



EXTENDING INDIVIDUAL ACCOUNTS REPORT SUCCESS INTO NEW CHALLENGES

GALP ENERGIA

2010



GALP ENERGIA

INDIVIDUAL ACCOUNTS REPORT **2010**

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GALP ENERGIA SGPS, S.A.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2010 AND 2009

(Amounts stated in thousands of Euros - tEuros)

(Translation of statements of financial position originally issued in Portuguese - Note 38)

Assets	Notes	2010	2009
Non-current assets:			
Tangible assets	12	9	14
Intangible assets	12	-	-
Investments in associates and jointly controlled entities	4	1,196,626	1,167,787
Investments in other companies	4	153	438
Other receivables	14	2,850,635	1,387,645
Deferred tax assets	9	206	221
Other investments	17	702	-
Total non-current assets:		4,048,331	2,556,105
Current assets:			
Trade receivables	15	4,836	1,018
Other receivables	14	187,461	464,963
Current income tax recoverable	9	50,654	26,289
Cash and cash equivalents	18	434	43,797
Total current assets:		243,385	536,067
Total assets:		4,291,716	3,092,172
Equity and Liabilities			
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Other reserves	20	193,827	193,827
Retained earnings		402,185	72,036
Interim dividend	30	(49,755)	(49,755)
Net profit for the year		355,147	495,999
Total equity:		1,812,661	1,623,364
Liabilities:			
Non-current liabilities:			
Bank loans	22	851,319	505,036
Bonds	22	1,000,000	700,000
Provisions	25	7,087	3,716
Total non-current liabilities:		1,858,406	1,208,752
Current liabilities:			
Bank loans and overdrafts	22	229,707	3,269
Trade payables	26	352	457
Other payables	24	337,562	228,080
Current income tax payable	9	53,028	28,250
Total current liabilities		620,649	260,056
Total liabilities:		2,479,055	1,468,808
Total equity and liabilities:		4,291,716	3,092,172

The accompanying notes form an integral part of the statement of financial position as of 31 December 2010.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

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

GALP ENERGIA SGPS, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Amounts stated in thousands of Euros - tEuros)

(Translation of income statements originally issued in Portuguese - Note 38)

	Notes	2010	2009
Operating income:			
Services rendered	5	7,381	7,937
Other operating income	5	2,544	769
Total operating income		9,925	8,706
Operating costs:			
External supplies and services	6	(8,491)	(6,726)
Employee costs	6	(5,033)	(4,821)
Amortisation, depreciation and impairment loss on tangible assets	6	(5)	(12)
Provision and impairment loss on receivables	6	(3,365)	(855)
Other operating costs	6	(808)	(1,189)
Total operating costs		(17,703)	(13,603)
Operating profit (loss):			
Financial income	8	92,111	59,039
Financial costs	8	(74,094)	(60,799)
Exchange gain (loss)		(43)	-
Share of results of investments in associates and jointly controlled entities	4	348,803	501,420
Income (cost) on financial instruments	27	702	-
Profit before income tax		359,702	494,763
Income tax	9	(4,555)	1,236
Profit before non-controlling interest		355,147	495,999
Net profit	10	355,147	495,999
Earnings per share (in Euros)	10	0.43€	0.60€

The accompanying notes form an integral part of the income statement for the year ended 31 December 2010.

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GALP ENERGIA, SGPS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Amounts stated in thousands of Euros - tEuros)

(Translation of statements of changes in equity originally issued in Portuguese - Note 38)

Changes in the period	Notes	Share capital	Share premium	Other reserves (Note 20)	Retained earnings	Interim dividend (Note 30)	Net profit for the year	Total
Balance as of 1 January 2009		829,251	82,006	174,944	(421,537)	(124,095)	777,816	1,318,385
Net profit for the period	10	-	-	-	-	-	495,999	495,999
Other gains and losses recognised in Equity		-	-	-	-	-	-	-
Comprehensive income for the period		-	-	-	-	-	495,999	495,999
Dividends distributed		-	-	-	(265,360)	124,095	-	(141,265)
Appropriation of profit to reserves		-	-	18,883	758,933	(49,755)	(777,816)	(49,755)
Balance as of 31 December 2009		829,251	82,006	193,827	72,036	(49,755)	495,999	1,623,364
Balance as of 31 December 2009		829,251	82,006	193,827	72,036	(49,755)	495,999	1,623,364
Net profit for the period	10	-	-	-	-	-	355,147	355,147
Other gains and losses recognised in Equity		-	-	-	-	-	-	-
Comprehensive income for the period		-	-	-	-	-	355,147	355,147
Dividends distributed	30	-	-	-	(165,850)	49,755	-	(116,095)
Appropriation of profit to reserves		-	-	-	495,999	(49,755)	(495,999)	(49,755)
Balance as of 31 December 2010		829,251	82,006	193,827	402,185	(49,755)	355,147	1,812,661

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2010.

THE ACCOUNTANT

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GALP ENERGIA, SGPS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Amounts stated in thousands of Euros - tEuros)

(Translation of cash flow statements originally issued in Portuguese - Note 38)

	Notes	2010	2009
Operating activities:			
Cash receipts from trade receivables		10,634	11,299
Cash paid to trade payables		(13,100)	(9,089)
Cash paid to employees		(2,467)	(4,541)
Cash (paid)/received relating to income tax		(5,470)	67,442
Other (payments)/receipts relating to operating activities		(744)	(4,807)
Net cash provided by (used in) operating activities (1)		(11,147)	60,303
Investing activities:			
Cash receipts relating to:			
Investments	4	1,035	-
Interest and similar income		71,401	21,391
Dividends	4	348,764	501,409
Loans Granted		26,250	603,457
		447,450	1,126,257
Cash payments relating to:			
Investments		(29,550)	(1,154)
Loans Granted		(1,461,080)	(1,005,711)
		(1,490,630)	(1,006,865)
Net cash provided by (used in) investing activities (2)		(1,043,180)	119,392
Financing activities:			
Cash receipts relating to:			
Loans obtained		1,212,725	742,045
Cash payments relating to:			
Loans obtained		(41,500)	(428,165)
Interest and similar costs		(70,098)	(52,219)
Dividends	30	(165,850)	(191,021)
		(277,448)	(671,405)
Net cash provided by (used in) financing activities (3)		935,277	70,640
Net increase (decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(119,050)	250,335
Cash and cash equivalents at the beginning of the year	18	43,493	(206,842)
Cash and cash equivalents at the end of the year	18	(75,557)	43,493

The accompanying notes form an integral part of the statement of cash flow for the year ended 31 December 2010.

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STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Amounts stated in thousands of Euros - tEuros)

(Translation of statements of financial position originally issued in Portuguese - Note 38)

	Notes	2010	2009
Net profit for the year	10	355,147	495,999
Other gains and losses recognised in Equity net of income tax expense		-	-
Consolidated gains and losses recognised in Equity		355,147	495,999

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2010.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

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GALP ENERGIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

(Amounts stated in thousands of Euros - tEuros)

(Translation of notes originally issued in Portuguese – Note 38)

1. INTRODUCTION

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

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

The Company shareholder position as of 31 December 2010 is stated in Note 19.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation

Galp Energia's financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value from the accounting records of the company, maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the years beginning 1 January 2010. 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 IAS/IFRS.

Despite the fact that the separate financial statements as of 31 December 2008 and 2009 approved in the shareholder's general meeting were prepared according to the former generally accepted accounting principles in Portugal (POC), the Company presents for the first time in the year ended 31 December 2010, separate financial statements prepared in accordance with International Financial Reporting Standards, having observed IFRS 1 - First Application of International Financial Reporting Standards ("IFRS 1") requirements in the preparation of the annexed financial statements.

According to IFRS 1, the statement of the financial position as of 31 December 2009, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement as of 31 December 2009 presented for comparative purposes were restated in order to conform with IAS/IFRS. The effects of the adjustments in the transition to IFRS were reported as of 1 January 2004 (transition date) and are explained in Note 36.

That Note also discloses the effects of transition to IFRS as 31 December 2008 and 2009, since the financial statements approved in the Shareholders general meeting were presented according to POC.

The standards "IAS/IFRS" approved and published in the Official Journal of the European Union ("OJEU") during 2010 applicable to subsequent years are as follows:

Standards and Interpretations applicable to future period's, if applicable:

Standard	Publication date in OJEU	Date of accounting application	Application period	Comments
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 IFRS 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 disclosures for first-time adopters	July 1, 2010	after June 30, 2010	2011	Not applicable

The standards "IAS/IFRS" approved and published in the Official Journal of the European Union ("OJEU") applicable to 2010 and to subsequent years are as follows:

Standards and Interpretations adopted, if applicable:

Standard	Publication date in OJEU	Date of accounting application	Application period	Comments
Revision IFRS 1 First-time Adoption of international Financial Reporting Standards	June 24, 2010	after December 31, 2009	2010	Not applicable
Amendments to IFRS 2 Share-based Payment	March 24, 2010	after December 31, 2009	2010	Not applicable
Improvements to International Financial Reporting Standards	March 24, 2010	after December 31, 2009	2010	No accounting impacts are expected
Amendments to IAS 32 Financial Instruments: Presentation	December 24, 2009	February 1, 2010	2010	No accounting impacts are expected
IFRIC 18 Transfers of Assets from Costumers	December 1, 2009	October 31, 2009	2010	No accounting impacts are expected
IFRIC 17 Distributions of Non-cash Assets to Owners	November 27, 2009	October 31, 2009	2010	No accounting impacts are expected
Revision IFRS 1 First-time Adoption of international Financial Reporting Standards	November 26, 2009	December 31, 2009	2010	Not applicable
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	September 16, 2009	June 30, 2009	2010	No accounting impacts are expected
IFRIC 15 Agreements for the Construction of Real Estate	July 23, 2009	December 31, 2009	2010	No accounting impacts are expected
Revision IFRS 3 Business Combinations	June 12, 2009	June 30, 2009	2010	Impacts expected if new business are combined in the future.
Amendments to IAS 27 Consolidated and Separate Financial Statements	June 12, 2009	June 30, 2009	2010	Impacts expected if there are change in control or investments in the future.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	June 5, 2009	June 30, 2009	2010	No accounting impacts are expected
IFRIC 12 Service Concession Arrangements	March 26, 2009	March 29, 2009	2010	Impacts restated in Note 2.23

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

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

The main accounting principles considered by the Company in the preparation of its separate financial statements are stated below. During the year ended on 31 December 2010 there were no significant changes in accounting principles applied compared to those considered in the preparation of financial information for the previous years. In addition the company did not record material errors concerning previous years.

The financial statements presented refer to the Company separate financial statements and were prepared according to the legal terms approved by the shareholders general meeting, considering that investments are recorded by its acquisition cost as explained in note 2.10. a).

The Company will prepare and separately present consolidated financial statements including the financial statements of the companies it controls.

Therefore, equity at 31 December 2010 and net profit for the year then ended included in these separate financial statements reflect the effect of consolidating equity and the results of the subsidiary and associated companies based on their financial statements. However, these financial statements do not reflect the effect of a full consolidation of assets, liabilities, costs and income.

2.2. Investments in subsidiaries

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

The investments in subsidiaries are presented in Note 4.

2.3. Tangible Assets

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

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

The average depreciation rates used were as follow:

	Years
Administrative equipment	5 to 8
Other tangible assets	8

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

2.4. Intangible assets

Intangible assets are stated at cost net of accumulated amortisation and impairment losses. Intangible assets are only recognised if it is probable that they will result in future economic benefits to the Company, they are controlled and can be reliably measured.

Depreciation rates changes according to the existence of arrangements or the expected useful life of the intangible asset and were the following:

	Years
Industrial property and other rights	3

2.5. Impairment of non-current assets, except goodwill

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

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

Impairment losses recognised in earlier 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 recognised in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption "Amortisation, depreciation and impairment loss of tangible assets". However, impairment losses are only reversed up to the amount the asset would be recorded (net of amortisation or depreciation) if the impairment loss had not been recorded in an earlier period.

2.6. Provisions

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

During the year ended on 31 December 2010 there were no transactions that should be classified as restructuring provisions.

2.7. Foreign currency balances and transactions

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

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

2.8. Income and accruals basis

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

The "Other current assets" and "Other current liabilities" captions include the costs and income from the current period and whose 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 charged to results on the respective periods.

2.9. Financial costs on loans obtained

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

2.10. Income tax

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

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

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

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each balance sheet date in order to recognise deferred tax assets not recorded previously due to not fulfilling the conditions needed for them to be recorded and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery.

2.11. Financial instruments

Financial assets and liabilities are recognised on the statement of cash flows when the Group becomes a contractual party to the financial instrument.

a) Investments

Investments are classified as follows:

- Investments at fair value through profit and loss.

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

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

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

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

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

b) Receivables

Receivables are recognised at their nominal value. In the end of each reporting period this amount is stated at its value deducted of impairment losses and recognised in the caption "Impairment of receivables", so that they are reflected to their net realisable value.

Receivables 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 at their nominal amount received, net of costs to issue the loans.

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

Financial costs include interest and any origination fees incurred relating to project finance.

e) Trade and other payables

Payables do not bear interest and are recognised at their nominal value.

f) Derivatives Instruments

Hedge accounting

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

Derivative instruments used by the Company to hedge cash flows correspond mainly 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 so they correspond to perfect hedges. Derivatives are recorded at fair value through profit and loss. Whenever the hedged item is not measured at fair value (namely, borrowings measured at amortized cost), the effective hedge is adjusted in the carrying amount of the hedged item through profit and loss.

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

- The hedge is expected to be very effective in offsetting the changes in the cash flow of the risk hedged;
- 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 recorded at cost, if any, and subsequently revalued to fair value, calculated by independent external entities using generally accepted valuation methods (such as "Discounted Cash-flows", among others, depending on the type and nature of the derivative financial derivative). Changes in fair value of these instruments are recognised in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects results.

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

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

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

g) Cash and cash equivalents

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

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

2.12. Statement of the financial position classification

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

2.13. Subsequent events

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

2.14. 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 recognised each year. The actual results could be different depending on the estimates made.

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

Provisions for contingencies

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

2.15. Risk management and hedging

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

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

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

During the year ended on 31 December 2010 only material changes required by IFRS 7 - Financial Instruments were disclosed.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

Not applicable.

4. INVESTMENTS IN ASSOCIATES

4.1. Investments in subsidiaries

Investments in subsidiaries as of 31 December 2010 and 2009 are as follows:

Company	Head Office		Percentage interest held		Main Activity	Acquisition cost	
	City	Country	2010	2009		2010	2009
Galp Energia, S.A.	Lisbon	Portugal	100.00%	100.00%	Business management and consultancy services.	6,154	6,154
Galp Energia E&P B.V.	Amsterdam	Netherlands	100.00%	100.00%	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.	29,568	18
Next Priority SGPS, S.A.	Lisbon	Portugal	100.00%	100.00%	Management of equity participations.	50	50
Petróleos de Portugal - Petrogal, S.A.	Lisbon	Portugal	100.00%	100.00%	Refining of crude oil and derivatives; Transport, distribution and commercialization of crude oil and derivatives and natural gas; and any other industrial, commercial, research and related services.	803,556	804,267
GDP - Gás de Portugal, SGPS, S.A.	Lisbon	Portugal	100.00%	100.00%	Management of equity investments.	344,922	344,922
Galp Power, SGPS, S.A.	Lisbon	Portugal	100.00%	100.00%	Management of equity investments as an indirect way of exercising business activities.	12,376	12,376
						1,196,626	1,167,787

As of 5 August 2010 the subsidiary Petróleos de Portugal - Petrogal SA experienced a spin-off to detach the independent economic unit corresponding to the Parque de Aveiro to form a new company called SGPPAMAG - Sociedade de Granéis Parque Aveiro, Movimentação e Armazenagem de Granéis, S.A. ("SGPPAMAG").

Petróleos de Portugal - Petrogal, S.A., share capital has not decreased, the share capital of SGPPAMAG - Sociedade de Granéis Parque Aveiro, Movimentação e Armazenagem de Granéis, S.A. was fully paid in specimen through the transfer of that economic unit of Parque de Aveiro at the book value, tEuros 711. The investment in SGPPAMAG - Sociedade de Granéis Parque Aveiro, Movimentação e Armazenagem de Granéis, S.A., has been given to the shareholder of Petróleos de Portugal - Petrogal, S.A (Galp Energia, SGPS, S.A.).

On August 26, 2010, Galp Energia, SGPS, S.A., sold 100% share in SGPPAMAG - Sociedade de Granéis Parque Aveiro, Movimentação e Armazenagem de Granéis, S.A. to CUF Group, by the amount of tEuros 750, thus generating a gain amounting to tEuros 39.

During the year ended 31 December 2010 and 2009, the subsidiaries approved the distribution of tEuros 348,764 and tEuros of 501,420 which are reflected in the financial statements of the Company's in each one of those years.

During the year ended 31 December 2010, changes in share of results of investments in subsidiaries and jointly controlled entities were as follows:

Dividends received	348,764
Capital gains on sales of investments and subsidiaries	39
	348,803

4.2. Investments in associates and jointly controlled entities

Participations in associates and jointly controlled entities as of 31 December 2010 and 2009 were as follows:

Company	Head Office		Percentage of interest held		Acquisition cost	
	City	Country	2010	2009	2010	2009
Adene - Agência para a Energia, S.A.	Lisbon	Portugal	10.98%	10.98%	114	114
OEINERGE - Agência Municipal de Energia e Ambiente	Oeiras	Portugal	1.45%	1.45%	1	1
Central E, S.A.	Lisbon	Portugal	0.70%	0.70%	2	2
ENACOL - Empresa Nacional de Combustíveis, Lda.	Cape Verde		-	0.71%	-	285
Omegas - Sociedade D'Etude du Gazoduc Magreb - Europe	Morocco		-	5.00%	35	35
Galp Swazilândia	Swaziland		-	-	1	1
Galp Gâmbia	Gambia		-	-	-	-
					153	438

During 2010, the Company sold to the subsidiary Petróleos de Portugal-Petrogal S.A., the investment of 0.7% held in ENACOL-Empresa Nacional de Combustíveis, Lda. for tEuros 285.

5. OPERATING INCOME

The operating income of the company for the year ended 31 December 2010 and 2009 were as follows:

Captions	2010	2009
Services rendered	7,381	7,937
Other operating income:		
Supplementary income	2,544	661
Other	-	108
	2,544	769
	9,925	8,706

The services rendered in the amount of tEuros 7,381, respect essentially to management services provided to other group companies.

The supplementary income includes essentially the assignment of costs taken on behalf of associate companies.

The services rendered by the company in 2010 and 2009 were distributed as follows by geographical market:

	2010	2009
Domestic market	6,881	7,937
Foreign market	500	-
	7,381	7,937

6. OPERATING COSTS

The net profit of the years ended 31 December 2010 and 2009 was affected by the following operating costs:

Captions	2010	2009
External supplies and services:		
Other specialized services	6,331	5,122
Studies and projects	701	93
Travel and accommodation	342	423
Rents	238	181
Insurance	231	245
Other costs	120	109
Fuel	93	80
Legal services	74	119
Communication	70	63
Representation costs	59	41
Gifts	58	22
IT services	49	58
Advertising and publicity	35	-
Marketing and communication	34	91
Fees	20	17
Office supplies	20	22
Maintenance and repais	9	25
Litigation and Notaries	4	12
Tools and utensils	1	1
Books and technical documentation	1	1
Cleaning services, hygiene and comfort	1	-
	8,491	6,726
Employee costs:		
Remuneration of statutory board members (Note 29)	4,018	3,846
Remuneration of personnel	743	669
Social charges	130	130
Retirement benefits - pensions and insurance (Note 24)	2	2
Other insurance	97	149
Other costs	43	25
	5,033	4,821
Amortization and depreciation:		
Depreciation of tangible assets (Note 12)	5	12
Provisions and impairment of receivables:		
Provisions and reversals (Note 25)	3,365	855
Other operating costs:		
Other taxes	514	929
Loss on tangible assets	-	15
Other operating costs	294	245
	808	1,189
	17,702	13,603

Other specialized services contain essentially remuneration costs of the corporate boards members (Note 29) and corporate services, including accounting services, personnel management, general services, financial services and audit invoiced by the subsidiary Galp Energia SA (Note 28).

7. SEGMENT REPORTING

Not applicable.

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2010 and 2009 are made up as follows:

Financial income and costs	2010	2009
Financial income:		
Interest - related parties (Note 28)	88,140	49,565
Interest - other	158	24
Other financial income	3,813	9,450
	92,111	59,039
Financial costs:		
Interest - related parties (Note 28)	749	1,704
Interest - other	63,742	45,302
Commissions	4,692	3,392
Other financial costs	4,911	10,401
	74,094	60,799

9. INCOME TAX

The company and several of its subsidiaries 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.

However, estimated income tax of the Company and its subsidiaries is recorded based on their tax results which, for the year ended in 31 December 2010, amounted to an account payable and receivable of tEuros 40,025 and tEuros 18,572 tEuros (Note 28), respectively.

Nevertheless the estimated income tax of the Company is recorded based on its tax results which, for the year ended 31 December 2010, amounted to an income tax payable of tEuros 4,208.

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

- (i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (Social Security can be reviewed for ten years up to 2010 and five years after 2001), 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) During 2001 to 2010, the subsidiary Petrogal, S.A. had several inspections by the tax authorities relating 1997 to 2007, which in accordance with the Company assessment are following its normal course. Paragraphs v) and x) below detail the open inspections;
- (iii) During 2009, the tax authorities concluded the inspection to 2005 and 2006 Galp Energia, SGPS, S.A. and 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 2007 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 2010 and 2009;
- (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 presented in the appeals are 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 2010 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);
- (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 the year then ended;
- (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 and 2006 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. The Company, supported on its legal and tax consultants has contested the assessment, since it does not agree with the fiscal authorities understanding that the sale of part of the investments in associates where the investment of previous years gains was made is a condition for the taxation of the total amount of the gains deferred. At 31 December 2010 the Group financial statements do not include any provision for this contingency;
- (ix) Additionally, 2006 and 2007 Petrogal S.A. income tax return inspections in the year ended December 31, 2010, resulted in an additional assessment of tEuros 479 and tEuros 190, respectively. Since the company disagrees the assessment it has partially contested it, and the amounts of tEuros 304 regarding 2006 and tEuros 87 regarding 2007 weren't paid up. Regarding these amounts the company contested or will contest the assessments;

(x) The subsidiary Petrogal, S.A. as result of an inspection process during 2009, had a correction of tEuros 4,577 in VAT. Given the fact that the correction shall comply with a purely formal aspect, the Company believes that the above amount will be not owed, provided that the formalities required, which have already been fulfilled. Consequently, the Company contested the correction. At 31 December 2010 the Group do not include any provision for this contingency;

(xi) In accordance with current tax legislation, gains and losses resulting from recognition of the results of subsidiaries and associated companies through application of the equity method are not considered as income or expenses for corporate income tax purposes in the year they are recognised for accounting purposes. Dividends are taxed in the year they are attributed.

Income tax for the years ended 31 December 2010 and 2009 are made up as follows:

	Assets		Liabilities	
	2010	2009	2010	2009
Group companies:				
Income tax receivable / payable (Note 28)	40,025	15,610	18,572	20,455
State:				
Tax receivable / payable	10,629	10,679	34,456	7,795
	50,654	26,289	53,028	28,250

The estimated income tax of the Company recorded based on its taxable income results in the fiscal year ended on 31 December 2010 represents a tax payable of tEuros 4,555 and was calculated as follows:

	2010	2009
Current income tax	4,208	(1,639)
Excess/insufficiency of income tax for the preceding year	332	543
Deferred Tax	15	(139)
	4,555	(1,236)

Following is a reconciliation of the income tax for the years ended 31 December 2010 and 2009 and details of deferred taxes:

	2010	2009
Current income tax		
Profit before income tax in accordance with the IFRS/IAS	359,702	494,763
Increase in taxable income	3,633	440
Non tax deductible provisions	3,235	-
Non tax deductible social costs	136	200
Other increases	262	240
Decrease in taxable income	(348,803)	(501,532)
Other deductions	(54)	(112)
Application of the equity method	(348,749)	(501,420)
Taxable income	14,532	(6,329)
Income tax	3,946	(1,581)
Municipal surcharge	218	(95)
Autonomous taxation	44	37
Estimated current income tax for the year	4,208	(1,639)
Deferred tax and excess estimate for the year	347	403
Income tax	4,555	(1,236)
Effective tax rate	1.27%	N/A

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2010 and 2009 are made up as follows:

	Assets	
	2010	2009
Adjustments to tangible and intangible assets	6	6
Other	200	215
	206	221

The changes in deferred taxes for the years ended 31 December 2010 and 2009 were as follows:

	Assets	
	2010	2009
Beginning balance	221	82
Effect on profit/loss:		
Other	(15)	139
Ending balance	206	221

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
Net income		
Net income for purposes of calculating earnings per share	355,147	495,999
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)	0.43€	0.60€

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

11. GOODWILL

Not applicable.

12. TANGIBLE AND INTANGIBLE ASSETS

Tangible assets are recorded in accordance with the accounting policy stated in Note 2.3. The depreciation rates applied are explained in the same note. In the years 2010 and 2009 tangible assets had the following changes:

	2010				2009					
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total of tangible assets	Basic equipment	Transport equipment	Administrative equipment	Outros ativos tangiveis	Total of tangible assets
Acquisition cost:										
Balance at 1 Januray	33	52	295	1,009	1,389	33	52	295	1,009	1,389
Balance at 31 December	33	52	295	1,009	1,389	33	52	295	1,009	1,389
Depreciation:										
Balance at 1 Januray	(33)	(52)	(281)	(1,009)	(1,375)	(33)	(52)	(269)	(1,009)	(1,363)
Depreciation for the year	-	-	(5)	-	(5)	-	-	(12)	-	(12)
Balance at 31 December	(33)	(52)	(286)	(1,009)	(1,380)	(33)	(52)	(281)	(1,009)	(1,375)
Accumulated Balance										
Net amount:										
at 31 December	-	-	9	-	9	-	-	14	-	14

Intangible assets are recorded in accordance with the accounting policies stated in Note 2.3. The depreciation rates applied are explained in the same note. In 2010 and 2009 intangible assets had the following changes:

	2010		2009	
	Industrial property and other rights	Total intangible assets	Industrial property and other rights	Total intangible assets
Acquisition cost:				
Balance at 1 Januray	8	8	8	8
Balance at 31 December	8	8	8	8
Depreciation:				
Balance at 1 Januray	(8)	(8)	(8)	(8)
Balance at 31 December	(8)	(8)	(8)	(8)
Net amount:				
Balance at 31 December	-	-	-	-

13. GOVERNMENT GRANTS

Not applicable.

14. OTHER RECEIVABLES

The non-current and current captions "Other receivables" as of 31 December 2010 and 2009 were made up as follows:

Captions	2010		2009	
	Current	Non current	Current	Non current
State and other public entities:				
Value Added Tax - Reimbursement requested	797	-	797	-
Other	109	-	109	-
Other receivables - associated, jointly controlled, related and participated companies	92	-	121	-
Loans to associated, jointly controlled, related and participated companies (Note 28)	171,111	2,850,635	460,746	1,387,645
Advances to trade payables	137	-	42	-
Personnel	200	-	172	-
Other receivables	1,194	-	595	-
	173,640	2,850,635	462,581	1,387,645
Accrued Income (Note 28):				
Accrued interest	13,581	-	2,429	-
Other accrued income	101	-	-	-
	13,682	-	2,429	-
Deferred costs:				
Interest and other financial costs	358	-	97	-
Prepaid Insurance	67	-	141	-
	424	-	239	-
	187,746	2,850,635	465,248	1,387,645
Impairment of other receivables	(286)	-	(286)	-
	187,461	2,850,635	464,963	1,387,645

15. TRADE RECEIVABLES

As of 31 December 2010 and 2009, the caption of "Trade Receivables" balances amounted of tEuros 4,836 and tEuros 1,018, respectively, regarding exclusively to related parties (Note 28).

16. INVENTORIES

Not applicable.

17. OTHER INVESTMENTS

As of 31 December 2010, other non-current investments respect to interest rate swaps measured at fair value in the amount of tEuros 702 (Note 27).

18. CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" as of 31 December 2010 and 2009 was made up as follows:

Captions	2010	2009
Cash	8	7
Demand deposits	426	43,790
Cash and cash equivalents in the statement of financial position	434	43,797
Bank overdrafts (Note 22)	(75,991)	(304)
Cash and cash equivalents in the cash flow statement	(75,557)	43,493

19. SHARE CAPITAL

Capital Structure

The capital structure as of 31 December 2010 was unchanged in relation to the preceding year. The Company's fully subscribed and paid up share capital consists of 829,250,635 shares (Note 10) of 1 Euro each, divided into the following categories:

Type of shares	2010	2009
A shares	40,000,000	40,000,000
B shares	789,250,635	789,250,635
Total number of shares	829,250,635	829,250,635

In accordance with article 4º of Galp Energia, SGPS, S.A.'s by laws, the A shares have the following special rights:

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

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2010 was held as follows:

	Number of shares	% of capital
Amorim Energia, B.V.	276,472,161	33.34%
ENI S.p.A.	276,472,161	33.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%
Caixa Geral de Depósitos, S.A.	8,292,510	1.00%
Other shareholders	209,934,289	25.32%
	829,250,635	100%

20. OTHER RESERVES

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

As of 31 December 2010 and 2009 this captions were made up as follow:

	2010	2009
Legal reserve	165,850	165,850
Free reserve	27,977	27,977
	193,827	193,827

21. NON-CONTROLLING INTERESTS

Not applicable.

22. LOANS

Detail of loans

Loans obtained as of 31 December 2010 and 2009 were made up as follows:

Captions	2010		2009	
	Current	Non-Current	Current	Non-Current
Bank loans:				
Domestic loans	150,000	250,000	-	100,000
Foreign loans	3,716	601,319	2,965	405,036
Bank overdrafts (Note 18)	75,991	-	304	-
	229,707	851,319	3,269	505,036
Bond loans:				
2009 Issue	-	700,000	-	700,000
2010 Issue	-	300,000	-	-
	-	1,000,000	-	700,00
	229,707	1,851,319	3,269	1,205,036

Description of main loans

Bank loans

As of 31 December 2010 the Company subscribed for underwritten commercial paper programs of up to tEuros 1,210,000, of which tEuros 650,000 in medium and long term and tEuros 560,000 in short term. Of these amounts the Company had used up tEuros 150,000 of short term loans and tEuros 250,000 of medium and long term and since it is the Company's intention to maintain them up to 2012, and their renewal depends only on the Company.

The loans bear interest at the Euribor rate, for the period of the issue, in force on the second business day prior to the subscription date, added by a 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 issue and remain unchanged during the period of the issue.

In 2006, the Company 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 in 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 the year of 2010 the company paid back the amount of tEuros 2,965 concerning the first and second instalment to repay this loan. The amount of debt in regarding of this loan is tEuros 55,035.

In 2008 the Company contracted an additional non-current loan of tEuros 50,000 from the European Investment Bank for the exclusive purpose of constructing and administration a co-generating plant in the Matosinhos refinery. The loan bears interest at a fixed rate adjusted periodically.

The Company contracted a non-current loan of tEuros 500,000 with European Investment Bank, with the purpose of financing the conversion of Sines and Oporto refineries. The loan was received in two instalments of tEuros 300,000 and tEuros 200,000 each with maturity of sixteen years, including a grace period of three additional years and thirteen of repayment. The loan bears interest at a fixed rate adjusted periodically.

The loans from the European Investment Bank, excluding the instalment of tEuros 200,000, are granted by Petrogal, S.A. through warranty contracts.

The remaining loans with European Investment Bank, in the amount of tEuros 201,733 are granted by Banking Syndicates.

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

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

The issue was guided by Banco Santander Totta, S.A. and Caixa – Banco de Investimento, S.A.

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

2010 Issue – Galp Energia, SGPS, S.A.

On 12 November 2010, the company issued bonds totalling tEuros 300,000, for private subscription, to financing its investment plan. The bonds bear interest at six month Euribor rate added of a variable spread and has reimbursement of 50% in 12 November 2013 and 50% in 12 November 2014.

The issue was participated 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 Pensiones de Barcelona "la Caixa" and BB Securities Limited.

23. RETIREMENT AND OTHER BENEFIT LIABILITIES

Not applicable.

24. OTHER PAYABLES

The current caption "Other payables" as of 31 December 2010 and 2009 was made up as follows:

Captions	Current	
	2010	2009
<u>State and other public entities:</u>		
Value Added Tax	257	312
Social Security contributions	14	14
Personnel and corporate income tax withheld	94	92
<u>Personnel</u>	66	64
<u>Loans - Associated, related and participated companies (Note 28)</u>	320,524	214,340
<u>Other creditors</u>	27	53
	320,982	214,875
<u>Accrued costs:</u>		
Vacation pay, vacation subsidy and corresponding personnel costs	450	447
External supplies and services	192	114
Productivity bonus	267	-
Accrued interest	13,938	8,589
Accrued insurance premiums	-	14
Financial costs	1	1
Other accrued costs	1,732	4,039
	16,580	13,205
	337,562	228,080

25. PROVISIONS

The changes in provisions in the year ended 31 December 2010 were as follows:

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

During 2010, the increase of tEuros 3,230 in provisions for taxes, corresponds to a provision concerning income tax contingencies.

26. TRADE PAYABLES

As of 31 de December 2010 and 2009 the amounts recorded in the caption "Trade Payables" were as follows:

Captions	2010	2009
Trade payables - current account	320	455
Trade payables - invoices pending	32	2
	352	457

27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES

During the year ended 31 December 2010 the fair value of interest rate derivatives in the amount of tEuros 702 was recorded in the financial results.

	Assets	Non-Current
Interest rate derivatives		
Fair value at 1 January 2009		-
Fair value at 31 December 2009		-
Fair value at 1 January 2010		-
Sold during the year		(972)
Increase /(decrease) on the sale reflected in the income statement		972
Increase /(decrease) in fair value reflected in the income statement		702
Fair value at 31 December 2010 (Note 17)		702

The characteristics of financial instruments as of 31 December 2010 were as follows:

Type of derivative over Interest rate	Interest rate	Nominal value tEuros	Maturity	Fair value of the derivatives in tEuros
Assets	Fair value through profit and loss			
Interest rate swaps	Pays Euribor 6 m Receives 3,438%	200,000	2013	702

During 2010, the Company revoked the designation fair value hedge.

The financial derivatives fair value was determined by financial entities, by the application of generally accepted techniques and evaluation models.

In accordance with IFRS 7 an entity must classify the fair value measure, in a hierarchy of fair value 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).

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

28. RELATED PARTIES

Balances and transactions with related parties in 2010 and 2009 were as follows:

RECEIVABLES

Related parties	2010					
	Non-Current		Current			
	Total of related parties	Loans Granted (Note 14)	Trade Receivables (Note 15)	Loans Granted (Note 14)	Other Receivables	Accruals and Deferrals (Note 14)
Adene - Agência para a Energia, S.A.	90	90	-	-	-	-
Combustíveis Líquidos, Lda.	(10)	-	-	-	(10)	-
Dinagás, S.A.	5,191	-	-	5,117	74	-
Duriensegás, S.A.	10,350	-	-	9,798	552	-
Eni, S.p.A.	1	-	1	-	-	-
Fast Acess, S.A.	26	-	22	-	4	-
Gasfomento, S.A.	(4)	-	(4)	-	-	-
Lisboagás, S.A.	34,693	-	-	32,687	2,005	-
Lisboagás CUR, S.A.	4,345	-	-	2,821	1,524	-
GDP Serviços, S.A.	5,363	-	154	3,153	2,056	-
GDP Distribuição, SGPS, S.A.	217,462	216,736	-	-	316	410
Galp Power, SGPS, S.A.	134,647	133,809	-	-	-	838
Galp Energia E&P, B.V.	190	-	-	185	5	1
Galp Energia S.A.	3,000	-	-	-	2,899	101
Medigás, S.A.	8,672	-	-	8,670	3	-
Número Um, S.A.	15	-	4	-	11	-
Paxjás, S.A.	3,520	-	-	3,429	91	-
Petrogal, S.A.	2,537,308	2,500,000	4,238	-	20,737	12,333
Soluns, S.A.	1,425	-	-	1,384	42	-
Galpreste, S.A.	202	-	-	-	202	-
Galp Power, S.A.	5,601	-	78	5,460	62	-
Galp Açores, Lda.	16	-	16	-	-	-
Galp Madeira, Lda.	15	-	15	-	-	-
CLC, S.A.	1	-	1	-	-	-
Petrogal Angola, Lda.	7	-	-	-	7	-
Petrogal Moçambique, Lda.	58	-	39	-	19	-
Tagus Re, S.A.	16	-	-	-	16	-
Taquisado, S.A.	379	-	-	-	379	-
Petrogal Cabo Verde, Lda.	371	-	-	335	36	-
Asa - Abast.e Serv. Aviação, S.A.	1	-	-	-	1	-
Galpfer, S.L.	3	-	-	-	3	-
Petrogás Guiné-Bissau, Lda.	33	-	16	-	17	-
Petromar, Lda.	20	-	(2)	-	23	-
Serviexpress, Portugal, S.A.	115	-	-	-	115	-
Sucursal España	250	-	250	-	-	-
Tagusgás, S.A.	20	-	8	-	11	-
Galp Gás Natural, S.A.	4,219	-	-	-	4,219	-
Transgás, S.A.	96,606	-	-	96,606	-	-
Transgás Armazenagem, S.A.	1,823	-	-	1,467	356	-
Sinecogeração, S.A.	4,405	-	-	-	4,405	-
	3,080,443	2,850,635	4,835	171,111	40,180	13,682

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

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

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

The amount of tEuros 13,681 recorded in the caption of current assets accruals and deferrals refer to accrued interest on loans at 31 December 2010.

2009

Related parties	2009					
	Non-Current		Current			
	Total of related parties	Loans Granted (Note 14)	Trade Receivables (Note 15)	Loans Granted (Note 14)	Other Receivables	Accruals and Deferrals (Note 14)
BlueFlag, S.A.	4	-	-	-	4	-
Adene - Agência para a Energia, S.A.	90	90	-	-	-	-
Dinagás, S.A.	4,368	-	-	4,144	224	-
Duriensegás, S.A.	10,966	-	-	10,077	890	-
Eni, S.p.A.	1	-	-	-	-	-
Fast Acess, S.A.	26	-	22	-	4	-
Gasfomento, S.A.	(3)	-	-	-	-	-
Lisboaqás, S.A.	48,382	-	-	40,847	7,535	-
Lisboaqás CUR, S.A.	3,346	-	-	3,346	-	-
GDP Serviços, S.A.	2,591	-	160	-	2,431	-
GDP Distribuição, SGPS, S.A.	209,029	89,510	3	118,339	1,023	155
Galp Power, SGPS, S.A.	98,467	98,046	-	-	-	421
Galp Energia, S.A.	1,867	-	-	-	1,868	-
Lusitaniaqás, S.A.	19,017	-	-	19,000	-	17
Medigás, S.A.	9,156	-	-	8,837	320	-
Paxgás, S.A.	2,627	-	-	2,586	41	-
Petrogal, S.A.	1,310,601	1,200,000	453	82,524	25,793	1,833
Soturis, S.A.	1,469	-	-	1,432	37	-
Galpgeste, S.A.	141	-	-	-	141	-
Galp Power, S.A.	7,259	-	82	7,115	62	-
Galp Exploração, S.A.	24,186	-	113	24,073	-	-
Petrogal Angola, Lda.	39	-	20	-	19	-
Petrogal Moçambique, Lda.	58	-	38	-	20	-
Petrogal Guiné-Bissau, Lda.	34	-	18	-	16	-
Tanquisado, S.A.	539	-	-	-	539	-
Petrogal Cabo Verde, Lda.	371	-	-	335	36	-
Asa - Abast.e Serv. Aviação, S.A.	1	-	-	-	1	-
CLT, Lda.	949	-	-	949	-	-
Galpfer, S.L.	3	-	-	-	3	-
Petrogás Guiné-Bissau, Lda.	33	-	16	-	17	-
Petromar, Lda.	44	-	22	-	23	-
Galp Suazilândia	22	-	22	-	-	-
Galp Comercial Ol, Portugal, S.A.	26,205	-	38	26,168	-	-
Tagusgás, S.A.	8	-	8	-	-	-
Galp Gás Natural, S.A.	(6,133)	-	-	-	(6,133)	-
Transgás, S.A.	86,378	-	-	89,676	(3,298)	-
Transgás Armazenagem, S.A.	322	-	-	-	322	-
Sinecogeração, S.A.	3,539	-	-	2,111	1,428	-
	1,868,007	1,387,645	1,018	441,559	33,365	2,426

The amount of tEuros 1,387,645 recorded caption non-current granted loans, respects essentially to shareholder loans granted to related parties which bear interests at six month Euribor rate added of a 3% spread and do not have a defined repayment plan. According to the Board of Directors expectation the loans won't be received in the short term.

The amount of tEuros 441,559 recorded as current loans granted consists essentially of "cash pooling" loans granted to Group companies. These loans bear normal market interest rates.

The amount of tEuros 33,365 recorded in the caption of other current receivables includes tEuros 15,610 concerning income tax receivable from companies under the special regime for the taxation of groups of companies, tEuros 10,313 concerning the issuing costs on the bond loan of tEuros 700,000, transferred to Petróleos de Portugal - Petrogal, S.A, and tEuros 7,262 of 2009 accrued interest.

PAYABLES

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

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

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

	2009			
	Current			
	Total of related parties	Trade Payables	Loans Obtained	Other accounts payable and Accruals
Related parties				
Combustíveis Líquidos, S.A.	6	-	-	6
Eni, S.p.A.	3,652	-	-	-
Amorim, B.V.	387	-	-	-
Galp Energia Portugal Holding, B.V.	30,021	-	30,008	-
Gasfomento, S.A.	1	-	-	5
Lisboagás CUR, S.A.	581	-	-	581
GDP Serviços, S.A.	6,512	-	6,512	-
GDP Distribuição, SGPS, S.A.	479	-	-	479
Galp Power, SGPS, S.A.	10,752	-	9,621	1,131
Galp Exploração Timor Leste, S.A.	8,500	-	8,487	13
Galp Energia S.A.	15,900	239	15,633	1
Medigás, S.A.	89	-	-	89
Paxgás, S.A.	56	-	-	56
Galp Gás Propano, S.A.	3,002	-	3,000	-
Petrogal, S.A.	13,708	58	-	13,650
Soturis, S.A.	21	-	-	21
Galpreste, S.A.	2,821	-	2,821	-
Sacor Marítima, S.A.	30,995	2	30,993	-
Gasmar, S.A.	441	-	441	-
SM Internacional, S.A.	623	-	623	-
Tripul, S.A.	347	-	347	-
Galp Power, S.A.	2,478	-	-	2,478
Galp Açores, Lda.	3,556	-	3,555	-
Galp Madeira, Lda	5,368	-	5,368	-
Tanquisado, S.A.	15,548	-	15,530	18
CLT, Lda.	1,280	-	-	1,280
CORS, Lda.	6,004	-	6,000	-
Servexpress, Portugal, S.A.	17	-	-	17
Galp Gás Natura, S.A.	74,347	7	74,340	-
Transgás, S.A.	384	-	-	384
Transgás Armazenagem, S.A.	1,085	-	1,060	24
Sinecogeração, S.A.	192	-	-	192
Spower, S.A.	6	-	-	6
Portocogeração, S.A.	25	-	-	25
	239,183	306	214,340	20,455
				4,084

Transactions

	2010			
	Operating Cost	Operating Income	Financial Income (Note 8)	Financial Cost (Note 8)
Related parties				
Amorim, B.V.	586	-	-	-
CLT, Lda.	-	-	(16)	1
CORS, Lda.	-	-	-	5
Dianagás, S.A.	-	-	(105)	-
Duriensegás, S.A.	-	-	(206)	-
Eni, S.p.A.	2,683	-	-	-
Galp Exploração Timor Leste, S.A.	-	-	-	14
Galp Açores, Lda.	-	(156)	(1)	8
Galp Energia Española, S.A.	1	-	-	-
Galp Energia Portugal Holding, B.V.	-	-	(4)	435
Galp Energia S.A.	2,272	(219)	(2)	14
Galp Exploração, S.A.	-	(1,046)	(1,053)	4
Galp Gás Natural, S.A.	62	(411)	(6)	143
Galp Gás Propano, S.A.	-	-	-	7
Galp Madeira, Lda.	-	(156)	-	20
Galp Power, S.A.	-	(780)	(117)	-
Galp Power, SGPS, S.A.	-	-	(3,949)	8
Galpgeste, S.A.	-	-	(1)	5
GásInsular, Lda.	-	-	(6)	-
Gasmar, S.A.	-	-	-	1
GDP Distribuição, SGPS, S.A.	-	-	(8,050)	7
GDP Serviços, S.A.	-	(2,074)	(10)	4
Lisboaágás, S.A.	-	-	(731)	-
Lisboaágás CUR, S.A.	-	-	(22)	6
Lusitaniaágás, S.A.	-	-	(176)	-
Medigás, S.A.	-	-	(193)	-
Paxgás, S.A.	-	-	(66)	-
Petrogal, S.A.	675	(4,446)	(70,974)	3
Port Cogeração, S.A.	-	(2)	(76)	-
Sacor Marítima, S.A.	-	-	-	43
Sinecogeração, S.A.	-	-	(108)	5
SM Internacional, S.A.	-	-	-	1
Soturis, S.A.	-	-	(30)	-
Spower, S.A.	-	-	(5)	-
Petrogal Sucursal, Española	-	(500)	-	-
Tagus Re, S.A.	-	(30)	-	-
Tanquisado, S.A.	-	-	-	15
Transgás Armazenagem, S.A.	-	-	(38)	-
Transgás, S.A.	-	-	(2,195)	-
	6,279	(9,820)	(88,140)	749

The amount of tEuros 6,279 recorded as operational costs, includes tEuros of 3,269 related with Board of Directors costs debited by the shareholders ENI and Amorim BV, the amount of tEuros 2,272 from services rendered by the subsidiary Galp Energia, S.A., namely the consulting services and management support in accounting, treasury, financial management, administrative and logistics, purchasing and procurement, auditing, information systems, human resources and training, areas.

The amount of tEuros 9,820 recorded as other operating income in 2010, includes the amount of tEuros 7,381 regarding management services and tEuros 2,438 of transferred costs by payments on behalf of other group companies.

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

Transactions

	2009			
	Operating Cost	Operating Income	Financial Cost (Note 8)	Financial Income (Note 8)
Related parties				
Dianagás, S.A.	-	-	-	(102)
Duriensegás, S.A.	-	-	-	(269)
Eni, SPA	1,531	-	-	-
Amorim, B.V.	691	-	-	-
Galp Energia Portugal Holding, B.V.	-	-	12	-
Lisboagás, S.A.	3	-	-	(873)
Lisboagás CUR, S.A.	-	-	-	(254)
GDP Serviços, S.A.	-	(1,621)	37	-
GDP Distribuição, SGPS, S.A.	-	-	-	(6,124)
Galp Power, SGPS, S.A.	-	-	25	(2,980)
Galp Exploração Timor Leste, S.A.	-	-	25	(49)
GásInsular, Lda.	-	-	-	(13)
Galp Energia S.A.	2,361	(168)	64	(6)
Lusitanigás, S.A.	-	-	-	(428)
Medigás, S.A.	-	-	-	(224)
Paxgás, S.A.	-	-	-	(56)
Port Cogeração, S.A.	-	-	-	(247)
Petrogal, S.A.	604	(4,696)	-	(33,275)
Soturis, S.A.	-	-	-	(37)
Galpgeste, S.A.	-	-	19	(3)
Sacor Marítima, S.A.	-	-	257	(1)
Gasmar, S.A.	-	-	3	-
SM Internacional, S.A.	-	-	5	-
Triplul, S.A.	-	-	2	-
Galp Power, S.A.	-	(820)	-	(160)
Galp Exploração, S.A.	-	(1,133)	1	(2,451)
Galp Açores, Lda.	-	-	46	(1)
Galp Madeira, Lda.	-	-	61	-
Petrogal Angola, Lda.	-	-	-	(1)
Tagus Re, S.A.	-	(21)	132	-
Tanquisado, S.A.	-	-	45	-
Petrogal Cabo Verde, Lda.	-	-	-	(1)
CLT, Lda.	-	-	-	(149)
Galp Suazilândia	-	(22)	-	-
Galp Comercialização Oil Portugal	-	-	-	(215)
CORS, Lda.	-	-	33	-
Petrogal Sucursal, España	-	-	-	(335)
Galp Gás Natural, S.A.	55	(55)	859	(33)
Transgás, S.A.	-	-	49	(1,573)
Transgás Armazenagem, S.A.	-	-	12	-
Sinocogeração, S.A.	-	-	-	(36)
Outras	-	-	17	-
	5,245	(8,536)	1,704	(49,896)

29. REMUNERATION OF THE CORPORATE BOARDS MEMBERS

The remuneration of Galp Energia corporate boards members for the years 2010 and 2009 were detailed as follows:

	December 2010					December 2009				
	Salary	Bonuses	Pension plans	Allowances for rent and travels	Total	Salary	Bonuses	Pension plans	Allowances for rent and travels	Total
Corporate boards of Galp Energia SGPS:										
Executive management	3,171	355	917	214	4,657	2,816	104	707	214	3,841
Non-executive management	1,284	68	69	45	1,466	1,587	(10)	282	45	1,904
Supervisory board	93	-	-	-	93	92	-	-	-	92
Shareholder's Assembly	4	-	-	-	4	3	-	-	-	3
	4,552	423	986	259	6,220	4,498	94	989	259	5,840

The amounts of tEuros 6,220 and tEuros 5,840, recorded on 2010 and 2009, respectively, include 4,018 and tEuros 3,846 recorded as Employee costs (Note 6) and tEuros 2,202 and tEuros 1,994 recorded as external supplies and services.

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

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

30. DIVIDENDS

Dividends out of net profit for 2009 attributed to the Group's shareholders amounted to tEuros 165,850 in accordance with the decision of the shareholders meeting of 26 April 2010. Interim dividends of tEuros 49,755 have been paid during the year ended 31 December 2009 and the remaining amount of tEuros 116,095 has been paid in the year ended 31 December 2010.

In addition, during the year of 2010, the Board of Directors approved an interim dividend of tEuros 49,755 out of profit for 2010.

31. PETROLEUM RESERVES

Not Applicable

32. FINANCIAL RISK MANAGEMENT

Risk Management

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

Market risk

Interest rate risk

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

Liquidity risk

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

The Galp Energia Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts 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 not used is enough 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, S.G.P.S., S.A. for purposes of the merger carried out in 2008) and Transgás, S.A. (currently designated Galp Gás Natural, S.A.) to EDP, S.A. was established with the condition that if OPTEP SGPS, S.A., 093X or any other entity directly or indirectly controlled or participated in by EDP sells or in any other way disposes of, to a third party, a participation equivalent to 5% of Optimus, that is 450,000 shares with a nominal value of Euros 5 per share, during a period of 3 years as from the date of signature of the agreement (24 June 1999), the difference between the amount of tEuros 74,818 and the sale price would be divided between the parties, as follows:

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

On 28 September 2000 GDP SGPS, S.A., Transgás SGPS, S.A., currently designated GDP Distribuição, 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 were of tEuros 748,197. Therefore, there will be an upside of tEuros 30,253 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 recorded.

Guarantees given

At 31 December 2010 the guarantees given amounted to tEuros 50,132, made up essentially of the following:

- Guarantees of tEuros 49,549 given in benefit of the Tax Administration;
- Guarantee in the amount of tEuros 520 in benefit of EDP – Distribuição de Energia, S.A., to ensure that the company can provide electricity in the Portuguese electricity market;
- As of 31 December 2010 the Company had Standby letter import credits amounting to tUSD 12,900 relating to insurance premiums.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

Not applicable.

35. SUBSEQUENT EVENTS

Not applicable.

36. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The company has adopted the International Financial Reporting Standards (IFRS) as of 1 January 2010, having applied "IFRS 1- First-time adoption of International Financial Reporting Standards". The transition date for the presentation of these financial statements was 1 January 2004 since it was the transition date of the consolidated financial statements of the group to IFRS.

Considering that the last separate financial statements presented for statutory purposes were prepared according to the previously generally accepted accounting principles in Portugal ("POC"), and the transition date, the reconciliation between the equity prepared in accordance with the previous principles and IFRS as of 1 January 2009 and 1 January 2010 is presented below:

Description	January 1, 2010	January 1, 2009
Equity - POC	2,364,116	2,279,472
Adjustments:		
Investments in associated companies	(740,816)	(961,082)
Tangible assets	-	(11)
Investments	58	-
Deferred taxes	6	6
Total adjustments	(740,752)	(961,087)
Equity - IFRS	1,623,364	1,318,385

The comparative financial statements POC vs. IAS / IFRS, as of 31 December 2009 were as follows:

Captions	Balance POC December 31, 2009	Adjustments	Balance IAS / IFRS December 31, 2009
ASSETS			
Non-current assets:			
Tangible assets	14	-	14
Goodwill	55	(55)	-
Investments in associates	1,908,685	(740,784)	1,167,901
Investments in other companies	345	(21)	324
Other receivables	1,387,645	-	1,387,645
Deferred tax assets	215	6	221
Total non-current assets	3,296,959	(740,854)	2,556,105
Current assets:			
Trade receivables	1,018	-	1,018
Other receivables	464,963	-	464,963
Current income tax recoverable	26,289	-	26,289
Cash and cash equivalents	43,797	-	43,797
Total current assets	536,067	-	536,067
Total assets	3,833,026	(740,854)	3,092,172
EQUITY AND LIABILITIES			
Equity:			
Share capital	829,251	-	829,251
Share premium	82,006	-	82,006
Other reserves	193,828	-	193,828
Retained earnings	973,818	(951,537)	22,281
Net profit	285,214	210,784	495,999
Total equity	2,364,116	(740,753)	1,623,364
LIABILITIES			
Non-current liabilities:			
Bank loans and overdrafts	505,036	-	505,036
Bond	700,000	-	700,000
Retirement and other benefit liabilities	6	-	6
Provisions	3,813	(103)	3,711
Total non-current liabilities	1,208,854	(103)	1,208,752
Current liabilities:			
Bank loans and overdrafts	3,269	-	3,269
Trade payables	457	-	457
Other payables	228,080	-	228,080
Current income tax payable	28,250	-	28,250
Total current liabilities	260,056	-	260,056
Total liabilities	1,468,910	(103)	1,468,808
Total equity and liabilities:	3,833,026	(740,856)	3,092,172

Captions	Balance POC December 31, 2009	Adjustments	Balance IAS / IFRS December 31, 2009
Operating income:			
Services rendered			
	7,937	-	7,937
Other operating income			
	769	-	769
Operating income	8,706	-	8,706
Operating costs:			
External supplies and services	6,726	-	6,726
Employee costs	4,821	-	4,821
Amortization and depreciations	67	(55)	12
Provisions and impairment loss on receivables	855	-	855
Other operating costs	1,174	15	1,189
Operating costs	13,643	(40)	13,603
Operating profit (loss):	(4,937)	40	(4,897)
Financial income	59,039	-	59,039
Financial costs	(60,799)	-	(60,799)
Share of results of investments in associates	290,676	210,744	501,420
Profit before income tax	283,979	210,784	494,763
Income tax	(1,236)	-	(1,236)
Net Profit	285,214	210,784	495,999

The statutory accounts (POC) are restated according to the IAS/IFRS presentation principles.

The Company financial statements as of 31 December 2009 prepared in accordance with the previous accounting principles in Portugal ("POC") presented total assets of tEuros 3,833,026 and liabilities of tEuros 1,468,910. The difference of tEuros 740,751 results from reclassifications in conformity with IAS/IFRS.

Investments in subsidiaries

In accordance with the previous accounting principles in Portugal ("POC") investments in subsidiaries are measured by the equity method. In accordance with IFRS in the separate financial statements the investments in subsidiaries are measured by its acquisition cost.

Consequently, the appropriation of subsidiaries' profit/loss has been reverted in the transition to IFRS.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors meeting of 25 of February 2011.

38. 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

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

AUDITORS' REPORT

SEPARATE FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 38)

INTRODUCTION

1. For the effects of the article 245º of the Securities Market Code, we present our Auditors' Report on the financial information contained in the Board of Directors' Report and the accompanying financial statements as of 31 December 2010, of Galp Energia, SGPS, S.A. ("the Company"), which comprise the Statement of Financial Position as of 31 December 2010 (that presents total assets of 4,291,716 thousand Euros and shareholder's equity of 1,812,661 thousand Euros, including a net profit of 355.147 thousand Euros), the Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Company's Board of Directors' is responsible for: (i) the preparation of financial statements that present a true and fair view of the financial position of the Company, the result and comprehensive income of its operations, changes in equity and cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate of internal control systems (iv) the disclosure of any significant facts that have influenced its operations, financial position, result and comprehensive income.
3. Our responsibility is to examine the financial information contained in the above mentioned documents, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our examination.

SCOPE

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

OPINION

5. In our opinion, the financial statements referred to in paragraph 1 above, present fairly in all material respects, for the purposes explained in paragraph 7 below, the financial position of Galp Energia, SGPS, S.A. as of 31 December 2010, the result and comprehensive income of its operations, changes in equity and cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

EMPHASIS

6. As disclosed in Note 2 to the financial statements in the transition to the new normalization accounting system the Company adopted the International Financial Reporting Standards as adopted by the European Union ("IAS/IFRS"). In the transition from the previous accounting principles in Portugal ("POC") to IAS/IFRS, the Company observed International Financial Reporting Standard 1 - First Application of International Financial Reporting Standards requirements, being the date of transition reported at 1 January 2004, since this was the transition date of the consolidated financial statements to IAS/IFRS defined by Galp Energia Group. Consequently, 2009 financial information, previously presented in conformity with POC was, for comparative purposes, restated in accordance with IAS/IFRS. Note 36 to the financial statements includes the additional disclosures required in the transition process.
7. The financial statements referred to in paragraph 1 above refer to the Company's operations on an separate basis. As explained in Note 2.2 to the financial statements, the investments in subsidiaries are recorded at acquisition cost adjusted by any eventual impairment losses. In accordance with current legislation the Company prepared consolidated financial statements as of 31 December 2010, in conformity with the International Financial Reporting Standards as adopted by the European Union, for separate approval and publication.

Lisbon, 25 February 2011

Deloitte & Associados, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

CERTIFICATION OF THE SEPARATE ACCOUNTS

INTRODUCTION

1. We have examined the separate financial statements of Galp Energia, SGPS, S.A. (the "Company") for the financial year ended on 31 December 2010. These include the balance sheet at 31 December 2010 (which evidences a total of 4,291,716 thousand euros and shareholders' equity of 1,812,661 thousand euros including net profit of 355,147 thousand euros), the income statements by nature and function and the cash flow statement for the financial year ended on the aforementioned date, and the relevant notes. These financial statements relate to the Company's separate activities and have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

RESPONSIBILITIES

2. It is the board of directors' responsibility to prepare such separate financial statements that will represent in a true and appropriate manner the financial position of the Company, the results of its operations and its cash flows, to adopt adequate accounting policies and principles, to maintain an appropriate internal control system and to report any relevant events that may have influenced its activities, financial position or results.
3. Our responsibility consists of expressing a professional and independent opinion, based on our examination of the mentioned financial statements.

SCOPE

4. Our examination was conducted in accordance with the Portuguese Institute of Statutory Auditors' Technical Standards and Audit Guidelines, which require it to be planned and executed in order to know, to an acceptable degree of safety, whether the separate financial statements are free of materially relevant distortions. To this end, the examination has included checking, on a sampling basis, the support for the amounts and information disclosed in the financial statements, evaluating the estimates based on judgments and criteria as defined by the board of directors and used in the preparation of the statements, appraising the adequacy of adopted accounting principles and their disclosure, given the circumstances, checking the applicability of the principle of continuing operations and evaluating the overall adequacy of the financial statements' presentation.
5. Our examination also included verifying the information of the management report with the remaining documents of account, as well as the verifications laid down in article 451, paragraphs 4 and 5, of the Companies Code.
6. We consider that our examination provides an acceptable basis for the expression of our opinion.

OPINION

7. In our opinion, the aforementioned separate financial statements represent in a true and appropriate manner, in all materially relevant aspects, the financial position of Galp Energia, SGPS, S.A. and its subsidiaries at 31 December 2010, the result and integral revenue of their operations, the changes in consolidated shareholders' equity and their consolidated cash flows in the financial year ended on that date, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

REPORTING ON OTHER LEGAL REQUIREMENTS

8. It is also our opinion that the information on the consolidated management report is in accordance with the financial statements of the exercise and the corporate governance report includes the required elements pursuant to article 245-A of the Securities Code.

EMPHASIS

9. As referred in the Note 2 of the Appendix to the financial statements, the Company adopted, for the first time in 2010, the IFRS in the presentation of the separate financial statements. In the transition process from the accounting standards previously adopted in Portugal, embodied in the Portuguese GAAP to the IFRS, to the IFRS, the Company followed the requirements laid down in the International Financial Reporting Standard 1 – Adoption for the first time of the International Financial Reporting Standards. The transition date was reported on 1 January 2004, which was set out by the Galp Energia Group at the time of the transition of its consolidated financial statements to IFRS. As a result, the financial information of 2009, previously presented according to the GAAP, was restated according to the IFRS for comparability purposes. Additional disclosure required due to the transition process to the International Financial Reporting Standards as adopted by the European Union is detailed in the Note 36 of the Appendix to the separate financial statements.

Lisbon, 25 February 2011

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Statutory Auditors represented by
Pedro Matos Silva

SUPERVISORY BOARD'S REPORT AND OPINION

SEPARATE FINANCIAL STATEMENTS 31/12/2010

Dear shareholders,

1. Under requirements of both the law and the articles of association and in the performance of our duties, the supervisory board of Galp Energia, SGPS, S.A. examined the report of the board of directors and the separate financial statements, namely the balance sheet, the statement of changes in equity, the statement of integral revenue, the statement of cash flows and the notes appended to the financial statements for the financial year ended on 31 December 2010 and, as a result, submits the report and opinion to your approval.
2. This supervisory board is appointed by shareholders in the general meeting by a unanimous resolution to perform the duties provided for in the law and the articles of association.
3. In the previous year, we also drafted the supervisory board's report and opinion in the performance of our duties.
4. Galp Energia operates in the oil and gas sector and, in the performance of our duties, we permanently monitored the progress of the company's activity and management, having received all clarifications and support deemed convenient from the board of directors and departments.
5. Our work always complied with the article 20 of the articles of association, which, along with matters legally consecrated, enforces the proposal of the appointment of the statutory auditor firm to the general meeting, to appoint or dismiss the external auditors, to permanently monitor the activities of Galp Energia and its subsidiaries and also give an opinion on the internal audit procedures and the accounting principles followed by Galp Energia.
6. The supervisory board met monthly in the head office, having developed several initiatives, namely:
 - 6.1 Accompaniment of Galp Energia's management and businesses through regular meetings, both with the board of directors and the executive committee, and clarifications deemed necessary were requested and obtained;
 - 6.2 Analysis of the disclosed financial information;
 - 6.3 Verification of the conformity of financial statements with the accounting records;
 - 6.4 Appreciation of Galp Energia's accounting policies regarding their adequacy and consistency;
 - 6.5 Appreciation of the effectiveness of internal control, risk management and adjustment of accounts, provided by the statutory auditor and the external auditors.
7. The supervisory board was also informed of the content of the issued legal certification of separate accounts, in accordance to the enforced law by the statutory auditor, a document that we agreed upon.
8. We verified that the report of the board of directors is drafted in accordance with legal dispositions, it completes financial statements and it highlights the most important aspects of its management.
9. In our opinion, the separate financial statements and the appended notes adequately represent the assets as well as the net profit of financial year ended on 31 December 2010.
10. Based on the exposed report, our opinion is that:
 - 1º - The report of the board of directors and the separate accounts of Galp Energia SGPS, S.A., as presented, for financial 2010 should be approved;
 - 2º - The proposed allocation of net profit should be approved;
 - 3º - A vote of thanks and confidence should be given to the board of directors for the judicious and effective management of Galp Energia's businesses.
11. The supervisory board states that, in the best of their knowledge, the information provided for in the article 245, paragraph 1 a) of the Securities Code for separate financial statements (i) was drafted in accordance to applicable accounting standards, providing a true and fair view of Galp Energia's assets and liabilities, financial situation and earnings, (ii) truly exposes the evolution of Galp Energia's businesses, performance and position and (iii) contains a description of the main risks faced by Galp Energia in its activity.

Lisbon, 14 March 2011

Chairman - Daniel Bessa Fernandes Coelho

Member - José Gomes Honorato Ferreira

Member - José Maria Ribeiro da Cunha

EDITION



DESIGN AND CONCEPTION

STRATDESIGN ➤



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

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