plan.

Transactions

	2011			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	4,236	(4,279)	-	(257)
EMPL - Europe Magreb Pipeline, Ltd.	60,042	(3,618)	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	14,616	(1,526)	-	(528)
Gasoduto Extremadura, S. A.	11,460	(908)	-	(86)
Terparque - Armazenagem de Combustíveis, Lda.	1	(881)	-	-
Gasoduto Al-Andaluz, S. A.	11,212	(599)	-	(191)
Metragaz, S. A.	-	(512)	-	-
Gásfomento - Sistemas e Instalações de Gás, S. A.	114	(344)	-	-
Tagusgás Propano, S. A.	-	(275)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(40)	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	-	(4)	-	(176)
	101,681	**(12,986)**	**-**	**(1,238)**
Jointly controlled entities				
Sigás - Armazenagem de Gás, A. C. E.	3,272	(3,212)	-	-
C. L. C. - Companhia Logística de Combustíveis, S. A.	16,219	(1,836)	-	-
Spower, S. A.	-	(744)	-	(142)
Caiageste - Gestão de Áreas de Serviço, Lda.	12	(262)	-	-
Parque Eólico do Douro Sul, S. A.	-	(41)	-	-
Parque Eólico do Pinhal Oeste, S. A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S. A.	-	(17)	-	-
Ventinveste Eólica, SGPS, S. A.	(58)	(12)	-	-
Parque Eólico do Planalto, S. A.	-	(9)	-	-
Parque Eólico de Vale do Chão, S. A.	-	(6)	-	-
Ventinveste, S. A.	-	(6)	-	(459)
Parque Eólico de Vale Grande, S. A.	-	(3)	-	-
Parque Eólico do Cabeço Norte, S. A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S. A.	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	705	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(262)
	20,150	**(6,171)**	**-**	**(863)**
Related parties and participated entities				
Eni, S. p. A.	23,881	(83,018)	128	-
Fundação Galp Energia	-	(135)	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	-	(35)	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	105	(31)	-	-
PME Investimentos - Sociedade de Investimento, S. A.	-	(16)	-	-
Adene - Agência para a Energia, S. A.	1	(15)	-	-
Agência de Energia do Porto	2	-	-	-
Amorim Energia, B. V.	536	-	-	-
Central-E, S. A.	150	-	-	-
	24,675	**(83,250)**	**128**	**-**
	146,506	**(102,407)**	**128**	**(2,101)**

The amount of tEuros 102,407 in the caption "Operating income" is mainly sales and services rendered.

The amount of tEuros 83,018 in the caption "Operating income" concerning Eni, S.p.A. is mainly natural gas purchases made by the subsidiary Galp Gás Natural, S. A.

	2010			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Setgás Comercialização, S. A.	229	(16,439)	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S. A.	-	(13,758)	-	(191)
Tagusgás - Empresa de Gás do Vale do Tejo, S. A.	2,987	(4,710)	-	(240)
EMPL - Europe Magreb Pipeline, Ltd.	61,346	(3,901)	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S. A.	4,468	(2,075)	-	(440)
Terparque - Armazenagem de Combustíveis, Lda.	4	(909)	-	-
Metragaz, S. A.	-	(432)	-	-
Gásfomento - Sistemas e Instalações de Gás, S. A.	45	(318)	-	-
Tagusgás Propano, S. A.	-	(207)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(52)	-	-
C. L. C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	-	(22)	-	-
Parque Eólico da Penha da Gardunha, Lda.	154	-	-	(158)
Gasoduto Al-Andaluz, S. A.	10,937	651	-	(167)
Gasoduto Extremadura, S. A.	11,179	879	-	(84)
Empresa Nacional de Combustíveis - Enacol, S. A. R. L.	-	6,537	-	-
	91,349	**(34,756)**	**-**	**(1,280)**
Jointly controlled entities				
Sigás - Armazenagem de Gás, A. C. E.	4,304	(3,538)	-	-
C. L. C. - Companhia Logística de Combustíveis, S. A.	20,074	(1,616)	-	-
Spower, S. A.	-	(913)	-	(62)
Caiageste - Gestão de Áreas de Serviço, Lda.	7	(217)	-	-
Parque Eólico do Douro Sul, S. A.	-	(50)	-	-
Parque Eólico do Pinhal Oeste, S. A.	-	(28)	-	-
Parque Eólico da Serra do Oeste, S. A.	-	(21)	-	-
Ventinveste Eólica, SGPS, S. A.	(57)	(20)	-	-
Ventinveste, S. A.	-	(14)	-	(285)
Parque Eólico do Planalto, S. A.	-	(11)	-	-
Parque Eólico de Vale do Chão, S. A.	-	(7)	-	-
Parque Eólico de Vale Grande, S. A.	-	(4)	-	-
Parque Eólico do Cabeço Norte, S. A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S. A.	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	649	-	-	-
	24,977	**(6,441)**	**-**	**(347)**
Related parties and participated entities				
Eni, S. p. A.	2,281	(64,406)	110	-
Fundação Galp Energia	-	(160)	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	-	(33)	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	-	(16)	-	-
PME Investimentos - Sociedade de Investimento, S. A.	-	(15)	-	-
Adene - Agência para a Energia, S. A.	-	(13)	-	-
Amorim Energia, B. V.	586	-	-	-
Central-E, S. A.	181	-	-	-
	3,048	**(64,643)**	**110**	**-**
	119,374	**(105,840)**	**110**	**(1,627)**

29 • REMUNERATION OF THE BOARD AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of Galp Energia corporate board members for the years 2011 and 2010 can be detailed 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, S. A.												
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**
Corporate boards of associate companies												
Executive management	1,160	-	-	63	(14)	1,209	935	30	-	62	-	1,027
Shareholder's Assembly	7	-	-	-	-	7	8	-	-	-	-	8
	1,167	**-**	**-**	**63**	**(14)**	**1,216**	**943**	**30**	**-**	**62**	**-**	**1,035**
	5,659	**-**	**986**	**325**	**493**	**7,463**	**5,495**	**453**	**986**	**263**	**58**	**7,255**

The amounts of tEuros 7,463 and tEuros 7,255, booked on 2011 and 2010 respectively, include tEuros 5,403 and tEuros 5,053 booked as Employee costs (Note 6) and tEuros 2,060 and tEuros 2,202 recorded as External supplies and services.

Included in the heading "Other charges and adjustments" is the amount of tEuros 435 related to the bonus received by the board, 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 held in Galp Energia group and all accrued amounts.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. According to Galp Energia's interpretation only the members of the Board meet this description.

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

30 • DIVIDENDS

Dividends for 2010 attributed to the Group's shareholders amounted to tEuros 165,850 in accordance with the decision of the Shareholders Meeting of 30 May 2011. Interim dividends of tEuros 49.755 were paid during 2010 and the remaining tEuros 116,095 were paid in 2011.

During 2011, Petrogal's subsidiaries settled tEuros 2,121 of dividends (Note 21).

As such, the Group paid dividends totalling tEuros 118,216, during 2011.

31 • SUPPLEMENTARY INFORMATION REGARDING OIL AND GAS

The Production and Exploration business results by region for the years 2011 and 2010 were as follows:

Production and exploration results

unit: thousands of Euros	Africa	Latin America	Portugal	East Timor	Total
31 December 2011					
Sales	289,995	105,808	-	-	395,803
Cost of sales	(61,754)	6,428	-	-	(55,326)
Other operating income	3,523	944	-	-	4,467
Other operating costs	(50,545)	(30,540)	(49)	(14)	(81,148)
Employee costs	(4,820)	(6,853)	-	-	(11,673)
Amortisation and depreciation	(91,053)	(17,486)	-	-	(108,539)
Impairment	-	(36,601)	-	(8,449)	(45,050)
Provision	(12,403)	(1,336)	-	-	(13,739)
Financial result	**1,798**	**(2,321)**	**-**	**(80)**	**(603)**
Profit before non controlling interest	**74,741**	**18,043**	**(49)**	**(8,543)**	**84,192**
Income tax	(24,456)	(7,709)	-	2,264	(29,901)
Consolidated net profit	**50,285**	**10,334**	**(49)**	**(6,279)**	**54,291**
31 December 2010					
Sales	184,128	30,435	-	-	214,563
Cost of sales	29,360	1,165	-	-	30,525
Other operating income	2,011	(503)	1,003	-	2,511
Other operating costs	(43,123)	(6,100)	(1,742)	(6)	(50,971)
Employee costs	(3,940)	(4,919)	(1,390)	-	(10,249)
Amortisation and depreciation	(96,200)	(192)	-	-	(96,392)
Impairment	(7)	(11,937)	-	(522)	(12,466)
Provision	(28,732)	-	-	-	(28,732)
Financial result	**1,024**	**(1,399)**	**(604)**	**12**	**(967)**
Profit before non controlling interest	**44,521**	**6,550**	**(2,733)**	**(516)**	**47,822**
Income tax	(43,242)	(2,762)	-	138	(45,866)
Consolidated net profit	**1,279**	**3,788**	**(2,733)**	**(378)**	**1,956**

Tangible and intangible assets in the Production and Exploration that are reflected in the Group financial statements are as follows:

Tangible and intangible assets of production and exploration area

unit: thousands of Euros	Africa	Latin America	Portugal	East Timor	Total
31 December 2011					
Signature bonus	17,417	15,649	-	6,773	39,839
Machinery and equipment	675,395	198,822	-	-	874,217
Other tangible assets	2,636	2,931	-	-	5,567
Tangible assets in progress	246,310	408,349	30,012	3,548	688,219
Gross investment	**941,758**	**625,751**	**30,012**	**10,321**	**1,607,842**
Amortisation, depreciation and impairment	(440,336)	(46,042)	-	-	(486,378)
Net investment	**501,422**	**579,709**	**30,012**	**10,321**	**1,121,464**
31 December 2010					
Signature bonus	17,802	27,280	-	6,773	51,855
Machinery and equipment	638,099	4	-	-	638,103
Other tangible assets	3,323	2,265	-	-	5,588
Tangible assets in progress	216,509	485,088	14,254	9,535	725,386
Gross investment	**875,733**	**514,637**	**14,254**	**16,308**	**1,420,932**
Amortisation, depreciation and impairment	(351,488)	(32,593)	-	-	(384,081)
Net investment	**524,245**	**482,044**	**14,254**	**16,308**	**1,036,851**

The assets disclosed in the above schedule are expressed in the Group's functional currency. The companies in Africa and Brazil were converted to the functional currency at the year-end exchange rate in accordance with the accounting principle stated in note 2.12.

The total investments and cumulative costs represent all the cumulative expenditure made in Production and exploration activity.

The total investment and cumulative cost of the Production and Exploration activity by region were as follows:

Gross cumulative investments

unit: thousands of Euros	Africa	Latin America	Portugal	East Timor	Total
31 December 2011					
Signature bonus (net amount)	16,959	15,106	-	6,773	38,838
Exploration (net amount)	179,123	340,018	30,012	3,548	552,701
Development (net amount)	305,340	233,920	-	-	539,260
Accumulated amortisation, depreciation, impairment and disposal	440,336	70,910	-	8,971	520,217
Total incurred (gross amount)	**941,758**	**659,954**	**30,012**	**19,292**	**1,651,016**
31 December 2010					
Signature bonus (net amount)	17,383	26,507	-	6,773	50,663
Exploration (net amount)	140,102	310,422	14,254	9,013	473,791
Development (net amount)	366,760	145,115	-	-	511,875
Accumulated amortisation, depreciation, impairment and disposal	351,488	61,498	-	522	413,508
Total incurred (gross amount)	**875,733**	**543,542**	**14,254**	**16,308**	**1,449,837**

Note: The amounts displayed above are not increased by the abandonment provisions.

The total proved reserves (1P) as of 31 December 2011 and 2010 are presented in the schedule below and include the developed and undeveloped reserves used in amortisation of tangible assets and recognition of provisions for abandonment costs based on the "UOP" (Unit of Production) method. These reserves were calculated by an independent entity, the methodology of which is in accordance with the Petroleum Resources Management System ("PMRS"), approved in March of 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council, American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The reference price for the assessment of the Company net-entitlement reserves, which corresponds to available reserves in the terms of the Production Sharing Agreements ("PSA") was the average market price of "Brent" for 2011 and 2010, namely U.S.Dollars 111 and U.S. Dollars 79.49, respectively.

Petroleum and gas reserves

unit: thousands of Barrels	Africa	Latin America*	Portugal	East Timor	Total
31 December 2011					
Total previous year proved reserves	13,521	112,934	-	-	126,455
Reserve variation (not including production)	50	22,765	-	-	22,815
Year production	(3,265)	(1,064)	-	-	(4,329)
Total reserves	**10,306**	**134,635**	**-**	**-**	**144,941**
31 December 2010					
Total previous year proved reserves	24,492	-	-	-	24,492
Reserve variation (not including production)	(7,558)	112,934	-	-	105,376
Year production	(3,413)	-	-	-	(3,413)
Total reserves	**13,521**	**112,934**	**-**	**-**	**126,455**

* Includes 25.799 mbbl and 13.704 mbbl of gas reserves equivalent of 2011 and 2010.

Changes in the proved petroleum reserves between periods results from production, changes in estimates, new discoveries resulting from investments and changes in petroleum barrel selling price. Changes of reserves in Africa during 2011 mainly result essentially from changes in the of the petroleum barrel selling price and was compensated by a slight increase of the reserves. The variations in Brazil's reserves resulted from new discoveries.

This change in reserves had a direct impact on the amount of depreciation, recorded in accordance with the unit of production method as explained in Note 2.3.

32 • FINANCIAL RISK MANAGEMENT

Galp Energia is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the petroleum and natural gas industries, which affect the Group's results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Market risks

a) Commodities price risk

Because of the nature of its business, Galp Energia is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company controls and manages this risk through the derivative market for oil and natural gas, to protect the refining margin and inventories from adverse market changes.

In respect of the natural gas market, the Group controls and manages this risk through the establishment of purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used as reference price in the oil and natural gas markets. Since Galp Energia's financial statements have as functional currency, the Euro, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in the exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flows is mainly in the balance sheet and results from the prices of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed. At 31 December 2011, no exchange rate risk hedging contracts were contracted.

c) 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 fixing interest rate risk on loans, using simple derivatives such as swaps.

d) Sensitivity analysis to market risks resulting from financial instruments, as required by IFRS 7

The analysis prepared by the Group in accordance with IFRS 7 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the price of Brent or natural gas, exchange rates and interest rates of financial instruments, defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the balance sheet as of 31 December 2011 and 2010. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments subject to more than one market risk, in which case the sensitivity analysis is performed for one variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is not common.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Therefore, the sensitivity analysis is an example and does not represent the actual current loss or gain, or other variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate of +/- 1%
- The sensitivity analysis includes significant balances in foreign currency in Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

Exchange rate table with the sensitivity analysis is presented next:

Sensitivity analysis - Exchange rate

			2011			2010		
			Exposure amount	Income statement	Equity	Exposure amount	Income statements	Equity
Loans - Depreciation/(appreciation) of x% of the Eur versus USD	+1% -1%	tEur	62,517	625 (625)	- -	404	4 (4)	- -
Trade payables - Depreciation/(appreciation)of x% of the Eur versus USD	+1% -1%	tEur	261,566	(2,616) 2,616	- -	487,714	(4,877) 4,877	- -
Trade receivables - Depreciation/(appreciation) of x% of the Eur versus USD	+1% -1%	tEur	103,862	1,039 (1,039)	- -	61,164	612 (612)	- -
Trade payables - Depreciation/(appreciation) of x% of the Eur versus USD	+1% -1%	tEur	501	(5) 5	- -	729	(7) 7	- -

The following assumptions were considered in the sensitivity analysis of commodity prices:

- Price variation of +/- 1% of the price of the commodity;
- Correlation between market risks was ignored;
- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes to proved petroleum reserves as a result of changes in the price of Brent was not calculated.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

			2011			2010		
			Exposure amount	Income statement	Equity	Exposure amount	Income statements	Equity
Variation in the derivatives over commodities underlying price of Natural Gas	+1% -1%	tEur	28,227	282 (282)	- -	5,300	(53) 53	- -
Variation in the derivatives over commodities underlying price of Oil	+1% -1%	tEur	3,225	(109) 109	- -	- -	- -	- -

The following assumptions were considered in the sensitivity analysis of interest rates:

- Parallel shift of 0.01% in the time structure of interest rates;
- Analysis of interest rate risk includes variable interest rate loans and interest rate financial derivative;
- The income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affect Equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

			2011			2010		
			Exposure amount	Income statements	Equity	Exposure amount	Income statements	Equity
Parallel shift in interest rate (a)	+0,01%	tEur	3.130	(248)	118	2,340	(262)	16
	-0,01%			248	(118)		262	(16)

(a) 20% of the exposure amount is covered by Financial derivatives

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 constraint to obtain the financial resources necessary to meet its operating and investment commitments.

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, that amount to 1.1 billion Euros at 31 December 2011, 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 tEuros 189,544 was contractually established, of which tEuros 74,818 was attributed to the 093X segment and tEuros 114,726 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	Grupo GDP
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, S.G.P.S., 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 tEuros 315,000, which means that Thorn Finance valued Optimus at tEuros 1,235,779, which is higher than the value established between the parties, which was of tEuros 748,197. Therefore, an upside of tEuros 30,253 arose payable by EDP, S. A., to be divided equally between GDP SGPS, S. A. (merged into Galp Energia S.G.P.S., S. A. effective as of 1 January 2008) and Transgás SGPS, S. A. (currently called GDP Distribuição S.G.P.S., 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.

(ii) As at 31 December 2011 there is an ongoing arbitration process, in which the Group is requesting an indemnity for the non-compliance of the contract to build the ship "Sacor II", amounting to tEur 9,000, which is not booked in the financial statements.

Contingent liabilities
As of 31 December 2011, the Company and its subsidiaries had the following contingent liabilities:

(i) Several municipal councils are demanding payments (liquidations and executions) totalling tEuros 17,720, relating to licences for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and commercialisation concessions. As the Group companies do not agree with the municipal councils, they have contested the assessments, the majority of the processes being in progress. Guarantees have been provided for these processes.

In the course of negotiating the Concession Contract with the General Directorate of Energy and Geology, it was agreed, among other matters, that the Concessionaire has the right to reflect, on the entities commercialising gas and on the final consumers, the full amount of the subsoil occupation rates assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil occupation rates paid each year will be reflected on the entities commercialising gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation rates will be assessed for each municipality, based on the amount charged by it.

Given the fact that eventual taxes to be paid and interests to be paid can be passed on to customers, the Group has decided not to recognise responsibilities concerning this issue.

As at 31 December 2011 the amounts paid to Municipal Councils related in respect of subsoil occupation taxes totalled tEuros 25,608 and only tEuros 4,022 were charged to clients (the transfer conditions are governed by ERSE);

(ii) Additional Corporate Income Tax assessments totalling tEuros 39,328 for which there are provisions of tEuros 16,831 (Note 9 and 25);

(iii) As at 31 December 2011 a judicial action concerning the licensing process for the Sines combined cycle central of natural gas has been filed by Endesa Generación Portugal, S. A. against the Ministry of Economy and Innovation, against the best interests of Galp Power, SGPS, S. A. Galp Power, SGPS, S. A. has requested the impeachment of this lawsuit. The Board of Directors, supported by its legal advisors, believes that no liabilities will result from this process nor is the legitimacy of the investment already incurred undermined;

(iv) At 31 December 2011 a judicial action against the Company is in progress at Tribunal Maritimo de Lisboa. The action brought against the Group by a subcontractor is related with the construction of "Sacoor Ship II" and totals tEuros 2,274. The Board of Directors, supported by its legal advisors believes that the process will not result in any responsibility for the Group.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as at 31 December 2011 are:

- tEuros 288,046, tEuros 6,730, tEuros 23,616, tEuros 7,816 relating to the liability under the Petrogal, Sacor Marítima, Grupo Espanha and the GDP Group pension plan, respectively (Note 23);

- tEuros 39,177 related with purchase orders for tangible assets that have not yet been received;

- tEuros 17,348 concerning notes to be received, discounted in the bank but not yet due;

- Galp Power, SGPS, S. A., as shareholder of Ventinveste, S. A. has the commitment and responsibility under the contract and other agreements made with DGEG to comply in full and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee amounting to tEuros 25,332 and by a pledge given by the shareholders, Galp Power, Martifer SGPS S. A. and Martifer Renewables, SGPS, S. A.divided in equal parts, corresponding to approximately 10% of the total Direct Investment, amounting to tEuros 50,665.

The amount of the guarantee will be reduced in each semester based on the contracted investment in the preceding semester.

To guarantee the loan obtained by Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S. A. the surface rights over a plot of land in the municipality of Pombal, acquired by the Company for a period of 15 years, was mortgaged in favour of BES Investimento and BES, up to a maximum of tEuros 28,237.

Galp Power SGPS, S. A. acts as guarantor and principle payer of a loan of the subsidiary Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S. A. The guarantee is limited to 65% which corresponds to the shares owned in the company, up to a maximum of tEuros 11,700.

- The Galp group has bank loans that in some cases have covenants that can, if they are triggered by banks, lead to early repayment of the amounts borrowed. As at 31 December 2011, the Medium/Long term debt totalled €2.3 billion. From this total, the contracts concerning "covenants" correspond to a €1.6 billion. The existing covenants in Galp group embody essentially in compliance with financial ratios that monitor the financial position of the Company, including its ability to repay the debt service. Total Net Debt to consolidated EBITDA is the most frequently used and was 4.36 at 31 December 2011. The ratio amount reached is a lower value than the one stipulated by all contracts, with an exception for a loan from EIB amounting to Euros 296 millions in which the value is lower. As such, EIB may demand additional guarantees. Galp expects to deeply reduce its net debt, as it will increase equity in Petrogal Brazil and Galp Brazil Services B. V., by the entry of a new partner, totalling tEuros 4.8 billion (note 35). Nevertheless, at 31 December 2011 Group has negotiated but not used financing contracts reaching amounting to tEuros 1.1 billion.

Galp group has non-current contracts with Gas suppliers and Gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a standard performance in line with its financial statements.

Pledged guarantees

As at 31 December 2011, responsibilities with pledged guarantees amounted to tEuros 147,032, tUSD 7,491 and tReal 199,691, made up essentially of the following:

- Guarantees of tEuros 59,820 in benefit of the Tax Administration;

- Guarantees of tEuros 30,216 in benefit of city councils regarding subsoil occupation taxes;

- Guarantees of tEuros 10,818 in benefit of General Customs;

- Guarantees of tEuros 5,500 in benefit of the Portuguese State with respect to the obligations and duties resulting from the Concession Contract to operate the natural gas regional distribution networks of Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S. A., Lusitaniagás – Companhia de Gás do Centro, S. A. and Beiragás– Companhia de Gás das Beiras, S. A.;

- Guarantees of tEuros 4,261 in benefit of ASP – Administração do Porto de Sines;

- Guarantees of tEuros 3,346 in benefit of IAPMEI – institution supporting small and medium enterprises;

- Guarantees of tEuros 3,054 given to Direcção Geral de Geologia e Energia in guarantee of full compliance with the obligations assumed by the Group under the plan to construct the infrastructures relating to operation of the natural gas local networks in Vila Real, Bragança and Chaves and allocation of power injection in the network of the public electrical system;

- Guarantee of tEuros 3,200 in benefit of Tribunal Judicial de Oeiras;

- Guarantee of tEuros 3,000 in benefit of EDP – Distribuição de Energia, S. A., to allow the Group to provide electricity in the Portuguese market;

- Guarantee of tEuros 2,144 in benefit of Instituto de Estradas de Portugal based on a) of art.15º of the law-decree 13/71 to license the installation of natural gas conducts, parallels and road crossings;
- Guarantee of tEuros 2.009 in benefit of EDP - Energias de Portugal, S. A. to guarantee diesel supply to thermoelectric stations of the Islands of Santa Maria islands, S. Miguel, Terceira, Faial, Pico and Flores;
- Guarantee of tEuros 100 in favour of EDF - Electricidade de França, to guarantee the licences to be present in the French electricity market;
- Guarantee of tEuros 82 given to Courts by Caixa Geral de Depósitos due to ongoing litigation actions;

As at 31 December 2011, there were also other guarantees totalling tEuros 14,482 in favour of third parties to guarantee a good and full execution and accomplishment of obligations stipulated by contracts entered into.

As at 31 December 2011, the guarantees to the Brazilian Government totalling tEuros 82,657 (BRL 199,691,233) resulting from a contractual imposition of the Concession Contract signed between Brazilian Government and its partners, in which the Group is included, where they commit to invest in seismic acquisitions and drilling wells during the exploration period.

As at 31 December 2011, bank guarantees of tEuros 5,789 (tUSD 7,491) of bank guarantees to the Government of East Timor as a result of the Concession Agreement signed between the Government of East Timor and partners of five blocks in East Timor in which the Group participates, and where they undertake the responsibility to make expenditures on seismic acquisition and drilling during the exploration period. The amount of guarantees relating to the liability of the Group equals its percentage of ownership in the consortium.

34 • INFORMATION REGARDING ENVIRONMENTAL MATTERS

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions in the period from 2008 to 2012 defined in the Kyoto Protocol, and the reduction of the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

Decree-Law 233/2004 of 14 December with the text given by 243-A/2004 of 31 December and as amended by Decree-Law 230/2005 of 29 December establishes the greenhouse gas emissions trading regime (Diploma CELE), which applies to the industrial activity gas emissions listed on Appendix I thereof, which includes the Galp Energia group's installations.

Order 2836/2008, which approves the existing list of installations participating in Emissions Trading for the 2008-2012 period and related initial granting of Emission Licences (EL), was published in Diário da República (Journal of the Republic). The Group believes that the quantity of greenhouse gas emission licences granted for the refining and cogenerating sectors of the Group for the 2008-2012 period, in accordance with the Order, are sufficient to cover the needs of the installations currently operating considering the production profiles for the five year period.

In 2010, the Group was informed by the Portuguese environmental agency of the definitive emission licenses to be granted to the facilities of cogeneration of Sines (included in the Refinery of Sines table below), that are distributed until 2012 as follows:

- 2009: 241,635 Ton/CO_2 (of which 239.772 t CO_2 corresponds to the period of tests and trials);
- 2010: 169,735 Ton/CO_2;
- 2011: 44,248 Ton/CO_2;
- 2012: 44,248 Ton/CO_2

The following tables show the current facilities managed by the Group, its annual emission licences attributed by the PNALE II (Plano Nacional de Alocação de Licenças de Emissão), denominated as EUA's (Emission Unit Allowances), emission reduction certificates – CER's (certificated Emission Reduction) as well as the quantities of greenhouse gases per installation/company.

EUA's

Company	Facilities	EUA's Licenses held Ton/CO_2 at 01/01/2011	Licenses held Ton/CO_2 assigned	Licenses Ton/CO_2 delivered	Licenses Ton/CO_2 transferred	Licenses Ton/CO_2 sold	Licenses held Ton/CO_2 at 31/12/2011
Petrogal	Sines refinery (a)	1,667,619	2,181,798	(2,050,718)	(792,000)	-	1,006,699
	Matosinhos refinery	769,454	1,098,025	(781,425)	(558,000)	-	528,054
		2,437,073	**3,279,823**	**(2,832,143)**	**(1,350,000)**	**-**	**1,534,753**
Carriço Cogeração	Cogeneration	87,609	161,539	(112,929)	-	-	136,219
Powercer	Cogeneration	25,057	47,192	(33,552)	-	-	38,697
		112,666	**208,731**	**(146,481)**	**-**	**-**	**174,916**
Galp Power	n.a.	-	-	-	1,350,000	(1,350,000)	-
		2,549,739	**3,488,554**	**(2,978,624)**	**-**	**(1,350,000)**	**1,709,669**

(a) The column of licences assigned includes licenses with the cogeneration of Sines.

CER's

Company	Facilities	CER's certificate held Ton/CO_2 at 01/01/2011	Purchased Ton/CO_2 certificates	Delivered Ton/CO_2 certificates	Transferred Ton/CO_2 certificates	Sold Ton/CO_2 certificates	CER's certificates held Ton/CO_2 at 31/12/2011
Petrogal	Sines refinery (a)	570,000	-	-	-	-	570,000
	Matosinhos refinery	285,000	-	-	-	-	285,000
		855,000	**-**	**-**	**-**	**-**	**855,000**
Carriço Cogeração	Cogeneration	35,000	-	-	-	-	35,000
Powercer	Cogeneration	10,000	-	-	-	-	10,000
		45,000	**-**	**-**	**-**	**-**	**45,000**
Galp Power	n.a.	-	-	-	-	-	-
		900,000	**-**	**-**	**-**	**-**	**900,000**

Held certificates and licenses

Company	Facilities	EUA's license held Ton/CO_2 at 31/12/2011	CER's held Ton/CO_2 at 31/12/2011	EUA's and CER's held Ton/CO_2 at 31/12/2011	CO_2 emissions up to December 2011 (a)	Excess/(Insufficiency) of licenses and certificates
Petrogal	Sines refinery	1,006,699	570,000	1,576,699	1,762,739	(186,040)
	Matosinhos refinery	528,054	285,000	813,054	843,929	(30,875)
		1,534,753	**855,000**	**2,389,753**	**2,606,668**	**(216,915)**
Carriço Cogeração	Cogeneration	136,219	35,000	171,219	135,485	35,734
Powercer	Cogeneration	38,697	10,000	48,697	37,030	11,667
		174,916	**45,000**	**219,916**	**172,515**	**47,401**
Galp Power	n.a.	-	-	-	-	-
		1,709,669	**900,000**	**2,609,669**	**2,779,183**	**(169,514)**

(a) CO_2 emissions values are proforma and will be subject to enviroment audits.

At 31 December 2011, Galp Power, S. A. owns 140 CO_2 Futures, maturing in December 2012. Theses CO_2 Futures represent 140.000 Ton/CO_2.

During 2011 Galp Energy group sold licences for greenhouse gas emissions (EUA), totalling some 1.350.000 Ton./CO_2. Resulting from these transactions there was a gain of MEur 14,498 booked as Operating income (note 5).

As estimated 169.514 Ton/CO_2, valued at €4,07 Ton/CO_2 the market price of CERs, for which a provision was accounted for in the amount of 883 billion Euros.
As the pro-forma values with the greenhouse gas emissions exceed the year forecasts, there was a insufficiency of licenses of MEur 883.

35 • SUBSEQUENT EVENTS

At the beginning of 2011, Galp Energia launched an operation intended to reach a capital increase in its subsidiaries Petrogal Brasil and Galp Brazil Services B. V., in order to provide them with the adequate resources to allow to face the challenges arising from the latest developments in the upstream blocks in which Petrogal Brasil participates, namely in the Santos basin.

On 11 November 2011, Galp Energia signed an investment agreement with Tiptop Energy, Ltd, company belonging to Sinopec Group, which included the terms and agreements of the investment related to the capital increase at Petrogal Brasil and at Galp Brazil Services B. V..

Following this investment agreement, the financial close was reached in March 2012, with Winland International Petroleum, SARL (W.I.P.), a subsidiary of Tiptop Energy, Ltd, holding a 30% stake and voting rights in each of the above mentioned subsidiaries. The capital increase in the mentioned companies amounted to US$ 4,797,528,044.74 (four thousand, seven hundred and ninety seven million, five hundred and twenty eight thousand, and forty four U.S. dollars and seventy four cents) fully paid by W.I.P. on the above mentioned date. According to the investment agreement WIP has subscribed to 30% of the loans previously issued by Galp Energia to Petrogal Brasil, which allowed Galp Energia to reimburse the loan in the amount of US$358,873,000.00 (three hundred and fifty eight million, eight hundred and seventy three thousand U.S. dollars.

As a result of this transaction Galp Energia had a cash in of US$ 5,156,401,044.74 (five thousand, one hundred and fifty six million, four hundred and one thousand, and forty four U.S. dollars and seventy four cents) and kept control of its subsidiaries, with a 70% stake, and still consolidating them under the full consolidation method.

To analyze the impact of these transaction non-audit *pro forma* accounts were prepared as of 31 December 2011. If the transaction had occurred on that date the total cash in would amount to 5,069 million dollars. Deducting form this amount a credit to Sinopec, in the amount of 1,229 million dollars, the impact on the debt figures in euros, using the exchange rate of 31 December of 2011 and deducting the transaction costs, would have been 2,961 million euros.

As a result, based on the non-audited *pro forma* accounts, and if the transaction had occurred on 31 December 2011, the group's net debt of 3,504 million euros, would have been 543 million euros.

36 • APPROVAL OF THE FINANCIAL STATEMENTS

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

However, they are still subject to approval by the General Meeting of Shareholders, under the commercial code in force in Portugal. The Board of Directors believes that these financial statements fairly reflect the company's operations, financial performance and cash flows.

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

6.4 Reports and opinions

Auditors' report for stock exchance regulatory purposes on the consolidated financial statements

(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 consolidated Directors' Report and in the attached consolidated financial statements of Galp Energia, SGPS, S. A., comprising the consolidated statement of financial position as at December, 31, 2011 (which shows total assets of thousand Euro 10.155.417 and total shareholder's equity of thousand Euro 2.941.455 including non-controlling interests of thousand Euro 55.972 and a net profit of thousand Euro 432.682), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows 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 consolidated Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated 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 appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

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 consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5. Our audit also covered the verification that the information included in the consolidated 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 consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S. A. as at December, 31, 2011, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated 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 consolidated Directors' Report is consistent with the consolidated 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 of the consolidated financial statements

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S. A. (the "Company") for the fiscal year 2011, comprising the consolidated statement of financial position as of December 31, 2011 (which reflect total assets of 10.155.417 thousand Euros and a shareholders' equity of 2.941.455 thousand Euros, including a net income attributable to the equity holders of the parent and recognised in the consolidated income statement of 432.682 thousand euros and a total of non-controlling interests of 55.972 thousand Euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows, for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control, as well as for the disclosure of any relevant facts that have influenced the operations, the financial position or the results of operations of the companies included in the consolidation perimeter.

3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

Scope

4. Our audit was performed 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 consolidated 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 consolidated financial statements, the checking of the consolidation procedures, and that the financial statements of the companies included in the consolidation have been properly examined, assessment of the adequacy and consistency of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the consolidated financial statements, and evaluation of the overall adequacy of the presentation of the consolidated financial statements.

5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the consolidated 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 consolidated financial statements mentioned above, present fairly, in all material respects, the consolidated financial position of Galp Energia, SGPS, S. A. and subsidiaries as of December 31, 2011, and of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRSs"), as adopted in the European Union, applied on a consistent basis with the previous year.

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 consolidated financial statements and 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

Statement of compliance by the board of directors

According to article 245, first paragraph c) of the Securities Code.

The board of directors declares that, to the best of their knowledge, the information mentioned in article 245, first paragraph a), of the Securities Code for the separate and consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, (ii) includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole and (iii) includes an accurate description of the principal risks faced by Galp Energia's operations.

The board of directors

Chairman
Francisco Luís Murteira Nabo

Vice-chairman
Manuel Ferreira De Oliveira

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

Supervisory board's report and opinion

(Free translation from the original 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 Agria

6.5 Glossary and acronyms

Glossary

API gravity
Gravity expressed in API, defined by the American Petroleum Institute (API) as the following formula:
APIº = (141.5/g) – 131.5, where g is the density of the crude oil at 60 degrees Fahrenheit (15.6 ºC); It is used worldwide to refer to the density of crude oil: the higher the API gravity, the lighter the crude oil.

Aromatics
A group of unsaturated cyclic hydrocarbons characterised by having at least one benzene ring and known as aromatics for their distinctive sweet odour. Common aromatics include benzene, toluene and xylene.

Atmospheric distillation
Crude oil distillation at atmospheric pressure. Through this process, oil components are separated into fractions such as light gasoline, heavy gasoline, gas oil and heavy products. After receiving adequate treatment, these fractions become the components of finished refined products.

Barrel of oil (bbl)
A unit volume measurement used for petroleum, based on the volume of one barrel, equal to 0.15891 m^3 for a crude oil barrel at 60 degrees Fahrenheit (15.6 ºC).

Barrel of oil equivalent (boe)
Is a unit of energy used in the petroleum industry, based on the approximate energy released by burning one barrel of crude oil. One barrel of oil equivalent is approximately 160 cubic meters of natural gas.

Benchmark refining margin
Also known as Rotterdam benchmark, this is the most commonly used refining margin benchmark in Europe. The refining margins are usually compared with benchmark margins for three major global refining centres. These are the US Gulf Coast (USGC), North West Europe (NWE – Rotterdam) and Singapore. In each case, they are based on a single crude oil appropriate for that region and have optimised product yields based on a generic refinery configuration (cracking, hydrocracking or coking) appropriate for that region. The margins are on a semi-variable basis, which means they are calculated after all variable costs and fixed energy costs have been deducted. The Northwest Europe Refining Margin is determined by using as a reference point the prices achieved by refinery products in the Antwerp-Rotterdam-Amsterdam region.

Biodiesel
Diesel fuel that contains components derived from raw materials such as vegetable oils and animal fat.

Biofuel
Fuel, liquid or gaseous, produced from a renewable source, particularly vegetable organic matter, and which is used in transportation vehicles so to reduce CO2 emissions to the atmosphere.

Bitumen
A solid, semi-solid or viscous mixture of hydrocarbons, obtained by primary distillation of crude oil or as a product of residual vacuum distillation. It is waterproof and sticky and is primarily used for paving roads, though it also has industrial uses.

Brent
A light North Sea crude oil that incorporates, since July 2006, Forties and Oseberg grades. This basket of crudes has an average API of 38.90.

CO_2
Carbon dioxide, a colourless gas, heavier than air, and one of its natural components. It is produced through natural processes such as the carbon cycle and by the combustion of fossil fuels.

Cogeneration
A generation technique for combined electricity and heat production. The advantage of cogeneration is the ability to capture the heat produced by the fuel which is lost in traditional electricity generation. This process also allows the same facility to meet the heating (hot water or steam) and electricity needs of both industrial and local authority customers. This system improves the energy efficiency of the generation process and reduces fuel use.

Commodity
A largely homogeneous product, produced in large quantities by many different producers, where items from different producers are considered interchangeable and of more or less undifferentiated quality. Oil, cereals and metals are examples of commodities.

Complexity
A relative measure used in the refining industry that is intended to measure a refinery's capacity to process heavier crude oil and with higher sulphur content, into value added products. Usually, the higher the complexity and the flexibility to process of several types of raw materials, the better positioned is the refinery to take advantage of different types of crude, which in a certain moment are more attractive in cost terms and thus take advantage of refining margin upside opportunities.

Complexity index
A refinery's complexity is measured by a 'complexity index' which is separately calculated by different industry organizations, among them energy consultants Solomon Associates and Nelson. A refinery's complexity index is calculated by assigning a complexity factor to each of the refinery's units, based primarily on the level of technology used in the unit's construction and taking as a reference point a primary crude-oil distillation plant to which is attributed a complexity factor of 1.0. Each unit's complexity index is calculated by multiplying the unit's complexity factor by the unit's capacity. A refinery's complexity is equal to the weighted average of the complexity indices of all units including the distillation unit. A refinery with a complexity index of 10.0 is considered 10 times more complex than a refinery equipped only with atmospheric distillation for the same amount of throughput.

Condensates
Liquid hydrocarbons found at the surface which may also, under normal temperatures and atmospheric conditions, be recovered from natural gas reservoirs. Condensates are mainly composed of pentane and other heavier products.

Contingent resources
These are quantities of petroleum that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons, for example: maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested in order to produce the volumes commercially); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the higher estimate (best estimate), while 3C contingent resources correspond to the highest estimate (high estimate), thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

Crack spread
The difference between the price of the final oil product and the price of crude oil.

Cracking
The refining process of breaking down larger, heavier, lower-value and more complex hydrocarbon molecules into simpler, lighter and higher-value molecules. Cracking is carried out either at high temperatures and pressures (thermal cracking) or with the aid of a catalyst (catalytic cracking), which enables, at the same temperatures, a deeper and more precise conversion of heavier fractions.

Dated Brent
The price for prompt shipments of Brent crude as reported by price agencies. It is the price benchmark for the vast majority of crude oils sold in Europe, Africa and the Middle East and one of the most important benchmarks for spot market prices.

Diesel
A blend of hydrocarbons used as a fuel for ignition by compression engines “Diesel cycle”. Its characteristics, such as its behaviour in low temperatures, vary greatly between those regions or countries where it is used.

Distillates
Any petroleum product produced by the distillation of crude oil.

Distillation
A method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may take place under atmospheric pressure or in a vacuum, depending on what products are desired.

Emissions
The release of gases into the atmosphere. In the context of global climate change, they include potentially climate-changing greenhouse gases such as carbon dioxide released during fuel combustion.

Exploration resources
Quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect’s resources is subject to both commercial and technological uncertainties. Mean estimate risked exploration resources have implied a higher recoverable probability than mean estimate unrisked. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Free float
The percentage of the shares in a listed company that are freely traded on the market – i.e. those not held by strategic investors.

Fuel oil
A blend of hydrocarbons mainly used for heat production in thermal installations. There are several types of fuel oil with different viscosity levels that limit the uses of each type.

Gasoline
Fuel for internal combustion engines in automobiles that use the Otto cycle. It must comply with specifications regarding its physical and chemical characteristics, the most important of which is resistance to self-inflammation.

Generation
The process of producing electric energy by transforming other forms of energy. The amount of energy can be expressed in joules, kilowatt-hours, calories or British thermal units; all these units can be applied to all kinds of energy irrespective of their source.

Hydrant
For aircrafts’ supply it is necessary specific equipment, which are called aircraft supply units. Between these units there is the car tank and the hydrant server. The hydrant server is a vehicle which has a supply module, with equipments to transfer, filter and measure the volumes of fuel between the hydrant network and the aircraft.

Hydrocracking
A cracking process that uses hydrogen in the presence of a catalyst to convert heavier fractions of hydrocarbons with higher boiling points and less value into lighter and more valuable fractions. The presence of hydrogen allows the fractions to operate more selectively and at lower temperatures, thus yielding higher returns. The products resulting from this process are saturated compounds with significant stability characteristics.

Hydroskimming
Is one of the simplest types of refineries, which are equipped with atmospheric distillation units, naphtha reforming and other treating units. Simple hydroskimming refineries primarily carry out the distillation process, producing lower-value petroleum products than complex refineries for any given mix of crude oil feedstock.

ICE
Intercontinental Exchange, Inc., or ICE, is an American financial company that operates Internet-based marketplaces which trade futures and over-the-counter (OTC) energy and commodity contracts, as well as derivative financial products.

Jet
Fuel for jet engines used in aviation.

Liquefied natural gas (LNG)
The liquid that results when natural gas is cooled to approximately –160 ºC at atmospheric pressure. LNG’s volume is approximately 1/600 of the volume of natural gas, making it more efficient for transportation.

Liquefied petroleum gas (LPG)
A mixture of hydrocarbons that is gaseous under normal temperature and atmospheric conditions but can be liquefied by increasing the pressure or lowering the temperature for transportation and storage. The most common types are propane and butane.

Lubricants
Products obtained by blending base oils and additives into particular formulations whose form depends on their final utilisation. The proportion of additives in lubricants can reach 40%. Lubricants have three major applications: automotive, industry and marine.

Naphtha
A light fraction of refined crude oil between gases and petroleum. It is used as feedstock by the petrochemical industry, as its cracking supplies several products. It can also be used as a component in gasoline (light naphtha) or to produce reformate (heavy naphtha).

Natural gas
A naturally occurring mixture of hydrocarbon of light hydrocarbons found in the subsoil, and methane make up 70% of it by volume. The composition of natural gas changes according to the production field, the production process, the conditioning, the processing and the transportation.

Net entitlement production
The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

Offshore exploration
Crude oil exploration that takes place at sea. Offshore exploration is carried out in shallow water (less than 1,000 feet), deep water (between 1,000 and 5,000 feet) or ultra-deep water (more than 5,000 feet).

Onshore exploration
Crude oil exploration that takes place on land.

Petrochemicals
Intermediate products of oil refining which are used as feedstock for polymers and various other chemical products.

Proved reserves (1P)
Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression 'reasonable certainty' is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The definition of current economic conditions should include relevant historical petroleum prices and associated costs. In general, reserves are considered proven if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term 'proven' refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Proved and probable reserves (2P)
2P reserves correspond to the addition of proved (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, have lower probability of being recovered than the proved reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

Proved, probable and possible reserves (3P)
3P reserves correspond to the addition of proved, probable and possible reserves. Under the definition approved by the SPE and the WPC, the possible reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. The possible reserves have lower probability of being recovered than the probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Refinery
An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen, etc.) or feedstock for other industries (such as the petrochemical industry).

Regasification
Processing LNG to convert it into its natural gaseous state by thermal exchange with water or air.

Renewable energy
Energy available from natural and permanent sources that can be exploited economically in present conditions or in the near future.

Replacement cost adjusted (RCA)
In addition to using the replacement cost method, adjusted profit excludes non-recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the company's profit and do not reflect its operational performance.

Replacement cost results (RC)
As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at weighted average cost (WAC). This may, however, lead to substantial volatility in results when commodities and goods prices fluctuate sharply leading to gains or losses in inventory, which may not reflect operational performance. In this document, we call this impact the inventory effect. According to this method, the cost of goods sold is valued at replacement cost, i.e. at the average cost of the raw materials in the month when the sales were realised and irrespective of the inventories held at the start or the end of the period. The replacement cost method is not accepted by either Portuguese GAAP or IFRS and is therefore not used to value inventories. The method does not reflect the replacement cost of other assets.

Seabed coring
The process of collecting samples below the seabed to study the different layers of sediment, therefore facilitating the study of the generation, maturation and migration of hydrocarbon in a given area.

Spot market
With respect to commodities such as oil, this is a term used to describe the international trade in one-off cargoes or shipments of commodities such as crude oil in which prices closely follow demand and availability.

Take-or-pay
An obligation usually used in gas contracts which commits one party to purchase agreed quantities of gas whether delivery effectively occurs or not.

Tank farm
An installation used by trunk and gathering pipeline companies, crude oil producers and terminal operators (except refineries) to store crude and oil products.

Upgrade
Refers to the several treatments (catalytic or thermal) whose main impact is on carbon connections. It can be more or less intense depending on the conditions. This process is usually associated with the conversion of fuel oil into lighter and more valuable fractions (gasoil, gasoline and petroleum gases). These processes are increasingly important in a modern refinery.

Utilisation rate
The ratio of the total amount of crude oil processed through crude oil distillation units compared to the operable capacity of these units.

Vacuum distillation
A distillation process that takes place at lower than atmospheric pressure. The residue (heavier fractions) of the atmospheric distillation is subject to vacuum distillation to separate it without causing the residue to decompose by lowering the pressure and consequently its boiling point. It is used, for example, in the production of base oils.

Visbreaker
Unit that reduces the amount of residue produced through viscosity reduction (visbreaking). This process is a low severe cracking of the distillation residue, or sometimes heavy gasoils, the purpose of which is to reduce viscosity through the destruction of the heavier molecules. This process occurs in the absence of catalysts.

Wind farm
A group of wind turbines interconnected to a common utility system through a system of transformers, distribution lines and (usually) one substation. Operation, control and maintenance functions are often centralised through a network of computerised monitoring systems, supplemented by visual inspection.

Wind power
The kinetic energy present in wind motion, which can be converted into mechanical energy for driving pumps, mills and electric power generators.

Working interest production
The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Acronyms

ADR: acquire reservoir data.
AGU: autonomous gas units.
Amorim Energia: Amorim Energia, B. V.
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazilian national agency for oil, natural gas and biofuels).
API: American Petroleum Institute.
BAT: best available techniques.
bbl: barrel of oil.
BBLT: Benguela-Belize-Lobito-Tomboco.
bcm: billion cubic metres.
BG Group: BG Group, plc.
boe: barrel of oil equivalent.
BP: BP, plc.
C&L: consumptions and losses.
CCGT: combined cycle gas turbine.
CEO: chief executive officer.
CFO: chief financial officer.
CGD: Caixa Geral de Depósitos, S. A.
CIZ: common-interest zone.
CMVM: Comissão do Mercado de Valores Mobiliários (Portuguese securities market commission).
CO_2: carbon dioxide.
CONCAWE: Conservation of Clean Air and Water in Europe.
COSO: Committee of Sponsoring Organizations of the Treadway Commission.
CPT: compliant piled tower.
DD&A: depletion, depreciation and amortisation.
DeMac: DeGolyer and MacNaughton.
E&P: Exploration & Production.
Ebitda: earnings before interest, taxes, depreciation and amortisation.
ECB: European Central Bank.
EIA: Energy Information Administration.
EMPL: Europe Magrebe Pipeline.
EngIQ: Refinery Engineering, Petrochemistry and Chemistry.
Eni: Eni, S. p. A.
EPS: earnings per share.
ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator).
EU: European Union.
EU ETS: European Union Emissions Trading Scheme.
EUR (or €): euro.
EWT: extended well test.
FAME: fatty acid methyl ester.
FEED: front-end engineering and design.
FLNG: floating liquefied natural gas.
Foundation: Fundação Galp Energia.
FPSO: floating, production, storage and offloading.
G&P: Gas & Power.
Galp Energia: Galp Energia, SGPS, S. A., the Company, the Group.
GHG: greenhouse gases.
GDP: gross domestic product.
GSE: Galp Soluções de Energia.
GWh: gigawatt per hour.
HSE: health, safety and environment.
ICE: Intercontinental Exchange.
IFRS: International Financial Reporting Standards.
IMF: International Monetary Fund.
LNG: liquefied natural gas.
LPG: liquefied petroleum gas.
LTIFR: lost time injury frequency rate.
kbbl: thousand barrels.
kboepd: thousand barrels of oil equivalent per day.
kbopd: thousand barrels per day.
km: kilometres.
kton: thousand tonnes.
kW: kilowatt.
M€: millions of euros.
m^3: cubic metres.
Mbbl: million barrels.
Mboe: million barrels of oil equivalent.
Mboepd: million barrels of oil equivalent per day.
Mbopd: million barrels of oil per day.
MIBEL: Mercado Ibérico de Electricidade.
Mm^3: million cubic metres.
Mton: million tonnes.
MW: megawatt.
NE: North East.
NERCHA: National Emergency Response Council on HIV and Aids.
NLNG: Nigeria LNG.
NWE: North West Europe.
NYSE: New York Stock Exchange.
OECD: Organisation for Economic Co-operation and Development.
OMEL: Operador del Mercado Ibérico de Energía (Polo Español), S. A.
OMIP: Operador do Mercado Ibérico de Energia (Pólo Português), S. A.
OMV: OMV Aktiengesellschaft.
OPEC: Organisation of Petroleum-Exporting Countries.
Opex: operating expenditures.
OROC: Ordem dos Revisores Oficiais de Contas.
OTC: over-the-counter.
p. p.: percentage point.
PDVSA: Petróleos de Venezuela, S. A.
Petrobras: Petróleo Brasileiro S. A.
PSA: production-sharing agreement.
Q2C: white fuel quality guarantee.
R&M: Refining & Marketing.
RC: replacement cost.
RCA: replacement cost adjusted.
RCM: reliability Centred Maintenance.
RED: Renewable Energy Directive.
Repsol: Repsol YPF, S. A.
ROC: *revisor oficial de contas* (statutory auditor).
Shell: Royal Dutch Shell, plc.
SPE: Society of Petroleum Engineers.
SQ2C: management system that guarantees the quality of white fuel.
SROC: firm of statutory auditors.
SXXP: Dow Jones STOXX 600.
SXEP: Dow Jones Europe STOXX Oil & Gas Index.
Tcf: trillion cubic feet.
TL: Tômbua-Lândana.
ton: tonne.
Total: Total S. A.
USA: United States of America.
USD: US dollar.
USGC: US Golf Coast.
V: volt.
VGO: vacuum gas oil.
WAC: weighted average cost.
WAG: water-alternating-gas.
WPC: World Petroleum Council.

DISCLAIMER

This Annual Report & Accounts contains forward-looking statements about the activities and results of Galp Energia as well as some Company plans and objectives. The terms "anticipates", "believes", "estimates", "expects", "predicts", "aims", "plans" and other similar ones aim to identify such forward-looking statements. As a result of their nature, forward-looking statements involve risks and uncertainties as they are associated with events and circumstances that may occur in the future. Real outcomes and developments may as a result of several factors differ significantly from outcomes, either express or implicit, in the statements. These include but are not limited to changes in costs, economic conditions or regulatory framework.

Forward-looking statements only refer to the date when they were made and Galp Energia has no obligation to update them in the light of new data or future developments or otherwise explain the reasons actual outcomes are possibly different.

EDITION

galp energia

TRANSLATION

[S]
SINÓPTICA

REVISION

Letrário
Consultoria em Língua Portuguesa

ALL UNCREDITED PHOTOS

Manuel Aguiar and Image Bank

DESIGN AND CONCEPTION

STRAT

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