galp energia

Growing energy

ANNUAL REPORT AND ACCOUNTS 2012

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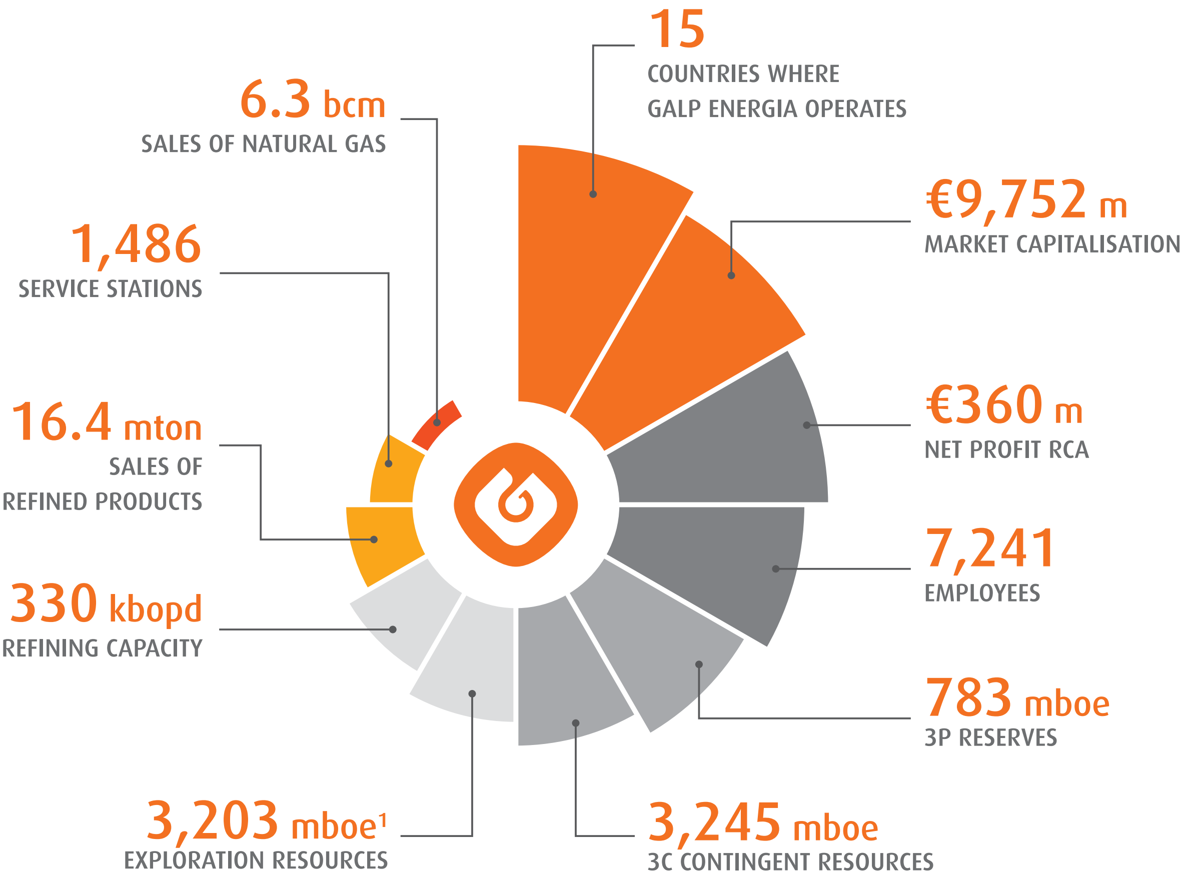
www.galpenergia.com

ANNUAL REPORT AND ACCOUNTS 2012

Galp Energia

GROWING ENERGY TO CREATE SUSTAINABLE VALUE	
Who we are	• We are an integrated energy operator focused on exploration and production, with a portfolio of assets which will lead to a unique profitable growth in the industry. • Our exploration and production activities are focused on three core countries, namely Brazil, Mozambique and Angola, within a diversified portfolio spread across 10 countries. • Our profitable and resilient Iberian businesses will contribute to outstanding growth in exploration and production.
Our vision and purpose	• To be an integrated energy player renowned for the quality of its exploration activities, delivering sustainable value to its shareholders.
Our strategy	• To strengthen our exploration and production activities in order to deliver profitable and sustainable growth to shareholders, based on an efficient and competitive Iberian business, on solid financial capacity and on highly responsible practices.
Our strategic drivers	• Greater focus on exploration. • Development of world-class production projects. • Solid financial capacity.
Our competitive advantages	• We are the national flag carrier. • We offer integrated know-how. • We benefit from a solid and flexible organisation. • We establish successful and enduring partnerships. • We have acquired skills from some of the most promising projects worldwide.



Figures for 2012 or year ended 2012, as the case may be.
For more information, please see our website www.galpenergia.com.
[1] Mean unrisked estimate.

01. Galp Energia

Exploration & Production

50+
PROJECTS IN OUR PORTFOLIO

Galp Energia is focused on exploration and production activities, particularly following the world-class discoveries in the pre-salt area of the Santos basin in Brazil and in the Rovuma basin in Mozambique. The Exploration & Production (E&P) business, the main driver behind the Company's growth, centres its activities in both of these countries as well as in Angola, although its portfolio extends to more than 50 projects in 10 countries. Based on discoveries already made, Galp Energia is preparing to present an increase in production which is unparalleled in the industry. Its goal is to produce 300 thousand barrels of oil equivalent per day (kboepd), which represents more than 10 times its current production.

Refining & Marketing

10.0 mton
SALES TO DIRECT CLIENTS

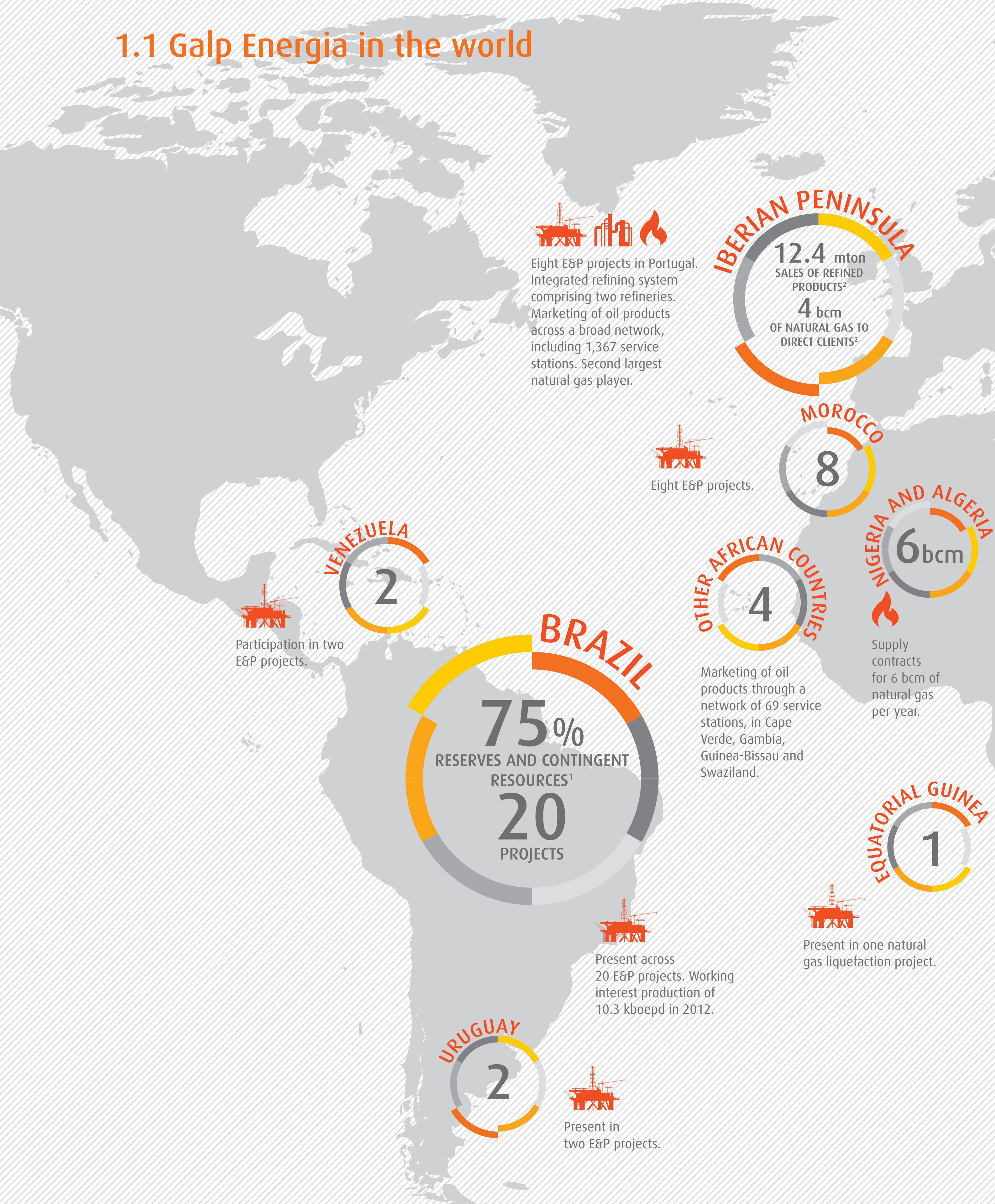
The Refining & Marketing (R&M) business is centred on the Iberian Peninsula, although the Company continues to expand its marketing of oil products in Africa. Galp Energia has two refineries with a processing capacity totalling 330 thousand barrels of oil per day (kbopd), and its marketing of oil products has turned it into one of the most important players in the Iberian Peninsula.

Gas & Power

1.3 MILLION
NATURAL GAS CLIENTS

Galp Energia distributes and supplies natural gas in the Iberian Peninsula, and has been consolidating its activity in the power business. The Company has managed to position itself as the second largest player in the Iberian market through the supply of natural gas. Galp Energia has also been focusing on its trading of liquefied natural gas (LNG) activity, taking advantage of the current global dynamics in this market.

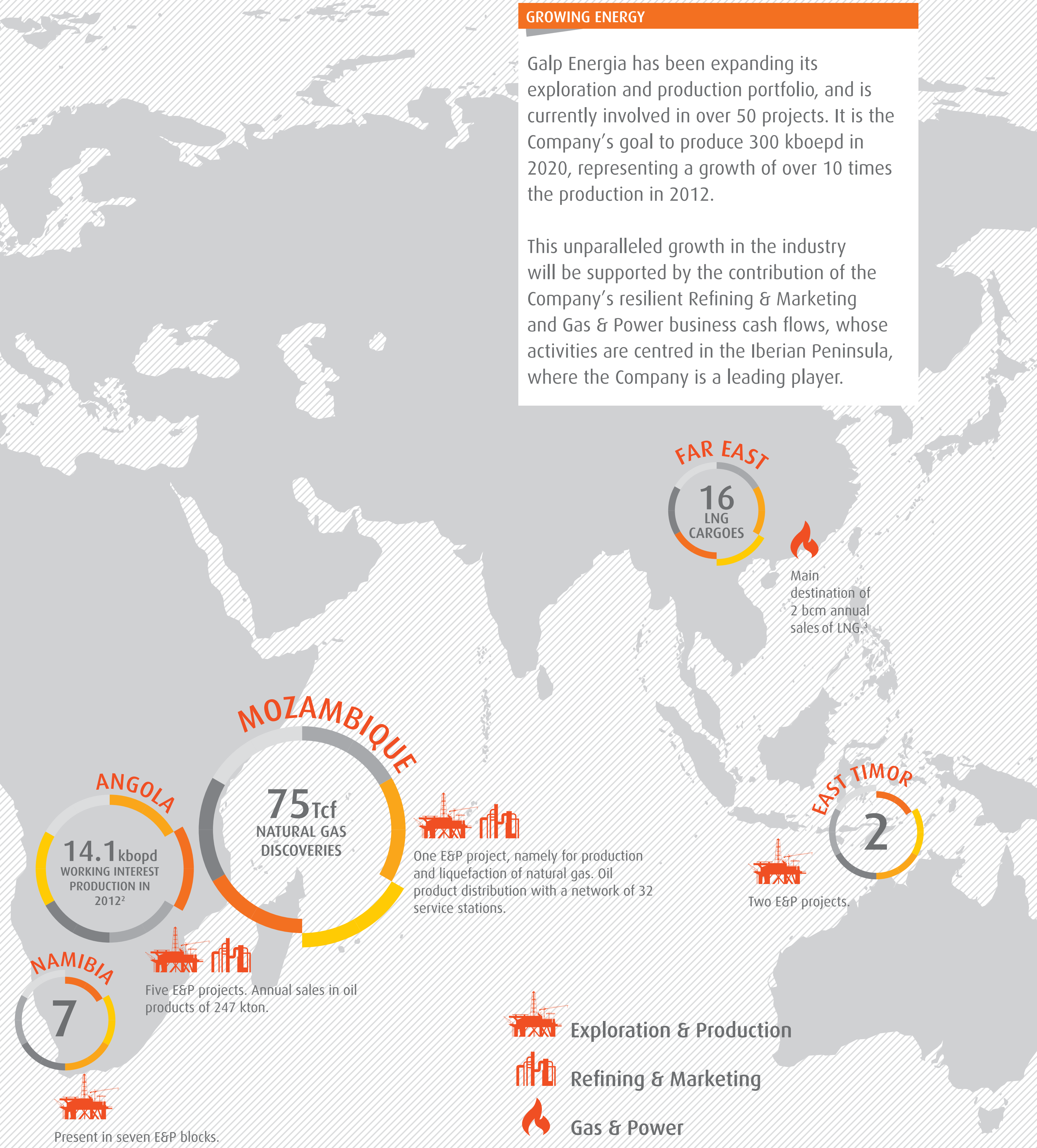
1.1 Galp Energia in the world



GROWING ENERGY

Galp Energia has been expanding its exploration and production portfolio, and is currently involved in over 50 projects. It is the Company's goal to produce 300 kboepd in 2020, representing a growth of over 10 times the production in 2012.

This unparalleled growth in the industry will be supported by the contribution of the Company's resilient Refining & Marketing and Gas & Power business cash flows, whose activities are centred in the Iberian Peninsula, where the Company is a leading player.



[1] Considers the 3P reserves and the 3C contingent resources as of the end of 2012, as certified by DeGolyer and MacNaughton.
[2] Values regarding 2012.
[3] Based on sales in the trading segment in 2012.

1.2 Board of Directors' statement

Chairman's statement

Dear shareholders,

The year 2012 was dominated by the continued adverse economic environment in Europe. This was felt particularly in the Iberian Peninsula, where austerity measures had an impact both on consumption and on public and private investment, and, consequently, on economic growth in the countries of the region. Against this background, Galp Energia's activities have been undoubtedly impacted, particularly regarding the marketing of oil products.

On the other hand, emerging markets continued to show economic growth rates that supported the growing demand for oil and natural gas. This proved to be very positive for Galp Energia, given its position in oil production and in the supply of LNG in international markets.

It is therefore expected that emerging countries such as China and India will continue to be the engine for growth in the consumption of energy products such as oil and natural gas, supporting demand in the long-term. Since Galp Energia's strategy is focused on creating value for its shareholders, namely through increased production of oil and natural gas, the Company is well positioned to benefit from the expected increase in demand for these products worldwide.

Among others, the Lula/Iracema project development in the pre-salt Santos basin in Brazil and the natural gas project of area 4 in the Rovuma basin, in Mozambique, are considered to be two of the greatest discoveries of oil and natural gas in recent decades and will be crucial to the growth in Galp Energia's oil and GNL production.

The Company's strategy has, therefore, been well thought out in order to take advantage of the challenges found in energy demand worldwide, whilst businesses in the Iberian Peninsula will constitute a resilient source of cash flow to support profitable growth in E&P.

Galp Energia has been consistent in its objectives and strategy execution, focusing on building a diversified and balanced exploration and production portfolio to ensure profitable and sustained growth, as well as pursuing projects designed to increase the profitability of its Iberian business. In this regard, I would also like to emphasise the completion and successful start of operations of the refineries upgrade project, which is vital in helping the Company to adapt to the ever-changing dynamics of the market.

To implement and achieve the strategic objectives it sets itself, Galp Energia considers its commitment to a solid capital structure to be crucial, financial soundness being one of the Company's strategic pillars.

I would further wish to emphasise our commitment to the highest standard of corporate governance practices, particularly with regard to the transparency and independence of corporate boards. Indeed, in 2012 the number of independent members on the Company's Board of Directors increased to around one third of the total. I would also like to thank the new members of the Board, elected in 2012, for their commitment to the Company's objectives as well as to the implementation of the Company's strategy, and, consequently, to creating value for all stakeholders in Galp Energia.

Américo Amorim,
Chairman of Galp Energia's Board of Directors.

I must also emphasise the importance of promoting responsible and sustainable policies that guarantee business sustainability in the long-term, particularly in terms of social responsibility, safety, the environment, innovation and developing the skills of the Company's human capital.

Finally, I would like to thank all stakeholders, especially our shareholders, employees, commercial and financing partners, customers and suppliers, for their efforts and commitment to Galp Energia and their contribution to implementing our strategic objectives.

Américo Amorim
Chairman of Galp Energia's Board of Directors

Statement by the Chief Executive Officer

Dear shareholders,

The year 2012 has been of particular importance for the achievement of our Company's strategic objectives. This was the first year in which capital was allocated mostly to the expansion and development of our exploration and production portfolio, and also the year in which we completed the largest industrial project undertaken by us in the Iberian Peninsula, namely the hydrocracking complex at our refineries.

Galp Energia is now completely focused on creating sustainable value through its growing of exploration and production activities. The Company's ambition is to be regarded as an integrated energy company focused on its E&P activities.

Besides already counting on production and development assets in Angola, as well as enjoying one of the most promising asset portfolios in Brazil and Mozambique, the Company also benefits from a number of competitive advantages that contribute to the successful implementation of its strategy. These include the solid relationships that we have established with our partners, our status as a recognised national flag carrier and the integrated know-how that we bring to each project and offer to our partners.

Based on the strategic course charted, we were once again able to deliver improved operating performance to our shareholders. As such, Ebitda was €1,016 million (m) in 2012, 27% up on 2011, and net profit amounted to €360 m, 43% over the same period the previous year. Our turnover reached €18,507 m, 10% over the same period in 2011.

This improvement in results is mainly due to better E&P and Gas & Power (G&P) business results, particularly from increased oil and natural gas production in the Lula/Iracema fields, in the Brazilian pre-salt, and stronger LNG trading activity in international markets. In fact, Galp Energia has been successful in seizing market opportunities, such as the increased focus on the E&P segment, which will allow the Company to benefit from the expected increase in global demand for oil and natural gas, and investing in the LNG market, having been able to take advantage of increased demand in high-value markets.

Seizing opportunities in international markets is especially relevant given the economic downturn that continues to be felt in the Iberian Peninsula, with a direct impact on the demand for oil products. It is, therefore, the Company's goal to maximise operational efficiency of the portfolio of downstream oil and gas assets it holds both in Portugal and in Spain. The capital invested in these businesses hereafter will be allocated exclusively to maintenance activities.

Beyond analysing performance, it is important to highlight the work undertaken in 2012 at the strategic level. Here, considering the strategic path followed, Galp Energia has achieved significant successes, notably in Mozambique and in the development project underway in the Santos basin, in Brazil.

Manuel Ferreira De Oliveira,
Galp Energia's CEO.

In Mozambique, exploration success achieved in 2012 with the discoveries of natural gas has led to a tripling in the total estimates of natural gas in place to 75 Tcf and it has transformed area 4 of the Rovuma basin into one of the most prominent centres for LNG development in the world.

In Brazil, the drilling of Jupiter NE in block BM-S-24 has allowed for increased knowledge of that reservoir, while the results of the commercial discovery at Carcará exceeded initial expectations and ensured the development of block BM-S-8, starting in 2018.

Regarding our development activities in the Brazilian pre-salt, I would like to highlight the performance of the commercial production unit installed in the Lula area, the FPSO Cidade de Angra dos Reis, which reached maximum production capacity of 100 kbopd roughly one year and a half after it came into operation. This represents the first of 10 production units to be installed in the Lula/Iracema fields by the end of 2017, which are crucial to ensuring a growth in production over the next decade. Given the importance of developing the Lula/Iracema fields, activity continued to be undertaken over the year to ensure delivery of all FPSO on time and within budget, thereby reducing the execution risk of the project.

The oil and natural gas production in Brazil is thus the main growth engine for the Company over the next decade and is crucial to ensuring Galp Energia achieves its production target of 300 kboepd in 2020. I would like to emphasise that this goal is a strategic commitment in which we have full confidence, since it is based on a set of projects already well defined.

In 2012, Galp Energia had an average working interest production of 24.4 kboepd, 17% over that of 2011. Our production in Angola has decreased to 14.1 kbopd, 16% less than that of the previous year, and the net entitlement production fell 5% to 7.8 kbopd. The development of other fields in block 14 and the ongoing investments in block 32 will allow for the return to growth in production in Angola from 2016 onwards.

Production in Brazil rose 70% in 2012 compared to the previous year, reaching 10.8 kboepd and contributing significantly to the results achieved in the E&P business.

The focus on the maximisation of value throughout the full cycle of every project, namely through the continued optimisation of production profiles, is undoubtedly crucial to the sustainable creation of value through development activities. In this regard, Galp Energia and its partners have been both evaluating and implementing a set of innovative techniques for the development of the pre-salt region in Brazil. The work done in order to increase of the recovery factor at the Lula/Iracema fields is, therefore, noteworthy, particularly the results obtained from the extended well tests (EWT) and the previously drilled wells, which led to an increase of the oil recovery factor to 28%, compared to the previous 23%. It is expected that the new oil recovery techniques to be implemented in 2013, namely the alternating injection of water and carbon dioxide (CO_2) at the reservoir and production through horizontal wells, will have a positive impact on the recovery factor. I would also like to highlight that, just as the Lula/Iracema fields have shown, it had already been proven by the industry that fields of a relevant dimension tend to deliver more value throughout the course of their development than as initially expected. That is why we are confident that through the implementation of these new techniques for the increase in the recovery factor, we will be able to deliver material value to our shareholders.

The generation of cash flow through development projects supports, in turn, a greater focus on exploration, the activity which creates the most value throughout the exploration and production cycle. In this way, our exploration strategy provides for the establishment of a sustainable portfolio, comprising a drilling programme of between seven and 10 high-impact wells per year, with the ultimate goal of discovering between 100 and 200 million barrels of oil equivalent (mboe) every year, thus contributing to production sustainability at 300 kboepd level after 2020.

The emphasis on exploration activities has led to the derisking of projects already in the existing portfolio as well as its expansion, through the farm-in into new areas. In this context, I would emphasise our successful entry into offshore projects in Morocco and Namibia, areas that offer relevant exploration potential and fit the objectives outlined in the Company's exploration strategy.

These new projects were, therefore, responsible for the increase of our exploration resource base of around 14% during 2012, up to 3,203 mboe, considering the mean estimate unrisked value.

Our reserve and contingent resource base also presented a significant growth in 2012. 3C contingent resources increased by 21% in 2012, up to 3,245 mboe, mainly due to the exploration campaign performed throughout the year in Mozambique as well as the appraisal activities in Brazil.

As for our proved, probable and possible (3P) reserve base, this rose 10% in 2012, up to 783 mboe, owing to appraisal and development activities performed at the Lula/Iracema fields in the pre-salt Santos basin, in Brazil.

The Company's accomplishments in the Iberian Peninsula should also be noted, particularly the completion of the refineries upgrade project, the complexity of operations and the Company's commitment to safety. Thanks to these efforts, the commissioning of the hydrocracker was completed in early 2013, with the unit starting operations on the 10th of January of this year. This project, with a total investment of €1.4 billion (bn) at the Matosinhos and Sines refineries, is crucial to increasing the profitability of the refining business and, above all, to the sustainability of this activity in the future. This is because, despite the fact that refining margins have slightly improved in 2012, the conditions of structural imbalance in Europe remain.

In the marketing of oil products business, which has continued to be impacted by the economic recession in Portugal and Spain, particularly by the package of austerity measures in force, the efforts of the Company have focused, and will continue to focus, on sustaining results. To this end, the customer loyalty programme has helped, as has ongoing reorganisation, which provides a more flexible commercial structure, contributing to greater business efficiency.

The G&P business has also been affected by the adverse environment in the Iberian Peninsula, particularly with regard to the supply of natural gas. However, reduced demand for natural gas in the region, the Company's long-term LNG supply contracts and Galp Energia's flexibility in redirecting LNG cargoes led to an increase in LNG trading activity on high value international markets, such as Asia. On this point, I note that in 2012 initiatives were taken to ensure sustainability of this activity in the future, with a positive impact in terms of generating results.

The positive cash flow generated by Iberian activities, which in 2013 will benefit from the start of the refineries upgrade project and will continue to be supported by the LNG trading activity, is helping to fund growth in the E&P business. In turn, the implementation and delivery of transformational projects, in particular the Lula project in Brazil, will be decisive for the future generation of positive cash flow by the Company.

Galp Energia will continue to implement its investment programme in a financially disciplined way whilst maintaining its commitment to a sound capital structure which, in addition

will enable us to analyse new opportunities and expand the Company portfolio, representing a real competitive advantage.

In order to align the remuneration of our shareholders with the growth of the Company's results, Galp Energia's dividend distribution policy was revised in 2012, estimating a rising dividend, which is expected to increase to an annual average rate of 20% between 2012 and 2016. In this regard, the Board of Directors will propose to the general shareholders meeting a payment of a dividend of €0.24 per share, concerning the financial year 2012.

In order to successfully develop the growth potential of our Company, we have broadened our efforts to qualify and develop our human capital, with the allocation of resources to research and development projects and multiple advanced training programmes for our professionals.

Another essential aspect in the implementation of our strategy is the importance that social, environmental and safety conditions have in achieving our goals in a responsible and sustainable manner. Here I would like to express our absolute commitment to the safety of our operations and to a productive engagement with the local communities involved. In fact, the responsible practices we have implemented were recognised in 2012 by our inclusion in the Dow Jones sustainability indexes (DJSI), DJSI World and DJSI Europe. The Company is now one of a select group of companies in the Oil & Gas Producers sector which belong to these indexes.

Before my final remarks, I have yet to mention the conclusion of the privatisation process undergone by Petrogal/Galp Energia which took place in 2012, a process which began in 1992 and which has now finally been concluded. I have been privileged to chair Petrogal/Galp Energia for 12 of these 21 years of progress and setbacks. There five other chairmen have directed this corporate group throughout the remaining nine years and each one of them has left an unmistakable mark on the Company this is today. To each and every one of them I here by declare my appreciation for all they have achieved in the exercise of their functions.

The privatisation of the Galp Energia Group has resulted in a shareholder structure which offers us stability, with one notable shareholder in particular, namely Amorim Energia, B. V. (Amorim Energia), fully committed to our success, the strategy which we have adopted and the proper implementation of our business plans.

Finally, I owe a word of appreciation to the members of the governing bodies of our Company, including the new members of the Board of Directors elected during the year, for the commitment shown to the Company, its culture and, above all, its strategy.

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

Manuel Ferreira De Oliveira
Galp Energia's CEO

1.3 Strategy

Galp Energia's strategy was designed to take advantage of the current and future of the Oil & Gas industry dynamics, namely the expected increase in oil and natural gas demand worldwide, and to shift the strategic focus away from markets with higher economic slowdown, as is the case in Europe, particularly in the Iberian Peninsula.

The ultimate goal of the Company is to create value for its shareholders in a sustainable manner, mainly through its E&P business, and its exploration activities in particular.

This strategic focus will be reflected on the delivery of profitable business growth in E&P, which will, in turn, be supported by the cash flow generated from the business in the Iberian Peninsula as well as the Company's oil and natural gas production activities. Active management of the portfolio, through the potential monetisation of certain Company assets, will also support entry into new areas of exploration.

In turn, one of Galp Energia's strategic objectives is to hold a balanced portfolio of exploration projects, which after being de-risked, ensure a sustainable production level in the long term.

Additionally, during the development and production stages, the Company aims to maximise the value of its projects, striving to increase the recovery factor of resources, optimise investment, bring forward the marketing of resources and reduce execution risk.

The Company, therefore, aims to become an integrated operator, recognised for its exploration successes.

The Company's competitive advantages set it apart
Galp Energia benefits from several competitive advantages which contribute to the success of its strategy execution. These advantages include its solid financial position, its charisma as a national flag carrier, its ability to create enduring partnerships, and its integrated knowledge of the Oil & Gas industry. In addition, the Company's human capital, specifically in the E&P business segment, has been acquiring and developing competences in some of the most innovating and promissing projects worldwide, which constitutes a real competitive advantage in the industry.

Creating sustainable value by focusing on exploration
Galp Energia is therefore forging a path to becoming an exploration and production company focused on creating value through its exploration activities. To this end, it has reinforced its focus on the expansion and diversification of exploration projects which contribute to a well-balanced portfolio, as well as the consistent derisking of resources in its exploration portfolio.

The strategic decision to enter into new areas with high potential allows the Company to diversify risk and ensure a balance between projects in both the exploration and development phases, ensuring a consistent level of production in the long run. On entering into new projects, the Company opts for the initial phase of exploration, where the greatest potential for value creation lies. When considering new opportunities, the Company considers important strategic criteria, including the materiality of the project, the relationship between potential and associated risk, and how each opportunity fits the Company's strategy.

Furthermore, Galp Energia considers the acquisition of more relevant stakes, as well as the option of assuming the position of operator in some of the new projects, to be factors which contribute to the development of skills and, above all, bring greater control over the execution of projects.

To achieve these strategic goals, it is essential to implement an accurate and successful exploration and appraisal programme, and that includes the drilling of prospects with potential material impact on the value of Galp Energia. In fact, to ensure the sustainability of production in the long-term, the Company envisages the drilling of between seven and 10 high-impact wells in order to unlock 100 to 200 mboe per year. The success of this programme contributes to the identification of future projects to be undertaken and is, therefore, essential for the transformation of exploration projects into production projects and, consequently cash flow.

Development of world-class projects
In order to maximise the return from development projects, excellence in their execution is fundamental. In this regard, choosing the most appropriate development method, rigorous compliance with schedules and fulfilment of deadlines, and the optimisation of associated costs are all necessary. In addition, the Company aims to increase the recovery factor of each project and accelerate the time to market of resources, factors which could have a significant impact on the delivery of value to shareholders.

Galp Energia is involved in the development of the two largest and most promising discoveries in decades: the Lula/Iracema fields in Brazil and area 4 at the Rovuma basin, in Mozambique. In fact, these projects are already amongst the most competitive for the development of oil and natural gas, respectively, particularly the project in Mozambique. Despite the development of more competitive technologies and the scale of competing projects, such as shale gas extraction in the United States of America (USA), this will always be one of the most competitive projects in the industry.

The projects in which Galp Energia is involved in Brazil and Mozambique, with particular emphasis on the Lula/Iracema fields, are key to the Company achieving the goal of producing 300 kboepd over the next decade, which is secured by the discoveries already made.

As for the context of the development of production projects, it is also important to mention the potential that may arise from maximising the value extracted from each project. Factors which contribute towards maximising this value include the operational and commercial improvements that come, for example, from the maximisation of sale options, the optimisation of strategies for equipment acquisition, and the increase in the recovery rate of oil and natural gas reservoirs. This offers potential for creating increased material value. It has already been verified in the industry that fields of a relevant size tend to deliver higher value than initially expected.

Resilient and profitable Iberian businesses
The activities that Galp Energia is developing in the Iberian Peninsula generate resilient cash flow which will be assigned to investment opportunities and development projects in the E&P business, thereby increasing the focus on that business.

Furthermore, these activities provide genuine competitive advantages in the pursuit of the E&P strategy. In fact, Galp Energia takes advantage of the expertise it has gained over the years as an integrated energy operator, as well as the image and reputation it has built as a national flag carrier. Through its R&M business, the Company has been able to develop its skills in the supply and trading of oil and oil products, as well as the management and operation of its complex refining and logistics asset network. Moreover, through its G&P business, the Company also brings together features that support the success of its exploration and production activities, including experience in the trading of LNG and the customer base in the Iberian Peninsula, which provides a stable demand for natural gas.

The maximisation of the profitability of activities in the Iberian Peninsula is the strategic objective for the R&M and G&P businesses and the Company has undertaken a number of initiatives in this direction.

With regards to the R&M business, apart from the refining upgrade with a direct impact on the profitability of that business, the Company is continuing its efforts to maximise value creation in the oil product marketing business, thereby having a positive influence on the cash flow which is generated.

As for the G&P business, which generates a positive and resilient cash flow, the Company plans to continue to sustainably capture opportunities in high value international markets through LNG trading activity.

A sound capital structure
Galp Energia considers its commitment to maintaining a robust financial capacity and, in particular, its sound capital structure as crucial factors when implementing its strategy. This financial strength allows access to more financing options, which are necessary for the investment profile of the Company, and facilitates Company growth, and which, in turn, has an impact on results and future cash flow generation. Active portfolio management, namely through asset monetisation, could provide a further potential source of funding.

Galp Energia remains committed to maintaining a solid capital structure, and it is expected that the net debt to Ebitda ratio should rise up to 2x, decreasing rapidly from 2016 onwards.

Ensuring consistent delivery of shareholder value through responsible practices
Galp Energia continues to strive to develop policies which ensure the delivery of sustained value to its shareholders.

Firstly, the Company is focused on the development of its human capital. To this end, it is important to note the evolution of the E&P business unit, both in respect of the acquisition and retention of the best talent, nationally and internationally, and in respect of its development of competencies and skills through specialised courses, promoted and designed by Galp Energia alongside universities and other companies in the sector.

To further Galp Energia's commitment to guaranteeing the sustainability of the business in the long term, the Company also strives to implement the best industry practices in all countries in which it operates.

The implementation of responsible practices is a strategic pillar for Galp Energia. Accordingly, the Company is committed to improving health, safety and the environment (HSE) and supporting the fight against climate change, as well as the promotion of ethical behaviour and transparency at all levels of the organisation.

Galp Energia's strategy also involves the promotion of initiatives of an educational and supportive nature, aimed at the development of local communities in the countries in which it operates.

Finally, the Company also considers crucial to the successful implementation of its strategy the promotion of a culture of innovation aimed at acquiring new skills and preparing for the new challenges ahead in the energy sector.

1.4 Main indicators

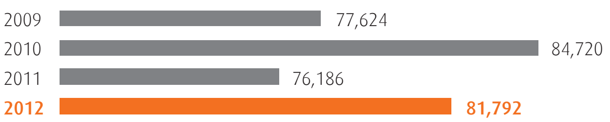
OPERATIONAL INDICATORS

	2009	2010	2011	2012
Exploration & Production				
Net entitlement 3P reserves (mboe)	35	574	709	783
3C contingent resources (mboe)	3,065	2,356	2,672	3,245
Average working interest production (kboepd)	14.7	19.5	20.8	24.4
Average net entitlement production (kboepd)	9.7	11.8	12.1	18.1
Refining & Marketing				
Crude processed (kbbl)	77,624	84,720	76,186	81,792
Refined products sales (mton)	17.3	17.3	16.3	16.4
Sales to direct clients (mton)	11.7	11.0	10.5	10.0
Number of service sations	1,549	1,539	1,502	1,486
Gas & Power				
Sales of natural gas (mm³)	4,680	4,926	5,365	6,253
Natural gas distribution network (km)	11,028	11,342	11,655	11,948
Number of natural gas clients ('000)	915	1,327	1,301	1,262
Sales of electricity (GWh)	706	1,202	1,201	1,298

Net entitlement 3P reserves (mboe)
2012: 783

Average working interest production (kboepd)
2012: 24

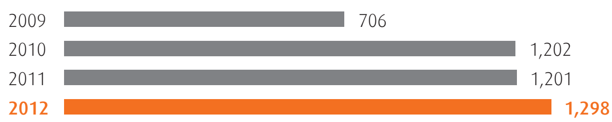
Crude processed (kbbl)
2012: 81,792



Sales to direct clients (mton)
2012: 10

Sales of natural gas (mm³)
2012: 6,253

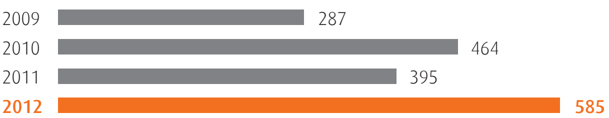
Sales of electricity (GWh)
2012: 1,298



FINANCIAL INDICATORS

Millions of euros (except otherwise noted)	2009	2010	2011	2012
Turnover RCA	11,944	14,028	16,804	18,507
Ebitda IFRS	830	1,064	1,090	1,038
Ebitda RCA	630	864	797	1,016
Ebit IFRS	459	649	642	542
Ebit RCA	287	464	395	585
Financial results IFRS	(76)	(98)	(123)	(63)
Net profit IFRS	347	452	433	343
Net profit RCA	213	316	251	360
Free cash flow	(63)	(912)	(667)	1,807
Investment	730	1,233	1,000	940
Shareholders' equity	2,389	2,645	2,941	6,706
Net debt	1,927	2,837	3,504	1,697
Net debt, including loan to Sinopec	1,927	2,837	3,504	780
Net debt, including loan to Sinopec, to equity	81%	107%	119%	12%
Net debt, including loan to Sinopec, to Ebitda RCA	3.06	3.28	4.40	0.77
ROACE RCA	7%	8%	6%	5%
Earnings per share RC (€/share)	0.22	0.36	0.28	0.38
Payout ratio	89%	56%	73%	63%
Dividend per share (€/share)	0.20	0.20	0.20	0.24
Market capitalisation at 31 December	10,017	11,891	9,437	9,752

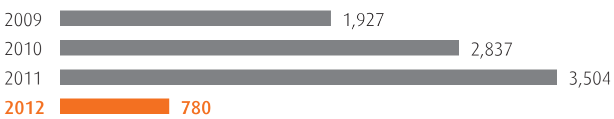
Ebit RCA (€m)
2012: 585



Net profit RCA (€m)
2012: 360

Investment (€m)
2012: 940

Net debt including loan to Sinopec (€m)
2012: 780



Dividend per share (€/share)
2012: 0.24

Market capitalisation at 31 December (€m)
2012: 9,752

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

02. Activities

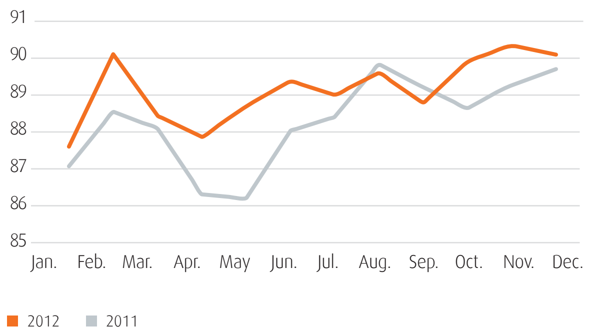
2.1 Market environment

Demand for oil and natural gas supported by emerging countries

In 2012, world oil consumption was on average about 89 million barrels (mbbl), an increase of around 1% on 2011, which was mainly due to increased demand from countries outside the Organisation for Economic Cooperation and Development (OECD). This group of countries increased oil consumption by around 3.1%, due to the higher demand in emerging countries such as China and India, which have been showing significant economic growth.

On the other hand, OECD countries reduced oil consumption by 1.0% in 2012. This decline was not only due to specific technological advances in more mature markets, especially in terms of energy efficiency, but also to the uncertainty surrounding the economic situation in Europe and in the USA, which constrained oil demand in those regions by 3.6% and 1.6% respectively, thereby maintaining the falling trend which occurred in 2011.

World oil demand (mbopd)



Source: IEA

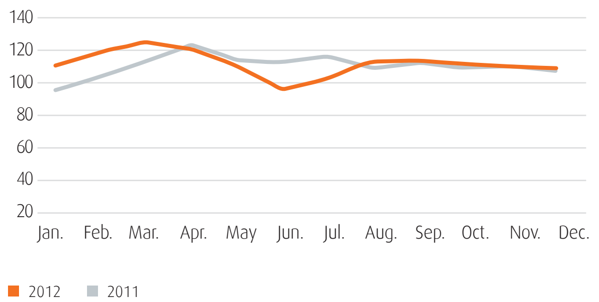
Nevertheless, the demand for natural gas worldwide increased approximately 2.4% in 2012 compared to 2011. The main contributors to this growth were also China and India, which increased consumption by 10.7% and 7.0% respectively, but Africa, Algeria and Egypt also recorded increases in average consumption of 3.5% due to a focus on the development of domestic natural gas resources.

LNG consumption has been growing in importance in the natural gas market, and in 2012 it accounted for approximately 10.2% of total demand. In fact, consumption of LNG increased 9.1% that year compared to 2011. Japan and Korea were the largest consumers of LNG in the world in 2012, having been responsible for 45.5% of total demand.

Volatility in the price of crude oil and natural gas

During 2012, the dated Brent price showed some volatility, with the monthly average ranging between $95.2/bbl and $125.3/bbl. The price reached its peak in the early months of the year, influenced by the unstable environment in Syria, Southern Sudan and Yemen, as well as the USA and European Union (EU) embargo on crude oil from Iran. Moreover, the uncertainties regarding the European and North American economies, as well as fears about a possible slowdown in the Chinese economy, gradually caused the price to return to values close to those of 2011.

Dated Brent price evolution ($/bbl)



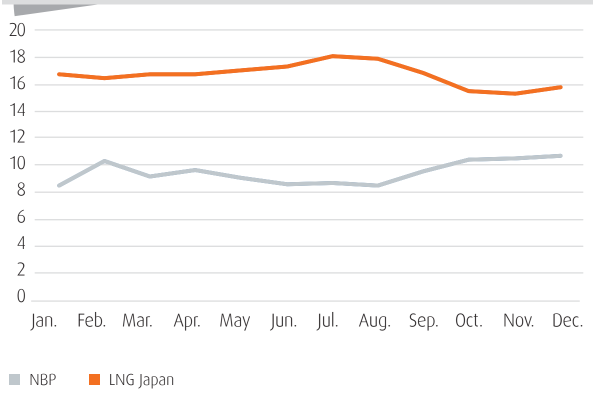
Source: Platts

With regards to the average National Balancing Point (NBP) price, the reference point for natural gas in the United Kingdom (UK), the average price in 2012 stood at GBp 59.8/therm, up 6% on 2011.

The NBP price is based on the interaction between supply and demand of natural gas in Europe, and is influenced by the long-term contracts that are established, which index the price of natural gas to the price of oil. Small changes in supply or demand can result in significant price movements, which is mainly due to limited alternative supplies of natural gas in the short term.

The year 2012 reflected this propensity for volatility, as the cold spell felt across Europe in February led to an increase in demand and, therefore, also in the price, which reached GBp 66.0/therm. Moreover, the decline in the average temperature during the second half of the year, which led to an increase in demand, coupled with decreasing supply via operational restrictions on natural gas exports in northern Europe, also contributed to the increase in the price of natural gas compared to the previous year.

Evolution in the price of natural gas in the UK and LNG in Japan ($/mmbtu)



Source: Bloomberg

It should be noted that throughout the year, the price of LNG to Japan continued to be supported by the high demand arising from that country. As such, the closure of nuclear power stations following the nuclear disaster of Fukushima contributed to an annual rise of 14% in demand for LNG in Japan, continuing to support the price in LNG exports for those markets.

The challenges posed by the development of shale gas

The development of shale gas in the USA has led to a paradigm shift in the natural gas industry in the region, this being one of the major technological advances in recent decades. In fact, the USA has, at the same time, been increasing both reserves and production of shale gas, with speculation that they will go from being importers to exporters of gas, which will have implications on the global energy market.

In terms of exploration and production businesses, the development of the technologies required for the extraction of shale gas, together with the scale of North American projects, may both have implications on the competitiveness of the various projects planned for the development of natural gas worldwide, though only in the long term.

The increased production of shale gas in the USA has been affecting the energy market dynamics in the region, having a direct impact on the cost structure of the North American industry, particularly refining. It is, therefore, expected that the expansion of shale gas projects and, consequently, increased production, will continue to benefit the refining industry in the USA over refineries located elsewhere in the world.

Furthermore, and as seen in 2012, the increased production of shale gas in the USA has direct impact on the price of substitute raw materials, namely coal, which becomes more competitive and available in other markets. Indeed, in Europe, the increased supply of coal from the USA at competitive prices, combined with the reduced cost associated to the CO_2 emission licenses (EL), led to lower natural gas consumption by the electricity sector.

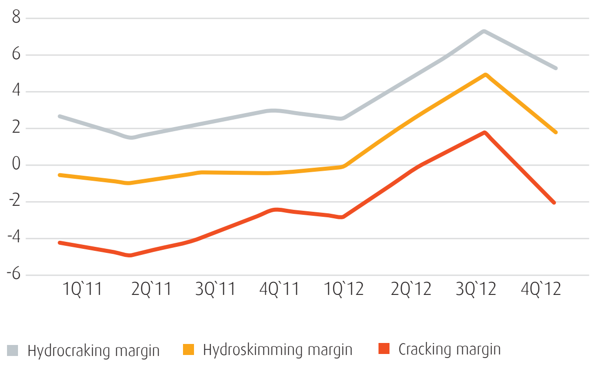
The refining industry in Europe

Benchmark refining margins in 2012 showed an improvement over 2011, which was primarily a result of the increase in diesel, gasoline and fuel oil crack spreads. However, this improvement was not due to structural changes in the European refining system, since, despite the closure of some refineries in Europe, there still remains an excess of refining capacity, especially considering the falling demand for oil products in the region.

Thus, the price of diesel was sustained by high demand combined with reduced supply, particularly following the closure of a refinery in the UK and restrictions on supply of this product by Russia. On the other hand, the increase in gasoline prices was due to the closure of some refineries in Europe, but especially due to unplanned outages at refineries in the USA and Latin America. The price of fuel oil has also benefited from reduced supply, not only following the closure of some refineries in Europe, but also due to increased demand for the product, particularly in Japan.

New units at the Sines refinery installed as part of the upgrade project.

Quarterly changes in benchmark refining margins ($/bbl)



Source: Platts

In 2012, the price differential between light and heavy crude stood at $1.5/bbl, which was $0.7/bbl lower than the previous year. This fall was due to an increase in the price of heavy crude oil, following the increase in demand for this type of crude. This was due, on the one hand, to the effect of substituting crude from Iran arising from the North American and European embargo and, on the other hand, to operations on other more complex refineries, which have begun to replace the use of lighter crudes with other heavier ones.

Contraction in energy demand in the Iberian Peninsula

The adverse economic environment in the peripheral Eurozone economies, particularly in Portugal and in Spain, has been significantly affecting consumer habits, with an impact on demand for oil products and natural gas.

The implementation of austerity measures to consolidate the Iberian economies led to the reduction in energy consumption in 2012. It is also expected that the implementation of further measures will continue to affect consumption in the economies of Portugal and Spain.

Thus, in 2012, the decline in the gross domestic product by 4.1% in Portugal and 1.1% in Spain led to a 7% contraction of the market for oil products in the Iberian Peninsula. The decline in demand was particularly evident with gasoline and diesel, which in Portugal reached 9% in the period. In Spain, the market for diesel contracted by 6%, whilst the markets for gasoline and jet decreased by 7%, also impacted by the economic downturn in the region.

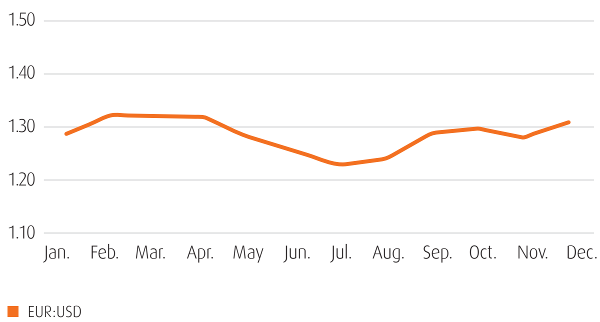
With regard to the Iberian natural gas market, this contracted about 4% compared to 2011, due to trends in electricity consumption, in particular, where there has been increased demand for alternative energy sources such as coal and, in the case of Spain, for nuclear energy. In Portugal, increased electricity imports from Spain also contributed to the decline in consumption by the domestic electricity sector.

Depreciation of the Euro against the US Dollar

In 2012, the Euro continued to lose value against the US Dollar, with the average Euro/Dollar exchange rate reaching 1.29, down 7.6% on 2011. The weakening of the Euro against the US Dollar was influenced by uncertainty around the economic situation in the Eurozone, which was particularly prominent in mid-2012, during the elections held in Greece and the looming banking crisis in Spain.

Moreover, despite some signs of improvement in the North American economy, uncertainty about the fiscal and economic direction of the region put pressure on the value of the US Dollar, which impacted positively on the value of the Euro/Dollar exchange rate at the end of the year.

Changes in the Euro/Dollar exchange rate in 2012



Source: Bloomberg

2.2 Exploration & Production

FPSO Cidade de Paraty, at the Brasfels shipyard in Angra dos Reis, Brazil.

Strategic objectives

- Build a balanced and diversified exploration and production portfolio.
- Sustainably add new prospects to the exploration funnel.
- Continuously derisk prospects for development, with the drilling of between seven and 10 high-impact wells, with the aim of unlocking 100 to 200 mboe per year.
- Assume greater control over exploration and production projects, either through the acquisition of more relevant stakes in new projects, or by assuming the role of operator.
- Deliver profitable production growth, reaching a production level of 300 kboepd over the next decade, which will be supported in the long-run by the delineated exploration strategy.
- Ensure optimal development of production projects, in order to maximise shareholder return.

Highlights in 2012

- At the end of 2012, 3P reserves reached 783 mboe, 10% more than in 2011; 3C contingent resources and exploration resources (mean unrisked estimate) recorded increases of 21% and 14% compared to the same period in 2011, to 3,245 mboe and 3,203 mboe respectively.
- The recovery factor of the Lula/Iracema fields increased to 28%, an improvement on the previous estimate of 23%, made when the Declaration of Commerciality was submitted in December 2010.
- The first commercial unit installed in the Lula/Iracema fields, FPSO Cidade de Angra dos Reis, reached full production capacity during the year.
- Discovery of significant resources of natural gas in the Rovuma basin, Mozambique.
- Exploration and appraisal activities in the Santos basin, Brazil, including the Carcará commercial discovery and the drilling of Jupiter NE well, which reinforced the potential for development of that region.
- Exploration portfolio expanded and enhanced by access to new areas in Namibia and Morocco.

OPERATIONAL AND FINANCIAL INDICATORS

	2009	2010	2011	2012
Average working interest production (kboepd)	14.7	19.5	20.8	**24.4**
Average net entitlement production (kboepd)	9.7	11.8	12.1	**18.1**
Average sale price ($/boe)	59.8	75.3	107.2	**101.3**
OPEX ($/boe)	10.5	10.4	15.9	**13.3**
Amortisation ($/boe)	17.3	29.5	34.0	**20.6**
Ebitda RCA (€m)	112	186	251	**374**
Ebit RCA (€m)	67	61	130	**245**
Investment (€m)	193	341	299	**653**

Galp Energia holds an exploration and production portfolio of 50 projects spread across 10 countries at various stages of exploration, development and production. The Company focuses its activity on three core areas – Brazil, Mozambique and Angola – but there have been major efforts to diversify its exploration portfolio both geographically and geologically. Thus, during the year 2012, Galp Energia added 16 new projects to its exploration and production portfolio, led by entry into Namibia and Morocco. The Company's portfolio also includes projects in East Timor, Uruguay, Venezuela and Equatorial Guinea.

Exploration and production portfolio

The resources and reserves base associated with Galp Energia`s exploration and production portfolio has seen significant development in 2012, both in terms of reserves, and contingent resources, and also in terms of exploration resources. Reserves and resources were certified by an independent body, consultants DeGolyer and MacNaughton (DeMac).

By the end of 2012, 3P reserves reached 783 mboe, of which 767 mboe corresponded to Brazilian projects under development and in production, predominantly those in the Lula/Iracema fields. The 3P reserve base reflects an increase of 10% over the previous year, primarily due to developments on these fields. In Angola, the volume of 3P reserves, on a net entitlement basis, was up to 16 mbbl.

At the end of 2012, natural gas reserves represented around 13% of total 3P reserves, in line with 2011.

It should be noted that proved and probable (2P) reserves increased by 60% to 640 mboe, with the increased confidence in the materialisation of future reserves in production. This was due to the already undertaken EWT which provided a deeper knowledge of the Lula/Iracema fields and reinforced the evidence of better connectivity in the reservoir.

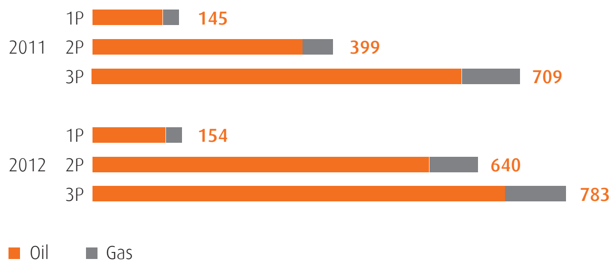
By the end of 2012, the 3C contingent resources base stood at 3,245 mboe, as opposed to 2,672 mboe in 2011. This was mainly due to the success of exploration activities in area 4 of the Rovuma basin, in Mozambique, and the appraisal activities carried out in Brazil.

The share of natural gas resources as a proportion to the total contingent resources was 37% at the end of 2012 compared to 34% in December 2011, due to the success of exploration activities in Mozambique. In late 2012, the assets held in Brazil accounted for 69% of the total contingent resources, whilst the natural gas resources in area 4 of Mozambique represented 24% of total resources.

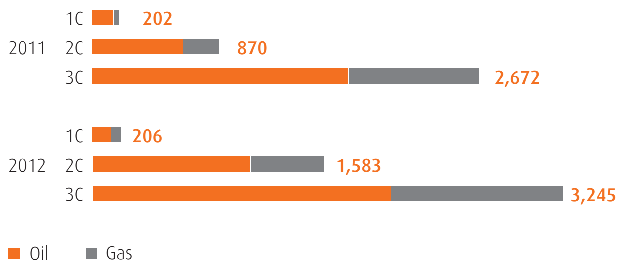
At the end of 2012, the (mean unrisked) estimate of exploration resources exploration reached 3,203 mboe, an increase of 14% over the year 2011. This development was due, to recent farm-ins to exploration areas, namely Morocco and Namibia. This contribution was more than enough to offset the impact of the success of the Company's exploration activity in Brazil and Mozambique, in 2012, which resulted in the transfer of resources previously classified as exploration to contingent resources.

This quantity of exploration resources was achieved with the contribution of 104 prospects and leads previously identified through exploration activities, including acquisition, processing and seismic interpretation.

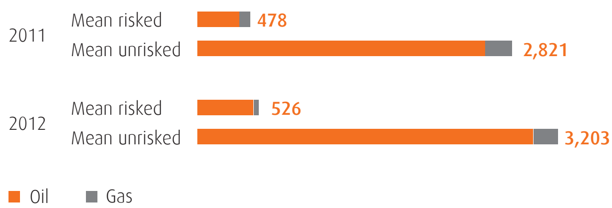
Reserves (mboe)



Contingent resources (mboe)



Exploration resources (mboe)



Exploration activities

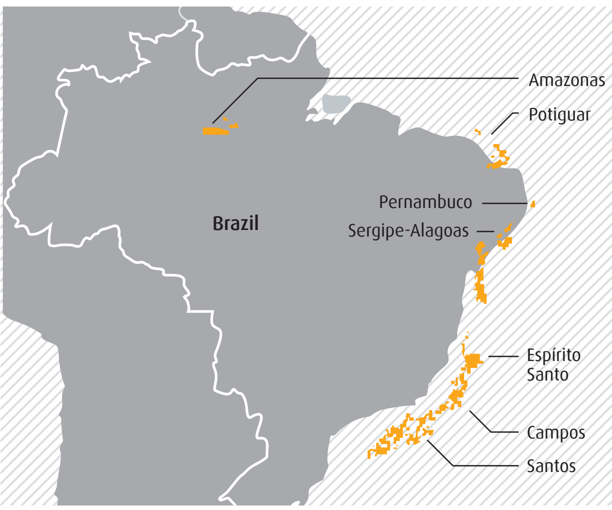
Galp Energia has established the commitment to creating value fundamentally through exploration activities, but also through the active management of its portfolio, which is considered essential to ensure the sustainability of exploration and production activities. Opportunities for entering into new areas are evaluated by taking into account strategic factors defined by the Company, including the level of risk diversification, the potential for value creation and the possibility of benefiting from competitive advantages.

In 2012, the analysis of new opportunities in exploration projects was intensified and resulted in access to seven new areas, including an onshore block in Portugal, three blocks in offshore Namibia and eight licenses in offshore Morocco, which contributed a total of 1.3 billion barrels of oil equivalent (bnboe) to the Company's portfolio of mean unrisked exploration resources.

Exploration activities undertaken in 2012 include the identification and maturation of prospects, as well as the drilling of wells in prospects with significant exploration potential. Thus, there were natural gas discoveries in Mozambique, where six exploration and appraisal wells were completed in 2012. There was also the drilling of wells in the pre-salt of the Santos basin, in Brazil, namely in the area of Carcará in block BM-S-8 and the Jupiter NE area in block BM-S-24. The data gathered from these wells supports the development of these areas, and contributes to the definition of the development plan of both blocks.

Galp Energia will continue its exploration activities in 2013, and intends to perform an exploration and appraisal campaign with high potential impact, namely through the drilling of up to 10 significant wells, thus de-risking 300 mboe net for Galp Energia. It is also important to highlight the exploration and appraisal activities to be carried out on the block BM-S-8, the exploration well at the Bracuhy prospect, on block BM-S-24, three exploration wells to be drilled in the Potiguar basin, and three exploration wells planned in different basins in Namibia.

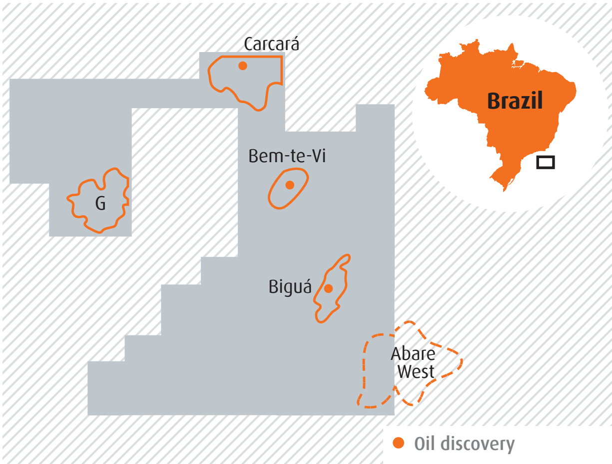
Basins where Galp Energia operates



Brazil

In block BM-S-8 of the Santos basin, exploration activity focused mainly on the drilling of the Carcará prospect, which began in late 2011. The Carcará well, which was the third well drilled in the block, confirmed a substantial column of over 471 metres of oil, mainly consisting of continuous and connected reservoirs. This finding is relevant due to the proven quality of the oil, of around 31°API, as well as the excellent permeability and porosity in the reservoir.

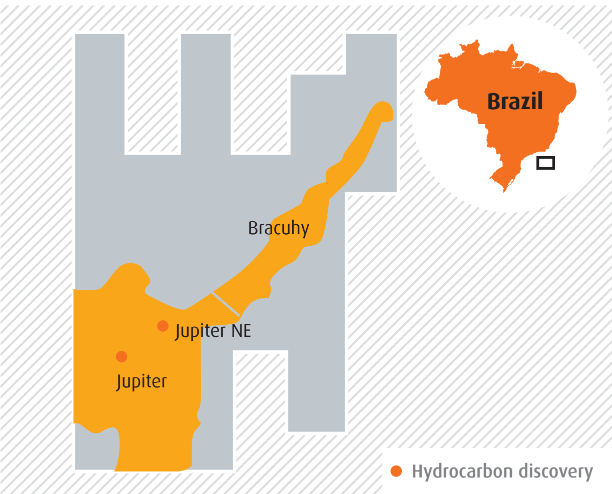
Block BM-S-8



To better understand the Carcará discovery, and in order to proceed with the exploration of other prospects in block BM-S-8, the consortium asked the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) to postpone the deadline for issuing the declaration of commerciality for this area which, at the end of the year, was subject to approval. In 2013, the consortium anticipates continuing the appraisal of the block, namely through the drilling of an extension well in the Carcará prospect.

In block BM-S-24, also located in the ultra-deep waters of the Santos basin, the second well in this block, Jupiter NE, was drilled. This well proved the existence of a continuous reservoir between the first Jupiter well and the Jupiter NE well, confirming the presence of oil, condensates and gas with a high CO_2 content.

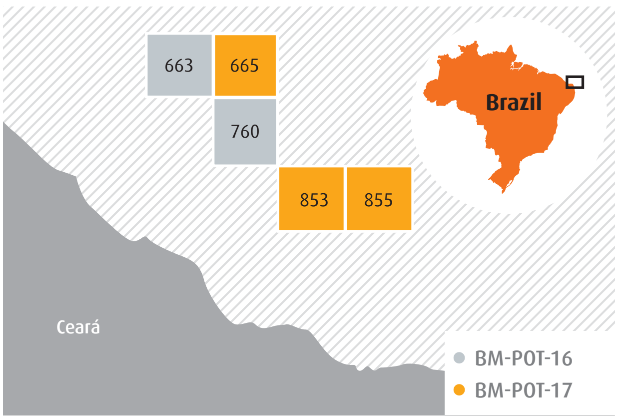
Block BM-S-24



Given the significance of this block, the consortium will continue appraisal activity on the Jupiter area. An exploration well is scheduled to be drilled in the Bracuhy prospect in 2013, which could increase the block's potential.

Activities in block BM-S-21 were centred on the interpretation of 3D seismic data, processed in 2011, for the identification and selection of prospects, and drilling of an exploration well is expected for 2014.

Potiguar offshore basin



In the Potiguar basin, located in the Brazilian equatorial margin, the drilling of the first exploration well, aiming to investigate the Ararauna prospect in block POT-M-760, has been postponed until the first half of 2013. Although the consortium had secured the contracting of the rig, the delay in issuing the environmental permit prevented the drilling of the well in 2012.

Regarding the BM-POT-17 contract, the acquisition of 3D seismic data was completed during 2012, and was duly processed and analysed. In 2013, the consortium aims to drill two exploration wells, in order to investigate the Pitú and Tango prospects.

In Pernambuco-Paraíba basin, located in the northern part of the rift basins at the opening of the South Atlantic, Galp Energia is present on three blocks. In 2012, 3D seismic data acquired in 2010 was reassessed and technical studies were conducted on the maturation of prospects with the potential to be drilled in the second phase of exploration. The decision to move to this phase, which includes the commitment to drill an exploration well on the block, should be made in 2013.

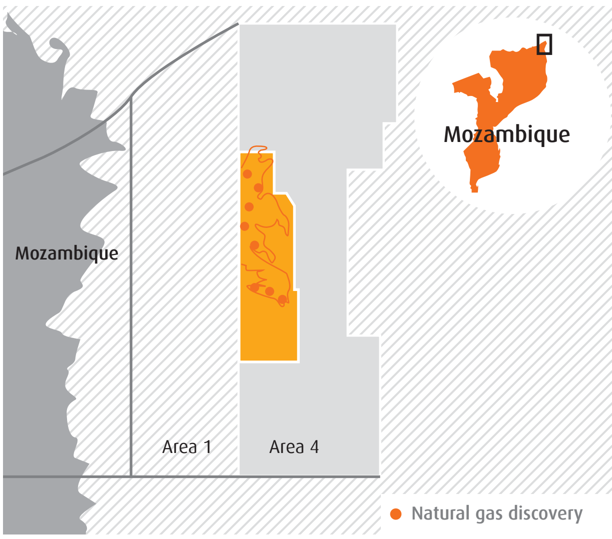
In offshore Brazil, Galp Energia is still present in the Campos basins, where it aims to drill the first well in block C-M-593 in 2013, and in the Espírito Santo basin, where in 2012 it began the drilling of the second exploration well in block BM-ES-31, which failed to prove commercial potential.

Mozambique

In 2012, the consortium for the exploration of area 4 in the Rovuma basin, offshore Mozambique, made several natural gas discoveries, through the completion of six wells in the area. At the beginning of 2013, and after drilling a total of eight exploration and appraisal wells in the block, the estimate of natural gas initially in place (GIIP) is 75 Tcf. The consortium estimates that the resources in reservoirs exclusively located in area 4 alone amount to 27 Tcf, which is particularly relevant since they provide more flexibility to the consortium of area 4 in developing the project, compared to the development of the reservoirs that extend between this area and area 1.

In 2012, the consortium also acquired 1,850 square kilometres (km²) of 3D seismic data in the northern part of the block, in order to assess a possible extension of the Mamba structure and identify potential prospects to be drilled in 2013. In order to evaluate the potential of the total area, particularly the presence of oil prospects, 2,155 kilometres of 2D seismic data were also acquired in the remaining areas of the block.

Rovuma basin, Mozambique



Exploration and appraisal activities in 2013 will include the drilling of two appraisal wells in the Mamba structure, as well as the drilling of new exploration wells, particularly for assessing the oil potential in the K Bulge prospect in the South of area 4.

In order to enhance the sustainable presence of Galp Energia in Mozambique, in 2012 the Company signed a strategic cooperation agreement with the National Hydrocarbon Company (ENH) of Mozambique. In addition to technical, operational and financial coooperation, the agreement provides for cooperation on joint analysis and evaluation of new opportunities in the region.

Angola

In Angola, Galp Energia holds assets offshore in block 14, with three areas currently in production, block 14K and blocks 32 and 33. The Company is also participating in the first integrated natural gas project in the country, Angola LNG II.

The consortium is planning a drilling campaign in block 14 to increase the recoverable resources within the development areas, taking into account the existing infrastructure. Following studies conducted in 2012, which led to additional exploration potential being identified, one well is expected to be drilled in 2013 to evaluate the potential that was discovered.

Regarding block 32, an extension was authorised for the exploration period of the Central North East (NE) area for two periods of three and two years, in order to investigate the potential of the identified prospects. The exploration and appraisal campaign continued in 2012 and the Gengibre-3 and Caril-2 wells were drilled. The latter was still being drilled at the end of the year. In 2013, exploration and appraisal work will continue with the drilling of at least one further well, Cominhos-2.

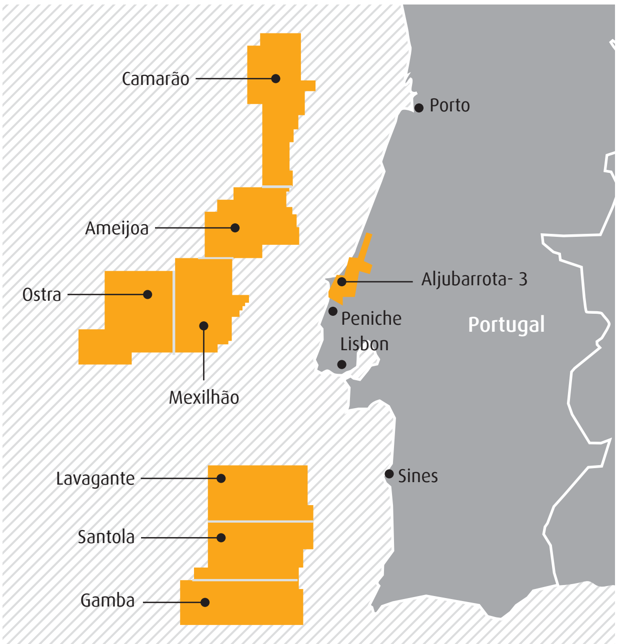
In block 33, activity in 2012 focused on the drilling of Sumatê-1, which was still being drilled at the end of the year. In 2013, well completion and the drilling of a new exploration well are planned.

Portugal

As part of the strengthening of its exploration portfolio, in 2012 Galp Energia acquired a 50% stake in the offshore Aljubarrota-3 concession, operated by Porto Energy. However, Galp Energia has the option of becoming operator of the block, just as of acquiring a 25% stake in each of the six other concessions from Porto Energy in Portugal, options that fall under the exploration strategy outlined.

Currently, the exploration portfolio in Portugal includes eight blocks: one block onshore and seven blocks offshore at the Alentejo and Peniche basins.

Onshore and offshore areas in Portugal



Exploration activity in 2012 involved the drilling of an onshore exploration well. While natural gas was not discovered in sufficient quantities to justify the success of the well, it was considered crucial for the better understanding of the structure on which the future exploration programme will be based.

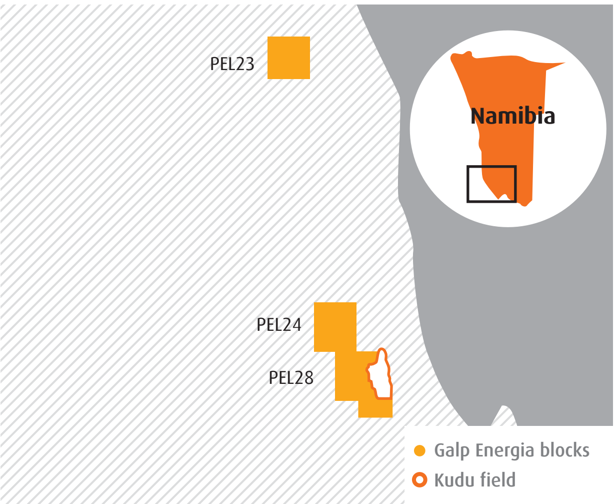
Exploration activities in the offshore basins involved the completion of 3D seismic acquisition data in the Alentejo basin, which begun in 2011, and acquisition campaigns for seabed core samples to help study the generation, maturation and migration of hydrocarbons in the Alentejo and in Peniche. In 2013, planned work involves the analysis of all the evidence gathered during the 2012 to identify prospects for the first exploration well in 2014.

Namibia

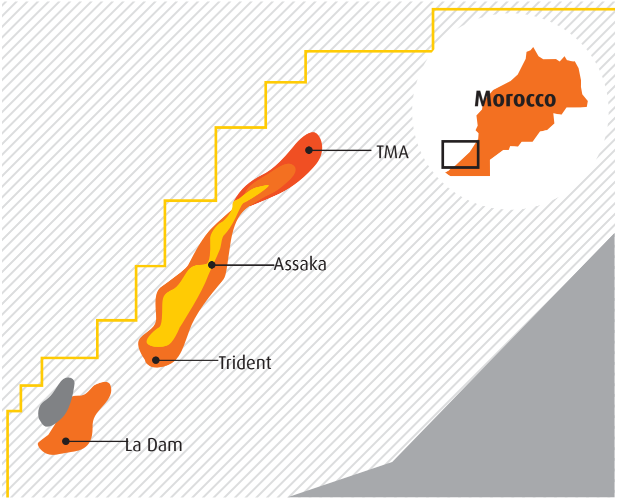
In 2012, Galp Energia signed a farm-in agreement with the Brazilian company HRT Participações em Petróleo, S. A. (HRT), to acquire a 14% stake in three petroleum exploration licenses (PEL) located offshore in Namibia, namely PEL 23 in the Walvis basin, and PEL 24 and PEL 28 in the Orange basin, which together represent seven projects.

Both basins are located on new frontier areas in an emerging hydrocarbon province, with the potential for significant oil and natural gas discoveries, with prospects already identified. According to Galp Energia's internal estimates of volume and associated risk, the three prospects already identified point to a target of a total potential of 8 billion barrels (bnbbl) of exploration resources (unrisked mean estimate), under an oil discovery scenario, with a 20% to 30% probability of success.

PEL offshore, Namibia



Exploration licenses, in offshore Morocco



The exploration programme for 2013 envisages the drilling of three exploration wells on already identified prospects, two in PEL 23 and one in PEL 24.

It should be noted that the presence of a proven hydrocarbon system in the Orange basin, and the quality of the 3D seismic data covering the three prospects identified, are relevant factors in reducing the exploration risk.

Morocco

In 2012, Galp Energia secured a farm-in agreement with the Australian company Tangiers to acquire a 50% interest in the Tarfaya Offshore, which comprises eight exploration licenses, known as Tarfaya Offshore I to VIII, and is located on the Atlantic margin of offshore Morocco. Galp Energia will become the operator of the Tarfaya Offshore area, a role which is currently held by Tangiers.

The Tarfaya Offshore licenses are located in a still underexplored area, but in a proven oil system. Several prospects have already been identified, including the Assaka, Trident, Tarfaya Marin-A (TMA) and La Dam prospects.

The exploration programme provides for the drilling of an exploration well at the Trident prospect, the areas primary target, until mid-2014. The prospect is estimated to have 450 mbbl of exploration resources (unrisked mean estimate), with an associated probability of success of 21%. This first exploration well can potentially de-risk the Assaka and TMA prospects.

Uruguay

Galp Energia has been present in areas 3 and 4 of the Punta del Este basin since the first round of bidding for offshore licenses there.

In 2012, studies focused on the interpretation of the 2D seismic data acquired earlier for the two blocks, as well as on geological modelling of the basin. In 2013, 3D seismic data will be acquired in both areas, notably for 1,200 km^2 in area 4 and 2,000 km^2 in area 3, with the goal of identifying prospects to start drilling from 2014.

Development

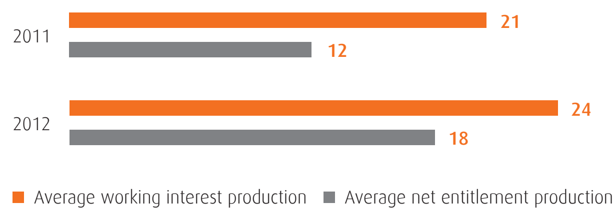
The success of exploration activities in the pre-salt Santos basin and in Mozambique ensures an unprecedented increase in production for Galp Energia over the next decade. These projects, along with Angola, are the main support for the production target of 300 kboepd. Indeed, in the coming years, Galp Energia will focus its development activity on the prospects already identified in these world-class regions.

Projects currently in the production phase are located in block 14, in Angola, the Lula/Iracema fields in offshore Brazil, and, on a smaller scale, in onshore Brazil.

Production

In 2012, Galp Energia had an average working interest production of 24.4 kboepd, an increase of 17% compared to 2011.

Production (kboepd)

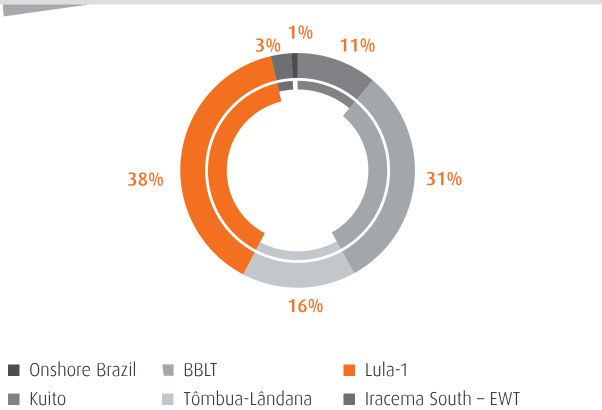


This development was mainly due to increased production in Brazil which contributed 10.3 kboepd, mostly due to the development of the Lula-1 project. Of this Brazilian total, 1.7 kboepd refer to natural gas production. After the connection of the fourth producer well to FPSO Cidade de Angra dos Reis, this unit reached total processing capacity during 2012, i.e. in about a year and a half after the start of production, which was an important development milestone. Moreover, the EWT in the Iracema South area during 2012 contributed to an annualised production of 0.7 kboepd.

Production decreased 16% to 14.1 kbopd in Angola due to the natural decline in production from the fields in block 14.

Indeed, the trend seen in 2012 will continue over the next few years, with a progressive increase in production in Brazil, and a decrease in production in the fields in block 14 in Angola.

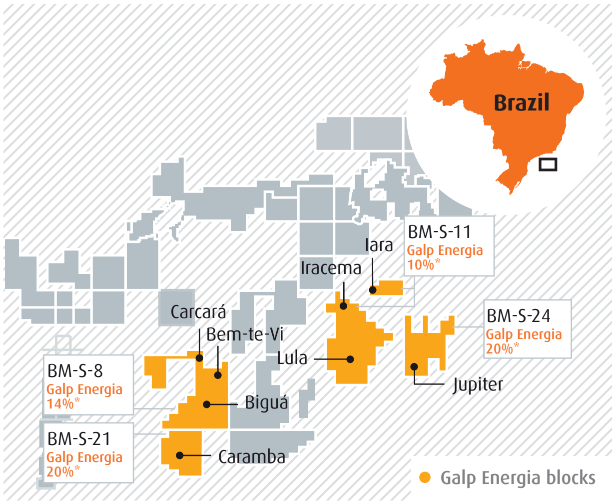
Working interest production per project in 2012



Net entitlement production registered a variation of 49% to 18.1 kboepd, compared to 2011, which is a result of an increase in working interest production in Brazil of 6.4 kboepd. In Angola, the net entitlement production decreased from 8.2 kboepd to 7.8 kboepd, not only due to reduced working interest production, but also to reduced cost oil rates, associated to the cost of the Production Sharing Agreement (PSA) recovery mechanisms in the Benguela-Belize-Lobito-Tomboco (BBLT) field.

Projects in the Santos basin

Discoveries on the pre-salt Santos basin

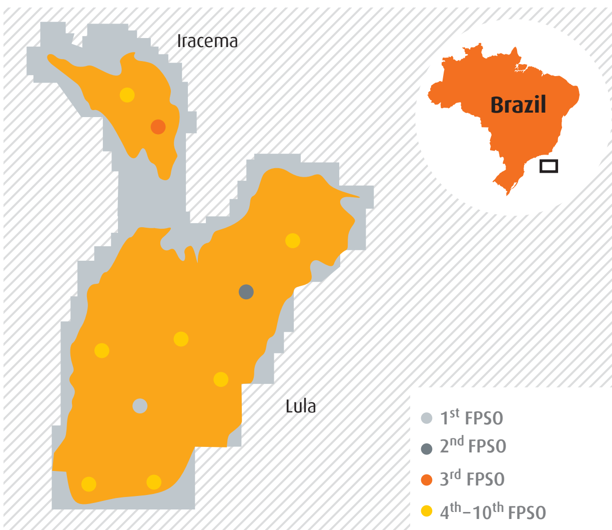


*Stake held by its subsidiary Petrogal Brasil.

Currently, Galp Energia's major development projects are held in the ultra-deep water pre-salt cluster of the Santos basin. The discoveries made since 2006 have positioned this basin as a world-class region, in which Galp Energia has been present since the earliest stages of exploration. Indeed, the Lula project was the first project in this basin to issue a declaration of commerciality, in December 2010, just four years after the first discovery, which marked the start of a new era of increased production for Galp Energia.

Galp Energia plans to have as much as 14 FPSO units in production in the pre-salt Santos basin by the end of 2018, in the Lula, Iara, Carcará and Jupiter projects. By the end of 2012, Galp Energia had an FPSO – the Cidade de Angra dos Reis – in production at the Lula/Iracema fields.

Lula/Iracema fields, in block BM-S-11



The development plan for the Lula/Iracema fields involves appraisal work aimed at maximising data gathered on the reservoir in places where permanent production units are expected to be installed, including appraisal wells and EWT.

In 2012, two appraisal wells were drilled in the areas of Iracema North and Lula Central and the drilling of a well began in Lula West. This was done to reduce risk in the development and to maximise knowledge of the areas with a view to allocating production units. In 2013, activities will focus on collecting data from the surrounding area, particularly in the areas of Lula South, Lula Extreme South and Lula North.

Within this context, it should be noted that the appraisal and development activities performed in the Lula/Iracema fields led to the increase of the oil recovery factor to 28%, compared to the 23% estimated at the date of the Declaration of Comerciality in December 2010. The increase in the oil recovery factor is an essential element for the creation of incremental value in the project. To maximise this factor, Galp Energia will test new recovery techniques, including the alternating injection of gas and water to the reservoir and production through horizontal wells.

The fields development plan includes the installation of nine FPSO in addition to the FPSO currently in production at the Lula/Iracema fields. All are to be installed by 2017. Thus, by the end of 2017, the total production capacity installed at the Lula/Iracema fields will be 1.4 mbopd.

During 2012, the project made progress and important decisions were made to ensure the successful implementation and delivery of this world-class opportunity and mitigate operational risk. Thus, the second permanent unit to be allocated to the Lula NE area, the FPSO Cidade de Paraty, was transferred from the Keppel shipyard in Singapore, where the conversion of the hull was carried out, to the BrasFels shipyard in Angra dos Reis, Brazil, for the assembly of the topsides. The FPSO of 120 kbopd should go into production in the second quarter of 2013 in the Lula NE area, and production is expected to take one year and a half to reach the full capacity of the unit.

The construction of the FPSO Cidade de Mangaratiba, which has a production capacity of 150 kbopd and will be allocated to the Iracema South area, continues to progress according to plan, and it is estimated for entry into production to begin in 2014.

In 2012, a letter of intent was signed with the companies Schahin Petróleo e Gás and Modec to lease FPSO Cidade de Itaguaí, which was not in the original plan for the area of Iracema North, which will help to reduce operational risk on the Lula/Iracema fields. This FPSO will have a production capacity of 150 kbopd and its construction will take 35 months. It is therefore expected to enter into production during the last quarter of 2015. The lease of this additional FPSO reveals the consortium's commitment and capacity to develop the Lula/Iracema fields.

As regards the six replicant FPSOs, the year 2012 saw continued initiatives to ensure their timely delivery. Construction work on the FPSO hulls, which had been ordered in 2010, continued apace at the shipyard in Rio Grande do Sul in Brazil, which has a total area of 440,000 m² and will house the largest dry dock in Latin America. In fact, one highlight of 2012 was the placement of the first block in dry dock for the construction of the hull of the first platform.

In 2012, the consortium also signed 10 contracts for construction and integration of the topsides of the six FPSO. The delivery of the FPSO built in Brazil will be decisive for the progress of the Lula project, which are scheduled to enter into production between 2016 and 2017.

Moreover, the construction of these units in Brazil means not only the maximisation of local content in the development of the Lula/Iracema fields project, but also the development of Brazilian industry, which will make an important contribution to the development of Galp Energia resources in the region.

On the subject of development resources in Brazil, the consortium present in block BM-S-11 is committed to develop research and development (R&D) projects, coming together periodically for the sole purpose of discussing technical and technological solutions to be implemented in the block.

In this context, the consortium has already been carrying out development work focused on maximising the return on pre-salt projects, most notably by increasing the oil recovery factor. Indeed, all equipment allocated to projects in the pre-salt Santos basin has been prepared and sized to enable the inclusion of new recovery techniques resulting from these projects. This is the case for the alternating injection of CO_2 into reservoirs to increase the recovery rate from the fields, and the possibility of drilling more wells than initially forecasted, if economically viable.

There have also been studies to guarantee production flow and development optimisation during the project`s life cycle, including anticipation of production and implementation of techniques to extend the plateau production period of the project.

Lula-1 project

In 2012, two wells were connected to the FPSO Cidade de Angra dos Reis, the first commercial-scale FPSO in the Lula/Iracema fields – an injector well and a production well. So, by the end of 2012, four production wells were active, in addition to one gas injector well and an injection well for alternating water and CO_2 in the reservoir in order to improve reservoir management.

FPSO Cidade de Angra dos Reis

Furthermore, the drilling of a deviated (quasi-horizontal) production well was completed in 2012, which will be ready to go into production in 2013. The drilling of this well has been of particular importance since it was the first of its kind to be drilled in the Brazilian pre-salt.

The results of the implementation of these techniques, whether alternating the injection of water and CO_2 or production using a deviated well, could have a material impact on the level of recoverable resources. Thus, although the recovery factor increased five percentage points (p. p.) to 28%, there is still the potential for it to benefit from the implementation of those techniques. It should be noted that every percentage point increase in the recovery rate in the Lula/Iracema fields represents an increase of 300 mboe of recoverable resources.

The progress made in well-drilling techniques has been widely recognised and is the result of gains in knowledge and experience of reservoirs and associated technologies.

The natural gas development project associated with the Lula/Iracema fields continues to go according to plan. The Lula-Mexilhão pipeline has been in operation since September 2011, transporting natural gas from the FPSO Cidade de Angra dos Reis. It is anticipated that the capacity of the pipeline – 10 million cubic metres (mm^3) of gas per day – will be sufficient to carry the natural gas produced by the three production units. In 2012, the project for the second Lula-Cabiúnas pipeline, with planned capacity for carrying 15 mm^3 of natural gas per day, has progressed according to plan and is expected to start operations in the second half of 2014.

Other options are currently being evaluated for the extraction and marketing of natural gas from the Santos basin, including the construction of additional pipelines, as well as the possibility of building a floating liquefied natural gas (FLNG) unit.

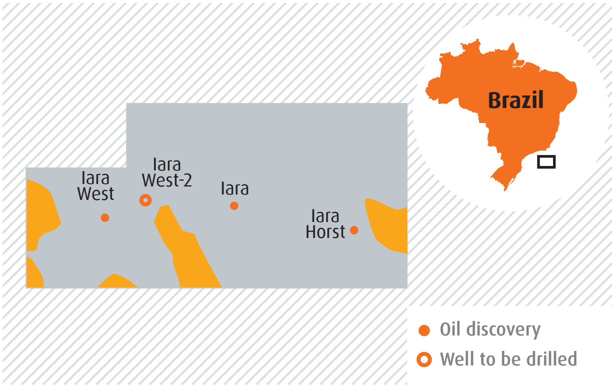
Extended well tests

The EWT at the Iracema South area started in late February and were completed by October 2012. The tests allowed for a better understanding of the behaviour of the reservoir, especially in terms of productivity, thus minimising risk during the deployment of FPSO Cidade de Mangaratiba, which will begin in late 2014. The test was performed using the FPSO Cidade de São Vicente, which had previously conducted tests in the pilot areas of Lula and Lula NE, and produced about 1.1 kbopd, corresponding to the Galp Energia share in the months it has been in operation. Note that the EWT using the FPSO Cidade de São Vicente have been subject to a production limitation due to restrictions on gas flaring.

A test in the Lula South area is planned for 2013, starting in the second half of the year using FPSO Cidade de São Vicente. Furthermore, studies are being developed for the use of larger FPSOs, currently in production in the Lula/Iracema fields to perform the EWT in other areas, which may result in faster development.

Iara

Iara area, in block BM-S-11



In the Iara area, work is focused on appraisal wells to increase knowledge of the reservoir, in order to prepare for the development of the field. In 2012, the Iara West well was drilled, the third well in this area, reaching a total depth of 6,050 metres. The results from this well confirmed the presence of good quality oil of between 21°API and 26°API. By the end of the year, the consortium started the drilling of appraisal wells in Iara West–2, in order to collect data for a deeper understanding of this area.

Company activity in 2013 will include the drilling of at least one additional appraisal well in the Iara North West (NW) area, in order to collect information to broaden the development plan. An EWT in the Iara area is scheduled for the end of 2013.

The development plan currently includes the installation of two FPSO for the Iara area from 2017, which shows the consortium's confidence in developing this important oil and natural gas resource base. The development plan for this area will benefit from what has been learned from the Lula/Iracema projects, including the techniques that are being tested to increase the recovery rate in these fields.

Other fields in the pre-salt Santos basin

Regarding the Carcará and Jupiter discoveries, the consortium continues to undertake a number of activities in preparation for the development of these important discoveries, with a commitment to the commercial launch of both projects from 2018.

During 2012, the Carcará commercial discovery was made, which yielded excellent results thus justifying the development of this block. In fact, as the previous discoveries at Bem-te-Vi and Biguá did not justify stand-alone development, the Carcará discovery unlocked their development. At the end of the year, as previously stated, the consortium requested the postponement of the deadline for issuing a declaration of commerciality for the block, in order to evaluate and define the development project, including the drilling of one appraisal well and the realisation of one production test in the Carcará area. An EWT is also planned in that area before the commercial launch of the project.

In the Jupiter field, the consortium began the evaluation of the data gathered from the Jupiter NE well, proceeding with the maturation for the development model, among several scenarios under review, including the development of oil and condensate resources. As such, it should be noted that there is no technological barrier to the development of the significant oil and condensate discoveries in Jupiter. At the same time, the consortium is currently developing strategic R&D projects that may help to optimise this field development, particularly in regard to the quantities of gas with high CO_2 content found in the reservoir. This may increase the oil recovery from this reservoir as well as adjacent reservoirs.

Mozambique

The success of Galp Energia's exploratory drilling activity in area 4 in Mozambique over the last two years, together with the discoveries in the adjacent block, area 1, has positioned Mozambique as one of the major areas of interest for the production of natural gas worldwide.

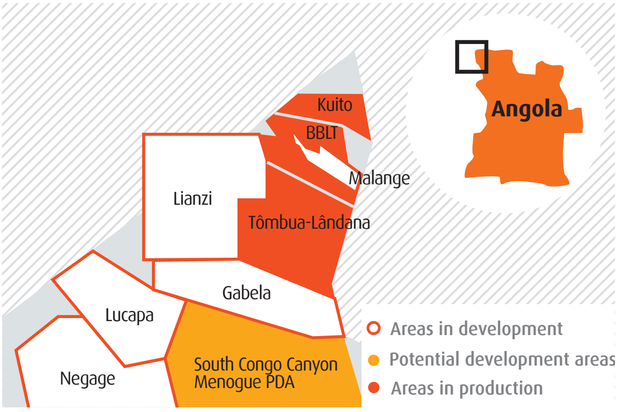
The consortium for the exploration and development of area 4 is evaluating various development models for the marketing of natural gas from the block, both for the resources that are found exclusively in area 4, and for reservoirs that extend between areas 4 and 1 of the Rovuma basin. Thus, the consortium is considering options such as the installation of onshore liquefied gas units, FLNG and gas-to-power projects. In parallel, the consortia for areas 1 and 4 of the Rovuma basin have begun formal talks to discuss the terms of the unitsation of the reservoirs that extend the limits of both concessions. In late 2012, the operators in areas 1 and 4 of the Rovuma basin, namely Anadarko and Eni, S. p. A. (Eni), respectively, have agreed in principle to the development of resources in common areas, including the coordinated development of offshore activities and joint development of liquefied gas units onshore. The final investment decision is expected between late 2013 and early 2014, and the launch of the first commercial production phase is planned for 2018.

It should be noted that, under the agreement signed between Galp Energia and ENH, the companies have decided to cooperate in the evaluation and implementation of financing options, as well as in the areas of marketing and trading of natural gas, the evaluation of industrial development options and the optimisation of costs and investments. The agreement provides for cooperation in geological studies, reservoir engineering, the development of hydrocarbon production, logistics and infrastructure.

The Mozambique project boasts a number of natural features that position it as one of the most competitive in the world, namely the quality of the gas and reservoirs, the flow of production per well, estimated up to 150 million standard cubic feet (mscf), and the location near the coast of Mozambique. The geographical location of Mozambique on the Indian Ocean confers a competitive advantage in the marketing of natural gas, given its position in relation to high-value markets such as India, China, Japan and Europe.

Angola

Oil concessions in Angola



Block 14

The fields which are currently in production in block 14 are at the mature phase. Therefore, only after the areas currently under development have entered into production that the trend towards declining production in that block will be reversed.

In 2012, work on the remaining areas of development focused on implementing engineering studies to select the optimal alternative for the development of various fields, with particular emphasis on the areas of Lucapa, Malange and Gabela. Regarding the Negage field and the Menongue discovery, the consortium is currently awaiting the outcome of negotiations with the concession holder representing the interest of the governments of the Democratic Republic of the Congo and Angola regarding the Common Interest Zone (CIZ).

Block 14K

In 2012, Galp Energia and its partners in block 14K took the final investment decision to develop the Lianzi field, located offshore between the Democratic Republic of Congo and Angola.

The project will be developed through a tieback to the platform in the BBLT field in block 14, and the consortium anticipates beginning production for 2015.

Block 32

The development plan for block 32, approved in late 2010, is based on the split hub concept for the development of the Kaombo area, bearing in mind the geographical dispersion of the discoveries. The planned development model includes the installation of two FPSO in the area from 2016.

2.3 Refining & Marketing

New units at the Sines refinery installed as part of the upgrade project.

Strategic objectives

- Increase the efficiency of the R&M business, so as to increase invested capital return.
- Improve the reliability and profitability of refineries.
- Maintain the leading position in the Iberian market for marketing of oil products.

Highlights in 2012

- Commissioning of new units to be installed at the Sines refinery as part of the upgrade project.
- First full year of operation of the new units at the Matosinhos refinery.
- Ongoing implementation of optimisation measures in the marketing of oil products business in the Iberian Peninsula.

MAIN INDICATORS

	2009	2010	2011	2012
Crude processed (kbbl)	77,624	84,720	76,186	**81,792**
Galp Energia refining margin ($/bbl)	1.5	2.6	0.6	**2.2**
Refineries net operating costs ($/bbl)	2.1	2.1	2.3	**2.2**
Refined products sales (mton)	17.3	17.3	16.3	**16.4**
Sales to direct clients (mton)	11.7	11.0	10.5	**10.0**
Number of service stations	1,549	1,539	1,502	**1,486**
Number of convenience stores	536	589	595	**588**
Ebitda RCA (€m)	295	403	244	**294**
Ebit RCA (€m)	79	210	23	**61**
Investment (€m)	456	800	641	**217**

Galp Energia, through its R&M business, has a complex, integrated refining system, consisting of two refineries in Portugal, with a wide marketing network of oil products in the Iberian Peninsula and, on a smaller scale, in Africa. The Company also owns an extensive network of logistics assets that not only supports Galp Energia's position in the Iberian Peninsula, but also provides important expertise in the area.

Procurement and refining

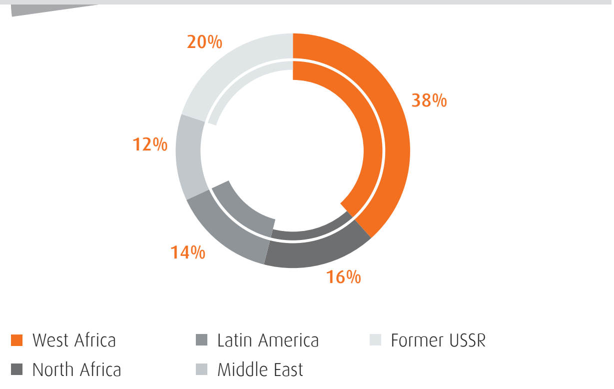
2012 has been of particular importance for refining activities. The final stages of the ramp-up of the upgrade project at the Sines refinery were completed, where new units were to begin operations in early January 2013. With regard to the trading of crude oil, oil products and chemicals, Galp Energia continued its consolidation efforts in this area, thus ensuring that the Company is equipped with the relevant skills for the growth expected in the coming years, particularly in terms of production growth in the E&P business.

Procurement

During 2012, Galp Energia imported crude oil from 15 countries, which was processed in its refineries in order to obtain and sell a wide variety of oil products, including gasoline and middle distillates.

Galp Energia continues to ensure that it has diversified sources of supply for crude oil, which is of particular importance given events impacting the supply of crude oil in international markets, such as the EU embargo on crude from Iran in 2012.

Origin of crude



Refining

2012 was marked by a series of events that led to an improvement in the refining margins in international markets. However, those events did not have structural impact, and excess refining capacity in Europe remained.

It is within this context of structural imbalance that the Galp Energia refinery upgrade project is of particular importance, since only the most complex refineries have the flexibility to adapt to market dynamics. In 2012, decisive steps were taken to begin this important project, most significantly the commissioning of new units at the Sines refinery. The work carried out in this area affected the optimal use of the refining system in 2012, which was also affected by the occurrence of scheduled and unscheduled outages in the refineries. The utilisation rate for the year stood at 68%.

To ensure the highest levels of availability and reliability of refineries, Galp Energia is implementing advanced engineering techniques and Reliability Centred Maintenance (RCM), which allow for greater operational efficiency. In fact, after the general outage planned for 2014 in Sines, only partial outages are planned in the various units.

Over the year, 11.9 million tonnes (mton) of raw materials were processed, of which crude represented 93%. Out of the 81,792 kbbl of crude oil processed, 71% were medium and heavy crudes, in line with the figures recorded in 2011, when the new units at the Matosinhos refinery began operations. These facilitated the processing of heavier crudes, whose cost is usually lower than that of lighter crudes and condensates. The Company intends to continue to take advantage of this difference.

In 2012, diesel and gasoline continued to be the products of greatest importance in the Company's production yield, in accordance with demand from Galp Energia's natural market and given the optimisation of the refining margin. These products represented 33% and 21% of the production yield, respectively. Consumption and losses in the period stood at 7%, in line with that of 2011.

The beginning of a new era in refining

The year 2012 saw the final stages of development needed to begin the upgrade project. This project, which is crucial to the increased profitability of refining operations, began operations smoothly in early 2013.

The upgrade project, which involves a total investment of €1.4 bn, arose from the need to adapt the refining system for the diesel market, a result of the switch to diesel in Europe and, in particular, in the Iberian Peninsula. Galp Energia is now able to produce more diesel at the expense of, mainly, fuel oil, whose market value is lower. In fact, the upgrade project has given the Company a more complex, more efficient and more flexible refining system. This is particularly relevant given the declining consumption of oil products, including diesel and gasoline, in the Iberian market.

Following the entry into operation of the new units at the Matosinhos refinery in June 2011, Galp Energia reached the goals it had set, namely the commissioning of the 585 new systems installed in the Sines refinery during 2012, and the start-up of the new units. In fact, the hydrocracker began production in early January 2013.

It should be stressed that strict quality control systems were implemented throughout the project, especially in the commissioning phase and the start-up phase of the new units. This was key to the successful start-up of operations, meeting the highest safety standards.

Given the complexity of the systems and processes at the refinery and, in particular, those related to the hydrocracker, start-up was gradual and progressive, with a stabilisation of production before the end of the first quarter of 2013, the first period to benefit from the positive impact on refining margin. In 2012, it was estimated that the positive impact on margins, given the market conditions prevailing at that time, would be between \$2.0/bbl and \$3.0/bbl with the new units in operation.

This incremental margin takes into consideration the increased utilisation rate of the refineries, the greater relevance of medium and heavy crudes in the basket of crudes processed, and higher diesel production.

It should be noted that, alongside the upgrade project, Galp Energia developed a series of projects aimed at increasing the energy efficiency of the Sines and Matosinhos refineries. Of note were the construction of a cogeneration facility at the Sines refinery, which commenced operations in October 2010, and the construction of a cogeneration facility at Matosinhos refinery, which was completed in 2012 and should be fully operational by 2013.

Galp Energia now has a modern, highly complex and fully integrated refining system. This is the beginning of a new era in refining activity, with a more efficient, reliable and cost-effective operation.

Logistics

Galp Energia has a portfolio of logistics assets in the Iberian Peninsula that includes access to the maritime terminals at Sines and Leixões, in Southern and Northern Portugal, respectively, as well as a set of storage facilities in Portugal and Spain, with a total capacity of around 7 mm³. The Company also holds stakes in logistics companies in these countries, which include pipelines on the Iberian Peninsula approximately 4,000 kilometres long.

These assets support the refining and marketing of oil products in the Iberian Peninsula and, at the same time, provide the Company with relevant expertise in the implementation and management of an efficient logistics network – a competitive advantage valued by Galp Energia's partners across different business segments.

Sales and marketing of oil products

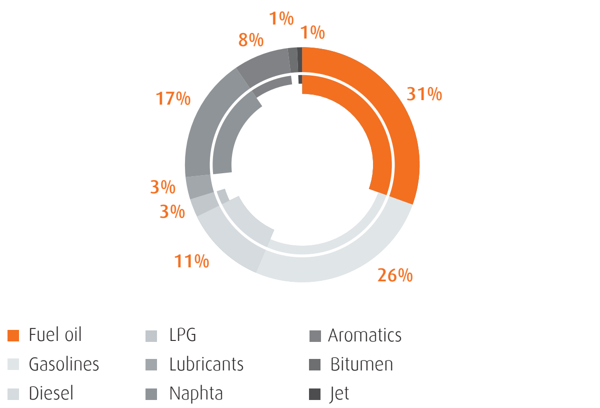
As an integrated energy operator, Galp Energia oversees the marketing and sale of oil products, either directly to customers in the Iberian Peninsula and in Africa, or to other operators, or even through exports.

Sales of oil products

16.4 mton of oil products were sold in 2012, in line with the 2011 figure. In fact, although there was a drop in consumption in the Iberian market, the Company was able to compensate by placing its products in the international market. Sales to direct customers accounted for 61% of the total, 3 p. p. less than the previous year, whilst sales to other operators accounted for 19% of the total.

Exports totalled 3.3 mton – i.e. 20% of total oil products sold – and went mainly to the USA and the Netherlands. The rise of 24% in volume exported compared to the previous year was, on the one hand, due to the rise in production at the refineries and, on the other, due to the lower consumption in the Iberian market, meaning there was greater production available for export. Fuel oil and gasoline were the most exported products, and were intended mainly for Gibraltar and the USA, respectively.

Exports in 2012 by product



Marketing of oil products

As an integrated energy operator, Galp Energia distributes oil products in the Iberian Peninsula and selected African markets. Its main objective is the marketing of oil products under the Galp Energia brand, as well as the marketing of non-fuel products via its network of service stations in order to maximise the return on these assets.

In 2012, the Company continued to optimise its business both in Portugal and Spain, with a view to achieving greater efficiency and even higher return on invested capital. Given the downturn in demand in the Iberian market, Galp Energia has been focusing its activities not only on the optimisation of its service station network, but also its relationship with the customer. The Company is therefore committed to closer proximity to the customer and to maintaining the value it offers, developing programmes to strengthen and renew loyalty, duly segmented according to customer needs.

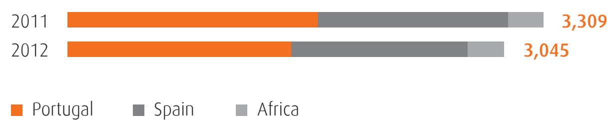
It should also be noted that in 2012, Galp Energia continued to adapt the organisation to current business conditions. By simplifying the organisational structure, increasing customer orientation and upgrading information systems, the Company became more streamlined, more flexible and better able to respond to the needs of the market.

In Africa, Galp Energia continued to develop the marketing of oil products in selected markets. It is worth highlighting the important position of the Company in Mozambique in 2012, where it is one of the main operators in the market.

Retail

In 2012, volumes sold in the retail segment continued to be affected by the deterioration in the market for oil products in the Iberian Peninsula, which reflected a drop of 11% in sales in Portugal and 5% in Spain. In Africa, volumes sold stayed in line with the previous year.

Sales in the retail segment (kton)

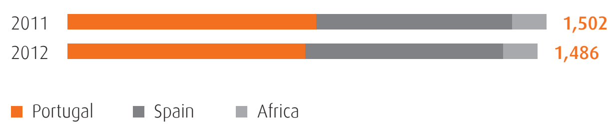


In late 2012, despite the decline in sales volumes in the Iberian Peninsula and strong competition in the fuel retail market, Galp Energia managed to hold on to the lead in the Portuguese retail market, with a market share of around 30%. In Spain, market share remained at 6%.

Following optimisation measures, the Company transferred five service stations previously under direct management to dealer-operated status, which had an impact on the cost structure of the Company.

As a result of active management of the service station network, 27 service stations were closed in the Iberian Peninsula in 2012.

Number of service stations



In order to boost its position in the retail segment in 2013, Galp Energia strengthened its partnership with a Sonae group brand, a leader in the Portuguese retail market, with the launch of a new customer loyalty campaign in Portugal.

Wholesale

In 2012, sales in the wholesale segment accentuated the downward trend already observed in 2011 in the Iberian Peninsula, and volumes sold decreased 5% in Portugal and 6% in Spain. In Africa, the Company managed to consolidate its activity and sales volumes represented 4% out of the total sales in this segment.

In Portugal, the sub-segments that most contributed to the loss of volume were those in industry, marine and payment means, which, combined, represented approximately 60% of total volume sold in the country. While declines in industry and payment means segments were related to the difficult situation experienced in the industrial sector and Portuguese business, the fall in the marine business was due to specific operational difficulties at different Portuguese marine ports.

In Spain, the adverse economic environment led to a larger decline in volumes in two sub-segments of industry, construction and aviation. Given the intense competitiveness of business there, and especially considering the falling demand for oil products in the market, Galp Energia has been making significant efforts to improve its performance in Spain.

To improve the performance of its wholesale business, in 2012 Galp Energia restructured its offering to customers in this segment, particularly in terms of payment methods, with the launch of a new loyalty programme in Portugal. The aim is to replicate this initiative in Spain.

Since it is unlikely that the downward trend in volumes sold in the Iberian Peninsula will be reversed in 2013, Galp Energia will continue to take steps to increase the profitability of its activities in the wholesale segment, both in terms of greater structural flexibility and of greater credit control.

Liquified petroleum gas

In 2012, liquified petroleum gas (LPG) sales followed the developments in the Iberian market which, despite business expansion in African countries, accounts for almost the entire volume sold in this segment.

It should be noted that, despite the contraction observed in the LPG market in the Iberian Peninsula, and particularly in Portugal, Galp Energia was able to maintain its competitive position in that market.

In addition to the macroeconomic environment, the continued increase in the use of natural gas in Portugal, as well as pressure on the selling prices of LPG, following the increase in the price of raw materials, had an effect on the change in volumes sold in 2012.

As to the way in which the product is marketed, while in Spain bulk sales remained the most significant, with 40% of total sales of LPG, in Portugal the sale of LPG in cylinders represented 63% of the total. In fact, Galp Energia has been successful in raising its profile in this market through innovations in the products available. This includes the Pluma gas bottle, which is already marketed in several European countries including Germany and France, and products developed for indoor heating, where Galp Energia is the segment leader.

2.4 Gas & Power

An autonomous gas distribution unit.

Strategic objectives

- Increase profitability in the G&P business.
- Ensure sustainable LNG trading activity.
- Consolidate integration of the natural gas and power businesses.

Highlights in 2012

- The sales volume of natural gas reached a record high of more than 6 billion cubic metres (bcm), driven by sales of LNG in the international markets.
- Start of the testing stage for cogeneration at Matosinhos refinery, with an installed capacity of 82 megawatts (MW).
- Launch of the first combined natural gas and electricity offer for residential customers in the Portuguese market.

MAIN INDICATORS

	2009	2010	2011	2012
Natural gas sales (mm^3)	4,680	4,926	5,365	**6,253**
Number of natural gas clients ('000)	915	1,327	1,301	**1,261**
Installed capacity (MW)	163	163	175	**257**
Electricity sold (GWh)	706	1,202	1,201	**1,298**
Natural gas net fixed assets (€m)	1,036	1,045	1,063	**1,233**
Ebitda RCA (€m)	216	263	287	**348**
Ebit RCA (€m)	135	184	230	**283**
Investment (€m)	77	87	55	**67**

The G&P business segment comprises several activities including the supply, distribution and marketing of natural gas in the Iberian Peninsula and the LNG trading on international markets, as well as the multi-generation and sale of electricity, centred on the Iberian Peninsula.

Natural gas

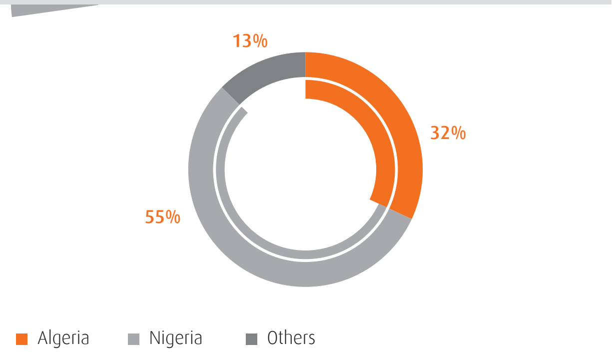
The Galp Energia natural gas business encompasses a series of regulated and liberalised activities, including liberalised procurement, regulated operation of infrastructure and liberalised and regulated supply to the end users in the Iberian Peninsula. In addition, the Company has been intensifying its efforts in the international markets, having reinforced its LNG trading activities.

Procurement

Galp Energia has long-term supply contracts for natural gas with Algeria and for LNG with Nigeria, totalling 6 bcm per year. Long-term contracts ensure a continued supply of business in Portugal, while the Company can also benefit from the dynamics of the international LNG market through the trading segment.

In 2012, Galp Energia purchased 6.3 bcm of natural gas, up 12% on 2011. Of this total, 2 bcm came from Algeria, through the Europe Magrebe Pipeline (EMPL) gas pipeline, Al-Andalus and Extremadura, and 3.5 bcm of LNG were purchased from Nigeria LNG (NLNG), in Nigeria.

Main sources of natural gas in 2012



In addition, in order to take advantage of any favourable conditions in terms of price, Galp Energia is present in the spot market. The Company acquired 0.8 bcm on the spot market in 2012.

Equity holdings in international gas pipelines

Internacional pipelines	Country	Capacity (bcm/year)	Galp Energia %
EMPL	Algeria, Morocco	12.0	23
Al-Andalus	Spain	7.8	33
Extremadura	Spain	6.1	49

Regulated infrastructure

Distribution

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

In 2012, the companies partly owned by Galp Energia distributed 1.5 bcm of natural gas, through a distribution network which expanded by 11.948 kilometres by the end of the year.

Return on regulated assets

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

Storage

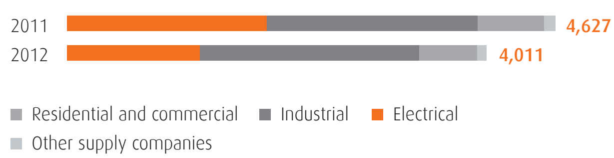
Galp Energia operates the regulated underground storage of natural gas in Portugal for a 40-year period up to 2046, with a current storage capacity of around 40 mm³. The asset base of this storage, valued at €17 m, returns 8% per year. Given their importance for the country's energy security, the natural gas underground storage are operated under a public-service concession.

After being completed in 2012, cavern TGC-2 reached a geometric volume of around 752,000 m³, a figure above the initial estimate of 550,000 m³, ranking it among Europe's largest caverns. With the start of operations in this cavern in late 2013, Galp Energia's storage capacity will be raised to around 130 mm³.

Supply of natural gas

With regard to the supply of natural gas, Galp Energia is a leading operator – with around 1.3 million customers, it is ranked second in the Iberian Peninsula.

Sales of natural gas to direct clients (mm³)



In 2012, natural gas sales to direct clients totalled 4 bcm, a decrease of 13% over the previous year, with the decline of power plants consumption.

In fact, during 2012, consumption of natural gas by power plants fuelled by Galp Energia decreased 33% compared to 2011, which was accounted for by the contraction of electricity generation via natural gas, due primarily to the increased weight of coal in electricity production in Portugal. This was supported by a more competitive price of that commodity when compared to natural gas. The increased imports of electricity produced in Spain also contributed to the lower consumption in that segment.

In the industrial segment, the volumes of natural gas sold increased 161 mm^3 to 2,113 mm^3, following an increase in consumption by Galp Energia's natural gas industrial units, namely the cogenerations at the Matosinhos and Sines refineries, and the hydrocracker unit installed at the latter. In 2013, sales will continue to be positively impacted by the consumption of those units, especially with the full operation of the cogeneration plant at the Matosinhos refinery.

As for the residential and commercial segment, consumption went down 103 mm^3 in 2012, particularly due to milder temperatures at the beginning of the year, but also with the loss of clients in this segment in Spain. Another notable event during the year was the extension of deregulation in the Portuguese natural gas market. In response to this challenge, Galp Energia launched the first combined natural gas and electricity offer in Portugal, Galp On. Through this brand, the Company already supplies more than 100,000 customers, thereby achieving the goal set when the brand was launched.

Trading

Sales in the trading segment in 2012 amounted to 2,242 mm^3, a substantial increase compared to 2011. Galp Energia has been successfully seizing opportunities which in the international LNG market as they rise.

Notwithstanding the solid demand base for this product found in the Iberian Peninsula, the reduction of this demand, namely in its electric subsegment, contributed to Galp Energia's turn to the international markets. The provisioning capacity of these markets with incremental values, as is the case for Asia, was also aided by the existence of long-term LNG supply contracts.

In 2012, 27 cargoes of LNG were sold and, consequently, contributed to the results. Sixteen of these which were sold to countries in the Far East and four to South America. The remaining cargoes were intended for European markets.

In order to sustain LNG trading activity, in 2012 Galp Energia signed three contracts for the sale of LNG. These contracts, which have a duration of three years, are for a total volume of about 1.4 bcm of LNG, intended for the Far East market.

Power

Galp Energia's power business includes power generation, through its portfolio of cogeneration plants in Portugal, and the supply of electricity. The business is therefore an add-on to the natural gas business, either through internal consumption of natural gas through cogeneration, or through the combined supply of electricity and gas.

The Galp Energia cogeneration portfolio in 2012

	Installed capacity (MW)	Electricity production (GWh)	Natural gas consumption (mm^3)
Powercer	7.2	38	16
Carriço cogeração	32.0	244	64
Energin	42.0	309	93
Sinecogeração	82.0	641	233
Portcogeração	82.0	36	15
Total	245.2	1,268	421

Cogeneration

Galp Energia currently has an installed capacity of 245 MW, including cogeneration at the Sines and Matosinhos refineries, which are an important source of natural gas consumption for the Company and also an important source of energy generation for the refineries. These two cogeneration plants represent a consumption of about 500 mm^3, or 24% of consumption in the industrial sub-segment.

In 2012, the cogeneration facility at the Sines refinery produced 641 GWh of electricity and 1.8 tonnes of steam, having operated with an availability of 90%, despite being influenced by the planned and non-planned stoppages at the refinery in which it was installed.

Cogeneration at the Matosinhos refinery, which is in the process of a trial-run, produced 36 GWh of electricity in 2012, a figure that will increase in 2013 when the project is operating steadily.

Trading and commercialisation of electricity

Galp Energia operates in the electricity market through the Iberian Electricity Market (MIBEL) for the purchase of electricity, which is then commercialised, i.e. sold to end-customers.

As a supplier of electricity, the Company focuses its efforts on business and industrial customers, particularly those who are already customers for natural gas. However, in 2012 there was an expansion of the customer base at all levels, with the extension of supply to residential customers. At year end, the Company had more than 50,000 residential customers.

In 2012, 614 GWh of electricity were sold, while in the previous year 219 GWh were sold. This demonstrates Galp Energia's commitment to boosting its share of the energy sector in Portugal.

03. Financial performance

3.1 Executive summary

Galp Energia's RCA net profit of €360 m in 2012 was €109 m higher year on year (YOY) on the back of a better performance across several business segments. This reflects the rising production levels of oil and natural gas in Brazil, the positive trend in Galp Energia's refining margin and the increase in LNG volumes sold on the international market.

The most noteworthy facts regarding Galp Energia's financial and operational performance in 2012 were the following:

- net entitlement production of oil and natural gas was 18.1 kboepd, a 49% increase when compared with the previous year;
- Galp Energia's refining margin in 2012 was $2.2/bbl, $1.8/bbl above that of 2011, following the positive trend seen in refining margins in international markets;
- the oil products marketing business continued to be affected throughout the year by the adverse economic environment in the Iberian Peninsula, which impacted volumes sold in the region;
- in 2012, the total volume of natural gas sold was 6.3 bcm – an increase of 17% compared to 2011 – supported by more robust LNG trading activity in international markets;
- Ebit RCA was €585 m, 48% up on 2011;
- in 2012, investment amounted to €940 m, 70% of which was allocated to the E&P business unit – namely, to exploration and development activities in Brazil;
- by the end of 2012, the net debt to Ebitda ratio stood at 1.67x, compared to 4.40x at the end of 2011. This was driven by the capital increase, which was concluded in March 2012, at Petrogal Brasil, Galp Energia's subsidiary. Considering that the loan to Sinopec of €918 m, net debt to Ebitda was of 0.77x.

3.2 Results analysis

Income statement RCA (€m)

	2011	2012	Ch.	% Ch.
Turnover	16,804	18,507	1,703	10%
Operating expenses	(16,089)	(17,530)	(1,441)	9%
Other operating revenues (expenses)	82	39	(43)	(53%)
Ebitda	**797**	**1,016**	**219**	**27%**
D&A and provisions	(402)	(431)	(28)	7%
Ebit	**395**	**584**	**190**	**48%**
Net profit from associated and jointly controlled companies	73	72	(1)	(1%)
Net interest expenses	(123)	(63)	60	(49%)
Profit before tax and minority interests	345	595	250	73%
Income tax	(84)	(182)	(98)	n. m.
Minority interests	(9)	(53)	(43)	n. m.
Net profit	**251**	**360**	**109**	**43%**
Non recurrent items	(23)	(43)	(20)	86%
Net profit RC	**228**	**317**	**89**	**39%**
Inventory effect	204	26	(178)	(87%)
Net profit IFRS	**433**	**343**	**(89)**	**(21%)**

Sales and services rendered

In 2012, RCA sales and services rendered rose 10% from the previous year, to €18,507 m. Several business segments contributed to this rise – namely, through higher oil and natural gas production levels, higher prices of oil products sold and higher volumes of LNG sold on international markets.

Operating costs

Net operating costs RCA (€m)

	2011	2012	Ch.	% Ch.
Operating cash costs				
Costs of goods sold	14,855	16,228	1,373	9%
Supply and services	914	984	70	8%
Personnel costs	320	318	(2)	(1%)
Other operating revenues (expenses)	82	39	(43)	(53%)
Operating non cash costs				
Depreciation and amortisation	358	364	6	2%
Provisions	44	66	22	50%
Total	**16,574**	**18,000**	**1,426**	**9%**

RCA operating costs rose 9% YOY to €18,000 m in 2012, primarily as a result of the 9% rise in the cost of goods sold, following the rise in prices of crude and oil products on international markets, coupled with the increase in volumes of natural gas sold.

Supply and services costs rose 8% from 2011 to €984 m, driven by incremental costs associated with the higher production levels of oil and natural gas in Brazil, and by the higher cost of using the natural gas transmission and distribution network in Portugal.

Personnel costs totalled €318 m; these were in line with the 2011 figure, despite the implementation of optimisation measures during the year.

RCA depreciation and amortisation in 2012 rose 2% YOY to €364 m. This increase was driven by higher depreciation charges in the R&M business segment of €8 m, primarily due to depreciation charges relating to the new units installed at the Matosinhos refinery, which began operating in June 2011. In E&P, depreciation and amortisation fell €2 m YOY, as depreciation charges were revised downwards in Angola. In G&P, depreciation and amortisation of €50 m was in line with the previous year.

Compared to 2011, RCA provisions in 2012 increased €22 m to €66 m. In E&P, provisions of €22 m were mostly related to the future abandonment of block 14's BBLT and Kuito fields in Angola, which are in a more advanced project maturity stage. In R&M and G&P, provisions of €29 m and €16 m, respectively, were mainly related to doubtful debtors.

Ebit

In 2012, Ebit RCA rose 48% YOY to €585 m on the back of improved performance in several business segments, particularly E&P.

Ebit RCA (€m)

	2011	2012	Ch.	% Ch.
Ebit RCA	**395**	**585**	**190**	**48%**
Exploration & Production	130	245	115	89%
Refining & Marketing	23	61	38	n. m.
Gas & Power	230	283	52	23%
Others	11	(4)	(15)	n. m.

Exploration & Production

In E&P, the Ebit for 2012 was €245 m, an increase of €115 m compared to the previous year. This was mainly the result of a 49% rise in the net entitlement production.

Brazil accounted for 70% of this result – as compared to 47% in 2011 – in line with the geographical changes in the production profile.

Production costs increased €18 m from the previous year to €69 m following rising activity in Brazil and increased maintenance in Angola's block 14. On a net entitlement basis, unit costs fell to $13.3/boe, from $15.9/boe in 2011, as the weight of Brazilian production increased.

Depreciation charges fell to €106 m from €109 m the previous year, notwithstanding the higher investment and production in Brazil. In fact, the upwards revision in Angolan reserves at the end of 2012, which anticipated a decline in depreciation rates, led to the decrease of depreciations in Angola, more than offsetting the increased depreciations in Brazil. On a net entitlement basis, unit depreciation charges fell to $20.6/boe, down from $34.0/boe in 2011, mainly following the production increase in the period.

Refining & Marketing

In 2012, the R&M business unit reported an Ebit RCA of €61 m, up from €23 m the previous year, thanks to improved results from refining activities, resulting from larger volumes of crude processed in the refineries and a higher refining margin. These effects more than offset the lower contribution from the marketing of oil products in 2012. Cost optimisation measures relating to the renegotiation of health insurance contracts, and the subsequent actuarial recalculation, also contributed to improved operating performance in the R&M business segment.

Galp Energia's refining margin in 2012 was $2.2/bbl, up from $0.6/bbl a year earlier. This reflects the favourable movement in international refining margins, which benefited mainly from rising gasoline and fuel oil crack spreads but also from the higher diesel crack spread.

The premium of Galp Energia's refining margin against the benchmark was $0.5/bbl in the period, as compared to $1.3/bbl the previous year. This decrease was mainly due to the narrowing spread between the prices of light and heavy crude, coupled with sub-optimisation and sub-utilisation of the Sines refinery, mainly following strikes outages throughout the year.

The refineries' operating cash costs amounted to €143 m – or $2.2/bbl in unit terms – down 3% from 2011 as the rising volumes of crude processed allowed for wider dilution of fixed costs.

The adverse economic conditions affecting the demand for oil products in the Iberian Peninsula led to the lower contribution from marketing activities to the results of the R&M business segment.

Gas & Power

In 2012, Ebit RCA rose €52 m YOY to €283 m, supported by increased LNG trading activity in the international markets.

In fact, the operating profit of the natural gas supply business rose €66 m YOY to €152 m, thanks to the higher volumes of natural gas sold and higher supply margins for LNG on international markets.

The infrastructure business generated Ebit RCA of €107 m, down €9 m from 2011. This fall was mainly driven by the lower recovery of allowed revenues in 2012 compared to 2011.

As for the power business, Ebit RCA fell €5 m YOY to €24 m, mainly due to the scheduled outage at the Sines cogeneration facility in the third quarter of 2012.

Results from associated and jointly controlled companies

Results from associated and jointly controlled companies in 2012 of €72 m were in line with the previous year. International gas pipelines EMPL, Gasoducto Al-Andalus and Gasoducto Extremadura contributed €55 m – i.e. 70% of the total.

Financial results

In 2012, net financial losses fell to €63 m – that is, around half the figure for 2011 – given the interest capitalisation, in the amount of €80 m, related with work in progress.

Taxes

Tax RCA in 2012 rose €98 m YOY to €182 m as performance improved in several business segments, and particularly in E&P. Increased production of oil and natural gas in Brazil, which impacted income tax and the special participation tax under the concession contracts of that country, resulted in an effective tax rate of 31% in 2012, as opposed to 24% in 2011. Tax payable also rose following an increase in the marginal tax rate applicable from January 2012 onwards to companies based in Portugal, from 29.5% to 31.5%.

Taxes (€m)

	2011	2012	Ch.	% Ch.
Tax IFRS	**149**	**171**	**21**	**14%**
Effective tax rate	25%	30%	5 p. p.	n. m.
Inventory effect	(81)	(6)	74	92%
Tax RC	69	164	96	n. m.
Non-recurrent items	16	18	2	15%
Tax RCA	**84**	**182**	**98**	**n. m.**
Effective tax rate	24%	31%	6 p. p.	n. m.

Net profit

RCA net profit of €360 m in 2012 was €109 m higher than the previous year. This increase reflects the favourable operating performance across the Company's several business segments following the rise in production of oil and natural gas in Brazil, the improvement in refining margins, the increase in sales volumes of LNG in the international market.

The net profit RC was €317 m, including non-recurring events of €43 m which were related, mainly, to the impairments relative to dry wells in the E&P business.

IFRS net profit of €343 m in 2012 included a favourable inventory effect of €26 m, following changes in the price of crude and oil products on international markets during the year.

3.3 Investment

Investment (€m)

	2011	2012	Ch.	% Ch.
Exploration & Production	299	653	354	118%
Refining & Marketing	641	217	(424)	(66%)
Gas & Power	55	67	12	22%
Others	5	4	(1)	(27%)
Total	**1,000**	**940**	**(60)**	**(6%)**

Investments in 2012 amounted to €940 m, of which nearly 70% was allocated to the E&P business segment, in line with the Company's strategy. In fact, the R&M business segment, which attracted most of the Company's investment in 2011, accounted for just 20% of the total in 2012.

E&P investment reached €653 m in 2012, and was primarily allocated to the development of block BM-S-11 in Brazil, which absorbed €306 m during the year. This amount was mainly used for the drilling and completion of wells in the Lula area, and in conducting production tests. Investment in exploration accounted for around 40% of the total allocated to this business segment and included exploration and appraisal activities in Mozambique, namely, the drilling of six exploration and appraisal wells during the year.

Investment in Iberian centred businesses amounted to €284 m, down €412 m from a year earlier as investment in the refinery upgrade project came to an end in 2011.

3.4 Capital structure analysis

Consolidated financial position (€m, except otherwise noted)

	31 Dec. 2011	31 Dec. 2012	Change
Fixed assets	6,002	6,599	597
Other assets (liabilities)	(407)	(451)	(44)
Loan to Sinopec	0	918	918
Working capital	851	1,338	487
Capital employed	**6,446**	**8,403**	**1,958**
Short-term debt	1,528	1,106	(423)
Long-term debt	2,274	2,477	203
Total debt	**3,803**	**3,583**	**(220)**
Cash and equivalents	298	1,886	1,587
Total net debt	**3,504**	**1,697**	**(1,807)**
Total equity	**2,941**	**6,706**	**3,765**
Total equity and net debt	**6,446**	**8,403**	**1,958**
Total net debt including loan to Sinopec	**3,504**	**780**	**(2,724)**
Net debt, including loan to Sinopec, to Ebitda RCA	**4.4x**	**0.8x**	**n. m.**

Fixed assets of €6,599 m at the end of 2012 were €597 m higher than at the end of 2011, following investments during the year, namely on exploration and production activities.

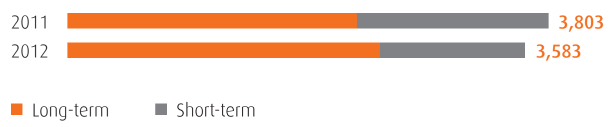
Working capital at the end of 2012 was €1,338 m, representing an increase of €487 m compared to the end of 2011. This increase in working capital arose from rising inventories, following higher prices of oil products and natural gas, a lower receivables turnover ratio and a higher payables turnover ratio. In this context, it is important to note that working capital in 2011 had been positively impacted by extraordinary optimisation measures, taking into account the debt level in that period.

Net debt of €1,697 m at 31 December 2012 was €1,807 m lower than at the end of 2011, mainly due to the effects of the share capital increase at the Brazilian subsidiary of Galp Energia, Petrogal Brasil, and related companies.

Adjusted net debt at 31 December 2012 would have been €780 m if the €918 m loan from Galp Energia to Sinopec, following the share capital increase at Petrogal Brasil and related companies, was to be accounted as cash and equivalents.

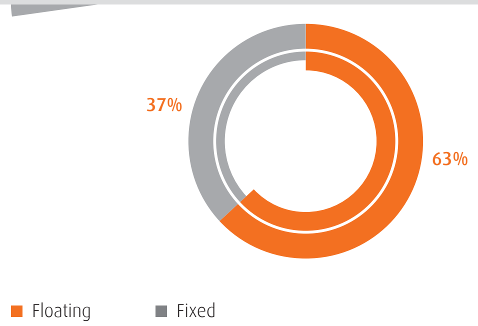
The net debt to Ebitda RCA ratio was 1.7x at the end of December 2012 (or 0.8x, if the loan to Sinopec was accounted as cash and equivalents). The average ratio of net debt to Ebitda RCA for peer companies at the end of 2012 was 1.3x.

Gross debt by term (€m)



At the end of December 2012, medium and long-term debt accounted for 69% of the total, against 60% at the end of 2011. 37% of medium and long-term debt was contracted at fixed rates at the end of December 2012.

Debt by type of interest rate in 2012



The average life of debt was 2.6 years at the end of December 2012 compared to 2.1 years at the end of 2011, reflecting the Company's efforts in terms of increasing debt maturities.

Galp Energia has a well-grounded and sustainable funding strategy, largely built on the generation of operational cash flow and on the active management of its portfolio. There is also the possibility of non-strategic asset sales, if necessary. In addition, the Company is actively managing its refinancing needs, having extended the debt maturity, namely in that which is due in 2013 and in 2014, where medium and long-term debt reimbursement was concentrated by the end of 2012.

Debt reimbursement profile at the end of 2012 (€m)

The Company is, therefore, adjusting its debt reimbursement profile according to future free cash flow generation. This renegotiation is fundamental to the maintenance of a solid capital structure, one of the cornerstones on which Galp Energia is founded.

As for the average cost of debt in 2012, this was 4.5% or 12 basis points higher than a year earlier following the rise in the cost of credit.

Net cash and equivalents attributable to minority interests at 31 December 2012 amounted to €110 m, with most of this amount accounted at Galp Energia's Brazilian subsidiary Petrogal Brasil.

At the end of 2012, Galp Energia had a significant level of liquidity, namely with cash and equivalents totaling €1,886 m. On top of this amount we should also consider the loan to Sinopec of €918 m.

At the end of December 2012, Galp Energia had also agreed, but not used, credit lines of €1.4 bn, of which 30% was signed with international banks and 50% contract guaranteed.

04. Principal risks

4.1 Risks faced by Galp Energia

Galp Energia groups its main risks into four main categories: strategic, financial, operational and external. These are risks which it believes could have a negative impact on its strategy, stakeholders (namely its employees), the regions in which it operates, its operations, its results and assets. Consequently, these results can have an impact on returns from share premiums, including the distribution of dividends and the price of Galp Energia's shares.

The Company's Board of Directors takes action to mitigate some of these risks, which are identified and disclosed whenever appropriate.

Throughout 2012 the risks faced by Galp Energia were reviewed and re-evaluated. Among the risks which could affect Galp Energia's activities and financial situation, the fact that the following risks are emphasised does not rule out the possibility that other risks of equal or greater importance may exist.

Main risk	Description and impact	Means of mitigation
Strategic		
Project execution	The success of large projects is essential for the future growth of Galp Energia. If these projects are not carried out within the designated budget and time scale and in compliance with the previously defined specifications, this may influence the execution of Galp Energia's strategy, its results, reputation and financial situation. The execution of these projects is subject to health, safety and environmental risks as well as technical, commercial, legal, regulatory, economic and contractor hazards. The choice of a less suitable development option, taking into account the project's useful life, can expose the projects to additional costs and risks. The fact that Galp Energia is involved in different projects where it is not the operator, and where it has a minor role, may affect its ability to influence the consortium's decisions.	At Galp Energia the final decision on project investment is made after a detailed review of feasibility studies, including analyses of the effects of key variables such as prices and costs, the selection and definition of the development concept, correct planning and management of project implementation and the study of marketing options. Another means of mitigating risk when implementing projects is by constantly monitoring them, in order to identify potential risks as early as possible, thus ensuring that corrective measures are implemented in a timely manner. Also of importance is the information used for each project which has been previously used for other projects, which enables the Company to learn from previous decisions. Although Galp Energia is not in charge of most of the projects it is involved in, it is actively involved in their implementation. Galp Energia monitors the activities of each project on a daily basis and maintains direct contact with the operators, which are international companies with vast experience in the industry. Furthermore, Galp Energia has an active role in many different projects worldwide, which enables it to draw on a diverse range of experience and knowledge, employing different techniques and experience curves from one region to another. One example of this is the knowledge acquired from the ultra-deep waters of Latin America and Africa. Galp Energia believes that its evident and diverse experience, combined with the knowledge acquired from the various projects it is involved in, are key factors that allow it to influence the partnerships it has entered into. Galp Energia also aims to increase its role in E&P projects to attain more relevant positions, in the same way that it aims to strengthen its position as an operator, in order to gain greater control of the projects it is involved in.
Financing and liquidity needs	Due to its strategy and investment plans, Galp Energia requires the relevant funds. These requirements depend on a range of factors, namely the price of oil, exchange rates and new acquisitions, which the Company cannot fully control. Thus, an increase in its financing needs may have a negative impact on the Company's financial performance, namely on gearing and, as a result, on its ability to obtain external financing. Since contracted loans have to be refinanced as they mature, Galp Energia is exposed to the risk that lines of credit may not be available to refinance maturing loans or meet cash requirements in order to satisfy all its commitments at an acceptable, competitive rate.	One of Galp Energia's strategic pillars is the maintenance of a solid capital structure, which is achieved through strong financial discipline, which will in turn allow for increased financial flexibility and the discovery of new opportunities for growth. This solid capital structure, combined with additional cash flows from the refinery upgrade project and increased production in Brazil, will be essential for improving credit conditions, prolonging maturities at competitive rates, and for diversifying financing sources, such as the international finance market, private placement, Euro Bonds, project finance etc. In addition, Galp Energia maintains contracted lines of credit, unused, of amounts over €1.4 bn; of this amount, 30% was signed over to international banks and 50% was contract guaranteed, which enables the Company to meet treasury requirements.
Attracting and retaining talent	The successful delivery of Galp Energia's business strategy depends on the skills and efforts of its employees and management teams. In the oil and gas industry, competition for experienced and qualified managers and employees is intense. The Company's future success depends on its ability to attract, retain, motivate and organise highly skilled human resources.	Galp Energia promotes appropriate strategies for recruiting and retaining talent, with a suitable and competitive remuneration policy compared to the competition, and a system for evaluating performance and the organisational environment. The training available for employees is also important, and in recent years, Galp Energia has invested particularly in advanced training programmes in management, refining, exploration and deep-water hydrocarbon production. More specifically, in the E&P business, Galp Energia's strategy for retaining and attracting talent focuses on the competitive position that the Company has in this sector on an international level. Galp Energia operates in two of the most promising basins in the world – the pre-salt of the Santos basin in Brazil and the Rovuma basin in Mozambique. In addition, Galp Energia has a clear stake in E&P, holding a very interesting exploration portfolio with different opportunities to be developed over the next few years.

Main risk	Description and impact	Means of mitigation
Attracting and retaining talent (cont.)		Galp Energia also benefits from a competitive advantage in contracting recent graduates from Portuguese universities which are well positioned in the main international rankings. The fact that Galp Energia is currently one of the largest companies in Portugal and offers the opportunity for an international career through internal mobility is a positive asset for attracting new employees.
Operational or compliance		
Discovery, estimating and developing reserves and resources	Galp Energia's future oil and gas production is dependent on its success in acquiring, finding and developing new reserves that replace depleted reserves on a consistent and cost-effective basis. The intense competition over exploration and development rights and access to oil and natural gas reserves may also affect the future growth of Galp Energia's production. In addition, there is never any guarantee that exploration and development activities will succeed, or that, if they do, the size of the discoveries will be sufficient either to replenish current reserves or cover the costs of exploration. If it is not successful in developing new reserves, Galp Energia will not meet its production targets, and its total proven reserves will decline. This will have a negative effect on the Company's future results and its financial position. Estimates of oil and natural gas reserves are based on available geological, technological and economic data, and are therefore subject to a great number of uncertainties. The process of estimating reserves involves informed judgments, and estimated reserves are, therefore, subject to revision.	A new multidisciplinary team was established under the responsibility of the Executive Director of the E&P business unit with the aim of actively managing the prospecting portfolio by evaluating new opportunities according to risk and return matrices. Galp Energia has a system in place for choosing drilling opportunities which compiles multiple criteria – namely probabilities, but also technical, commercial and economic risks. The results of this selection are subsequently used by Galp Energia to influence partners in those areas where they do not operate. Each year, Galp Energia uses an external and independent auditing company to certify the amount of funds and resources it possesses. This information is provided in detail on page 23 of this report.
HSE	Given the range and complexity of Galp Energia's operations – for example, in ultra-deep water exploration and production, or during the process of refining – the potential risks for health, safety and the environment are considerable. This includes major incidents involving safe processes and installations, failure to meet approved policies, natural disasters and civil unrest, civil war and terrorism. Exposure to generic operational, health and personal safety risks and criminal activities are also included. Such incidents may cause injury or loss of life, environmental damage or the destruction of premises; and, depending on their cause and severity, they may affect Galp Energia's reputation, operational performance or financial position.	Galp Energia understands that protecting the environment and the health and safety of its employees, clients and the community combined with the protection of assets, are key to ensuring that the Company is sustainable. It thus establishes a commitment to integrate the key aspects of HSE into the Company's strategy and operations, as well as ensuring the ongoing improvement of its performance. The HSE policy is a key part of this. Furthermore, the Company has a system for managing HSE. By implementing the directives of this system in the Company's day-to-day operations, the business units can identify and manage inherent operational risks throughout the whole life cycle of different projects, equipment and assets. Galp Energia also has an insurance programme that includes civil liability, in order to mitigate the impact of any potential incidents.
Business continuity risk	There is a risk of losses resulting from any kind of interruption to business, namely due to disasters, loss of IT systems and the competition.	The main means of mitigating these risks are to establish procedures which identify and prevent them, and to offer a contingency plan, which avoids or limits the effects of losses and damages and which enables operations to be re-established immediately in order to limit the effect of the interruption. Another key measure is the establishment of a Business Continuity Plan.
External		
Fluctuating prices for crude oil and oil products	The prices of crude oil, natural gas, LNG gas and oil products are affected by market supply and demand conditions at any given time. These are, in turn, influenced by different factors such as economic or operational circumstances, natural disasters, weather conditions, political instability, armed conflict or supply constraints in oil-exporting countries. Although the industry's long-term operational costs tend to follow rising and falling prices of raw materials and oil products, deviations may occur in the short-term. Thus a drop in the price of oil or natural gas may mean that projects planned for development are no longer viable. Rising prices of crude oil or natural gas may also negatively impact the Company as purchase costs rise. Although the prices that Galp Energia charges to its customers reflect the market prices, these may not be adjusted immediately and/or may not fully account for increased market prices, particularly prices in the regulated natural gas market. Significant pricing level changes during the period between the purchase of crude oil and other raw materials and the sale of refined oil products could therefore have an unfavourable effect on Galp Energia's results.	Projects and investments are assessed internally, taking into account analyses of the effects of key variables, namely the price of commodities. At the business unit level, commodity price risk is managed by monitoring the Company's global net commodity position and by balancing its purchasing and supply commitments. In particular, Galp Energia manages its price-fixing period so as to obtain, at the end of each month, the monthly average dated Brent, irrespective of daily fixed prices. To this end, the Company purchases and sells futures in crude oil on a day-to-day basis at the Intercontinental Exchange (ICE), based on the difference between the spot price and the average dated Brent price for each month. Purchases are spread over the month, based on market prices, without affecting the pattern of physical purchases. In the natural gas business, due to price liberalisation, Galp Energia uses the over-the-counter (OTC) market to offer its customers the price structures that they demand, thereby not changing its final risk position.
Fluctuation in the exchange rates and interest rates	The prices of crude oil, natural gas and most refined products, which comprise a significant proportion of Galp Energia's costs and revenues, are either denominated in the US Dollar or in currencies linked to it. Since Galp Energia's financial statements are prepared in euros, a depreciation of the US dollar against the Euro can have an adverse effect on reported earnings, as it decreases the Euro value of the revenues generated in US dollars or tied to the US Dollar. Changes in the Euro/Dollar exchange rates may also affect the Euro-denominated value of crude and oil product investors or the value of Dollar-denominated debt. Despite the ability to access the market for instruments designed to hedge interest rate risk, Galp Energia's funding costs may be affected by volatile market rates, which may negatively influence its results.	Interest rate, exchange rate and other financial risks are managed across the Company. Galp Energia's total interest rate position, including financial investments and debt, is monitored by its central risk management units. The purpose of interest rate risk management is to reduce the volatility of interest charges. Galp Energia's interest rate risk management policy aims to reduce exposure to floating interest rates by fixing the interest rate of part of the debt (including the portion of long-term debt classed as short-term debt) through the use of plain-vanilla derivative instruments such as swaps.

Main risk	Description and impact	Means of mitigation
Corporate responsibility	A number of stakeholders, including employees, shareholders, media, governments, civil society groups, non-governmental organisations and those living in local communities affected by Galp Energia's operations, have legitimate interests in the Company's business. Any possibility, however remote, that Galp Energia will not meet its stakeholders' expectations in terms of corporate responsibility, would impair the Company's reputation and/or the price of its shares. In this regard, there are particular risks related to the Company's potential inability to manage environmental impacts, if any, due to inadequately responding to stakeholder expectations, the lack of effective internal controls and inadequate enforcement of anticorruption policies.	In 2012 Galp Energia published a corporate responsibility policy that regulates the Company's ethical, environment, social and economic activities, incorporating them into the organisational culture and ensuring that it is one of the main lines of action and communication within the Group.
Climate change	Galp Energia is subject to the effects of government policies to curb climate change. These initiatives may affect the conditions in which the Company conducts its businesses, namely in E&P and Refining. Although the Company also participates in the development of renewable energy, the adoption of policies to promote the use of this type of energy may affect the demand for hydrocarbon-based energy, which makes up the majority of Galp Energia's business. Furthermore, the cost of producing this type of energy may be significantly affected by constraining licences for CO_2 emissions. Likewise, access to oil and natural gas reserves, which provide for the seizing of strategic growth opportunities, may be restricted due to initiatives to protect the integrity of natural habitats. In this regard, Galp Energia closely monitors the development of government policies for environmental protection and adjusts its strategy in line with relevant developments.	In 2010, Galp Energia established a climate change strategy, defining actions, objectives and goals which can be analysed in detail at http://www.galpenergia.com/EN/sustainability. This strategy comprises four action points: i) to reduce fuel emissions at different stages in their life cycle; ii) to promote energy efficiency and the use of renewable energies; iii) to take an active role in developing sustainable transport solutions; iv) to develop, with the Science and Technology System research unit, projects and activities that can help combat climate change. Given the increasingly strategic importance that sustainability has at Galp Energia, the Sustainability Committee was created in 2012 with the main aim of ensuring that sustainability principles are integrated and that best industry practices are promoted throughout the entire Company.
Political and regulatory environment	Galp Energia's exploration and production activities are located in non-European countries, which have developing economies or in political and regulatory environments with a history of instability. Galp Energia also sources natural gas from Algeria and Nigeria for its marketing business, and sells its oil products in several African countries. As a result, a proportion of the Company's revenues is, and will be increasingly, derived from or dependent on countries with inherent economic and political risks. These include the possible expropriation and nationalisation of property and increases in taxes or royalties. In addition, Galp Energia is exposed to potential changes in regimes affecting the royalties and taxes that are levied on crude oil and natural gas production. Significant changes in the tax regimes of countries in which the Company operates could have a materially adverse effect on the results of Galp Energia's operations or financial condition. Galp Energia believes that it abides by the international norms in all countries in which it operates. However, any irregularities that either detected or alleged could have a materially adverse effect on Galp Energia's ability to conduct business and/or on the price of its shares.	Galp Energia's corporate responsibility policy obliges the Company to meet legal and regulatory requirements in the countries in which it operates. Furthermore, Galp Energia has an anticorruption policy that aims to publicly promote its commitment to permanently endorse full respect for the Code of Ethics and the laws that are in force. One of its goals is to follow best industry practice for transparency as outlined in different international legislation such as the 2004 United Nations Convention Against Corruption.
Financial		
Credit	This risk follows from the possibility that a Galp Energia counterparty may default on its payment obligations, meaning that the level of risk to which Galp Energia is exposed depends on the credit risk of that counterparty. This risk includes both the possibility that a counterparty defaults on financial contracts – such as those related to the investment of cash surpluses by the Company or the purchase of instruments to hedge exchange rate, interest rate or other risks – as well as risks related to commercial relationships established with Galp Energia's customers.	Credit risk is managed at the business unit level, following Executive Committee rules regarding credit limits and actions to minimise or eliminate risk, namely: i) Proper assessment and credit review is to be granted to clients (credit management, limits and rating manual), proper management of hedges through credit guarantees and credit insurance, monitoring of overdue credit, debt collection efforts and effecient management of litigation; ii) Contracts are based on appropriate trading conditions, monitoring of client profitability including potential reimbursements, the process of raising and managing optimal sales/distribution channels.

Main risk	Description and impact	Means of mitigation
Insufficient insurance	In line with industry best practices, Galp Energia contracts insurance to cover business-specific risks. The insured risks include, among other hazards, damage to property and equipment, industry liability, maritime transport liability of crude oil and other goods, pollution and contamination, third-party liability of Executive Directors and staff, and work accidents. Nevertheless, some major risks inherent in Galp Energia's activities cannot reasonably be insured for a commercially appropriate sum. Therefore, under extreme conditions, Galp Energia may incur substantial losses following events that are not covered by insurance.	Galp Energia has an insurance programme in place that provides compensation to mitigate any significant losses, in line with industry practice. This programme is defined by taking into account the type of operations and their stage of development, the risk rating and the legal context that applies, contractual obligations and the assets under threat. The insurance programme at Galp Energia includes the following: i) asset insurance – covering risk of material damage, breakdown of machinery, loss of prospecting and construction; ii) civil liability insurance – covering risks from general activities (onshore), risks related with maritime activities (offshore), aviation risks, environmental risks and risks involved with the management and senior management of companies (directors and officers); iii) social insurance – covering the risk of accidents at work, personal accidents, life and health insurance; iv) financial insurance – covering credit risks, securities and theft; v) transport insurance – covering risks to all transported loads and barrels; and vi) diverse insurance – covering car insurance, travel etc.

4.2 Risk management and internal control system

Sines refinery control room.

Risk management

Galp Energia has defined policies and processes to monitor, measure and manage its exposure to risk. The purpose of the Company's risk management policy is to support business segments in achieving their goals whilst monitoring the potential impact of risks on their results.

Risk management model

With the aim of defining the most effective and efficient model of risk management, the Board of Directors decided to take control of risk management at the end of 2012. The corporate risk management area in the Corporate Risk Management and Insurance Department aims to promote and implement Group risk management policies defined by the Executive Committee.

It is thus intended that the risk management system is used effectively through: ongoing monitoring of its suitability and efficiency; the monitoring of corrective measures used to redress any potential faults in the system; permanent monitoring of levels of risk; and the implementation of control mechanisms for the range of risks to which Galp Energia is exposed.

The relationship model enables the Group's business units and companies to use a centralised risk management system for corporate risk management. This department will monitor local risk control and management units to ensure that they are in line with defined policies and strategies and to maintain the consistency of the principles, concepts, methodologies and tools used for evaluating and managing risk for all of the Group's business units.

System of internal control

The system of internal control is a set of policies and procedures adopted in order to ensure, with reasonable safety, the fulfilment of the Galp Energia Group's goals in the following areas: orderly and efficient conduct of its businesses; safeguarding of its assets; prevention and detection of fraud and errors; compliance with laws and regulations; and reliability of financial reporting.

This system is based on the guidance provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) on the main features of Galp Energia's internal control, namely, environmental control, risk assessment and monitoring, and information and communication.

Control environment

The control environment is the starting point and the basis for other components of risk control. The control environment comprises the overall attitude, ethical awareness and the initiatives of the Executive Committee, which serve as an example for employees and other stakeholders in the Group.

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

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

Risk assessment

Galp Energia has been promoting the systematisation of the risk assessment and internal control systems within the business units. These evaluations are aimed at risks identified and managed by the business units.

Since inherent risks and the effectiveness of internal controls are dependent on both internal and external variables, this process is not static. Thus, risk reassessments must be regularly conducted for the Group's main businesses to guarantee the alignment of their response to risks with the risk profile decided by the Executive Committee.

Generally, risk and internal control assessments start by identifying and classifying the main risks facing the achievement of the objectives of the business units, as well as the control systems in place to mitigate them. Under the assessment of the effectiveness of the portfolio of implemented control systems, residual risks are measured and the existence of possible deviations from the risk appetite set for the unit is checked.

Finally, business units announce their residual risk, committing to a response plan designed to mitigate, transfer, avoid or accept residual risk. This process is in accordance with the method illustrated by the following chart, which shows the sequence and dependencies of the various activities.

Methodology for Galp Energia's risk assessment

Monitoring

Operational, compliance, and financial audits just as reviews of information systems are conducted in order to test the effectiveness of implemented internal control mechanisms. Annually, an audit plan is set up based on the outcome of the assessment of the residual risk for several processes and business units, which is approved by the Board of Directors.

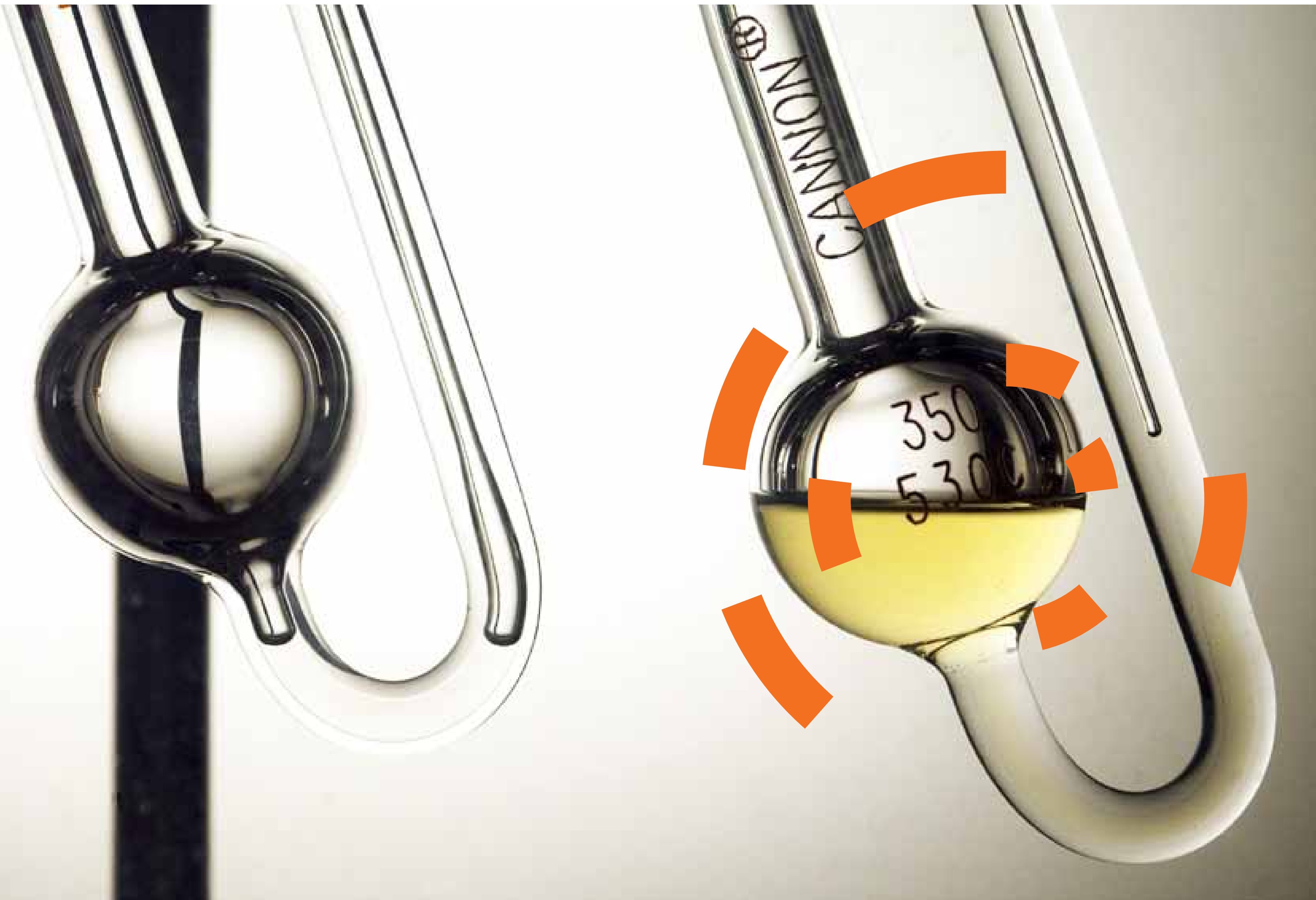
Information and communication

This report includes a brief description of some of the main risks affecting businesses, results and the Group's financial situation.

The process of disclosing Galp Energia's financial information is monitored by the management and supervisory bodies as well as the various business units and corporate divisions. The Corporate Strategy and Investor Relations Department (DECRI) prepares the documents for the presentation of financial information to the capital markets, based on information provided by the business units, the Accounting and Taxation and the Corporate Planning and Control departments.

Prior to their disclosure, these documents are sent to the management and supervisory bodies. In this manner, all documents containing financial information are approved by these two bodies prior to their disclosure.

05. Commitment to society



Galp Energia considers that the implementation of responsible practices, both in terms of defining and executing its strategy is critical to creating sustainable value. To this end, the Company has developed a set of initiatives that it considers create value for all stakeholders and society in general.

In order to encourage best practice in corporate responsibility and ensure that it is one of the main pillars of the Group's activity, the Company issued the Galp Energia corporate responsibility policy in 2012. This aims to regulate Company activities from an ethical, environmental, social and economic perspective, incorporating these priorities into its organisational culture.

At the end of the year the process of implementing a management system for corporate responsibility began. After the results of the initial diagnostic phase, in early 2013 Galp Energia aligned its procedures with the most demanding international standards, particularly as regards respect for human rights, the environment, labour and anticorruption practices. The Company will then be ready to join the United Nations Global Compact, a commitment it has taken on for 2013.

In 2012, the Company was recognised for the responsible practices it has in place, having been included on the DJSI World and DJSI Europe, thereby becoming part of the group of prominent companies recognised for their sustainability policies both in Europe and around the world.

As part of this inclusion, the Sustainability Committee was established in 2012 with the aim of ensuring the integration of sustainability principles into the Galp Energia management process, involving representatives from different areas of the Company and chaired by the Executive Director in charge of sustainability issues theme.

5.1 Corporate governance

Shareholder structure

In 2012, the shareholder structure of Galp Energia underwent some alterations compared to the end of 2011. Most notably, the free float increased from 25.32% to 30.32%.

The shareholder agreement in force since March 2006 between Amorim Energia, Caixa Geral de Depósitos (CGD) and Eni, jointly referred to as "the Parties", ceased to be in effect in 2012.

In March 2012, the Parties announced the signing of new agreements which stipulated, among other things, the conditions under which Eni could sell its holding in Galp Energia, which at the end of 2011 amounted to 33.34%.

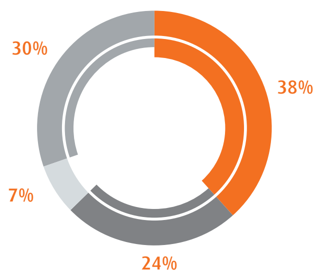
Thus, Eni acquired the right to sell up to 20% of the Company share capital on the market, and CGD would be able to exercise a right to tag along on the 1% shareholding it had in Galp Energia. On 27 November 2012, through an accelerated book building process, Eni sold shares representing approximately 4% of the share capital of Galp Energia, at a price of €11.48 per share, while CGD exercised its right to tag along. On this date, Eni also issued bonds exchangeable for Galp Energia shares which corresponded to approximately 8% of the Company's share capital.

On the subject of agreements signed in 2012, Amorim Energia acquired a stake from Eni corresponding to 5% of the share capital of Galp Energia, at a price of €14.25 per share, so it now holds a 38.34% stake in the Company. Additionally, Amorim Energia, or a third party designated by it, has the right to purchase a 5% stake up to the end of 2013, and holds the right of first refusal on 3.34% or 8.34%, depending on whether the first right is exercised or not.

Under the aforementioned agreements, and under paragraph 1. c) of article 20 or the Portuguese Securities Code (CVM), the voting rights attached to the shares held by each of the parties to the agreement were attributed to others. This ceased to apply to CGD when it sold its stake of 1% in Galp Energia on 27 November 2012. However, the voting rights held by Amorim Energia continue to be imputable to Eni and the voting rights held by the latter continue to be imputable to Amorim Energia. Therefore, based on the information that is publicly available, Eni and Amorim Energia continue to hold a majority, with a total of 62.68%, of the Galp Energia voting rights.

By the end of 2012 the shareholder structure was as follows.

Shareholder structure as of 31 December 2012



Description of main shareholders

Amorim Energia has its head office in the Netherlands and its shareholders are Power, Oil & Gas Investments, B. V. (35%), Amorim Investimentos Energéticos, SGPS, S. A. (20%) and Esperaza Holding, B. V. (45%). The first two companies are controlled, either directly or indirectly, by Portuguese investor Américo Amorim and the latter is controlled by Sonangol, E. P., Angola's state-owned oil company.

Eni is an Italian energy operator listed on the Milan Stock Exchange and the NYSE in New York. Eni is present in over 75 countries in exploration and production, refining and marketing, gas and power, petrochemicals and engineering services and construction and drilling. At 31 December 2012, Eni had a market capitalisation of approximately €67 bn.

Parpública – Participações Públicas, SGPS, S. A. (Parpública) is a public body that manages equity holdings held by the Portuguese state in a number of companies. It should be noted that in 2010, Parpública proceeded to the provision of bonds convertible into Galp Energia shares, representing a 7% share of the Company's capital.

Share capital free float

By the end of 2012, around 30% of the shares in Galp Energia were freely traded on the market. Around 78% of these shares, or 24% of the total issued, were held by institutional investors. Private investors held the remaining shares in free float, or 6% of Galp Energia's remaining share capital.

It is important to note that after the placement of the shares corresponding to 4% and 1% of the share capital by Eni and CGD, the free float increased from 25.32% at the end of 2011 to 30.32% at the end of 2012, which enabled a higher dispersion of the shareholder base.

Indeed, at the end of the year, the shareholder base included investors from 36 countries over four continents, with investors from outside Europe representing 28% of the total. Institutional investors from the USA accounted for 18% of the total, 5 p. p. more than they did at the end of 2011. However in spite of Galp Energia's increased prominence within these investors the UK remained the country with the greatest concentration of institutional investors, with 34% of the total amount, compared to 40% at the end of the previous year.

Also in Europe, the Company investors from Portugal and France is also significant, representing 8% or 10% respectively of the total shareholder base.

Governance model

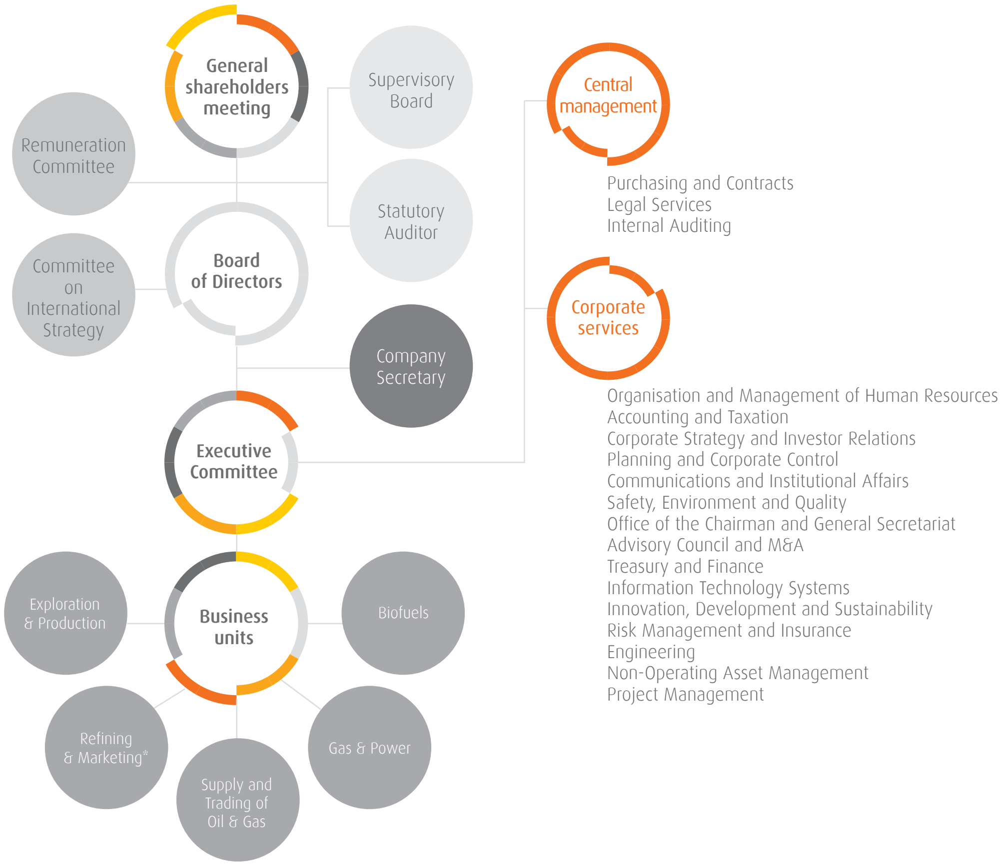
Galp Energia's governance model is based on a responsible and transparent relationship between its shareholders, the Board of Directors and supervisory bodies. Trust and effectiveness are encouraged by a clear separation of powers between the Board of Directors and the Executive Committee.

The independence of the Board of Directors in relation to the Executive Committee is ensured because each has its Chairman.

The Board of Directors develops the Company's strategy and monitors its implementation. The Executive Committee, in turn, is delegated operational tasks by the Board of Directors relating to daily management of the business units and services. This division of power does not, however, preclude the fact that the Executive Committee plays an important role in the Company's strategy formulation process.

Capital Markets Day 2012, in London.

Organisational structure



* Includes Refining, Logistics and Marketing of Oil Products.

Board of Directors

At the end of 2012, Galp Energia's Board of Directors had 21 members, of which seven were executive and 14 non-executive. Of the latter, seven were considered independent by the Board of Directors, based on the criteria set out by the Portuguese Securities Market Commission (CMVM), the regulator of the capital market in Portugal.

Board resolutions are generally taken based on a simple majority of the votes cast, except for certain matters stated in the Company's articles of association, where a two-thirds majority is required. These issues are described in detail in the corporate governance report.

In 2012 the Non-Executive Directors monitored the execution of Galp Energia's strategy and appraised the Executive Committee's performance in relation to goal attainment. The Non-Executive Directors also ensured that the Company's internal control and risk management systems were working properly.

The Board of Directors held 19 meetings throughout the year, where all Directors were either present or duly represented. Electronic voting was used in nine of these meetings.

The current directors were elected at the general shareholders meeting for the period 2012-2014.

Members of the Board of Directors

Name	Position
Américo Amorim	Non-Executive
Manuel Ferreira De Oliveira	Executive
Luís Palha da Silva	Executive
Paula Amorim	Non-Executive
Filipe Crisóstomo Silva	Executive
Carlos Gomes da Silva	Executive
Sérgio Gabrielli de Azevedo	Independent Non-Executive
Stephen Whyte	Executive
Vítor Bento	Independent Non-Executive
Abdul Magid Osman	Independent Non-Executive
Luís Campos e Cunha	Independent Non-Executive
Baptista Sumbe	Non-Executive
Miguel Athayde Marques	Independent Non-Executive
Carlos Costa Pina	Executive
Rui Paulo Gonçalves	Non-Executive
Luís Manuel Todo Bom	Independent Non-Executive
Fernando Gomes	Non-Executive
Diogo Mendonça Tavares	Non-Executive
Joaquim José Borges Gouveia	Independent Non-Executive
José Carlos da Silva Costa	Executive
Jorge Manuel Seabra de Freitas	Non-Executive

Noteworthy in 2012 was the setting-up of the Reflection on International Strategy Committee, which aims to continuously reflect on Galp Energia's international strategy, as well as advise on any business opportunities or projects to be developed internationally by the Company. This committee is comprised of four Non-Executive Directors, selected by the Board of Directors.

Executive Committee

The Executive Committee consists of seven Directors appointed by the Board of Directors for a period of three years beginning in 2012, the year in which the current Executive Committee was appointed.

The Executive Committee is charged with the current management of the Company in accordance with the strategy laid down by the Board of Directors. The Executive Committee discharges its duties, which are described in the corporate governance report, by managing the business units, allocating resources, achieving synergies and monitoring the application of approved policies in various areas.

Given the powers delegated to the Executive Committee by the Board of Directors it is essential that it meets regularly. In 2012, the Executive Committee held 47 meetings.

The work of the Board of Directors and the Executive Committee complies with the regulations devised to formalise the workings of these two corporate bodies. These regulations are available at http://www.galpenergia.com.

Supervisory bodies

Supervision is carried out by a Supervisory Board and a firm of statutory auditors.

The Supervisory Board is composed of three standing members and a deputy member, all independent and elected by the general shareholders meeting.

In the general shareholders meeting held on 24 April 2012, the term of the current members of the Supervisory Board, elected in 2011, was extended to four years. At the general shareholders meeting of 23 November, Pedro Antunes de Almeida was elected, following the resignation of Manuel Nunes Agria.

Composition of the Supervisory Board

Name	Position
Daniel Bessa Fernandes Coelho	Chairman
Gracinda Augusta Figueiras Raposo	Other member
Pedro Antunes de Almeida	Other member
Amável Alberto Freixo Calhau	Deputy

The general shareholders meeting held in April extended the term of Pedro João Reis de Matos Silva, the statutory auditor, until 2014 and, as deputy, of António Campos Pires Caiado, representing P. Matos Silva, Garcia Jr., P. Caiado & Associados, the firm of statutory auditors elected in 2011.

The Supervisory Board monitors the preparation and publication of Galp Energia's financial information. The Supervisory Board appoints, appraises and dismisses, if and when necessary, the external independent auditor, supervises the audit of financial statements and proposes the appointment of a firm of chartered accountants or a chartered accountant to the general shareholders meeting, whose independence is verified regarding the provision of additional services. The regulations which guide the Supervisory Board's actions are available at http://www.galpenergia.com.

Currently, Galp Energia's external auditor is PricewaterhouseCoopers & Associates – Chartered Accountants Ltd., designated in 2011, after a tender process, for the period 2011-2013.

The Supervisory Board held 15 meetings in 2011 and the conclusions of its supervisory and inspection work were forwarded to the Board of Directors and the general shareholders meeting. A summary of these conclusions can be found in the opinion of the Supervisory Board attached to this report.

Remuneration policy

Galp Energia's remuneration policy reflects the corporate goal of sustained value creation for its shareholders.

According to the articles of association, the remuneration of the members of the governing bodies is set by a Remuneration Committee which consists of three shareholder representatives, elected by the general shareholders meeting for a three-year term ending on 31 December of the third year.

When calculating the remuneration of the members of the governing bodies, the Remuneration Committee considers the duties and responsibilities assigned and the practices observed in the market for equivalent positions in large Portuguese and international companies.

In 2012, in order to align executive performance with the Company's long-term goals, a policy of setting three-year goals was introduced, in line with best market practices.

The Executive Directors receive, therefore, a fixed monthly salary plus a variable remuneration component consisting of a yearly and a three-year component, both worth 50% of the total variable remuneration. The three-yearly component, although calculated annually, will effectively only be paid at the end of three years if the proposed objectives are achieved.

The calculation of the variable remuneration is based on a set of indicators which compare the Company's operating performance, financial discipline and shareholder performance against a group of five comparable European companies and the Portuguese stock index. Variable compensation can vary between 0% and 60% of fixed remuneration.

Composition of the Executive Committee

Manuel Ferreira De Oliveira

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

Experience
Over 30 years' international and oil industry experience.

Luís Palha da Silva

Vice-Chairman of the Executive Committee and responsible for the R&M business unit at Galp Energia since July 2012.

Experience
Has accumulated management positions at Jerónimo Martins, one of the largest retail chains in Portugal, since 2004. Previous CEO of that company.

Filipe Crisóstomo Silva

Galp Energia CFO since July 2012.

Experience
Responsible for the investment banking department since 1999 and Chief Country Officer (CCO) at Deutsche Bank in Portugal since 2008.

Carlos Gomes da Silva

Galp Energia Director since April 2007, and currently responsible for the G&P business segment and the Oil & Gas Trading unit.

Experience
Over 20 years experience in the Oil & Gas sector. As a Director in Galp Energia he was responsible for the oil products distribution business. His professional career includes several management positions in Group companies since 2007.

Stephen Whyte

Galp Energia Director since April 2012, responsible for the E&P business unit.

Experience
Industry career includes a management position in the Europe and Central Asia operations unit of the BG Group and a management position at Shell, Brazil.

Carlos Costa Pina

Galp Energia Director since April 2012, responsible for several corporate services and the Biofuels business segment.

Experience
Worked as a lawyer in the fields of energy, financial and fiscal law and is a faculty member at the Faculty of Law of Lisbon. Former Secretary of State for Treasury and Finance (2005-2011), assuming functions in several international financial institutions. Member of CMVM's Board of Directors and member of the Advisory Committee of the Portuguese Insurance Authority.

José Carlos da Silva Costa

Galp Energia Director since December 2012 and responsible for several corporate services.

Experience
Professional career in the area of procurement at Galp Energia since 2007.

Total remuneration is predominantly cash-based and complemented by a retirement savings scheme. The remuneration policy for corporate bodies is driven by the aim of attracting and motivating the best professionals undertaking roles in the Company and encouraging stability of tenure.

In 2012, Non-Executive Directors earned an exclusively fixed remuneration of €1.2 m, based on the remuneration policy set by the Remuneration Committee and approved by the general shareholders meeting of 7 May 2012.

A total compensation of €5.1 m has been awarded to the members of the Executive Committee of Galp Energia. Of this, €2.9 m constituted fixed remuneration and €0.5 m corresponded to variable compensation related to the year 2011. Out of the total compensation, €1.7 m was allocated to the creation of a supplementary retirement plan.

The members of the Supervisory Board earned a total remuneration of €92 thousand (k) as set by the Remuneration Committee.

Shareholder information

General shareholders meeting participation

In 2012, Galp Energia's shareholders met three times, two of them at an extraordinary session.

The purpose of the general shareholders meeting held on 24 April was to elect the Company's Board of Directors for the period 2012-2014. The purpose of the annual general shareholders meeting held on 7 May was to approve the report and accounts for 2011. The purpose of the general shareholders meeting convened in November 2012 was, amongst other things, to decide on the acquisition and sale of Galp Energia own shares.

On average, 590 shareholders attended the general shareholders meetings held in 2012, representing 86% of the share capital of the Company. All proposals submitted to the general shareholders meeting for 2012 were approved by majority vote.

Dividend policy

In March 2012, Galp Energia announced a new dividend policy, which aims to offer its shareholders remuneration that reflects the increased results the Company expects in the future. The Company which paid a fixed dividend of €0.20 per share, a policy that was in force in 2011, now it expects to increase the dividend at an annual growth rate of 20% from 2012 to 2016.

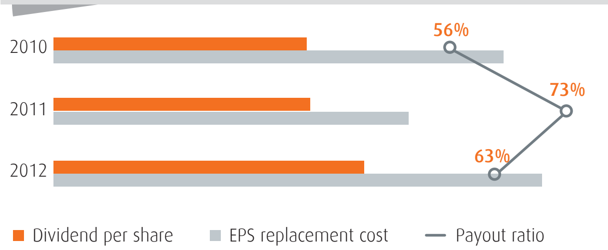
Meanwhile, Galp Energia will continue to ensure that the Company retains the necessary capital to carry out the investment programme it has planned which will be determined by how successful its strategy is.

In May 2012, Galp Energia made a dividend payment for 2011 totalling €166 m, equivalent to €0.20 per share.

When it announced a new policy for awarding dividends in 2012, the Company announced the payment of a quarterly dividend. To this end, Galp Energia made a dividend payment in September 2012 amounting to €100 m, or €0.12 per share, for the payment of the dividend for 2012.

In 2013, the Company's Board of Directors will propose to the general shareholders meeting that a dividend of €0.24 is awarded per share for 2012, which is 20% more than the dividend awarded in 2011. Taking into account the total proposed dividend per share, the quarterly dividend paid in September represented 50% of the total amount.

Dividend and earnings per share (€/share)



Source: Galp Energia
Note: the earnings per share are calculated on the replacement cost method.

Based on the price of the shares on 31 December 2012, the dividend yield of Galp Energia's share was of 2%.

Stock trading

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

Galp Energia's capital consists of 829,250,635 shares. Of these, 771,171,121 shares, i.e. 93% of the Company's share capital, are traded on NYSE Euronext Lisbon. The remaining 58,079,514 shares, which account for 7% of the share capital, are indirectly held by the Portuguese state through Parpública and, despite being on NYSE Euronext Lisbon, they are not listed for trading. In September 2010, Parpública put bonds on the market, exchangeable into Galp Energia shares, with a maturity of seven years. The bonds require the payment of a fixed coupon of 5.25% and an exercise price of €15.25 per share.

It should be noted that the bonds issued by Eni in 2012, which are exchangeable for shares in Galp Energia at a price of €15.50, have a maturity of three years and pay a coupon of 0.25% per year.

Codes and tickers for the Galp Energia share

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

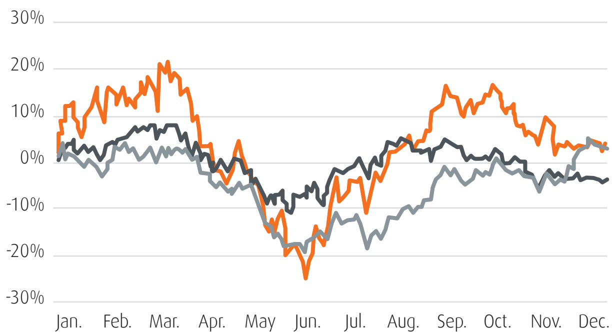
Regarding the acquisition and sale of treasury stock, after it has been approved by the general shareholders meeting in 2012, the power to decide on such matters now resides with the Board of Directors. The timing and size of the transaction will be determined by taking into account market conditions and a given set of criteria, defined and approved by the general shareholders meeting and available on the Galp Energia website. The number of acquired shares may not exceed 10% of the Company's capital at any time, and the Board of Directors shall decide on the purchase or sale of Company shares for a period of 18 months as of November 2012.

On 31 December 2012, Galp Energia had no treasury shares.

Performance of Galp Energia's shares

On 31 December 2012 Galp Energia had a market capitalisation of €9,752 m, an increase of 3% from the end of 2011. Galp Energia's shares performed in line with the PSI-20, the benchmark of the Portuguese stock market. Regarding the European index for the Oil & Gas industry, the SXEP, Galp Energia had a positive performance, given that the index fell by 4% over that period.

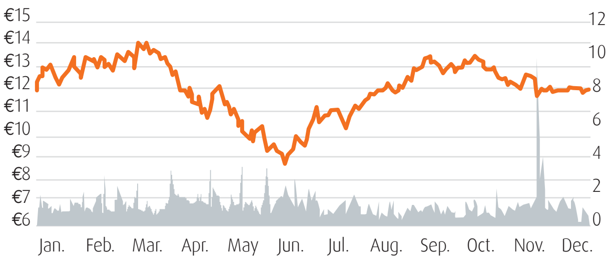
Galp Energia share performance against the SXEP and PSI-20 indexes in 2012



Galp Energia ■ SXEP ■ PSI-20

Source: Bloomberg

Performance of Galp Energia shares in 2012



■ Share price (€) ■ Volume (millions of shares)

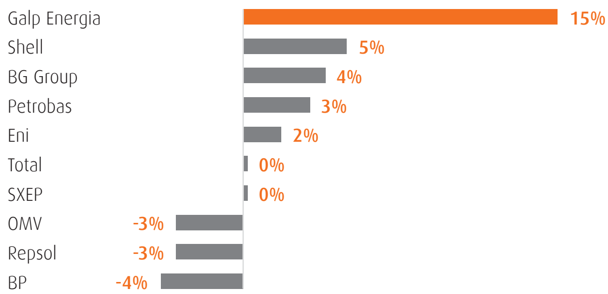
Source: Bloomberg

In 2012, 321 million shares were traded in the NYSE Euronext Lisbon regulated market, corresponding to 39% of the Company's share capital. The average volume traded on a daily basis was 1.3 million shares, or 4.7 million shares if we consider over-the-counter transactions and shares traded in other regulated markets. In this setting, there is a significant increase of almost 5 p. p. in free float for that year which contributed to the high liquidity on NYSE Euronext Lisbon. The volume traded during the year corresponded to 1.3x the free float at the end of December 2012.

Galp Energia's activity was influenced by events relating to strategy execution during the year, such as the results of its exploratory campaign and the publication of data on operational and financial performance on a quarterly basis. However, in 2012, the Company's share was also influenced by the general mood of investors regarding the economic situation in Europe, particularly in Portugal, as well as issues related to changes in the shareholder structure. The share price peaked at €13.78 for the year on 9 March and hit its lowest point of €8.50 on 14 June.

At the end of 2012, Galp Energia stock had increased in value by 102% in comparison with the market price in October 2006. The graph below shows the annual return of the Galp Energia shares from this date, which was 15% over that of other similar companies in the sector.

Annualised return of the Galp Energia share since 23 October 2006 until 31 December 2012



Source: Bloomberg
Note: prices are expressed in euros and include dividends paid.

Financial calendar 2013

Following best practice, Galp Energia announces scheduled events in 2013 that are relevant for shareholders. Trading updates and earnings documents will be released before the opening of NYSE Euronext Lisbon. These dates may change.

Financial calendar 2013

Event	Data
Trading update from fourth quarter of 2012	21 January
Earnings release on the fourth quarter of 2012	11 February
Capital Markets Day 2013	5 March
Annual Report and Accounts 2012 (audited)	26 March
Trading update from first quarter of 2013	15 April
Annual general shareholders meeting	22 April
Earnings release first quarter of 2013	29 April
Trading update from second quarter of 2013	15 July
Earnings release second quarter and first half of 2013	29 July
Trading update from third quarter of 2013	14 October
Earnings release third quarter and nine months of 2013	28 October

■ Yet to be carried out ■ Accomplished

Analyst coverage

At 31 December 2012, the average target price of the 28 analysts was €16.03, with 96% of the analysts recommending the purchase of the share and one analyst, i.e. 4%, recommending its maintenance.

5.2 Human resources

At Galp Energia, development and valuing of human resources has become increasingly focused not only on strengthening the technical and behavioural skills of employees, but also on broadening their range of expertise, particularly in the E&P business.

The Company believes it is vital to provide the appropriate learning tools for the ongoing development of its employees, in line with the strategic objectives that have been established and in order to implement mechanisms for recruiting, retaining and motivating employees.

Recruitment and selection

Recruitment and selection policies are of particular importance given the growing need for the acquisition of a broader skills set, in order to meet the challenges and strategic objectives of the Company, which operates in a complex and competitive market.

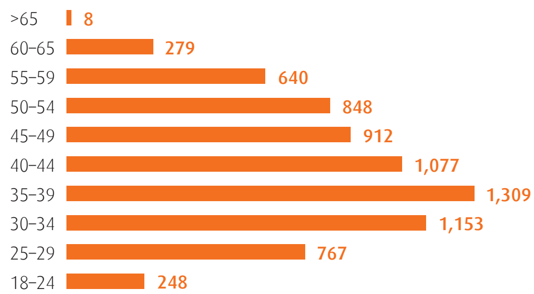
Generation Galp

Generation Galp is Galp Energia's main external recruitment programme, aimed at young people with high potential, educated at the best universities in Portugal. In addition to their academic background, the life experience and profile of the candidate are essential parts of the recruitment process.

The programme lasts one year. Participants are exposed to different professional situations and subject to evaluation and ongoing monitoring. At the end of the 2011/2012 programme, 36 of the 41 participants were invited to join Galp Energia's staff, strengthening and extending the Company's potential for human capital development. In the 2012/2013 programme, 53 graduates were admitted, of which 17 were specifically allocated to E&P, reflecting a clear investment by Galp Energia in this segment.

This programme is therefore an important tool for the rejuvenation of the Company workforce. In fact, by late 2012, and despite hiring experienced professionals for specific roles, the proportion of employees under 45 was 63% of the total number of employees.

Employees by age group in 2012



Focus on the Exploration & Production business segment

Since the E&P business segment is the vector of future growth at Galp Energia, the Company has been investing in the reinforcement of its human capital dedicated to this area.

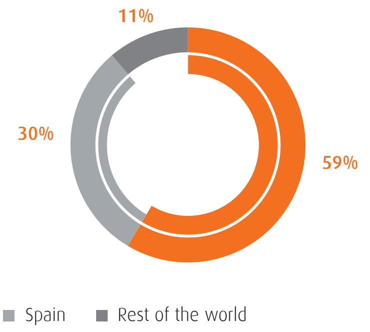
It is worth highlighting the project to oversee and ensure the competitiveness of specific careers in this business segment. As the labour market in this area operates on a global scale, the Company has developed a new framework for management careers in geosciences and petroleum engineering which aims to streamline and improve the attraction and retention of talent.

In 2012, a plan to recruit six geoscientists and oil engineers as well as staff for the Company's support activities inherent to the business.

Stimulating international careers

Given Galp Energia's growth profile and the international expansion associated with it, the Company has been promoting international mobility. In addition to the international careers directly related to E&P, another highlight was the creation of a unit dedicated to the trading of Oil & Gas in Geneva, Switzerland, in 2011. The establishment of this unit led to an analysis of how it could be incorporated within the Company's human resources. The results of the findings were consolidated throughout 2012.

Geographical spread of staff in 2012



Given the stimulus of international careers, the number of employees outside the Iberian Peninsula has been increasing and stood at 11% in 2012, up 2 p. p. compared to the end of 2011.

Training

In 2012, Galp Energia continued its training activities, either through advanced programmes or specific training considered essential for the sustainable development of the organisation, as is the case with Environment, Safety, Health and Hygiene at Work training. During the year 2012, a total of 185,000 hours of training was given, to a total of 16,000 participants.

In terms of specific training, the continued implementation of the Basic Skills for Managers Programme (CBC) should be noted. The programme began in 2011 and aims to develop leadership, team management and communication skills. In 2012, 320 employees took part in this programme. Also noteworthy was the start of the Conhecer + programme, which aims to enhance Company expertise and to develop the behavioural skills in terms of teamwork, interpersonal skills and communication. This will account for 60,000 hours of training over three years.

The Galp Energia Academy

The Galp Energia Academy is focused on areas that Galp Energia thinks are indispensable for developing the skills of its employees, including courses or training activities specifically designed to meet the needs identified by the Company. The Academy has the support of several national and international universities, particularly in Brazil, which have contributed significantly to the quality of the courses.

By the end of 2012, over 400 employees took part of the Galp Energia Academy, out of a total of around 1,000 employees to date, including Company senior management, young people with high potential, client managers and technicians/engineers in the areas of Refining and E&P.

There are currently three courses running: the FormAG advanced training course in Management, the GeoER advanced studies programme in Geo-Engineering of Reservoirs for E&P, and EngIQ, a PhD and advanced training programme in Refining Engineering, Petrochemistry and Chemistry, taught in a business environment.

In 2012, 12,096 hours of training were given under the advanced training course in management, covering 255 employees. It is expected that by 2016, every senior employee will have already passed or will be taking part in the advanced training course in Management.

The advanced studies programme in Geo-Engineering of Reservoirs, the GeoER, which began in 2012, aims to provide employees with the skills to work in all areas of E&P. The course has been developed in partnership with Petrobras, a leading Galp Energia partner in Brazil, and with prestigious Brazilian and Portuguese universities. In the first year, eight employees from Galp Energia, 10 from Petrobras and two from ENH, the Company's partner in Mozambique, took part in the course, totalling 16,800 hours of training.

Training course at the Galp Energia Academy.

In regard to EngIQ, since it started in 2009, the course has provided 7,600 hours of training to 37 employees, and 10 employees at the Sines and Matosinhos refineries are currently studying for PhDs.

During 2012, all the elements necessary to start the CompeC, an advanced training programme in business skills, were also prepared and developed. The course, which envolved a total of 155 trainees in Portugal, will be replicated in Spain.

Employee satisfaction

The Company continued its diagnosis and monitoring of employee satisfaction, and by the end of 2011 the third consecutive survey was held to assess the change in seven factors relating to the levels of satisfaction and personal motivation. This survey involved the participation of 1,687 employees, up 3.1 p. p. on 2010.

Once again, this survey found a trend of increasing satisfaction, particularly in factors such as "commitment to the team", "challenge levels" and "responsibility". The results were published by the Company in order to identify and implement proposals for improvement.

Staff profile

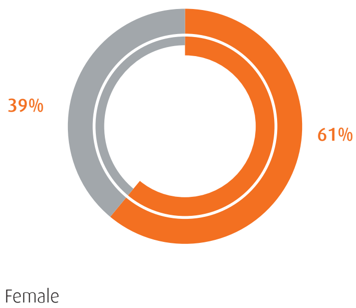
In late 2012, Galp Energia had 7,241 employees, the most notable increase being in the employees allocated to the E&P business.

Staff by business segment in 2012

Out of the 7,241 employees, 3,089 worked on-site, meaning that they were allocated to service stations in the Iberian Peninsula and in Africa, or to biofuel agricultural projects in which the Company participates in the R&M business unit, in Brazil and in Mozambique.

The distribution of Galp Energia employees by gender remained stable compared to 2011, with female employees representing 39%.

Employees by gender in 2012



Galp Voluntária's distribution of Christmas hampers in the Lisbon area.

5.3 Local community development

The Galp Energia approach to social responsibility covers four areas: education; environment and energy efficiency; health and well-being; and road safety. As well as these areas, the Company considers it essential to implement and spread a policy of respect, defence and promotion of human rights and fundamental employment rights, something particularly relevant in developing countries where the Company operates.

Accordingly, Galp Energia encourages socially responsible projects aimed at the development of local communities in all geographical areas in which it operates. In 2012, there were a number of initiatives on social responsibility, taking the total investment in this area to €9.2 m.

One highlight in terms of corporate volunteering was the continued activity of the Galp Voluntária project. Founded in 2011 and covering 184 institutions in 2012, by the end of 2012 Galp Voluntária had enrolled around 900 volunteers.

Also noteworthy was the participation in specific activities undertaken in partnership with Make-a-Wish Foundation, a charity which grants wishes to children and young people with progressive, degenerative or malignant diseases. In addition, the Era Uma Vez project, an initiative for collecting, sorting and cataloguing books bound for East Timor, saw Galp Voluntária working in partnership with Karingana Wa Karingana, a Portuguese-speaking support group, to collect around 150,000 books.

In education, Galp Energia continued with the Missão UP | Unidos pelo Planeta initiative, to raise awareness about the new ecological challenges in Portuguese schools.

In addition to the initiatives developed in the Iberian Peninsula, Galp Energia takes action on social, educational and health issues in the African countries in which it operates, with the aim of promoting the development of local communities.

In health and safety, Galp Energia developed and supported a number of initiatives, notably in Cape Verde, with the signing of a protocol with UNESCO to publicise information on water, in a country where the scarcity of potable water is a pressing issue.

In education, a competition was held for the second year running in Angola to award scholarships to ensure the continuity of candidates in the education system, and the Company also made donations to various schools. In Cape Verde, Galp Energia donated teaching material to educational institutions.

Galp Energia has also been taking initiatives in the field of social rehabilitation and welfare, with its support of a walk promoted by the Ministry of Women, Family, Social Cohesion and the Fight Against Poverty in Guinea-Bissau, aiming to promote the social inclusion of people with disabilities.
In Swaziland, for the fifth consecutive time, Galp Energia participated in and supported the End Hunger, Walk the World event.

Galp Energia Foundation

During 2012, the Galp Energia Foundation continued a series of multi-year projects, undertaken in partnership with other institutions. Thus, the Energy Partnership campaign continued, arranging the donation of various types of household gas appliances to Private Social Welfare Institutions (IPSS) in Portugal.

In the year of the London Olympics, the Foundation has strengthened its partnership with the Portuguese Paralympic Committee, with a view to promoting and supporting disability sport.

This year, the Foundation also invested in a broader programme to support music and culture. This included providing funding for the Casa da Música in Porto, a project that carries out educational projects and initiatives for greater social inclusion.

Under the protocol that it maintains with the Institute of Museums and Conservation for the preservation of heritage in Portugal, in 2012 the Foundation completed the restoration and reconstruction of the historic Sala D. João VI at the Ajuda National Palace.

5.4 Health, safety and environment

Galp Energia understands that protecting the environment and the health and safety of its employees, clients and the community in general are key values for ensuring Company sustainability. The Company is committed to integrating best practices for HSE management at strategic and operational levels, and is continuously working towards its improvement.

In order to create the preconditions for these values to be incorporated in a sustainable manner, the Company has designed and adopted a system of HSE management called G+. The implementation of the G+ System guidelines makes it possible to identify and manage the risks involved in various activities and assets. The Company carries out systematic checks on of compliance with established guidelines and the implementation of recommendations arising from audit processes, and through analysis of internal and external events.

Sustainable exploration and production activity

For E&P projects in particular, Galp Energia has achieved, through the G+ system, continuous improvement in operational performance, both in the projects in which it operates and those in which it holds minority stakes. In these, the Company takes an active part in discussions on HSE matters, particularly during the preparation of seismic surveys, the drawing-up of drilling programmes and the preparation of development plans. Galp Energia also holds regular audits of the various projects in which it is involved.

Best practice is essential when choosing suppliers

Galp Energia operates in a highly competitive industry where the demands of customers and other stakeholders are increasing. Accordingly, all potential suppliers are required to deliver information on their performance in the areas of safety and environment, and to respect the code of ethics and conduct, especially in terms of fighting corruption and respect for human rights. To this end, the Company ensures that all suppliers are carefully evaluated and selected and meet the minimum requirements.

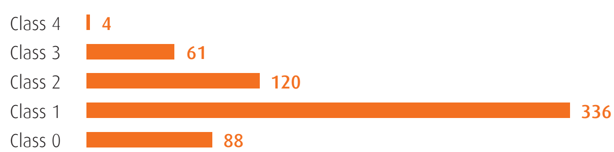
The importance of health and safety

In safety matters, Galp Energia is committed to achieving the goal of zero accidents. It has, therefore, been focusing on improving standards of safety procedures in training and education, in the ongoing identification and minimisation of risk and in emergency management, seeking to encourage a culture of prevention.

In 2012, a safety procedures manual was published, laying down the principles and guidelines for the proper management of safety procedures within the Company.

Given the promotion of a safety culture, reporting and investigation of incidents continued to develop positively in 2012. It is also important to note that in 2012 Galp Energia began reporting class 0 incidents, which are quasi-accidents, or unplanned events with the potential to cause damage or personal injury, but which did not materialise.

Total number of incidents in order of severity in 2012

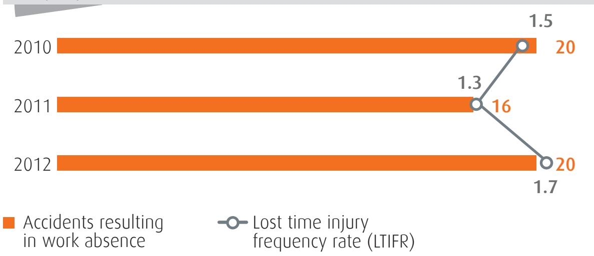


Incidents recorded include those involving clients and service providers, whether or not there was material damage or Galp Energia goods and services were involved, even if they did not occur as part of the Company's regular activities.

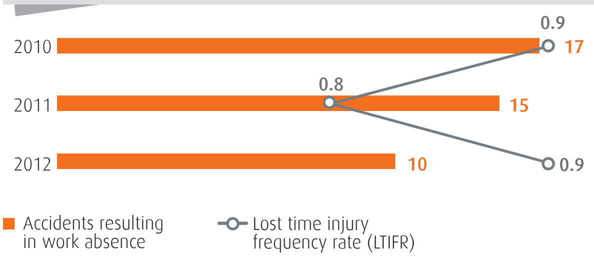
In 2012, we regret to report the incidence of four serious accidents, which were duly investigated. Out of these, two involved commercialised products by Galp Energia, but in conditions unrelated to its activity and out of the Company's control, namely a road accident and a CO_2 intoxication incident. During the year, we also regret to report one fatality, which resulted from an accident during work performed by a service provider. The fourth accident, which was within the Company's responsibility, related to the operation of a unit at the Sines refinery. This incident has been duly investigated and action has been taken to ensure the continuous improvement of operations.

Accidents at Galp Energia

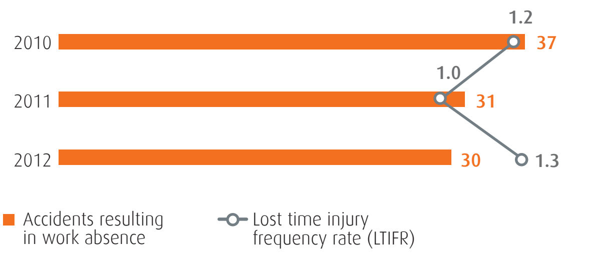
Employees



Service providers



Employees and service providers



Regarding accidents, the Company has consistently been reducing the number of personal accidents where employees and service providers are on leave. With regards to the frequency rate of accidents resulting in sick leave (LTIFR) per million hours worked, the amount recorded in 2012 was 1.3, 0.3 p. p. below the European average in the sector, gathered by the Conservation of Clean Air and Water in Europe (CONCAWE). However, compared to the previous year, this indicator showed an increase, and it is also worth noting, however, the decrease of total number of hours worked in 2012.

A responsible policy to reduce the environmental footprint

The debate about climate change is of particular relevance to an energy operator such as Galp Energia. Therefore, the Company has implemented a strategy to combat climate change with action points that take into account Company expertise, the regulatory environment, existing technology and consumer behaviour in this area.

The strategy to combat climate change at Galp Energia is based on four areas of action, corresponding to the four trends identified:

- Reduce fuel-related emissions at different stages of the fuel's life cycle;
- Promote energy efficiency and incorporate renewable energy;
- Actively participate in developing sustainable mobility solutions;
- Develop, through science and technology, projects and activities that help combat climate change.

On this matter, it should be noted that in 2012, Galp Energia joined the Carbon Disclosure Leadership Index (CDLI), a key component of the annual Iberia 125 Climate Change report published the Carbon Disclosure Project (CDP). This index, highlights Iberian companies that have distinguished themselves in their approach to spreading information on climate change. Galp Energia has now been recognised as the company that has demonstrated the greatest progress with respect to the information disclosed on the impact of greenhouse gas emissions (GGE).

New carbon footprint challenges

In recent years, energy operators have struggled with new regulations on GGE, which have encouraged investment in reducing industrial emissions of CO_2 or market demand for emission allowances required for normal Company activity.

Under the European Union Emissions Trading Scheme (EU ETS), between 2008 and 2012 Galp Energia registered emissions below the licenses assigned to it, so it has been accumulating surpluses.

CO_2 emissions (kton)

However, in 2013 the third period established under the EU ETS begins and will run until 2020. During this period, the CO_2 EL will be allocated primarily by benchmarking or through auction.

The allocation will be based on benchmarking the performance of a number of refineries considered among the most efficient, according to criteria such as the capacity and complexity associated with the refineries under analysis. In this context, 2.5 mton in EL are estimated to be attributed, free of cost, to Galp Energia. Since these are not sufficient to meet its needs at this level, the Company will need to purchase CO_2 licenses on the market, with an estimated annual purchase of around 2.1 mton.

Active prevention of incidents with an environmental impact

Galp Energia encourages strict compliance with all procedures, especially in areas where any harmful impact on the environment may arise from a failure to comply.

Even so, in 2012, there were 19 oil spills, each involving the spilling of over 150 litres. Due to the primary and secondary containment measures as well as emergency interventions, most of these occurrences did not have an impact on the environment. However, even if there was no environmental impact, around 40 m³ of oil was released to the environment, where action was taken to reestablish the initial quality state.

Biodiversity

Galp Energia has implemented a policy for the protection of biodiversity, reflecting the major concerns in terms of management, assessment, mitigation and monitoring. Thus, the Company checks all operations and underlying interactions with the environment, particularly in the context of atmospheric emissions, discharges of effluent, possible oil spills and the release of other hazardous substances, risks it works to prevent and mitigate.

Involvement in renewable energy projects

Galp Energia has been following developments in different energy sources and technologies. Given the trend in increasing power generation from renewable sources, the Company believes it is important to be involved in biofuel projects, but also projects for wind generation and solar energy.

In biofuels, the Company has consolidated its position. In Brazil, the project to plant 48,000 hectares of palm continued apace, with 10,500 hectares planted in 2012. The first fruit harvest for biofuel production is expected in 2013. In Mozambique, 500 hectares were planted with Jatropha curcas L. at a new agribusiness centre.

In 2012, Galp Energia introduced around 276,000 m³ of biodiesel into the road transportation sector in Portugal – an incorporation of around 4.5% of the energy from renewable sources. According to the Renewable Energy Directive (RED), this represents a potential reduction in GGE of more than 214 thousand tonnes (kton) of CO_2 equivalent, which ensures compliance with the targets imposed by the EU. In Spain, around 176,000 m³ of biofuels, replacing both diesel and gasoline, were introduced into the market, in compliance with that country's laws. This incorporation enabled a potential reduction of around 290 kton of CO_2 equivalent.

In 2013, Galp Energia plans to continue to introduce biofuels in the Iberian Peninsula, to contribute 5.5% of the total energy in Portugal, and 6.0% of the total energy in Spain.

Regarding the generation of electricity through wind, taking advantage of the natural conditions in Portugal, Galp Energia is currently operating the Vale Grande wind farm, which began operations in 2011. The park has an installed capacity of 12 MW and operated in 2012 with a load factor of 29%, producing 30 GWh.

Finally, with regard to energy generation through solar means, Galp Energia, in partnership with the Portuguese company Efacec, operates a photovoltaic power plant consisting of 504 photovoltaic modules for production and sale of electricity to the grid, which has an annual output of about 156 megawatts per hour (MWh).

Photovoltaic power plant.

5.5 Quality

Galp Energia considers that the satisfaction of customer needs is a decisive factor for its sustainability as an integrated energy operator and therefore it pays particular attention to quality. The Company's quality policy establishes guidelines for quality management and reflects our commitment to continuous improvement of processes, products and services.

In this regard, the Company has provided certification of its quality control systems. In 2012, Galp Energia kept all its certificates and accreditations and got three new qualifications, one certification of quality (ISO 9001) and two in the new energy arenas (ISO 50001). The maintenance and attainment of these qualifications reflects the Company's commitment to continuous improvement.

During 2012, 32 audits were conducted within the environment, quality and safety remit, involving 74 internal auditors out of a total of 116 participations and five external auditors with 20 participations. The internal audits resulted in a ratio of non-conformities observed to improvement opportunities detected of 0.68, which can be compared with a ratio of 5.2 found by external audits. Such results reflect not only Galp Energia's efforts towards the continuous improvement of its operations, but also confirm the Company's ability to detect non-conformities, compared with the contracted external auditors.

5.6 Innovation, research and development

The new challenges facing the energy industry have led the Company to view the promotion of innovation, research and development projects as a key variable in increasing the competitiveness and the sustainability of its businesses.

Thus, Galp Energia develops and promotes a culture of innovation, not only through the internalisation of new skills, but also through the development of interfaces with the outside, in order to develop innovative projects with the greatest potential for value creation.

In this context, 2012 saw the start of the process to establish a centre for R&D in Brazil – the Institute of Oil and Gas (ISPG) Association for Research and Advanced Training – able to respond to new challenges in the future and resulting in a greater focus on E&P activity.

Breaking barriers in Exploration & Production

Galp Energia is involved in some of the most promising exploration and production projects in the world, particularly in ultra-deep waters. Given the specific nature of each of the projects, it is crucial to choose the most appropriate technology for their development. Galp Energia is involved in several R&D projects together with other partners in the consortium, including joint industry projects. These projects aim to study the feasibility and potential application of various technologies, including activities relating to exploration in new areas and to the development of different projects.

Of particular note are the research and development projects currently being developed by the BM-S-11 consortium, designed to study techniques for maximising the return on projects in the pre-salt. These include studies on the processes to be implemented to ensure the flow of production and studies to increase the recovery rate of oil through production in quasi-horizontal wells and through injection of CO_2 into the reservoir, which has been studied in the laboratory and will be tested *in situ* by 2013.

Advanced training and investigation programme in exploration and production in ultra-deep waters

With the aim of maximising the benefit of investing in training and investigation, Galp Energia has adopted an open R&D model, specifically in the E&P business. In this context, we should highlight the creation of the ISPG, an advanced training centre which answers to the need for the development of competencies in Brazil, and which aims to coordinate investigation, development and advanced training efforts with Portuguese and international universities as well as other institutions.

Among the new institute's main goals, the most prominent are: (i) the development of human capital in the field of exploration and production; (ii) the development of technological programmes centred on the main challenges faced by Galp Energia projects; and (iii) the creation of a network of collaboration which ensures the development of a portfolio of projects in areas on the technological frontier and of interest to the Oil & Gas industry.

Continuous improvement in refining

Refining is one of the most demanding industries in terms of scientific and technological complexity, since it is dedicated to molecular re-engineering. Investment in research infrastructure is therefore critical to its competitiveness.

In 2012, a research centre opened at the Sines refinery, which integrates pilot units that replicate on a laboratory scale the operation of the main units of the refinery itself. This will result in significant gains in improving procedures and important savings given the possibility of evaluating new processes in a controlled laboratory environment. The analysis of these processes is designed to determine the best catalysts for different loads and optimum operating conditions for the hydrocracker, the central unit installed in Sines as part of the refinery upgrade project.

06. Appendices

6.1 Proposed allocation of net profit

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

Galp Energia, SGPS, S. A., under separate accounts, closed the financial year 2012 with a net profit of €27,551,641.72. This result is presented in accordance with International Financial Reporting Standards (IFRS).

Following the shareholder remuneration policy approved in March 2012, the Board of Directors proposes, pursuant to the law, that the net profit of €27,551,641.72, be allocated to the payment of dividends, and €171,468,510.70 be distributed out of the retained earnings, totalling €199,020,152.40. An amount of €99,510,076.20 is to be paid to shareholders, corresponding to €0.12 per share, with respect of the total number of issued shares, of which added to the sum of €99,510,076.20 (€0.12 per share) paid in September of 2012 as an advanced payment on profit, totals €199,020,152.40, corresponding to €0.24 per share.

6.2 Additional information

Mandatory notices and statements

SHAREHOLDERS WITH MAJOR DIRECT OR INDIRECT HOLDINGS AT 31 DECEMBER 2012

According to article 448, paragraph 4, of the Portuguese Commercial Companies Code (CSC) and article 20 of the CVM.

Shareholders	No. of shares	% voting rights
Amorim Energia	317,934,693	38.34%
Eni	201,839,604	24.34%
Parpública	58,079,514	7.00%
Other shareholders	251,396,824	30.32%
Total	**829,250,635**	**100%**

TREASURY SHARES

In accordance with articles 66 d) and 325-A, paragraph 1, of the CSC.
Galp Energia has no treasury shares.

During the financial year 2012 Galp Energia did not acquire or sell any treasury shares.

SHARE OWNERSHIP AT 31 DECEMBER 2012 BY CURRENT MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BODIES OF GALP ENERGIA, SGPS, S. A. – SOCIEDADE ABERTA.

In accordance with article 447, paragraph 5, of the CSC.

		Acquisition From 1 January to 31 December 2012			Disposal From 1 January to 31 December 2012			
Members of the Board of Directors	**Total shares as of 31 Dec. 2012**	**Date**	**No. of shares**	**Price (€/share)**	**Date**	**No. of shares**	**Price (€/share)**	**Total shares as of 31 Dec. 2012**
Américo Amorim	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	85,640	-	-	-	-	-	-	85,640
Luís Palha da Silva	3,350	-	-	-	-	-	-	3,350
Paula Amorim	138,700	-	-	-	18-09-2012	138,700	13.02361	0
Filipe Crisóstomo Silva	-	-	-	-	-	-	-	-
Carlos Gomes da Silva	2,410	-	-	-	-	-	-	2,410
Sérgio Gabrielli de Azevedo	-	-	-	-	-	-	-	-
Stephen Whyte	-	-	-	-	-	-	-	-
Vítor Bento	-	-	-	-	-	-	-	-
Abdul Magid Osman	-	-	-	-	-	-	-	-
Luís Campos e Cunha	-	-	-	-	-	-	-	-
Baptista Sumbe	-	-	-	-	-	-	-	-
Miguel Athayde Marques		03-01-2012	500	12,330	-	500	12.740	
		11-01-2012	1,000	12,450	10-01-2012	1,000	12.850	
		21-02-2012	1,000	12,605	25-01-2012	1,000	13.415	
		22-03-2012	1,000	13,135	02-03-2012			
		29-03-2012	500	12,755				
		23-08-2012	300	11,715				1,800
Carlos Costa Pina	-	-	-	-	-	-	-	-
Rui Paulo Gonçalves	-	-	-	-	-	-	-	-
Luís Manuel Todo Bom	-	-	-	-	-	-	-	-
Fernando Gomes	1,900	-	-	-	-	-	-	1,900
Diogo Mendonça Tavares	2,940	-	-	-	-	-	-	2,940
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
José Carlos da Silva Costa	275	-	-	-	-	-	-	275
Jorge Manuel Seabra de Freitas	-	-	-	-	-	-	-	-
Members of the Supervisory Board								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
Gracinda Augusta Figueiras Raposo	-	-	-	-	-	-	-	-
Pedro Antunes de Almeida	5	12-12-2012	1,500	12,000	-	-	-	1,505
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Statutory Auditor Firm								
P. Matos Silva, Garcia Jr., Caiado & Associados	-	-	-	-	-	-	-	-
António Campos Pires Caiado	-	-	-	-	-	-	-	-

CURRENT DIRECTORS' DEALINGS WITH THE COMPANY

In accordance with articles 66 e) and 397 of the CSC.
There were no commitments in 2012 to the current members of the Board of Directors of Galp Energia, SGPS, S. A. – Sociedade Aberta, to conduct business with the Company.

OTHER ACTIVITY BY CURRENT DIRECTORS

As provided for under article 398 of the CSC.
None of the current Directors of Galp Energia, SGPS, S. A. exercised during the financial year 2012, in a company or companies that are related to this domain or group, any temporary or permanent duties under the employment contract, are subordinate or autonomous apart from José Carlos da Silva Costa, whose employment contract with Galp Energia, S. A. – Sociedade Aberta, remains suspended since his election as member of the Board of Directors of Galp Energia, SGPS, S. A. – Sociedade Aberta, which took place on 23 November 2012.

AMOUNTS OWED TO ASSOCIATES

In accordance with article 5, paragragh 4, of Decree-Law No. 495/88 of 30 December.

See note 28 in the notes to the financial statements in the separate accounts of Galp Energia SGPS, S. A. – Sociedade Aberta.

Governing bodies

The current members of the Board of Directors were elected for a term that began in 2012 and ends in late 2014.

Thus, the current composition of the governing bodies of Galp Energia, SGPS, S. A. is as follows:

BOARD OF DIRECTORS (2012-2014)

Chairman
Américo Amorim[1]

Vice-Chairman
Manuel Ferreira De Oliveira[1]

Vice-Chairman
Luís Palha da Silva[2]

Members
Paula Amorim[1]
Filipe Crisóstomo Silva[2]
Carlos Gomes da Silva[1]
Sérgio Gabrielli de Azevedo[2]
Stephen Whyte[1]
Vítor Bento[1]
Abdul Magid Osman[2]
Luís Campos e Cunha[3]
Baptista Sumbe[1]
Miguel Athayde Marques[3]
Carlos Costa Pina[1]
Rui Paulo Gonçalves[1]
Luís Manuel Todo Bom[3]
Fernando Gomes[1]
Diogo Mendonça Tavares[1]
Joaquim José Borges Gouveia[1]
José Carlos da Silva Costa[3]
Jorge Manuel Seabra de Freitas[3]

EXECUTIVE COMMITTEE (2012-2014)

Chairman
Manuel Ferreira De Oliveira (CEO)[4]

Vice-Chairman
Luís Palha da Silva[5]

Members
Filipe Crisóstomo Silva (CFO)[5]
Carlos Gomes da Silva[4]
Stephen Whyte[4]
Carlos Costa Pina[4]
José Carlos da Silva Costa[6]

SUPERVISORY BOARD (2011-2014)

Chairman
Daniel Bessa Fernandes Coelho

Members
Gracinda Augusta Figueiras Raposo
Pedro Antunes de Almeida[7]

Deputy
Amável Alberto Freixo Calhau

STATUTORY AUDITORS (2011-2014)

Standing
P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, Lda., represented by Pedro João Reis de Matos Silva

Deputy
António Campos Pires Caiado

GENERAL SHAREHOLDERS MEETING BOARD (2011-2013)

Chairman
Daniel Proença de Carvalho

Vice-Chairman
Victor Manuel Pereira Dias

Secretary
Maria Helena Claro Goldschmidt[8]

COMPANY SECRETARY (2012-2014)

Standing
Rui Maria Diniz Mayer

Deputy
Maria Helena Claro Goldschmidt

REMUNERATIONS COMMITTEE (2011-2014)

Chairman[9]

Members
Amorim Energia, B. V.,
represented by Francisco Rêgo
Jorge Armindo Carvalho Teixeira[10]

[1] Elected at the general shareholders meeting held on 24 April 2012.
[2] Appointed by agreement at the Board of Directors' meeting held on 26 July 2012, ratified in the general shareholders meeting held on 23 November 2012 following the resignation of the following from their respective roles, Claudio De Marco, Fabrizio Dassogno, Stefano Goberti and Luigi Spelli.
[3] Elected at the general shareholders meeting on 23 November 2012 following the resignation from their roles, Maria Rita Galli, Luca Bertelli, Giuseppe Ricci, Paolo Grossi and Barbara Benzonni.
[4] Appointed to join the Executive Committee at the Board of Directors' meeting held on 24 April 2012.
[6] Appointed to join the Executive Committee at the Board of Directors' meeting held on 26 July 2012.
[6] Appointed to join the Executive Committee at the Board of Directors' meeting held on 14 December 2012.
[7] Elected at the general shareholders meeting held on 23 November 2012, for the 2011-2014 term, replacing Manuel Maria Simões Nunes Agria, following his resignation on 1 September 2012.
[8] Elected at the general shareholders meeting held on 23 November 2012, following the end of the previous Secretary's term, Pedro Antunes de Almeida, held on 6 April 2012.
[9] The position of chair member of the Remuneration Committee is vacant following the resignation presented by CGD, S. A. on 11 January 2013.
[10] Elected at the general shareholders meeting on 23 November 2012, for the 2011-2014 term, after a resignation from the role held by Eni.

6.3 Consolidated Financial Statements

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of financial position as of 31 December 2012 and of 2011

(Amounts stated in thousands of euros – €k)
(Translation of consolidated statements of financial position originally issued in Portuguese – Note 37)

ASSETS	Notes	December 2012	December 2011
Non-current assets:			
Tangible assets	12	4,489,919	4,159,443
Goodwill	11	232,046	231,866
Intangible assets	12	1,458,089	1,301,481
Investments in associates and jointly controlled entities	4	399,323	303,929
Investments in other companies	4	2,894	2,893
Loans to Sinopec	14	917,558	-
Other receivables	14	160,942	171,342
Deferred tax assets	9	252,206	198,020
Other investments	17	19,307	3,282
Total non-current assets:		**7,932,284**	**6,372,256**
Current assets:			
Inventories	16	1,976,125	1,874,807
Trade receivables	15	1,351,189	1,066,320
Other receivables	14	745,088	532,074
Other investments	17	7,346	2,283
Current income tax recoverable	9	9,819	9,251
Cash and cash equivalents	18	1,886,723	298,426
Total current assets:		**5,976,290**	**3,783,161**
Total assets:		**13,908,574**	**10,155,417**

EQUITY AND LIABILITIES	Notes	December 2012	December 2011
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,630,548	203,362
Retained earnings		1,516,069	1,338,182
Consolidated net profit for the period		343,300	432,682
Total equity attributable to equity holders of the parent:		**5,401,174**	**2,885,483**
Non-controlling interests	21	1,304,800	55,972
Total equity:		**6,705,974**	**2,941,455**
Liabilities:			
Non-current liabilities:			
Bank loans	22	1,858,427	1,369,069
Bonds	22	618,902	905,000
Other payables	24	534,039	359,923
Retirement and other benefit liabilities	23	327,293	365,812
Deferred tax liabilities	9	130,616	84,486
Other financial instruments	27	7,346	1,807
Provisions	25	137,556	110,650
Total non-current liabilities:		**3,614,179**	**3,196,747**
Current liabilities:			
Bank loans and overdrafts	22	539,338	1,248,491
Bonds	22	566,256	280,000
Trade payables	26	1,469,231	1,364,737
Other payables	24	1,004,516	1,033,498
Other financial instruments	27	9,080	90,489
Total current liabilities:		**3,588,421**	**4,017,215**
Total liabilities:		**7,202,600**	**7,213,962**
Total equity and liabilities:		**13,908,574**	**10,155,417**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2012.

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated income statements for the years ended 31 December 2012 and 2011

(Amounts stated in thousands of euros – €k)
(Translation of consolidated statements of income statements originally issued in Portuguese – Note 37)

	Notes	December 2012	December 2011
Operating income:			
Sales	5	18,040,881	16,362,671
Services rendered	5	466,156	441,265
Other operating income	5	137,035	183,341
Total operating income		**18,644,072**	**16,987,277**
Operating costs:			
Cost of sales	6	16,195,685	14,569,679
External supplies and services	6	990,103	914,235
Employee costs	6	337,487	326,719
Amortisation, depreciation and impairment loss	6	426,469	403,958
Provision and impairment loss on receivables	6	69,391	43,914
Other operating costs	6	83,115	87,092
Total operating costs:		**18,102,250**	**16,345,597**
Operating profit:		**541,822**	**641,680**
Financial income	8	85,198	20,395
Financial costs	8	(149,542)	(140,536)
Exchange gain (loss)		2,209	(246)
Share of results of investments in associates and jointly controlled entities	4	81,538	72,204
Income (cost) on financial instruments	27	1,326	(619)
Other gains (losses)		(1,696)	(1,680)
Profit before income tax:		**560,855**	**591,198**
Income tax	9	(170,585)	(149,092)
Profit before non-controlling interests:		**390,270**	**442,106**
Profit attributable to non-controlling interests	21	(46,970)	(9,424)
Consolidated net profit for the year:		**343,300**	**432,682**
Earnings per share (in euros):	10	**0.41**	**0.52**

The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2012

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of changes in equity for the years ended 31 december 2012 and 2011

(Amounts stated in thousands of euros – €k)
(Translation of consolidated statements of income statements originally issued in Portuguese – Note 37)

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)
Balance as of 1 January 2011		**829,251**	**82,006**	**27,918**	**193,384**
Consolidated net profit for the period	10	-	-	-	-
Other gains and losses recognised in equity		-	-	(16,939)	-
Comprehensive income for the period		-	-	(16,939)	-
Dividends distributed / interim dividends		-	-	-	-
Appropriation of profit to reserves		-	-	-	-
Balance as of 31 December 2011		**829,251**	**82,006**	**10,979**	**193,384**
Balance as of 1 January 2012		**829,251**	**82,006**	**10,979**	**193,384**
Consolidated net profit for the period	10	-	-	-	-
Changes in consolidation perimetre	3 e 21	-	-	-	-
Other gains and losses recognised in equity		-	-	(58,603)	(1,935)
Comprehensive income for the period		-	-	(58,603)	(1,935)
Dividends distributed / interim dividends	30	-	-	-	-
Increase of equity in subsidiaries		-	-	-	2,493,088
Appropriation of profit to reserves		-	-	-	-
Balance as of 31 December 2012		**829,251**	**82,006**	**(47,624)**	**2,684,537**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012.

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of comprehensive income for the years ended 31 December 2012 and 2011

(Amounts stated in thousands of euros – €k)
(Translation of consolidated statements of income statements originally issued in Portuguese – Note 37)

	Notes	December 2012	December 2011
Consolidated net profit for the year	10	**343,300**	**432,682**
Other comprehensive income of the year:			
Differences arising on translation of foreign currency financial statements (Group companies)	20	(7,522)	6,253
Differences arising on translation of foreign currency financial statements (associated companies)	4 e 20	(6,209)	2,890
Differences arising on translation of foreign currency – goodwill	20	1,390	(1,421)
Differences arising on translation of foreign currency – financial allocations (quasi equity)	20	(66,600)	(48,561)
Deferred tax related to components of differences arising on translation of foreign currency – financial allocations (quasi equity)	20	20,338	23,900
		(58,603)	(16,939)
Other increases / decreases in hedging reserves	27	(7,179)	4,295
Other gains and losses recognised in equity from associated companies	27	(340)	(227)
Income tax related with the components of hedging reserves	9	2,155	(1,177)
		(5,364)	2,891
Actuarial gains and losses		4,384	(31,626)
Tax – actuarial gains and losses	9	3,472	1,361
		7,856	(30,265)
Other increases / decreases		774	-
Comprehensive income net of tax		(55,337)	(44,313)
Comprehensive income before non-controlling interests:		**287,963**	**388,369**
Other gains (loses) of non-controlling interests		25,460	26,543
Total compheensive income		**313,423**	**414,912**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2012.

Hedging reserves	Retained earnings – acturial gains and losses	Retained earnings	Consolidated net profit for the year	Sub-total	Non-controlling interests (Note 21)	Total
(3,892)	**(76,094)**	**1,108,826**	**451,810**	**2,613,209**	**32,202**	**2,645,411**
-	-	-	432,682	432,682	9,424	442,106
2,891	(30,265)	-	-	(44,313)	17,119	(27,194)
2,891	(30,265)	-	432,682	388,369	26,543	414,912
-	-	(66,340)	-	(66,340)	(2,773)	(69,113)
-	-	402,055	(451,810)	(49,755)	-	(49,755)
(1,001)	**(106,359)**	**1,444,541**	**432,682**	**2,885,483**	**55,972**	**2,941,455**
(1,001)	**(106,359)**	**1,444,541**	**432,682**	**2,885,483**	**55,972**	**2,941,455**
-	-	-	343,300	343,300	46,970	390,270
-	-	-	-	-	19,348	19,348
(5,364)	7,856	2,709	-	(55,337)	(40,858)	(96,195)
(5,364)	7,856	2,709	343,300	287,963	25,460	313,423
-	-	(265,360)	-	(265,360)	(6,213)	(271,573)
-	-	-	-	2,493,088	1,229,581	3,722,669
-	-	432,682	(432,682)	-	-	-
(6,365)	**(98,503)**	**1,614,572**	**343,300**	**5,401,174**	**1,304,800**	**6,705,974**

Galp Energia, SGPS, S. A. and subsidiaries

Consolidated statements of cash flows for the years ended 31 December 2012 and 2011

(Amounts stated in thousands of euros – €k)
(Translation of consolidated statements of income statements originally issued in Portuguese – Note 37)

	Notes	December 2012	December 2011
Operating activities:			
Cash receipts from trade receivables		20,295,479	16,708,028
Cash paid to trade payables		(15,512,127)	(12,217,358)
Cash paid to employees		(236,663)	(239,442)
Cash (paid) / received relating to tax on oil products		(1,969,067)	(2,400,329)
Cash (paid) / received relating to income tax		(131,918)	(187,054)
Contributions to the pension fund	23	(21,109)	(10,180)
Cash paid to early retired and pre-retired employeers	23	(17,648)	(16,214)
Cash paid relating to insurance costs of retired employeers	23	(11,903)	(11,386)
Other (payments) / receipts relating to operating activities		(2,092,525)	(592,589)
Net cash provided by operating activities (1)		**302,519**	**1,033,476**
Investing activities:			
Cash receipts relating to:			
Investments		19,421	6,718
Tangible assets		1,970	21,908
Intangible assets		429	-
Government grants	13	355	145
Interest and similar income		38,119	2,192
Dividends	4	65,262	64,969
Loans granted		5,466	11,696
		131,022	**107,628**
Cash payments relating to:			
Investments		(183,337)	(31,319)
Tangible assets		(802,801)	(1,224,135)
Intangible assets		(48,099)	(66,455)
Loans granted		(932,272)	(3,918)
		(1,966,509)	**(1,325,827)**
Net cash used in investing activities (2)		**(1,835,487)**	**(1,218,199)**
Financing activities:			
Cash receipts relating to:			
Loans obtained		2,598,063	1,092,565
Capital increases, supplementary capital contributions and share premium	20	3,597,357	-
Interest and similar income		2,800	5,378
Discounted notes		22,051	22,217
		6,220,271	**1,120,160**
Cash payments relating to:			
Loans obtained		(2,487,779)	(420,594)
Repayment of loans from BEI under the unbundling operation	31	-	
Interest on loans obtained		(133,158)	(163,679)
Interest and similar costs		-	(24,296)
Dividends	30	(269,702)	(118,216)
Repayment of discounted notes		(2,361)	(9,453)
Payment of interest on finance lease contracts		(27)	(75)
Interest on finance lease contracts		-	-
Interest on bonds		(54,027)	-
		(2,947,054)	**(736,313)**
Net cash provided by (used in) financing activities (3)		**3,273,217**	**383,847**
Net decrease in cash and cash equivalents (4) = (1) + (2) + (3)		1,740,249	199,124
Effect of foreign exchange rate changes		(18,153)	(8,808)
Cash and cash equivalents at the beginning of the year	18	25,480	(171,297)
Change in consolidation perimetre	3	(14,377)	6,461
Cash and cash equivalents at the end of the year	18	1,733,199	25,480

The accompanying notes form an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

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Notes to the consolidated financial statements 31 December 2012

(Amounts expressed in thousands of euros – €k)

1. INTRODUCTION

a) Parent company:

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

The Company shareholder position as of 31 December 2012 is stated in Note 19.

The Company is listed on the NYSE Euronext Lisbon stock exchange.

b) The Group:

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

b1) Crude oil upstream operations

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

b2) Crude oil downstream operations

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

b3) Natural gas activity and energy production and commercialisation

The G&P business unit covers the areas of purchasing, commercialisation, supply and storage of natural gas and electricity and thermal power production.

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

The Power segment generates electricity e and thermal power, which supplies power to large industrial customers and domestic customers. Galp Energia presently participates in five cogeneration plants, one being under construction, with a total installed capacity of 175 MW and wind farms.

The area of Natural Gas is split between: (i) Procurement and Commercialisation; and (ii) Supply and Commercialisation.

The area of Procurement and Commercialisation of Natural Gas supplies natural gas to large industrial customers with annual consumptions of more than 2 mm^3, to power generating companies, as well as to natural gas supply companies and to AGU. Therefore, in order to meet the demand of its customers, Galp Energia has long-term procurement contracts with companies in Algeria and Nigeria.

The area of Natural Gas Supply and Commercialisation in Portugal, comprises natural gas supply companies in which Galp Energia has a significant participation. Its purpose is to sell natural gas to residential, commercial and industrial customers which have annual consumptions of less than 2 mm^3. Galp Energia is also a player in the Spanish regulated market, supplying low pressure natural gas through its subsidiaries to 38 neighbouring municipalities of Madrid. This activity includes the sale of natural gas to end customers, both regulated and non-regulated, in the area covered by the business supply segment described above.

The Galp Energia Group's natural gas subsidiary companies which store and supply natural gas in Portugal operate based on concession contracts entered into with the Portuguese State, which end in 2045 for storage and 2047 for supply and commercialisation. On the expiry of this period, the assets concerning these concessions will be transferred to the Portuguese State and the companies will receive an indemnity corresponding to the book value of these assets at that date, net of depreciation, financial contributions and non-repayable grants.

The accompanying financial statements are presented in euros, which is the functional currency in which the Company operates.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the year ended 31 December 2012 there were no changes in the accounting policies regarding those used to prepare the financial information for the preceding year, nor are there any significant material errors relative to the previous year.

2.1. BASIS OF PRESENTATION

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.16), on the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with IFRS as adopted by the EU, effective for the year beginning 1 January 2012. These standards include 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 by the Standing Interpretation Committee (SIC), adopted by the EU. These standards and interpretations are hereinafter referred to as IFRS.

The IAS/IFRS standards approved and published in the Official Journal of the European Union (OJEU) during 2012 applicable to subsequent years are as follows:

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IFRS 7 Financial instruments: disclosures – offsetting financial assets and financial liabilities	29 December 2012	after 1 January 2013	2013 depending on the regulation articles	No accounting impacts are expected
Amendments to IFRS 32 Financial instruments: disclosures – offsetting financial assets and financial liabilities	29 December 2012	after 1 January 2013	2014 depending on the regulation articles	No accounting impacts are expected
Amendments to IFRS 1 first time adoption – severe hyperinflation and removal of fixed dates for first-time adopters	29 December 2012	after 1 January 2013	2013	Not applicable
IFRS 10 Consolidated financial statements	29 December 2012	after 1 January 2013	2014	Not applicable
IFRS 11 Joint arrangements	29 December 2012	after 1 January 2013	2014	Not applicable
IFRS 12 Disclosure of interests in other entities	29 December 2012	after 1 January 2013	2014	No accounting impacts are expected
IFRS 13 Fair value measurement	29 December 2012	after 1 January 2013	2013	No accounting impacts are expected
IAS 27 Individual financial statements	29 December 2012	after 1 January 2013	2014	No accounting impacts are expected
IAS 28 Investments in associates and joint ventures	29 December 2012	after 1 January 2013	2014	No accounting impacts are expected
Amendments to IAS 12 income taxes – deferred tax: recovery of underlying assets	29 December 2012	after 1 January 2013	2013	No accounting impacts are expected
IFRIC 20 stripping costs in the production phase of a surface mine	29 December 2012	after 1 January 2013	2013	Not applicable
Amendments to IAS 1 Presentation of financial statements – presentation of other comprehensive income	6 June 2012	after 1 January 2013	2013	No accounting impacts are expected
Amendments to IAS 19 Employee benefits	6 June 2012	after 1 January 2013	2013	No accounting impacts are expected

The approved and published IAS/IFRS standards in the OJEU applicable to 2012 and to subsequent years are as follows:

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

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IFRS 7 Financial instruments: disclosures – transfers of financial assets	23 November 2011	after 30 June 2011	2012	No accounting impacts are expected

Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the accompanying consolidated financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the financial statements.

In the preparation and presentation of consolidated financial statements Galp Energia Group complies with the IAS/IFRS and their interpretations SIC/IFRIC adopted by the EU.

2.2. CONSOLIDATION METHODS

The following consolidation methods were used by the Group:

a) Investments in Group companies

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

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

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

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

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

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

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

Consolidation of Group companies includes two companies whose date of accounts submission is 30 September including companies Petrogal Trading, Ltd. based in Ireland and Galp Trading, S. A. based in Switzerland. Although the statutory closing of accounts of these companies differ from other companies Galp Energia Group, are incorporated in the consolidated accounts transactions occurred in the last quarter of each year.

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

b) Investments in jointly controlled entities

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

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

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

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

Assets that are jointly shared in oil exploration consortia are recognised for accounting purposes in accordance with the established contracts. Therefore, these jointly controlled assets are recognised in the accounting for share held (working interest) in the oil consortium.

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

c) Investments in associates

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

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

The investments in subsidiaries are classified as assets held for sale in accordance with the classification of IAS 39 and are classified as non-current assets.

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

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

An assessment of investments in associates is performed when there are indications that participation may be impaired, as well as an annual assessment of the value of goodwill, are recorded as cost impairment losses that statement. When impairment losses recognised in prior years no longer exist are reversed. However, impairments recorded on goodwill are not reversed.

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

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

Investments in associated companies and assets available for sale are detailed in Note 4.

d) Goodwill

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

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

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

Any impairment losses are recorded immediately in the statement of financial position as a deduction to the amount of the assets recorded against the income statement caption "Share of results of investments in associates and jointly controlled entities", included in financial results.

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

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

e) Foreign currency financial statements conversion

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

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

The goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of these entities and translated into euros according to the exchange rate in effect on the date of the financial statements.

When a foreign entity is disposed the accumulated exchange difference is transferred from the equity caption “Translation reserve” to the income statement caption “Other gains (losses)”.

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

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

	Year end		Average for the year	
Currency	**2012**	**2011**	**2012**	**2011**
Gambian Dalasi	40.02	37.91	40.43	39.42
Moroccan Dirhams	11.14	11.11	11.09	11.25
U.S. dollars	1.32	1.29	1.28	1.39
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swaziland Lilangeni	11.2	10.58	10.61	10.18
Mozambique Meticais	38.18	34.5	35.79	40.01
Brazilian Reais	2.7	2.42	2.5	2.33

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

2.3. TANGIBLE ASSETS

General

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

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

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

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

The average annual depreciation rates used are as follows:

	Rates
Land and natural resources	0.19%
Buildings and other constructions	3.44%
Machinery and equipment	4.90%
Transport equipment	5.28%
Tools and utensils	4.81%
Administrative equipment	7.50%
Reusable containers	3.02%
Other tangible assets	5.20%

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

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

Oil exploration and production

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

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

Assets that are jointly shared in oil exploration consortia are recognised for accounting purposes in accordance with the established contracts. Therefore, these jointly controlled assets are recognised in the accounting for share held (working interest) in the oil consortium.

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

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

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

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

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

2.4. INTANGIBLE ASSETS

General

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

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

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

Intangible assets include costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp Energia products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from ten to 20 years).

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

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

Oil exploration and production operations

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

Natural Gas operations

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

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

The Group capitalises costs relating to the conversion of natural gas consumptions, which involves adapting the installations. The Group considers that it can control the future economic benefits resulting from this conversion, through the continued sale of gas to its clients (Decree-Law No. 140/2006 of 26 July). These costs are amortised on a straight-line basis up to the end of the company’s natural gas supply concession period.

2.5. IMPAIRMENT OF NON-CURRENT ASSETS EXCEPT GOODWILL

Impairment tests are performed as of the financial statements date and whenever a decline in the asset value is identified. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded against income statement caption “Amortisation, depreciation and impairment loss”.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the WACC before tax used by the Galp Energia Group for the reporting segment and country of the asset. The cash generating unit subject to impairment analysis depends on the reporting segment: in the R&M segment the cash generating unit is the service station network in each country; in the E&P segment the cash generating unit is the property (commonly referred to as block); and in the G&P segment the cash generating unit is the set of assets generating the economic benefits.

Impairment losses recorded in previous 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 recorded 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 previously.

Refining & Marketing assets

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

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

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

Impairment tests are also performed to other assets of the refining and distribution, including refineries and tangible assets associated with logistics and storage activities.

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

Exploration & Production assets
The impairment losses on oil exploration and production assets are determined when:

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

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

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

i) Probable reserves;
ii) Investment and future operating costs needed to recover the probable reserves;
iii) Contingent resources, adjusted by a factor of probability of success;
iv) Investment and future operating costs required to recover the contingent resources;
v) Reference price of a barrel of Brent;
vi) EUR/USD exchange rate;
vii) Taxation of block/country.

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

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

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

2.6. LEASING
Leasing contracts are classified as:

- Finance leases if all the risks and benefits of ownership are substantially transferred, and

- Operating leases when this does not occur.

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

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

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

Rents of the FPSO unit which are being used in the E&P business arising from contracts established by the existing consortia in which Galp Energia is engaged, are charged to the Group in proportion of the share held in each consortium.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As mentioned above, the Group also includes, in the caption "Inventories", ISP relating to merchandise already dispatched subject to that tax.

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

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

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

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

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

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

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

2.9. PROVISIONS

General
Provisions are 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.

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

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

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

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

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

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

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

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

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

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

- Pension supplements for retirement, disability and surviving orphan;
- Pre-retirement;
- Defined contribution minimum benefit plan.

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

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

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

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

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

2.12. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

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

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

Gains and losses resulting from differences in exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement caption "Exchange/gain (loss)", except for those relating to non-monetary items, that are recorded directly in equity.

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

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

2.13. INCOME AND ACCRUAL BASIS

Sales income is recognised in the income statement when the risks and benefits of ownership of the assets are transferred to the buyer and the amount of the income can be reasonably measured. Sales are recorded at the fair value of the amount received or receivable, net of taxes except for ISP in the marketing of oil products segment, discounts and other costs incurred to realise them.

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

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

The interest received is recorded in accordance with the accruals principle, taking into account the amount owed and the effective interest rate during the period until maturity.

Revenue from dividends is recognised when the right of the company established to recognise the amount is established.

Natural Gas operations

The sales price of natural gas to electricity producing companies, in the free regime, is based on specific commercial agreements.

The regulated tariffs used for invoicing natural gas in the national natural gas system are established by ERSE, so that they allow the recovery of the estimated regulated revenue for each gas year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) commercialisation activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating commercialisation costs plus a commercialisation margin; (ii) receipt, transport and storage of natural gas activities, remuneration of 8% of the fixed assets net of depreciation and grants relating to these activities; (iii) supply of natural gas activity, remuneration of 9% of the fixed assets net of depreciation and grants relating to these activities. The regulated revenue of the pass-through activities/functions assumes recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred, when applicable, and its remuneration.

Following the above and as the Group holds credit risk related to the tariff invoiced to final costumers, income includes the remuneration/recovery of all the previous activities.

Given the regulatory framework and legislation, regulated revenue deviations in each year respect some conditions (reliability of their measuring; financial asset remuneration; right to recover and transmissibility, among other) that support their recognition as income and asset in the year they are calculated, namely that they can be reliably measured and the certainty that economic benefits will flow to the Company. The regulated revenue calculation formula for the "Gas Year n", in the first and second regulation periods as published in the Tariff Regulation, include the regulated revenue deviations in the "Gas Year n-2" This rationale is also applied to the negative regulated revenue deviations, which are recorded as liabilities and costs.

In previous years, deviations to the regulated revenue recorded by the Group were incorporated in the respective tariff calculations in accordance with the established mechanisms.

In the wholesale intermediate storage o/a distribution activity, the Group books in accruals and deferrals the deviation between the effective invoicing through sales of the natural gas regulated tariff and the regulated revenue defined for each Gas Year by ERSE, allocated to each semester in accordance with the agreed seasonality coefficient of included for the compensation mechanism by the natural gas companies – regulated revenue (Notes 14 and 24).

In the wholesale last resort commercialisation activity, the Group books in accruals and deferrals the difference between the effective invoicing through the sales of natural gas regulated tariff and the effective cost of natural gas acquired – energy tariff deviation (Note 14).

Since the natural gas regulated system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to regulated revenue of these companies. Therefore ERSE, in its documents "Tariffs and prices of natural gas" for each Gas Year, identifies the amount of compensation to be transferred (charged) between companies of the national gas system. In order to ensure a practical, objective and transparent procedure for the referred settlement, the companies have agreed seasonal coefficients to be applied in the issuance of the invoice for the uniform tariff. The seasonality differences between distribution and commercialisation activities reflect the difference in payment terms.

The invoicing of the gas distribution and commercialisation activity is performed directly by the Group, and metre reading and collection activities are either performed by the company or by subcontracted external partners.

Uninvoiced gas sales are recorded monthly in the caption "Other receivables" based on the estimated amount to be invoiced based on historical information or meter reading depending on the client nature, and corrected in the income statement in the period in which they are invoiced (Note 14).

Regarding to construction contracts under IFRIC12, the construction of concession assets is outsourced to specialised entities which assume the risk of construction activity itself, being recognised income and costs associated with building of these assets (Notes 5 and 6).

2.14. FINANCIAL COSTS ON LOANS OBTAINED

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

Financial costs on loans to finance investments in tangible assets are capitalised in fixed assets in progress in proportion to the total costs incurred on the investments, net of government grants received (Note 2.8), up to the time they start operating (Notes 2.3 and 2.4), the remaining financial costs being recorded in the income statement caption "Financial costs" (Note 8). Any interest income on amounts obtained from loans that are obtained directly to finance tangible assets in construction is deducted from the capitalisable financial costs.

Financial costs included in tangible assets are depreciated over the period of useful life of the assets.

2.15. INCOME TAX

General

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area each Galp Energia Group company Head Office is located.

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

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

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each balance sheet date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfill all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 9).

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

Exploration and production operations

Whenever the Group performs a sale, it pays the IRP to the Angolan Government, accounting the amount actually paid under the item of income tax in the income statement. However, not all of the tax paid will be cost for the year as the Group obtains loaned barrels from its partners in the consortium in order to perform sales in accordance with the agreement signed between all partners in block 14, leading to a situation of overlifting (Note 9).

As such, a deferred tax asset is recorded based on the barrels that are loaned to the group by its partners, so that there is a direct relationship between the activity's margin and its tax expense. As such, tax expense only relates to barrels that could actually be sold by the Group. The deferred tax asset is reversed by the direct part of recognition of the margin, through the Group production.

When the Group grants loans (underlifting), IRP is calculated on the granted barrels, which are recorded in income tax for the year.

2.16. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded in the statement of financial positions when the Group becomes a contractual party to the financial instrument.

The financial assets and liabilities are not netted, unless there is legal or contractual conditions that allow it.

a) Investments

Investments are classified as follows:

- Held-to-maturity investments;
- Investments at fair value through profit and loss;
- Available-for-sale investments.

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the consolidated statement of financial position date. These investments have a defined maturity date which the Group intends and has the ability to retain up to their maturity. As of 31 December 2012 the Group does not own held-to-maturity investments.

Investments at fair value through profit or loss are classified as current investments.

Available-for-sale investments are classified as non-current assets, for the investments in associates.

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

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

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

Gains and losses resulting from changes in the fair value of available-for-sale investments are recognised in the equity caption “Fair value reserve” until the investment is sold, redeemed or in some way disposed of, or until the fair value of the investment falls below cost over a long period, at which time the accumulated gain or loss is recorded in the income statement.

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

Held-to-maturity investments are recorded at amortised cost using the effective interest rate, net of repayments of principal and interest received.

b) Receivables

Receivables are initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised in the caption “Impairment loss” on receivables.

Receivables resulting from the operational activity usually do not bear interest.

c) Equity or liability classification

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

d) Loans

Loans are recorded at their nominal received amount, net of issuance expenses pertaining to those loans. The loans are measured at amortised cost.

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

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

e) Trade and other payables

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

f) Derivatives instruments

Hedge accounting

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

Derivative instruments used by the Group to hedge cash flows mainly relate to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and as such represent perfect hedges.

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

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

Interest rate hedging instruments are initially recorded at cost and subsequently revalued to fair value, calculated by independent external entities using generally accepted valuation methods (such as Discounted Cash-Flows, Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among others, depending on the type and nature of the financial derivative). Changes in the fair value of these instruments are presented in the equity caption “Hedging reserves”, being transferred to the income statement when the hedged instrument affects profit and loss.

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

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

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

In addition, in specific situations the Group also contracts interest rate derivatives to hedge fair value. In such situations the derivatives are recorded at fair value through the profit and loss. When the hedged instrument is not measured at fair value (namely loans measured at amortised cost), the effective portion of the hedge is adjusted in the hedged instrument's book value through the profit and loss.

Trading instruments
To manage the risk related to the variance in the Group's refining margin, the Group uses derivative financial instruments, essentially crude oil and finished product swaps. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are recorded in the income statement for the period in which they occur. These investments are measured at fair value.

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

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

2.17. CO_2 EMISSION LICENSES
CO_2 emissions by the Group's industrial plants and the CO_2 EL attributed to it under the National CO_2 License Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire EL in the market, which would be recognised by the booking of a provision; or (ii) it is not estimated that such licenses are sold in the event that they are excessive, in which case income would be recognised.

2.18. STATEMENT OF FINANCIAL POSITION CLASSIFICATION
Realisable assets and liabilities payable in more than one year from the financial statement date are classified as non-current assets and non-current liabilities, respectively.

2.19. SUBSEQUENT EVENTS
Events that occur after the balance sheet date that provide additional information on conditions that existed at the end of the reporting period are recorded in the consolidated financial statements. Events that occur after the balance sheet date that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the financial statements (Note 35).

2.20. BUSINESS SEGMENTS
A business segment is a group of assets and operations of the Group that are subject to risks and returns different from other business segments. All the business and geographic segments applicable to the Group are identified in each period.

The accounting policies for segment reporting are consistent with the Group. All intersegmental revenues are at market prices and are eliminated in the consolidation process.

Financial information regarding income for identified segments is provided in Note 7, where they are identified and characterised.

2.21. ESTIMATES AND JUDGMENTS
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 judgment required to record situations in which there is great uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: (i) proved crude oil reserves relating to the oil exploration activity; (ii) tangible and intangible assets and goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; (iv) actuarial and financial assumptions used to calculate retirement benefits; (v) deferred taxes; and (vi) abandonment cost provisions.

Crude oil reserves
The estimation of crude oil reserves is an integral part of the decision-making process relating to exploration activity assets and the development of crude oil, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the oil exploration and production assets in accordance with the UOP method, as well as to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

Estimated proved reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proved reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proved reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being increased, respectively, based on the expected future production.

The quantity and type of oil reserves used for accounting purposes are described in "Oil and gas reserves" (Note 31).

Goodwill
The Group performs annual impairment tests of goodwill as explained in Note 2.2.d). The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. The amount of goodwill is referred in Note 11.

Provisions for contingencies

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

Environmental liabilities

Galp makes judgments and estimates to calculate provisions for environmental matters (relating essentially to the known requirements of soil decontamination), based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually. The provision for environmental liabilities is referred in Note 25.

Actuarial and financial assumptions used to calculate retirement benefit liabilities.

See Note 23.

2.22. RISK MANAGEMENT AND HEDGING

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

The Group has an 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.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their Head Offices, percentage of interest held and their principal activities at 31 December 2012 and 2011 are as follows:

Company		Head Office		Percentage interest held		Main activity
		City	Country	2012	2011	
A) Companies of the Group						
Parent company:						
Galp Energia, SGPS, S. A.		Lisbon	Portugal	-	-	Management of equity participations in other companies as an indirect form of realising business activities
Subsidiaries:						
Galp Bioenergy, B. V.		Amsterdam	Netherlands	100%	100%	Pursuit of activities related to biofuels projects, including but not limited to research, production, processing, logistics, marketing of grain, vegetable oil, biofuel products and their derivatives; management of shareholdings in other companies and business and company financing
Galp Energia, S. A.		Lisbon	Portugal	100%	100%	Business management and consultancy services
Next Priority, SGPS, S. A.		Lisbon	Portugal	100%	100%	Management of equity participations
Enerfuel, S. A.	d)	Lisbon	Portugal	1%	-	Studies, projects, installation, production and commercialisation of biofuels, treatment, recovery and recovery of waste, sale and purchase of equipment.
Galp Energia E&P, B. V.	g)	Rotterdam	Netherlands	100%	100%	Exploration and production of oiland natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Galp Energia Tarfaya, B. V.	a)	Rotterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Wiindhoek PEL 23, B. V.	a)	Rotterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Wiindhoek PEL 24, B. V.	a)	Rotterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Wiindhoek PEL 28, B. V.	a)	Rotterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Galp Sinopec Brazil Services, B. V. and subsidiaries:	c)	Rotterdam	Netherlands	70%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Galp Sinopec Brazil Services (Cyprus), Ltd.	d)	Nicosia	Cyprus	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Galp E&P Brazil, B. V.	a)	Rotterdam	Netherlands	100%	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies
Galp Energia Brasil, S. A.	a)	Recife	Brazil	100%	-	Research, exploration, development and production of crude oil, natural gas and biofuels, import, export, refining, marketing, distribution, transportation and storage of oil and oil products; supply of natural gas and biofuels, as well as any other activities related to the main activities, and may also participate in consortia of companies that may be necessary for the development of its objectives.
Petróleos de Portugal – Petrogal, S. A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S. A. Sucursal Petrogal Venezuela		Chacao Municipality	Venezuela	-	-	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.

Company		Head Office		Percentage interest held		Main activity
		City	Country	2012	2011	
Petrogal sub-group:						
Petróleos de Portugal – Petrogal, S. A. Sucursal en España and subsidiaries:		Madrid	Spain	-	-	Management of participations in other refined products distributor companies in the Iberian Peninsula.
Madrileña Suministro de Gas SUR, S. L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energy services and complementary activities.
Galp Energia España, S. A. and subsidiaries:		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all oil products, chemical products, gas and its derivatives.
Galpgest – Petrogal Estaciones de Servicio, S. L. U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Galp Serviexpress, S. L. U.	e)	Madrid	Spain	-	100%	Deposit, storage and distribution of oil products and chemical products and their derivatives and sub products.
Madrileña Suministro de Gas, S. L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energy services and complementary activities.
Sacor Marítima, S. A. and subsidiaries:		Lisboa	Portugal	100%	100%	Marine transport in own and chartered vessels.
Gasmar – Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.
Tripul – Sociedade de Gestão de Navios, Lda.		Lisboa	Portugal	100%	100%	Technical management of ships, crews and supply.
S. M. Internacional – Transportes Marítimos, Lda.		Funchal	Portugal	100%	100%	Marine transport in own and chartered vessels.
Galp Açores – Distribuição e Comercialização de Combustíveis e Lubrificantes, S. A. and subsidiary:		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.
Saaga – Sociedade Açoreana de Armazenagem de Gás, S. A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira – Distribuição e Comercialização de Combustíveis e Lubrificantes, S. A. e subsidiárias:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.
CLCM – Companhia Logistica de Combustíveis da Madeira, S. A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular – Combustíveis do Atlântico, S. A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Galp Energia Portugal Holdings, B. V. and subsidiaries:		Amsterdam	Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
Galp Energia Rovuma, B. V.		Amsterdam	Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Trading, S. A.	(*) g)	Geneva	Switzerland	100%	100%	Development of physical trading activity of crude oil, oil products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Galp Exploração e Produção Petrolifera, SGPS, S. A. and subsidiaries:	f)	Funchal	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.
Galp Exploração Serviços Brasil, Lda.	f)	Recife	Brazil	100%	100%	Business management and consultancy services.
Galp Energia Overseas, B. V.	f)	Amsterdam	Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galpbúzi – Agro-Energia, S. A.	f)	Beira	Mozambique	90%	90%	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities.
Gite – Galp International Trading Establishment	b)	Vaduz	Liechtenstein	-	24%	Oil commerce and industry, including prospecting, research and exploration of hydrocarbons.

Company		Head Office		Percentage interest held		Main activity
		City	Country	2012	2011	
Moçamgalp Agroenergias de Moçambique, S. A.	f)	Maputo	Mozambique	50%	50%	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
Empresa Nacional de Combustíveis – Enacol, S. A. R. L. and subsidiaries:		Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object.
Enamar – Sociedade Transportes Marítimos, Sociedade Unipessoal, S. A.		Mindelo	Cape Verde	100%	100%	Marine transport and related activities.
EnacolGest, Lda.		Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations.
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks.
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Import, storage and supply of LPG.
CLT – Companhia Logística de Terminais Marítimos, S. A.		Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities.
Combustiveis Líquidos, Lda.	e)	Lisbon	Portugal	-	99.8%	Sale of fuel, lubricants and vehicle accessories and any other business to which the partners agree and that does not require special authorisation.
CORS – Companhia de Exploração de Estações de Serviço e Retalho de Serviços Automóvel, Lda.	b)	Lisbon	Portugal	-	100%	Operation of and/or management of service stations and other activities exercised within them, including the management of personnel of the service stations.
Fast Access – Operações e Serviços de Informação e Comércio Electrónico, S. A.		Lisbon	Portugal	100%	100%	Realisation of operations and rendering of information services and electronic commerce for mobile users as well as the rendering of on-line commerce management and operating services.
Galp Exploração e Produção (Timor-Leste), S. A.		Lisbon	Portugal	100%	100%	Commerce and industry of oil, including prospecting, research and exploration of hydrocarbons in East Timor.
Galp Gambia, Ltd.		Banjul	Gambia	100%	100%	Supply, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Logística Aviação, S. A.		Lisbon	Portugal	100%	100%	Services rendered related to storage and supply of oil products to aircraft.
Galp Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Moçambique, Lda. – Sucursal Malawi		Blantyre	Malawi	-	-	Storage, commercialisation and marketing, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Petrogal Brasil, S. A.	c)	Recife	Brazil	70%	100%	Refining of crude oil and its derivatives, their transport, marketing and commercialisation and research and exploration of oil and natural gas.
Fundo Vera Cruz	g)	Recife	Brazil	100%	-	Exclusive open investment fund.
Galp Serviexpress – Serviços de Distribuição e Comercialização de Produtos Petrolíferos, S. A.		Lisbon	Portugal	100%	100%	Rendering of transport, storage and commercialisation services for liquid and gas fuels, base oils and other oil derivatives to individuals, small companies and farmers in the domestic and foreign markets. Direct and indirect operation of fuel distribution centres and supporting activities, namely service stations, workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial or commercial activity and the rendering of related services.
Galp Swaziland (PTY), Ltd.		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.

Company		Head Office		Percentage interest held		Main activity
		City	Country	2012	2011	
Galpgeste – Gestão de Áreas de Serviço, S. A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
Petrogal Angola, Lda		Luanda	Angola	100%	100%	Marketing, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations.
Petrogal Cabo Verde, Lda.		São Vicente	Cape Verde	100%	100%	Supply and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations.
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Supply, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations and vehicle assistance.
Petrogal Trading, Ltd.	(*)	Dublin	Ireland	100%	100%	Crude oil and oil product trading.
Probigalp – Ligantes Betuminosos , S. A.		Amarante	Portugal	60%	60%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Sopor – Sociedade Distribuidora de Combustíveis, S. A.		Lisbon	Portugal	51%	51%	Supply, sale and storage of liquid and gas fuel, lubricants and other oil derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels.
Soturis – Sociedade Imobiliária e Turística, S. A.		Lisbon	Portugal	100%	100%	Real estate activities, namely the management, purchase, sale and resale of real estate.
Tagus Re, S. A.		Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Tanquisado – Terminais Marítimos, S. A.		Setúbal	Portugal	100%	100%	Development and operation of Marine Terminals.
Sub-group GDP:						
GDP – Gás de Portugal, SGPS, S. A.		Lisbon	Portugal	100%	100%	Management of equity investments
Subsidiaries:						
Beiragás – Companhia de Gás das Beiras, S. A.		Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás – Soc. Distrib. de Gás Natural de Évora, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S. A.		Vila Real	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Galp Gás Natural Distribuição, SGPS, S. A.		Lisbon	Portugal	100%	100%	Management of equity investments.
GDP Serviços, S. A.		Lisbon	Portugal	100%	100%	Business management services.
Lisboagás Comercialização, S. A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S. A.		Lisbon	Portugal	100%	100%	Obtain, store and distribute piped combustible gas.
Lusitaniagás – Companhia de Gás do Centro, S. A.	d)	Aveiro	Portugal	96.47%	85.71%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás Comercialização, S. A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Medigás – Soc. Distrib. de Gás Natural do Algarve, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás – Soc. Distrib. de Gás Natural de Beja, S. A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Setgás Comercialização, S. A.		Setúbal	Portugal	66.95%	66.95%	Commercialisation of retail last resort natural gas.
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	d)	Setúbal	Portugal	66,88%	-	Natural gas supply in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Supply, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacityof telecommunications network installed.
Galp Gás Natural, S. A. and subsidiaries:		Lisbon	Portugal	100%	100%	Import of natural gas, storage, supply through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem – Soc. Portuguesa de Armazenagem de Gás Natural, S. A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S. A.		Lisbon	Portugal	100%	100%	Wholesale commercialisation or last resort of natural gas.

Company		Head Office		Percentage interest held		Main Activity
		City	Country	2012	2011	
Galp Power sub-group:						
Galp Power, SGPS, S. A. and subsidiaries:		Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S. A.		Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electricity and thermic energy.
Galp Power, S. A.		Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Portcogeração, S. A.		Lisbon	Portugal	100%	100%	Production, transport and supply of electric and thermal energy from co-generating systems and renewal energy.
Powercer – Sociedade de Cogeração da Vialonga, S. A.		Lisbon	Portugal	70%	70%	Production, in the form of co-generation, and sale of electricity and thermal energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Agrocer – Sociedade de Cogeração do Oeste, S. A.	d)	Lisbon	Portugal	100%	-	Production, in the form of co-generation, and sale of electricity and thermal energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Spower, S. A.	d)	Lisbon	Portugal	100%	-	Production, in the form of co-generation, and sale of electricity and thermal energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Sinecogeração – Cogeração da Refinaria de Sines, S. A.		Lisbon	Portugal	100%	100%	Production, transport and supply of electricity and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations.

(*) The date of submission of accounts of the subsidiary is 30 September. Although the closure of statutory accounts of the subsidiary is different from other Galp Energia Group companies, transactions occurred in the last quarter of each year are incorporated in the consolidated accounts.

During the year ended 31 December 2012 the perimeter has changed over the preceding year as follows:

a) Companies established:

- Galp Energia Netherlands, B. V. subscribed and realised 100% of Galp Brazil E&P, B. V., which was formed in March 2012;
- Galp Energia signed a farm-in agreement with the Brazilian company HRT, and now holds a stake of 14% in three oil exploration licenses located in Namibia's offshore;

  For this purpose Galp Energia E&P, B. V. subscribed 100% of the capital of companies Wiindhoek PEL 23, B. V., Wiindhoek PEL 24, B. V. and Wiindhoek PEL 28, B. V. which were incorporated in November 2012 and have not performed any operation in the year ended 31 December 2012:
- Galp Energia signed a farm-in with Australian Tangiers to acquire a 50% interest in the Tarfaya Offshore area and where Galp Energia will be the operator;

  For this purpose Galp Energia E&P, B. V. subscribed 100% of the share premium in Galp Energia Tarfaya, B. V. which was formed in November 2012 and has not performed any operation in the year ended 31 December 2012.
- Galp E&P Brazil, B. V. and Galp Energia E&P, B. V. subscribed, respectively, 99% and 1% of the share premium in Galp Energia Brazil, S. A. which was formed in September 2012 and has not performed any operations in the year ended 31 December 2012.

b) Liquidated companies:

- During the first half of 2012 the company Gite – Galp International Trading Establishment (GITE) subsidiary of Galp Exploração e Produção Petrolífera, S. A., was dissolved. The group recognised in the consolidated income statement €1,536 k (Note 4.2) exchange differences relating to the translation of financial statements of the subsidiary GITE, expressed in foreign currency (USD) that were recorded in equity in caption "Translation reserves".
- Also during the first half of 2012 the company CORS – Companhia de Exploração de Estações de Serviços e Retalho de Serviços Automóvel, Lda., was liquidated.

c) Capital increase:

- On 28 March 2012, Winland International Petroleum, SARL, (WIP), a subsidiary of Tip Top Energy, SARL. (Sinopec Group), subscribed and realised a capital increase in the amount of U.S. $4,797,528,044.74 in Petrogal Brasil, S. A. and Galp Brazil Services, B. V. subsidiaries, owning 30% of shares and voting rights of both subsidiaries (Note 20 and 21).

  With the operation of the capital increase, the Galp Energia Group is holding 70% interest in the subsidiaries Petrogal Brasil, S. A. and Galp Brazil Services, B. V.

  After the capital increase operation Galp Brazil Services, B. V. was renamed to Galp Sinopec Brazil Services, B. V. and during the year ended 31 December 2012 changed its headquarters from Amsterdam to Rotterdam.

d) Acquired companies:

- Galp Sinopec Brazil Services, B. V. acquired 100% stake of Danelta, Ltd. for €3 k from AMK Trustee Services, Ltd., and generated a goodwill of €2 k. Danelta, Ltd. was founded in 9 December 2011. After the acquisition, the Danelta, Ltd. changed its name to Galp Energia Brazil Services (Cyprus), Ltd.

  On 28 March 2012 Galp Sinopec Brazil Services, B. V. subscribed and realised a capital increase in the amount of $4,095,620,844.74 in Galp Energia Brazil Service (Cyprus), Ltd.

  During the first quarter of 2012 Galp Energia Brazil Service (Cyprus), Ltd. granted Tip Top Energy, SARL, loans amounting to $1,228,626,253.42 for the period ended 31 December 2012 amounted to €931,201 k (Note 14).
- Galp Power, SGPS, S. A., acquired in May 2012, 100% stake in Legendacerta, S. A. (founded in March 2012) by €50 k, and did not generate goodwill. After the acquisition of the company Legendacerta, S. A. changed its name to Agroger – Sociedade de Cogeração do Oeste, S. A.
- In July 2012, through the subsidiaries Galp Power, SGPS, S. A. and GDP, the Group acquired 10.59122% stake in subsidiary Lusitaniagás – Companhia de Gás do Centro, S. A. and 21.8708% stake in Setgás - Sociedade de Produção e Distribuição de Gás, S. A for the amounts of €17,806 k and €15,188 k respectively, from Eni.

  Also in December 2012 the GDP, exchanged the debt of €273 k for 33,213 shares of subsidiary Lusitaniagás – Companhia de Gás do Centro, S. A. (0.162% of share capital).

  With these acquisitions, the Group now holds a 96.4671% stake in subsidiary Lusitaniagás – Companhia de Gás do Centro, S. A. and 66.8791% of the subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A.

  The subsidiary Lusitaniagás – Companhia de Gás do Centro, S. A. was already controlled by the Group and consolidated using the full consolidation method (owned 85.7139%). The difference between the amount paid and the book value of equity at the acquisition date, was recognised in equity in reserves by €1,935 k (Note 20).

  The subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A. previously owned in 45.00%, was recognised by the equity method and the value of the financial participation on 31 July amounted to €26,336 k (Note 4.2). Following the acquisition of 21.8708%, the Group now holds its control, and is being consolidated using the full consolidation method (66.8791%). From this acquisition, the difference between the amount paid and the book value of equity at the date of acquisition generated a goodwill, assessed provisionally at €7,521 k (Note 11). The difference between the fair value of the percentage held before this acquisition (45.00%) and the amount recorded in caption "Investments in associates" was recognised in income statements in caption "Share of results of investments in associates and jointly controlled entities" amounting to €4,919 k (Note 4.2).

  Also in the year ended 31 December 2012 the goodwill amounted to €7,521 k and was recorded at Fair value of net assets, liabilities and contingent liabilities of the subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A.
- On 6 August 2012, Galp Energia, SGPS, S. A. and Enersis Investimentos, Lda., signed an agreement of purchase and sale of shares and cession of its contractual position in the company Assunto Importante, S. A.

  Assunto Importante, S. A., located in Sines, owns an industrial unit for the production of biofuels.

On the date of conclusion of the contract Galp Energia, SGPS, S. A. acquired 1% stake of the company Assunto Importante, S. A. for €500 concerning the first installment of participation, and committed to acquire at project completion date its industrial unit, the remaining shareholding in the amount of €49,500 as well as acquire the contractual position by the amount of €2,950,000.

In order to fulfill the contract, the remaining shares are deposited in an Escrow agent (law firm).

During the intermediate period Galp Energia, SGPS, S. A. will realise supplementary capital contributions in the total amount of €4,000 k, of which €1,500 k were realised on the date of conclusion of the contract. In the year ended 31 December 2012 the supplementary capital contributions granted by the Group to the company Assunto Importante, S. A. amounted to €3,143 k.

After it was acquired, the company Assunto Importante, S. A. changed its name to Enerfuel, S. A.

- The control of the subsidiary Spower, S. A. was shared between: Galp Power, SGPS, S. A. and International Power Portugal Holdings, SGPS, S. A., each holding 50% of share capital (Note 4.2).

  In December 2012 Galp Power, SGPS, S. A., acquired from International Power Portugal Holdings, SGPS, S. A. the remaining 50% of the investment for €25 k, and now holds 100% stake in subsidiary Spower, S. A.

  Arising from this acquisition, the Group recorded in caption “Share of results of investments in associates and jointly controlled entities” the amount of €230 k regarding negative differences of acquisition (Note 4.2 and 21).

e) Merged companies:

- In May 2012, the Spanish company Galp Serviexpress, SLU was merged into the parent company Galp Energia España, SAU, without any impact on the consolidated financial statements of Galp Energia.

- During the first half of 2012, the company Combustíveis Líquidos, Lda. acquired shares, representing 0.2% of its stake by €12.5 k. Therefore, the company Petrogal changed the relative percentage owned in this company for 100%, not being reflected in the consolidated accounts in caption “Non-controlling interests”, in the financial position statement and income statement. In September 2012, the company Combustíveis Líquidos, Lda. was merged into the parent company Petrogal without any impact on the consolidated financial statements of Galp Energia.

f) Exchange of shares in Galp Exploração e Produção Petrolifera, S. A. and subsidiaries:

- In September of 2012 there was an exchange of shares between Galp Energia Portugal Holdings, B. V. and Petrogal in order for Galp Energia Portugal Holdings, B. V. to hold the entire stake in Galp Exploração e Produção Petrolífera, S. A. and subsidiaries.

  This transaction was between two companies of the Group, consequently, there was no impact on the consolidated financial statements of the Group.

  In October of 2012 the corporate name and purpose of the subsidiary Galp Exploração e Produção Petrolífera, S. A. changed. The subsidiary became a holding company with the name Galp Exploração e Produção Petrolífera, SGPS, S. A.;

g) Other changes:

- During the year ended 31 December 2012 Galp Energia Netherlands, B. V. changed its name to Galp Energia E&P, B. V. and its headquarters from Amsterdam to Rotterdam.

- In December 2012 the stake held by Galp Energia, SGPS, S. A. in Galp Trading, S. A. was transferred to Galp Energia Portugal Holdings, B. V.

- Galp Energia made cash investments in Brazil to meet its future investment in an exclusive open investment fund with the name Vera Cruz. This fund, in accordance with the interpretation made on the basis of IFRS, is consolidated at 100%.

Newcomers to the consolidation perimeter for the year ended 31 December, 2012 had the following impact on the consolidated financial statements of the Galp Energia Group:

Statement of financial position:

	Note	Total	Setgás – Sociedade de Produção e Distribuição de Gás, S. A. (31 Jul. 2012)	Spower, S. A. (30 Nov. 2012)	Enerfuel, S. A. (31 Aug. 2012)	Agrocer – Sociedade de Cogeração do Oeste, S. A. (31 May 2012)
Non-current assets						
Tangible assets	12	13,823	627	8,371	4,825	-
Intangible assets	12	162,354	162,286	-	68	-
Investments in associates	4	3	3	-	-	-
Deferred tax assets	9	1,428	1,428	-	-	-
Current assets						
Inventories		134	134	-	-	-
Trade receivables		1,662	1,662	-	-	-
Current income tax recoverable		1,214	402	17	795	-
Other receivables		13,706	13,625	-	81	-
Cash and cash equivalents		129	39	37	3	50
Non-current liabilities						
Retirement and other benefits		(165)	(165)	-	-	-
Deferred taxes	9	(1,792)	(1,792)	-	-	-
Loans		(48,414)	(41,985)	(6,429)	-	-
Other payables		(41,667)	(41,667)	-	-	-
Current liabilities						
Loans		(13,605)	(13,605)	-	-	-
Overdrafts		(14,506)	(14,506)	-	-	-
Other payables		(16,392)	(8,289)	(2,406)	(5,697)	-
Total acquired / integrated		**57,912**	**58,197**	**(410)**	**75**	**50**
Non-controlling interests	21	(19,348)	(19,275)	-	(73)	-
Total acquired / integrated		**38,564**	**38,922**	**(410)**	**2**	**50**
Value of investments	4.2	(26,131)	(26,336)	205	-	-
Positive acquisition difference	4.2	229		230	(1)	-
Gain from measurement of financial participation at fair value at the acquisition date	4.2	(4,919)	(4,919)	-	-	-
Fair value of net assets acquired	11	7,521	7,521	-	-	-
Net acquisition cost		**15,264**	**15,188**	**25**	**1**	**50**

Income statement:

	Total	Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	Spower, S. A.	Enerfuel, S. A.	Agrocer – Sociedade de Cogeração do Oeste, S. A.
Operating income					
Sales	-	-	-	-	-
Services rendered	1,602	1,602	-	-	-
Other operating income	3,386	3,386	-	-	-
Total operating income	**4,988**	**4,988**	**-**	**-**	**-**
Operating costs:					
Cost of sales	-	-	-	-	-
External supplies and services	2,664	2,663	-	-	
Employee costs	1,436	1,436	-	-	-
Amortisation, depreciation and impairment loss on tangible assets	21,298	2,390	8,371	-	10,537
Provision and impairment loss on receivables	2	2	-	-	-
Other operating costs	2,857	2,857	-	-	-
Total operating costs	**28,257**	**9,348**	**8,371**	**-**	**10,538**
Operating profit	(23,269)	(4,360)	(8,371)	-	(10,538)
Financial income (costs)	(789)	(771)	(5)	-	(13)
Profit before income tax	**(24,058)**	**(5,131)**	**(8,376)**	**-**	**(10,551)**
Income tax	990	(1,668)	-	-	2,658
Profit before non-controlling interests	**(23,068)**	**(6,799)**	**(8,376)**	**-**	**(7,893)**
Profit attributable to non-controlling interests	(1,083,889)	(1,084)	-	-	-
Net profit	**(1,106,957)**	**(7,883)**	**(8,376)**	**-**	**(7,893)**

4. INVESTMENTS IN ASSOCIATES

4.1. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Investments in jointly controlled entities, their head offices and the percentage or interest held as of 31 December 2012 and of 2011 are as follows:

		Head Office		% interest held	
Company		**City**	**Country**	**2012**	**2011**
Ventinveste, S. A.	(a)(i)	Lisbon	Portugal	34.00%	34.00%
Ventinveste Eólica, SGPS, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico da Serra do Oeste, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Torrinheiras, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Vale do Chão, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Cabeço Norte, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Vale Grande, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Douro Sul, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Pinhal Oeste, S. A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Planalto, S. A.		Lisbon	Portugal	34.00%	34.00%
Spower, S. A.	(a)(g)	Lisbon	Portugal	-	50.00%
Parque Eólico da Penha da Gardunha, Lda.	(a)	Oeiras	Portugal	50.00%	50.00%
Tupi, B. V.	(e)(i)	Rotterdam	Netherlands	10.00%	10.00%
Belem Bio Energy, B. V.	(d)	Rotterdam	Netherlands	50.00%	50.00%
Belem Bioenergia Brasil, S. A.	(b)(h)	Belém	Brazil	50.00%	50.00%
CLC – Companhia Logística de Combustíveis, S. A.	(b)	Aveiras de Cima	Portugal	65.00%	65.00%
Asa – Abastecimento e Serviços de Aviação, Lda.	(c)	Lisbon	Portugal	50.00%	50.00%
Caiageste – Gestão de Áreas de Serviço, Lda.		Elvas	Portugal	50.00%	50.00%
Sigás – Armazenagem de Gás, A. C. E.	(b)(h)	Sines	Portugal	60.00%	60.00%
Galp Disa Aviación, S. A.	(f)(l)	Santa Cruz de Tenerife	Spain	50.00%	-
Multiservícios Galp Barcelona	(f)(j)	Barcelona	Spain	50.00%	-
less: Provision for joint liabilities (Note 25)	(k)				

(a) Participation held by Galp Power, SGPS, S. A.
(b) Participation held by Petrogal.
(c) Participation held by Galpgeste – Gestão de Áreas de Serviço, S. A.
(d) Participation held by Galp Bioenergy, B. V.
(e) Participation held by Galp Sinopec Brazil Services, B. V.
(f) Participation held by Galp Energia España, S. A.
(g) In December 2012 Galp Power, SGPS, S. A., acquired from International Power Portugal Holdings, SGPS, S. A. the remaining 50% of the investment for €25 k, holding 100% stake in subsidiary Spower, S. A. (Note 3 d).
(h) Although the Group holds more than 50% stake, the subsidiary is classified as a jointly controlled entity since there are shareholder agreements that provide shared control of financial and operational management of the Company.
(i) Although the Group holds less than 50% stake, the subsidiary is classified as jointly controlled entity since there are shareholder agreements that provide shared control of financial and operational management of the Company.
(j) In the year ended 31 ecember 2012, was founded the subsidiary Multiservícios Galp Barcelona, to manage the supply of aviation business in the Barcelona Airport. Its control is shared between Galp Energia España, S. A. and Multiservícios holding each 50% of its share capital.
(k) On 31 December 2012 and 2011, the provision for the capital of associated companies, reflected the Group's commitment with its associates that presented negative equity.
(l) The control of the subsidiary Galp Disa Aviación, S. A., is shared between: Galp Energia España, S. A. and Disa Corporación Petrolífera, S. A., each holding 50% of its share capital, consequently the amount of €5,551 k were transferred from investments in associated companies to investments in jointly controlled entities.

Book value		Financial information from jointly controlled companies				
2012	**2011**	**Assets**	**Liabilities**	**Income**	**Result for the year**	**Main activity**
-	-	54,492	(55,605)	-	(79)	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
-	-	21,907	(22,431)	410	(13)	Management of equity investments in other companies as an indirect form of carrying out economic activities and the construction and operation of wind farms.
-	-	1,472	(1,535)	-	(22)	Construction and operation of wind farms.
-	-	662	(626)	-	(3)	Construction and operation of wind farms.
-	-	3,356	(3,359)	1	(13)	Construction and operation of wind farms.
-	-	148	(379)	-	(98)	Construction and operation of wind farms.
-	-	19,714	(21,053)	2.162	(372)	Construction and operation of wind farms.
-	-	7,789	(8,050)	-	(64)	Construction and operation of wind farms.
-	-	1,241	(2,500)	-	(82)	Construction and operation of wind farms.
-	-	929	(963)	-	(14)	Construction and operation of wind farms.
-	-	-	-	-	-	Production and commercialisation of electricity, including the conception, construction, and operation of a combined cycle thermal power plant, as well as the exercise of any other related activities.
1,671	1,707	13,340	(13,876)	(440)	66	Construction, maintenance and operation of Magrehb-Europe pipeline.
165,302	55,869	1,676,783	(23,763)	(5,087)	456	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs, ships to transport crude, supply vessels and other types of vessels.
18,404	3,746	73,646	(20)	106	(13,307)	Manage investments in companies that develop bio fuel projects, including research, production, logistics, marketing grain, raw materials, vegetable oils, bio fuels and co-products as well as companies or business's related with generation and sale of electricity for its own operation.
-	-	(57,378)	20,559	(107)	6,152	Production, logistics and marketing of vegetable oil, as well as any other products, byproducts and related activities, research and development in agro-industrial processes, raw materials, supplies, products, by-products and applications, production, logistics, processing and marketing of raw materials and supplies, including but not limited to bunch of fresh fruit, seeds and seedlings, generation and sale of electricity associated with its operations.
28,754	29,020	160,977	(116,740)	30,861	6,590	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities.
51	46	376	(273)	1,312	9	Aircraft fuel services.
-	-	80	(191)	937	(114)	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
-	-	14,904	(14,904)	6,052	-	Management and administration of LPG underground storage cave, Tanks and other complementary facilities.
7,373	-	14,747	(1)	(2,258)	(2,252)	Serivice rendered of aviation oil service supply, either directly or through participation in companies with the same business.
594	-	1,345	(157)	207	(312)	Managing the supply of aviation business Barcelona Airport.
222,149	**90,388**					
(1,679)	(1,332)					
220,470	**89,056**					

The changes in investments in jointly controlled entities for the year ended 31 December 2012 which are reflected by the equity method are as follows:

Company		Beginning balance	Increase in participation	Gain / Loss	Exchange conversion adjustment	Hedging reserves adjustment	Dividends	Transfers / adjustments	Ending balance
Investments									
Tupi, B. V.	(a)	55,869	111,162	(70)	(1,659)	-	-	-	165,302
CLC – Companhia Logística de Combustíveis, S. A.		29,020	-	4,284	-	-	(4,550)	-	28,754
Belem Bio Energy, B. V.	(b)	3,746	19,743	(3,566)	(1,519)	-	-	-	18,404
Galp Disa Aviación, S. A.	(f)	-	-	2,808	-	-	(986)	5,551	7,373
Parque Eólico da Penha da Gardunha, Lda.		1,707	-	(36)	-	-	-	-	1,671
Multiservícios Galp Barcelona	(c)	-	750	(156)	-	-	-	-	594
Asa – Abastecimento e Serviços de Aviação, Lda.		46	-	5	-	-	-	-	51
		90,388	**131,655**	**3,269**	**(3,178)**	**-**	**(5,536)**	**5,551**	**222,149**
Provision for investment in associates (Note 25)									
Ventinveste, S. A.		(1,239)	-	(258)	-	(127)	-	-	(1,624)
Spower, S. A.	(e)	(42)	-	(163)	-	-	-	205	-
Caiageste – Gestão de Áreas de Serviço, Lda.	(d)	(51)	53	(57)	-	-	-	-	(55)
		(1,332)	**53**	**(478)**	**-**	**(127)**	**-**	**205**	**(1,679)**
		89,056	**131,708**	**2,791**	**(3,178)**	**(127)**	**(5,536)**	**5,756**	**220,470**

(a) €111,162 k corresponds to the capital increase in Galp Sinopec Brazil Services, B. V. The control of the subsidiary's Tupi, B. V. is shared between: Galp Sinopec Brazil Services, B. V., Brazil Services, B. V., Petrobras Netherlands, B. V. and BG Overseas Holding, Ltd., holding, respectively, 10%, 65% e 25% of their capital.

(b) €19,743 k corresponds to the capital increase performed by Galp Bioenergy, B. V. The control of the subsidiary Belém Bio Energy, B. V is shared between: Galp Bioenergy, B. V. and Petrobras Netherlands, B. V., holding 50% stake each.

(c) €750 k corresponds to the realisation of capital of the subsidiary Multiservícios Galp Barcelona which is 50% owned by the Group and 50% by the company Multiservícios.

(d) €53 k corresponds to the supplementary capital contributions realised by Galpgeste – Gestão de Áreas de Serviço, S. A. to its subsidiary Caiageste – Gestão de Áreas de Serviço, Lda., which was provided.

(e) Following the acquisition of 50%, the Group now holds its control (100%) thus being consolidated using the full consolidation method (Note 3 d).

(f) The €5,551 k was transferred from caption "Investments in associated companies" to caption "Investments in jointly controlled companies".

4.2. INVESTMENTS IN ASSOCIATES

Investments in associates, their Head Offices and the percentage or interest held as of 31 December 2012 and of 2011 are as follows:

Company		Head Office: City	Country	Percentage interest held: 2012	2011
EMPL – Europe Magreb Pipeline, Ltd.	(a) (k)	Madrid	Spain	22.80%	27.40%
Compañia Logística de Hidrocarburos CLH, S. A.	(f) (i)	Madrid	Spain	5.00%	5.00%
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	(b) (g) (j)	Setúbal	Portugal	-	45.00%
Gasoduto Al-Andaluz, S. A.	(a)	Madrid	Spain	33.04%	33.04%
Gasoduto Extremadura, S. A.	(a)	Madrid	Spain	49.00%	49.00%
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	(b)	Santarém	Portugal	41.33%	41.33%
Galp Disa Aviación, S. A.	(f) (m)	Santa Cruz de Tenerife	Spain	-	50.00%
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%
Metragaz, S. A.	(a) (k)	Tânger	Morocco	22.64%	26.99%
Terparque – Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	(c)	Bissau	Guinea-Bissau	45.00%	45.00%
Gásfomento – Sistemas e Instalações de Gás, S. A.	(b)	Lisboa	Portugal	20.00%	20.00%
Sodigás-Sociedade Industrial de Gases, S. A. R. L.	(j)	Mindelo	Cape-Verde	30.00%	(30.00%)
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	(c)	Bissau	Guinea-Bissau	50.00%	50.00%
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	(i)	Lisboa	Portugal	35.00%	35.00%
less: Provision for joint liabilities (Note 25)	(l)				

(a) Participation held by Galp Gás Natural, S. A.
(b) Participation held by GDP.
(c) Participation held by Petrogal Guiné-Bissau, Lda.
(d) Participation held by Saaga – Sociedade Açoreana de Armazenagem de Gás, S. A.
(e) Participation held by Petrogal Angola, Lda.
(f) Participation held by Galp Energia España, S. A.
(g) Participation held by Petrogal.
(h) Participation held by Empresa Nacional de Combustíveis – Enacol, S. A. R. L.
(i) Although the Group holds only 5% of the capital, the Group has significant influence, thus the participation is valued as described in Note 2.2 c).
(j) As of 31 December 2012, is now consolidated by full consolidation method (Note 3 d)).
(k) As of 2 July 2012 the subsidiary Galp Gás Natural, S. A. sold to Sagane, S. A. (Sagane), 4.60% and 4.35% of participations in associated EMPL – Europe Maghreb Pipeline, Ltd. and Metragaz, S. A.
(l) As of 31 December 2012, the provision for the capital of associated companies reflected the Group's commitment with its associates that presented negative equity.
(m) the control of the subsidiary Galp Disa Aviación, S. A., is shared between: Galp Energia España, S. A. and Disa Corporación Petrolífera, S. A., each holding 50% of its share capital, so €5,551 k were transferred from caption "Investments in associated companies" to caption "Investments in jointly controlled entities".

Book value		Associates financial information				
2012	2011	Assets	Liabilities	Income	Result for the year	Main activity
65,350	75,761	319,857	(33,234)	(235,661)	(187,109)	Construction and operation of the natural gas pipeline between Morocco and Spain.
56,434	57,363	777,044	(599,258)	(538,685)	(142,773)	Installation and operation of liquid and gas storage facilities and related transport structures.
-	24,116	182,464	(120,736)	(35,131)	(8,196)	Production and distribution of natural and its substitute gases.
17,994	17,792	63,918	(9,457)	(28,983)	(10,647)	Construction and operation of Tarifa–Córdoba gas pipeline.
15,116	15,322	33,382	(2,533)	(19,856)	(7,843)	Construction and operation of Córdoba-Campo Maior gas pipeline.
9,543	8,540	88,358	(65,269)	(24,985)	(2,653)	Production and distribution of natural gas and other piped combustible gases.
-	5,551	-	-	-	-	Rendering of aeronautical oil refuelling services directly or through companies in that sector.
9,277	5,257	48,906	(29,974)	(120,525)	(2,639)	Marketing and commercialisation of liquid fuel, lubricants and other oil derivatives, operation of service stations and automobile assistance and related services.
1,027	1,537	10,119	(5,582)	(15,004)	(193)	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
1,003	993	18,150	(13,882)	(4,118)	(434)	Construction and/or operation of storage facilities for combustibles.
717	563	3,559	(1,963)	(1,039)	(346)	Management and operation of the liquid fuel storage facilities and of the Bandim Oil Terminal.
336	138	5,331	(3,649)	(8,819)	(1,032)	Activities relating to construction and civil engineering in general, project and construction and maintenance of installations.
314	318	1,283	(224)	-	-	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
63	63	963	(836)	-	-	Services rendered related to storage and supply of oil products to aircraft.
-	227	18,733	(15,421)	(36,240)	3,507	Co-generation and sale of electric and thermal power.
177,174	213,541					
(1,171)	-					
176,003	213,541					

The changes in "Investments in associates" in the year ended 31 December 2012 were as follows:

Company		Beginning balance	Increase in participation	Disposal of participation	Gain / Loss	Exchange conversion adjustment	Hedging reserves adjustment	Capital gain / loss on the sale of equity investments	Dividends	Transfers / adjustments	Ending balance
Investments											
EMPL – Europe Magreb Pipeline, Ltd.	(a)	75,761	-	(18,502)	47,168	(3,069)	-	5,361	(41,369)	-	65,350
Compañia Logística de Hidrocarburos CLH, S. A.	(d)	57,363	12	-	6,615	-	-	-	(7,556)	-	56,434
Gasoduto Al-Andaluz, S. A.		17,792	-	-	3,518	-	-	-	(3,316)	-	17,994
Gasoduto Extremadura, S. A.		15,322	-	-	3,843	-	-	-	(4,049)	-	15,116
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.		8,540	-	-	1,123	-	(120)	-	-	-	9,543
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.		5,257	-	-	4,458	45	-	-	(483)	-	9,277
Metragaz, S. A.	(a)	1,537	-	(290)	63	(7)	-	81	(357)	-	1,027
Terparque – Armazenagem de Combustíveis, Lda.		993	-	-	135	-	-	-	(125)	-	1,003
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.		563	-	-	154	-	-	-	-	-	717
Sodigás – Sociedade Industrial de Gases, S. A. R. L.		318	-	-	-	-	-	-	-	(4)	314
Gásfomento – Sistemas e Instalações de Gás, S. A.		138	-	-	198	-	-	-	-	-	336
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários		63	-	-	-	-	-	-	-	-	63
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	(c)	24,116	-	-	2,220	-	-	-	-	(26,336)	-
Galp Disa Aviación, S. A.	(d)	5,551	-	-	-	-	-	-	-	(5,551)	-
Energin – Sociedade de Produção de Electricidade e Calor, S. A.		227	-	-	(1,219)	-	-	-	(179)	1,171	-
		213,541	**12**	**(18,792)**	**68,276**	**(3,031)**	**(120)**	**5,442**	**(57,434)**	**(30,720)**	**177,174**
Provisions for investments in associated companies (Note 25)											
Energin – Sociedade de Produção de Electricidade e Calor, S. A.		-	-	-	-	-	-	-	-	(1,171)	(1,171)
		-	**-**	**-**		**-**	**-**	**-**	**-**	**(1,171)**	**(1,171)**
		213,541	**12**	**(18,792)**	**68,276**	**(3,031)**	**(120)**	**5,442**	**(57,434)**	**(31,891)**	**176,003**

(a) On 2 July 2012 the subsidiary Galp Gás Natural, S. A. sold to Sagane, S. A. (Sagane), 4.6% and 4.35% of participations in associated EMPL and Metragaz, S. A. (Metragaz) for the amount of €19,122 k ($23,300 k) and €300 k ($365 k), respectively. After this operation Galp Gás Natural, S. A. now holds a 22.8% stake in EMPL (and Sagane 77.2%) and 22.64% stake in Metragaz (76.68% owned by Sagane). The difference between the amount received and the amount recognised under Financial Holdings in associated companies in the amount of €630 k regards favorable exchange differences that occur upon receipt and were reflected in the caption "Gains/(losses), in income statement".

(b) According to the contract for the purchase of the investment in CLH – Compañia Logística Hidrocarboros, S. A., the cost of the investment is revised annually for a period up to 10 years as from the date of the contract, based on the amount of CLH sales. The additional amount paid in the period amounted to €12 k.

(c) Following the acquisition of 21.8708%, the Group now holds its control (66.8791%) thus becoming fully consolidated (Note 3 d).

(d) A sum of €5.551 k was transfered from the caption "Investments in associated companies" to the caption "Investment to jointly controlled entities".

The consolidated income statement caption "Share of results of associates and jointly controlled entities" for the year ended 31 December 2012 is made up as follows:

Effect of applying the equity method:	
Associates	68,276
Jointly controlled entities	2,791
Effect of the adjustment of the selling price of the share capital of group companies and associates:	
Gain on sale of 4.60% stake in EMPL – Europe Magreb Pipeline, Ltd.	5,361
Gain on sale of 4,35% stake in Metragaz, S. A.	81
Measurement of the financial participation at its fair value at the date of acquisition (Note 3):	
Acquisition of 21,8708% of the participation of Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	4,919
Acquisition of 50,00% of the participation of Spower, S. A.	(230)
Effect of the disposal of assets available for sale / investments in subsidiaries:	
Cancellation of exchange differences relating to translation of financial statements expressed in foreign currency of the subsidiary Gite which were recorded in equity in caption "Hedging reserves" (Note 3).	1,536
Effect of impairment of goodwill of Group companies:	
Goodwill impairment of subsidiary Suministro Madrileña Gas, SL, which is registered in Goodwill (Note 11).	(949)
Goodwill impairment of subsidiary Suministro Madrileña Gas SUR, SL, which is registered in Goodwill (Note 11).	(264)
Other	17
	81,538

Dividends received in 2012 amounted to €65,262 k. However, the amount approved by the respective shareholders' general meetings, and that has been reflected in the caption "Investment in jointly controlled companies" amounted to €62,970 k (Notes 4.1 and 4.2).

The difference between the amount received and the amount recognised in the balance of investments in associated companies and jointly controlled entities of €2,292 k refers to: i) €2,248 k of favorable exchange differences that occur at the time of payment and that were reflected in gains (losses) in the income statement; and ii) €44 k of dividends received from assets available for sale.

Positive goodwill in associates and jointly controlled entities is included in the caption "Investments in associates", and was subject to impairment test per cash generating unit. Its detail as at 31 December 2012 and 2011 was:

	2012	2011
Compañia Logística de Hidrocarburos CLH, S. A.	47,545	47,545
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	-	143
	49,484	**49,627**

In 2012 Setgás – Sociedade de Produção e Distribuição de Gás, S. A. was consolidated by the full consolidation method, therefore its goodwill was reclassified to the caption "Goodwill" (Note 11).

4.3. ASSETS HELD FOR SALE

The Group's investments in other companies, the Head Office of the companies and the percentage of interest held as of 31 December 2012 and of 2011 were as follows:

	Head Office		Percentage of interest held		Book value	
Company	**City**	**Country**	**2012**	**2011**	**2012**	**2011**
Corporación de Reservas Estratégicas de Productos Petrolíferos	Madrid	Spain	n. d.	n. d.	1,808	1,808
InovCapital – Sociedade de Capital de Risco, S. A.	Porto	Portugal	1.82%	1.82%	499	499
PME Investimentos – Sociedade de Investimento, S. A.	Lisbon	Portugal	1.82%	1.82%	499	499
Adene – Agência para a Energia, S. A.	Amadora	Portugal	10.98%	10.98%	114	114
Omegás – Soc. D'Étude du Gazoduc Magreb Europe	Tânger	Marroco	5.00%	5.00%	35	35
Ressa – Red Española de Servicios, S. A.	Barcelona	Spain	n. d.	n. d.	23	23
Ambélis – Agência para a modernização Económica de Lisboa, S. A.	Lisbon	Portugal	2.00%	2.00%	20	20
Clube Financeiro de Vigo	Vigo	Spain	-	-	19	19
P. I. M. – Parque Industrial da Matola, SARL	Maputo	Mozambique	1.50%	1.50%	17	19
ADEPORTO Agência de Energia do Porto	Porto	Portugal	-	-	13	13
Imopetro – Importadora Moçambicana de Petróleos, Lda.	Maputo	Mozambique	15.38%	15.38%	10	12
Cooperativa de Habitação da Petrogal, CRL	Lisbon	Portugal	0.07%	0.07%	7	7
OIL Insurance, Ltd.	Hamilton	Bermuda	1.00%	1.00%	8	8
Other	-	-	n. d.	n. d.	43	40
					3,115	**3,116**
Impairment of other companies						
Ambélis – Agência para a modernização Económica de Lisboa, S. A.					(7)	(7)
InovCapital – Sociedade de Capital de Risco, S. A.					(52)	(52)
PME Investimentos – Sociedade de Investimento, S. A.					(145)	(145)
P. I. M. – Parque Industrial da Matola, SARL					(17)	(19)
					(221)	(223)
					2,894	**2,893**

Investments were recorded at cost of acquisition as explained in Note 2.2 paragraph c).The net book value of these investments amounts to €2,894 k.

5. OPERATING INCOME

The Group's operating income for the years ended 31 December 2012 and 2011 is made up as follows:

Captions	December 2012	December 2011
Sales:		
Merchandise	7,736,211	7,180,423
Products	10,304,670	9,182,248
	18,040,881	**16,362,671**
Services rendered	**466,156**	**441,265**
Other operating income:		
Supplementary income	46,079	62,740
Revenues arising from the construction of assets under IFRIC12 (Note 6)	38,085	39,274
Operating government grants	4,503	14,818
Internally generated assets	444	144
Investment government grants (Note 13)	9,924	9,684
Gain on fixed assets	2,994	14,705
Other	35,006	41,976
	137,035	**183,341**
	18,644,072	**16,987,277**

Sales of fuel include the ISP.

The variation in sales is mainly due to the rise in quote prices of refined products in international markets that gave rise to an increase in selling prices.

Services Rendered and sales includes the amount of €5,942 k relating to the activity of supply and storage of natural gas including (Note 14):

- €28,410 k of positive adjustment between estimated regulated revenue and the amount invoiced relating to supply, commercialisation and storage (Note 14);
- Negative €2,018 k relating to the adjustment made by ERSE in setting of tariff deviations – corporate regulated revenue (Note 14);
- Negative €7,572 k relating to the amortisation of the regulated revenue of 2010 (Note 14);
- Negative €12,955 k for the amortisation of the adjustment of the gas regulated revenue for the second half of 2009 (Note 14).

As referred in Note 2.13 the total amount to recover was included by ERSE in the regulated revenue to refund in 2012-2013 Gas Year, and so the Group is recognising in the income statement the reversal of the amount of tariff deviation approved.

The caption "Other" for the year ended 31 December 2012 includes an amount of €1,437 k regarding damages resulting from property damage in the accident of the Sines refinery and the amount of €13,296 k on the sale of platinum catalysts from refineries.

Concerning the construction contracts subject to IFRIC12, the construction of the concessioned assets is subcontracted to specialised entities. The full risk of the construction activity is borne by the specialised entities. Income and costs associated with the construction of these assets are equal and immaterial when compared to total revenues and operating costs below that can be detailed as follows:

	December 2012	December 2011
Costs arising from the construction of assets under IFRIC12	(38,085)	(39,274)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	38,085	39,274
Margin	-	-

6. OPERATING COSTS

The results for the years ended 31 December 2012 and 2011 were affected by the following items of operating costs:

Captions	December 2012	December 2011
Cost of sales:		
Raw and subsidiary materials	8,219,567	7,375,031
Merchandise	5,677,070	5,007,003
Tax on oil products	2,238,206	2,429,888
Variation in production	68,691	(231,623)
Decrease (increase) in inventories (Note 16)	489	6,075
Financial derivatives (Note 27)	(8,338)	(16,695)
	16,195,685	**14,569,679**
External supplies and services:		
Subcontracts – gas network usage	231,411	215,082
Subcontracts	8,809	10,967
Transport of goods	114,097	117,037
Storage and filling	81,090	79,637
Rental costs	79,349	74,846
Blocks production costs	68,515	54,498
Maintenance and repairs	54,816	53,092
Insurance	30,036	26,162
Royalties	28,643	11,678
IT services	23,792	22,113
Commissions	21,628	22,229
Publicity	20,268	19,320
Port services and fees	7,943	9,585
Other specialised services	82,438	76,097
Other external supplies and services	65,557	63,465
Other costs	71,711	58,427
	990,103	**914,235**
Employee costs:		
Remuneration of the Statutory Boards (Note 29)	7,576	5,403
Remuneration of personnel	237,036	217,761
Social charges	53,376	54,251
Retirement benefits – pensions and insurance (Note 23)	18,992	40,020
Other insurance	10,406	10,653
Compensations – restructuring (Note 25)	10,020	-
Capitalisation of staff costs	(13,001)	(11,435)
Other costs	13,082	10,066
	337,487	**326,719**
Amortisation, depreciation and impairment:		
Amortisation and impairment of tangible assets (Note 12)	347,281	326,499
Amortisation and impairment of intangible assets (Note 12)	42,065	43,595
Amortisation and impairment of service concession arrangements (Note 12)	37,123	33,864
	426,469	**403,958**
Provision and impairment of receivables:		
Provisions and reversals (Note 25)	32,107	19,890
Impairment loss on trade receivables (Note 15)	38,782	22,431
Impairment loss (gain) on other receivables (Note 14)	(1,498)	1,593
	69,391	**43,914**
Other operating costs:		
Other taxes	17,415	15,240
Costs arising from the construction of assets under IFRIC12	38,085	39,274
Loss on tangible assets	2,628	1,861
Donations	7,410	3,178
Other operating costs	17,577	27,539
	83,115	**87,092**
	18,102,250	**16,345,597**

The variation in caption “Cost of sales” is mainly due to refined products’ international prices increase, which led to the increase of purchase prices.

The caption “Subcontracts – gas network usage” refers to charges for the use of:
- Distribution network usage (URD);
- Transportation network usage (URT);
- Global System usage (UGS).

The €231,411 k recorded in this caption includes, mainly, the amount of €88,658 k charged by Ren Gasodutos and €63,031 k charged by Madrileña Red de Gas.

The caption “Other operating-donations” includes, mainly, €2,184 k regarding donations to the Galp Energia Foundation, €3,000 k the Municipality of Matosinhos and €1,900 k to the Municipality of Sines.

7. SEGMENT REPORTING

Business segments

The Group is organised into four business units which were defined based on the type of products sold and services provided, with the following business units:

- Gas & Power;
- Refining & Marketing of Oil Products;
- Exploration & Production;
- Other.

For the business segment "Others", the Group considered the holding company Galp Energia, SGPS, S. A., and companies with different activities including the Tagus Re, S. A. and Galp Energia, a reinsurer and provider of services at the corporate level, respectively.

Note 1 presents a description of the activities of each business segment.

Below is the financial information on the previously identified segments, as of 31 December 2012 and 31 December of 2011:

	Gas & Power		Refining & Marketing of Oil Products	
	2012	2011	2012	2011
Income				
Sales and services rendered	2,907,165	2,275,174	15,569,850	14,691,736
Inter-segments	241,296	228,474	54,180	64,609
External	2,665,869	2,046,700	15,515,670	14,627,127
Ebitda (1)	**341,563**	**297,782**	**330,017**	**524,921**
Non-cash costs				
Amortisation and impairment losses	(59,325)	(50,017)	(212,226)	(197,202)
Provisions	(13,909)	(3,870)	(32,438)	(26,412)
Segment results	**268,329**	**243,895**	**85,353**	**301,307**
Results of investments in associates	66,188	56,643	17,450	16,463
Other non-operating results	(25,498)	(21,253)	(150,121)	(134,978)
Income tax	(85,522)	(78,223)	42,540	(29,847)
Non-controlling interest	(5,215)	(5,653)	(2,033)	(3,771)
Consolidated net profit	**218,282**	**195,409**	**(6,811)**	**149,174**
In 31 December 2012 and 31 December 2011				
OTHER INFORMATION				
Assets by segment (2)				
Investment (3)	111,041	138,600	107,302	108,440
Other assets	2,463,625	2,187,937	7,294,123	6,793,954
Total consolidated assets	2,574,666	2,326,537	7,401,425	6,902,394
Total consolidated liabilities	1,473,591	1,408,193	7,020,446	6,590,208
Investment in tangible and intangible assets	66,995	54,975	216,619	641,013

(1) Ebitda – Segment reults / Ebit + Amortisation + Provisions.
(2) Net amount.
(3) In accordance with the equity method.

Inter-segmental sales and services rendered

Segments	Gas & Power	Refining & Marketing of Oil Products	Exploration & Production	Other	Total
Gas & Power	na	53,577	-	28,547	82,124
Refining & Marketing of Oil Products	241,296	na	155,586	72,516	469,398
Exploration & Production	-	151	na	7,594	7,745
Other	-	452	-	na	452
	241,296	**54,180**	**155,586**	**108,657**	**559,719**

The main inter-segmental transactions of sales and services rendered are primarily related to:

- **Gas & Power:** natural gas sales to the refining process of Leixões and Sines refineries (R&M);
- **Refining & Marketing:** supply of fuel to all Group companies vehicles;
- **Exploration & Production:** crude sales to the R&M segment;
- **Other:** back-office and management services.

In respect of related parties, and similar to what happens between independent companies that engage in transactions, the conditions establishing their commercial and financial relations are governed by market mechanisms.

The assumptions underlying the determination of prices in transactions between Group companies rely on the consideration of the economic realities and characteristics of the situations at hand, namely, considering the characteristics of operations or companies that might have impact on the intrinsic conditions of the commercial transactions in analysis. In this context, among others, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

Compensation, in the context of related parties, corresponds to what is appropriate, by rule, to the functions performed by each company involved, taking into account the assets used and risks assumed. Thus, to determine such compensation the Group identifies the activities, the risks faced by companies in the value creating chain of goods/services traded, in accordance with their functional profile, particularly, in what concerns the functions they perform – import, manufacturing, distribution, and retail.

Exploration & Production		Other		Eliminations		Consolidated	
2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
474,560	395,803	115,181	123,742	(559,719)	(682,519)	18,507,037	16,803,936
155,586	285,228	108,657	104,208	(559,719)	(682,519)	-	-
318,974	110,575	6,524	19,534	-	-	18,507,037	16,803,936
366,979	**252,313**	**3,921**	**11,266**	**(4,798)**	**3,270**	**1,037,682**	**1,089,552**
(151,060)	(153,589)	(3,858)	(3,150)	-	-	(426,469)	(403,958)
(23,084)	(13,739)	40	107	-	-	(69,391)	(43,914)
192,835	**84,985**	**103**	**8,223**	**(4,798)**	**3,270**	**541,822**	**641,680**
(2,100)	(191)	-	(711)	-	-	81,538	72,204
100,017	(411)	8,299	37,226	4,798	(3,270)	(62,505)	(122,686)
(126,292)	(29,901)	(1,311)	(11,121)	-	-	(170,585)	(149,092)
(39,722)	-	-	-	-	-	(46,970)	(9,424)
124,738	**54,482**	**7,091**	**33,617**	**-**	**-**	**343,300**	**432,682**
183,705	59,612	169	170	-	-	402,217	306,822
6,050,343	1,351,494	3,698,946	3,614,264	(6,000,680)	(4,099,055)	13,506,357	9,848,595
6,234,048	1,411,106	3,699,115	3,614,434	(6,000,680)	(4,099,055)	13,908,574	10,155,417
1,313,968	281,556	3,395,275	3,033,061	(6,000,680)	(4,099,056)	7,202,600	7,213,962
502,673	274,202	3,579	4,912	-	-	789,866	975,102

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but also bearing in mind the contribution of those elements to the Company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the estimated ranges on the basis of the assessment of a panel of functionally comparable independent companies, thus allowing the prices to be fixed in order to respect the principle of full competition.

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2012 and 2011 are made up as follows:

Captions	December 2012	December 2011
Financial income		
Interest on bank deposits	46,575	6,958
Other financial income	23,073	11,336
Interest and other income – related companies	15,550	2,101
	85,198	**20,395**
Financial costs		
Interest on bank loans and overdrafts	(156,606)	(156,114)
Interest capitalised in fixed assets	79,883	59,325
Other financial costs	(66,694)	(43,396)
Interest – other stock holders	(324)	(223)
Interest – related companies	(5,801)	(128)
	(149,542)	**(140,536)**

During the year ended 31 December 2012, the Group capitalised the caption in "Fixed assets in progress", the amount of €79,883 k regarding interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

The captions "Other financial income" and "Other financial costs" include the amounts of €22,174 k and €24,335 k respectively, regarding energy trading operations, trading future CO_2 contracts and electricity in the ICE Exchange (ICE Futures Europe Exchange) and OMIP Futures.

9. INCOME TAX

Since 31 December 2001, the companies with head offices in continental Portugal in which the Group has an interest greater than 90% have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S. A.

From 2010 onwards, the Group companies with head offices in Portugal present their financial statements in accordance with IAS/IFRS, using these standards to determine the taxable profit/loss.

However, estimated income tax of the Company and its subsidiaries is recoverable based on their tax results which, for the year ended 31 December 2012, amounted to recoverable income tax of €9,819 k.

For companies with a tax resident in Spain and whose percentage held by the Group exceeds 75% have been, from 2005 onwards taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Petrogal, S. A. – Branch in Spain.

The following conditions may affect income taxes payable in future:

(i) According to the current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;

(ii) From 2001 to 2012, the subsidiary Petrogal, S. A. had several inspections by the tax authorities relating to the fiscal years 1997 to 2009, which in accordance with the Company assessment are following its normal course. Paragraphs v) and xii) below detail the open inspections;

(iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S. A. and its subsidiary GDP, tax returns which resulted in additional assessments summarised in paragraph ix) below;

(iv) The Group's tax returns for the years 2009 to 2011 are still subject to review. Galp Energia'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 2012 and 2011;

(v) 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 proposed additional assessments communicated to Petrogal of €740 k, €10,806 k and €2,479 k, respectively, communicated to Petrogal, of which €11,865 k have been paid. Additionally, regarding 2001 Petrogal has appealed against the settlement issued. As such, and given the expectation of additional amount to be incurred on these claims, Petrogal constituted a provision to cover such settlements totaling €7,394 k (Note 25 and 33);

(vi) 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 €12,098 k, which corresponds to an additional assessment communicated to Petrogal of €5,265 k, of which €2,568 k was paid in 2008 and recognised in the income statement of that year;

(vii) As mentioned in paragraphs ii) and iii) above, in 2009 Galp Energia, SGPS, S. A. and its subsidiaries Petrogal, S. A. and GDP, 2005. income tax returns were inspected by the tax authorities, which resulted in additional assessment of €23,587 k and for which during January 2011 the Company has conceded a bank warranty in the amount of €27,010 k. As the Group didn't agree with the tax authority's position, which, is that tax gains on share sales that have been reinvested, are completely taxable, when the shares of the reinvestment are sold. The Company, supported by its tax and legal advisors, presented an administrative claim and a judicial review where the reasons for disputing the tax Administration's position, Galp Energia SGPS, S. A. constituted a provision of €3,230 k and its subsidiary GDP, SGPS in the amount of 2,092 for this purpose regarding previous years. The Company did not record any additional provision in fiscal year 2012;

(viii) Additionally, during the year of 2010, and as consequence of inspections that occurred in 2006 and 2007, Petrogal, S. A. tax statements were corrected by the tax administration, which resulted in an additional assessment of €479 k and €190 k, respectively. As the company partially disagrees with these corrections, the amounts of €304 k regarding 2006 and €87 k regarding 2007 were not paid. Regarding these amounts the company has either contested or will contest the assessments;

(ix) In the year 2011, the subsidiary Petrogal, S. A was subject to a tax inspection regarding the year 2008, which resulted in a tax payable of €492 k. For disagreeing with some of the corrections referred to above, the Company will present an administrative claim. At this date, the tax inspection regarding the 2009 financial year of subsidiary Petrogal, S. A. is still ongoing;

(x) In respect of the subsidiary Petrogal, S. A., as a result of the 2009 tax inspections the tax administrator concluded, a correction of €4,577 k in VAT. As the correction is based on the compliance of a mere formality, the Company believes that the above amount is not due, provided that the required formalities are fulfilled, which has already occurred. Consequently, the Company has contested the correction via an administrator claim which has been denied. As such, the Company has proceeded to judicial action, given its conviction of the correctness of its position. For this reason the Group didn't include any provision for this contingency;

(xi) As a result of the exploration and oil production operations in Angola, the Group is subject to Petroleum Income Tax (PIT) based on the Angolan tax system applied to production sharing contracts where the Group participates. On 31 December 2012 an additional liquidation of IRP, related to corrections to year 2009, has not been paid. This is in discussion with the Angolan Ministry of Finance. The Group has decided to provide these amounts, as well as estimate the additional liquidation of IRP for years 2010 to 2012. As of 31 December 2012, the provision amounted €17,395 k (Note 25);

(xii) Under current legislation, tax losses can be carried forward during a period of six years ended before 2010 and for four years for the following period, after they are incurred from taxable income arising during the period. There is no limit for the use of tax losses of Group companies based in the Brazilian territory. For tax losses of group companies based in Spain, the reporting period for tax losses is 15 years. The Group has accounted for deferred tax assets for tax losses only for subsidiaries in which there is high probability of recovery. On 31 December 2012, the tax losses amounted to approximately €81,678 k and mainly related to companies based in Spain.

Income tax for the years ended 31 December 2012 and 2011 are made up as follows:

Captions	**December 2012**	**December 2011**
Current income tax	165,364	127,399
IRP provision – tax on oil income (Note 25)	17,574	-
Insuficiency / (excess) of income tax for the preceding year	(23,474)	(19,534)
Deferred tax	11,121	41,227
	170,585	**149,092**

Below is a reconciliation of the income tax for the years ended 31 December 2012 and 2011 and details of deferred taxes:

	2012	**Rate**	**Income tax**	**2011**	**Rate**	**Income tax**
Profit before tax:	560,855	29.00%	162,648	591,198	29.00%	171,447
Adjustments to tax income:						
Application of the equity method		-2.88%	(16,149)		-1.38%	(8,148)
Fiscal benefits		-1.10%	(6,153)		-0.15%	(858)
Income tax rates differences		6.71%	37,621		2.11%	12,501
Fiscal losses (with no deferred taxes)		0.00%	-		0.24%	1,390
Other deductions		-1.49%	(8,344)		-1.19%	(7,055)
(Excess) / insufficiency of income tax of the preceding year		-0.44%	(2,440)		-3.30%	(19,534)
Autonomous taxation		0.53%	2,948		0.22%	1,310
Other deductions		0.08%	454		-0.33%	(1,961)
Effective tax rate and tax income		**30.42%**	**170,585**		**25.22%**	**149,092**

In the year ended 31 December 2012 the Group paid PIT by its subsidiary Galp Exploração e Produção Petrolífera, S. A. in Angola, in the amount of €44,355 k relating to PIT on the sale and loans of crude oil, determined based on the Angolan tax regime applied to PSA in which the Group participates.

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2012 and of 2011 are made up as follows:

	Deferred tax December 2012 – Assets						
Captions	Beginning balance	Effect on results	Equity effect	Effect of foreign currency conversion	Changes in perimetre	Other adjustments	Ending balance
Adjustments to accruals and deferrals	4,195	2,654	-	(7)	767	10	7,619
Adjustments to tangible and intangible assets	19,612	9,231	-	(2,534)	581	4,043	30,933
Adjustments to inventories	1,613	(1,615)	-	2	-	-	-
Overlifting adjustments	10,796	(7,408)	-	-	-	-	3,388
Retirement benefits and other benefits	83,373	(5,789)	3,491	-	-	31	81,106
Double economical taxation	5,245	2,563	-	-	-	3,532	11,340
Financial instruments	547	(299)	2,155	-	-	(85)	2,318
Tax losses carried forward	45,510	(12,424)	-	-	-	(18,950)	14,136
Regulated revenue	-	4,813	-	-	-	(480)	4,333
Non tax deductible provisions	21,656	21,794	-	(102)	80	(11)	43,417
Non tax deductible financial expenses	-	14,586	-	-	-	-	14,586
Potential foreign exchange differences Brazil	-	(668)	33,829	(1,439)	-	-	31,722
Other	5,473	3,094	-	-	-	(1,259)	7,308
	198,020	**30,532**	**39,475**	**(4,080)**	**1,428**	**(13,169)**	**252,206**

	Deferred tax December 2012 – Liabilities						
Captions	Beginning balance	Effect on results	Equity effect	Effect of foreign currency conversion	Changes in perimetre	Other adjustments	Ending balance
Adjustments to accruals and deferrals	(1,556)	1,471	-	44	-	-	(41)
Adjustments to tangible and intangible assets fair value	(23,310)	3,236	-	-	-	(3,059)	(23,133)
Adjustments to inventories	-	(133)	-	-	-	-	(133)
Underlifting adjustments	(1,850)	(4,437)	-	-	-	-	(6,287)
Retirement benefits and other benefits	(3,954)	(277)	-	-	-	-	(4,231)
Dividends	(48,110)	(5,919)	-	-	-	-	(54,029)
Financial instruments	(473)	473	-	-	-	-	-
Regulated revenue	-	(36,586)	-	-	(1,792)	-	(38,378)
Accounting revaluations	(4,214)	421	-	11	-	96	(3,686)
Other	(1,019)	98	-	4	-	219	(698)
	(84,486)	**(41,653)**	**-**	**59**	**(1,792)**	**(2,744)**	**(130,616)**

The changes in deferred tax reflected in Equity in the amount i) €3,491 k, includes €3,472 k regarding deferred taxes related to the component of actuarial gains and losses and €23 k regarding non-controlling interests (Note 21), ii) €2,155 k regarding changes in deferred taxes related to the components of hedging reserves;

Potential exchange differences from Brazil resulting from a tax option to tax potential exchange differences only when they are realised. The amount of €33,829 k reflected in equity includes, €20,338 k regarding deferred taxes resulting from exchange differences of financial allocations that are similar at quasi equity (Note 20) and €13,941 k regarding non-controlling interests.

The change in the consolidation perimeter includes the amount of €1,428 k in assets and liabilities in €1,792 k and relate to the inclusion of Setgás, S. A. (Note 3).

During the year 2012 the Group has constituted a deferred tax asset of €4,333 k and a deferred tax liability of €38,378 k as a result of the increase and deduction of the cost and benefit arising from regulated revenue for the year 2012 and for the years 2010 and 2011.

The other adjustments reflected in deferred tax assets relating to tax losses in the amount of €18,950 k includes mainly the amount of €17,272 k that is explained by: i) the provision regarding taxes of €3,963 k resulting from unfavorable decision ultimately by the Court of Justice in tax litigation processes; ii) an increase of €914 k as a result of the merger of Galp Serviexpress; and iii) implementation of €14,223 k as a result of additional tax from results presented for the year 2010 (€9,164 k) and delivery of final declaration of corporation tax for the year 2011 (€5,059 k).

As a result of the publication of Real Decreto-Ley 20/2012 of 13 July, was introduced in the Spanish tax legislation a limitation of deduction of net financial charges amounting to 30% of Operating Income to certain conditions, and it was also noted that it is allowed for tax recognition, the net financial charges of €1,000 k regardless of the Ebit obtained.

The fiscal impact of the unacceptability of the financial charges on the Group's subsidiary based in Spain amounted to a tax amount of about €14,586 k.

Given that the mentioned Real Decreto-Ley establishes a compensation period for such costs of 18 years and taking into account that the Company believes that the recovery will take place in this timeline, it was established a deferred tax asset by the same amount.

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2012 and 2011 are as follows:

	December 2012	December 2011
Net income		
Net income for purposes of calculating earnings per share (consolidated net profit for the year)	343,300	432,682
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 (amount in euros)	**0.41**	**0.52**

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

11. GOODWILL

On 31 December 2012, the difference between the acquisition costs of investments and their equity book value can be detailed as follows:

				Proportion of equity acquired as of the acquisition date			Goodwill						
Subsidiaries		Year of acquisition	Acquisition cost	%	Amount	2011	Exchange differences (h)	Increase	Measurement of financial stake at fair value at the acquisition date	Transfers / adjustments	Impairments (i)	Increase/ (decrease) of fair value allocation	2012
Galp Energia España, S. A.													
Galp Comercialización Oil España, S. L.	(a)	2008	176,920	100.00	129,471	47,449	-	-	-	-	-	-	47,449
Petróleos de Valência, S. A., Sociedad Unipersonal	(a)	2005	13,937	100.00	6,099	7,838	-	-	-	-	-	-	7,838
Galp Distribuición Oil España, S. A. U.	(b)	2008	172,822	100.00	123,611	49,211	-	-	-	-	-	-	49,211
						104,498	**-**	**-**	**-**	**-**	**-**	**-**	**104,498**
Petróleos de Portugal – Petrogal, S. A.													
Galp Comercialização Portugal, S. A.	(c)	2008	146,000	100.00	69,027	50,556	-	-	-	-	-	-	50,556
						50,556	**-**	**-**	**-**	**-**	**-**	**-**	**50,556**
Madrileña Suministro de Gas S. L.		2010	43,356	100.00	12,641	30,715	-	-	-	-	(949)	-	29,766
Galp Swaziland (PTY), Ltd.		2008	18,117	100.00	651	16,263	1,412	-	-	-	-	-	17,675
Madrileña Suministro de Gas SUR, S. L.		2010	12,523	100.00	3,573	8,950	-		-	-	(264)	-	8,686
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	(d)	2012	15,188	21.871	12,729	-	-	2,459 (e)	4,919 (e)	143 (f)	-	(7,521) (g)	-
Galpgest – Petrogal Estaciones de Servicio, S. L. U.		2003	6,938	100.00	1,370	5,568	-	-	-	-	-	-	5,568
Galp Gambia, Ltd.		2008	6,447	100.00	1,693	4,474	287	-	-	-	-	-	4,761
Empresa Nacional de Combustíveis – Enacol, S. A. R. L.		2007/8	8,360	15.77	4,031	4,329	-	-	-	-	-	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00	2,978	3,027	(308)	-	-	-	-	-	2,719
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S. A.		2006	3,094	25.00	1,454	1,640	-	-	-	-	-	-	1,640
Lusitaniagás – Companhia de Gás do Centro, S. A.		2002/3 and 2007/8/9	1,440	1.543	856	584	-	-	-	-	-	-	584
Probigalp – Ligantes Betuminosos, S. A.		2007	720	10.00	190	530	-	-	-	-	-	-	530
Gasinsular – Combustíveis do Atlântico, S. A.		2005	50	100.00	(353)	403	-	-	-	-	-	-	403
Saaga – Sociedade Açoreana de Armazenagem de Gás, S. A.		2005	858	67.65	580	278	-	-	-	-	-	-	278
Beiragás – Companhia de Gás das Beiras, S. A.		2003/6 and 2007	152	0.94	107	51	-	-	-		-	-	51
Galp Sinopec Brazil Services (Cyprus), Ltd.		2012	3	100.00	1	-	-	2	-	-	-	-	2
						231,866	**1,391**	**2,461**	**4,919**	**143**	**(1,213)**	**(7,521)**	**232,046**

(a) The subsidiaries Petróleos de Valência, S. A. Sociedad Unipersonal and Galp Comercialización Oil España, S. L. were merged in the subsidiary Galp Energia España, S. A., through a process of incorporation during 2010;
(b) The subsidiary Galp Distribuición Oil España, SAU, was incorporated in Galp Energia España, S. A. through a merger by incorporation, during 2011 (Note 3);
(c) The subsidiary Galp Comercialização Portugal, S. A., was merged in the subsidiary Petrogal, through a process of incorporation, during 2010;
(d) The subsidiary was included in the consolidation perimetre (Note 3 and Note 4.2);
(e) Difference between the fair value of the percentage held before this acquisition (45.00%) and value recorded in "Investments in associated companies" was recognised in results regarding investments in associated companies at €4,919 k (Notes 3 and 4.2);
(f) Transfer of goodwill that was already recognised in Investments in associated companies (Note 4.2);
(g) Provisional calculation of the goodwill at the acquisition date (IFRS 3 p.62 e 69);
The differences between the acquisition cost and the financial Fair value of assets, liabilities and contingent liabilities acquired, are likely to be adjusted with reference to the date of acquisition to a period of twelve months after that date as referred in IFRS 3. In the year ended 31 December 2012, the amount of €7,521 k regarding provisionally calculation of the goodwill at fair value was attributed to the assets, liabilities and contingent liabilities acquired;
(h) Exchange differences arising from conversion of goodwill recorded in the functional currency, to the Group's reporting currency (euros) in accordance with the exchange rate at date of financial statements (Note 2.2 d and 20);
(i) Values calculated regarding impairment tests of goodwill.

The final Fair Value of acquired assets, as well as liabilities and the contingent liabilities of the acquisitions were determined as follows:

In July 2012 Galp Energia Group acquired 21.8708% of the shares of the subsidiary, holding 66.8791% of its share capital (Note 3).
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.'s main activity is the distribution of natural gas in medium and low pressure, according to a public service regime, under the rules applicable in the geographical area of the concession, covering the construction and operation of infrastructures that integrate the National Network of Natural Gas Distribution, the promotion of construction, conversion or adequacy of facilities of use of natural gas, and also other activities regarding the main activity, including exploration of excessive capacity of the telecommunications network installed.

The details of net assets acquired and goodwill was as follows:

Acquisition of 21.8708%	
Acquisition cost	15,188
Book value of equity (21.8708%)	12,729
	2,459
Fair value of net assets acquired at date of acquisition	
Fair value of the Investment held at the acquisition date (45.0083%)	31,255
Investments in associated companies (4.2)	26,336
	4,919
Goodwill that at the date of acquisition was recognised	
Investments in associated companies (4.2)	143
Goodwill provisionally calculated at the acquisition date	**7,521**

Also in the year ended 31 31 December, 2012 the amount of €7,521 k was calculated for goodwill at fair value of net assets, liabilities and contingent liabilities of the subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A.

The assets and liabilities (presented in aggregate) resulting from the acquisition are detailed as follows:

	Net book value at acquisition date	**Fair value**	**Variation to fair value**
ASSETS			
Non-current assets			
Tangible assets	627	627	-
Intangible assets	162,286	178,237	15,951
Investments in subsidiaries	3	3	-
Deferred tax	1,428	1,428	-
Current assets			
Inventories	134	134	-
Trade receivables	1,662	1,662	-
Current income tax receivable	402	402	-
Other receivables	13,625	13,625	-
Cash and cash equivalents	39	39	-
Total assets	**180,206**	**196,157**	**15,951**
LIABILITIES			
Non-current liabilities			
Retirement and other benefit liabilities	165	165	-
Deferred tax liabilities	1,792	6,498	4,706
Loans	41,985	41,985	-
Other payables	41,667	41,667	-
Current liabilities	-		
Loans	13,605	13,605	-
Overdrafts	14,506	14,506	-
Other payables	8,289	8,289	-
Total liabilities	**122,009**	**126,715**	**4,706**
Assets – liabilities	**58,197**	**69,442**	**11,245**
Fair value of net assets, liabilities and contingent liabilities (66.8791%)			**7,521**

During 2012, the accounting impact related with the determination of Fair Value was recognised in the income statement in accordance with the accounting standards. The impacts on results are detailed as follows:

Amortisation – service concession arrangements	296
Deferred tax	(87)
Impact on results	**209**

The full impact of the partial recognition of fair value in the income statement for the year 2012 resulted in a decrease of the consolidated net profit of €209 k.

Goodwill impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit.

Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia Group's WACC for the reporting segment and country of each cash generating unit.

		Assumptions		
Cash generating unit	**Method**	**Cash flow**	**Growing factor**	**Discounted rate**
Investments (by business unit)	Discounted Cash Flow (DCF)	Sales volume projected to five years	Gordon growth model with a growing factor for perpetuity of 2%.	WACC between: R&M [7,3% – 11,9%] E&P [9,9% – 13,8%] G&P [6,2% – 9,8%]

According to the assumptions defined for the year ended 31 December 2012, losses of goodwill impairment were recorded in the amount of €1,213 k (Note 4.2).

Sensibility analysis was performed to WACC and cash flows variances plus and minus 10%, which also did not result in any impairment.

12. TANGIBLE AND INTANGIBLE ASSETS

Movements in tangible assets at 31 December 2012:

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils
Acquisition cost:					
Balance at 1 January	**285,616**	**886,433**	**4,734,662**	**31,090**	**4,576**
Additions	45	3,143	6,689	306	49
Additions by financial costs capitalisation (Note 8)	-	-	-	-	-
Write-off's / sales	(1,296)	(11,637)	(49,732)	(773)	(102)
Adjustments	(137)	(304)	(20,891)	461	(4)
Transfers	22	8,876	138,798	1,470	29
Changes in the consolidation perimetre (Note 3)	-	938	-	-	-
Gross acquisition cost at 31 December	**284,250**	**887,449**	**4,809,526**	**32,554**	**4,548**
Accumulated impairments at 1 January	**(4,307)**	**(15,085)**	**(16,453)**	**-**	**(63)**
Increase in impairment	(2,597)	(808)	(7,461)	(107)	(43)
Reversal of impairment	-	253	-	-	-
Utilisation / transfers of impairment	5	2,796	-	-	-
Balance of impairments at 31 December	**(6,899)**	**(12,844)**	**(23,914)**	**(107)**	**(106)**
Balance at 31 December	**277,351**	**874,605**	**4,785,612**	**32,447**	**4,442**
Accumulated depreciation and impairment losses					
Balance at 1 January	**(1,718)**	**(572,347)**	**(3,376,309)**	**(26,813)**	**(3,767)**
Depreciation for the year	(528)	(30,547)	(235,862)	(1,719)	(219)
Write-off's / sales	4	9,672	47,577	760	102
Adjustments	34	493	3,858	194	2
Transfers	-	-	(687)	-	-
Changes in the consolidation perimetre (Note 3)	-	(311)	-	-	-
Accumulated balance at 31 December	**(2,208)**	**(593,040)**	**(3,561,423)**	**(27,578)**	**(3,882)**
Net amount:					
at 31 December	**275,143**	**281,565**	**1,224,189**	**4,869**	**560**

Tangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.3.

Adjustments to tangible assets amounting to €68,235 k mainly result from the variation in the caption "Advances to suppliers of tangible assets" amounting to €2,022 k and in the currency conversion of foreign subsidiaries tangible assets stated in foreign currency amounting to €65,951 k.

The changes in the perimeter result from the entry and exit of tangible assets.

During the year of 2012 were included in the consolidated perimetre the subsidiaries Spower, S. A., Setgás, S. A., and Enerfuel, S. A. (Note 3), which increased investments as follows:

	Tangible assets		Intangible assets		Total		Net value
	Gross	Depreciation	Gross	Depreciation	Gross	Depreciation	
Spower, S. A.	8,371	-	-	-	8,371	-	8,371
Setgás, S. A.	938	(311)	224,643	(62,357)	225,581	(62,668)	162,913
Enerfuel, S. A.	4,825	-	68	-	4,893	-	4,893
	14,134	**(311)**	**224,711**	**(62,357)**	**238,845**	**(62,668)**	**176,177**

Tangible assets

2012						2011
Administrative equipment	**Reusable containers**	**Other tangible assets**	**Tangible assets in progress**	**Advances to suppliers of tangible assets**	**Total tangible fixed assets**	**Total tangible fixed assets**
171,877	**162,366**	**102,217**	**2,204,151**	**3,299**	**8,586,287**	**7,723,075**
1,357	305	929	634,694	-	647,517	879,008
-	-	-	79,878	-	79,878	59,319
(4,341)	(5,526)	(817)	(3,948)	-	(78,172)	(55,255)
(112)	(61)	185	(44,809)	(2,563)	(68,235)	(57,033)
14,519	3,174	325	(171,040)	-	(3,827)	(5,367)
-	-	-	13,196	-	14,134	42,540
183,300	**160,258**	**102,839**	**2,712,122**	**736**	**9,177,582**	**8,586,287**
(1,317)	**(1)**	**(2,456)**	**(42,278)**	**-**	**(81,960)**	**(74,166)**
(176)	-	(1)	(43,691)	-	(54,884)	(37,848)
-	-	-	-	-	253	592
-	-	-	10,863	-	13,664	29,462
(1,493)	**(1)**	**(2,457)**	**(75,106)**	**-**	**(122,927)**	**(81,960)**
181,807	**160,257**	**100,382**	**2,637,016**	**736**	**9,054,655**	**8,504,327**
(137,803)	**(146,778)**	**(79,349)**	**-**	**-**	**(4,344,884)**	**(4,060,407)**
(13,684)	(4,846)	(5,245)	-	-	(292,650)	(289,243)
4,253	5,525	128	-	-	68,021	29,583
104	331	72	-	-	5,088	(18)
-	-	687	-	-	-	(116)
-	-	-	-	-	(311)	(24,683)
(147,130)	**(145,768)**	**(83,707)**	**-**	**-**	**(4,564,736)**	**(4,344,884)**
34,677	**14,489**	**16,675**	**2,637,016**	**736**	**4,489,919**	**4,159,443**

Movement in Intangible assets at 31 December, 2012:

	Research and development costs	Industrial property and other rights	Goodwill
Acquisition cost:			
Balance at 1 January	**258**	**458,443**	**20,484**
Additions	-	5,671	-
Additions by financial costs capitalisation (Note 8)	-	-	-
Write-off's / sales	-	(9,859)	(734)
Adjustments	(1)	(458)	-
Transfers	-	16,605	-
Changes in the consolidation perimetre (Note 3)	-	-	-
Gross acquisition cost at 31 December	**257**	**470,402**	**19,750**
Accumulated impairments at 1 January	**(5)**	**(5,696)**	**(236)**
Increase in impairment	-	(9,014)	-
Reversal of impairment	-	-	-
Utilisation of impairment	5	453	-
Balance of impairments at 31 December	**-**	**(14,257)**	**(236)**
Balance at 31 December	**257**	**456,145**	**19,514**
Accumulated amortisation and impairment losses:			
Balance at 1 January	**(253)**	**(217,660)**	**(11,016)**
Amortisation for the year	-	(33,043)	-
Write-off's / sales	-	8,698	734
Adjustments	(4)	(151)	-
Transfers	-	(1,156)	-
Changes in the consolidation perimetre (Note 3)	-	-	-
Balance at 31 December	**(257)**	**(243,312)**	**(10,282)**
Net value:			
at 31 December	**-**	**212,833**	**9,232**

Intangible assets and amortisations are recorded in accordance with the accounting policies explained in Note 2.4. Amortisations are calculated as defined in the same note.

Adjustments to intangible assets amounting €10,178 k mainly relate to the fair value attributed to subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A., in the amount of €15,951 k (Note 11), and the negative amount of €1,892 k regarding the revaluation of opening balances stated in foreign currencies and the resulting increases in intangible assets in subsidiaries.

Amortisation for the years 2012 and 2011 were as follows:

	2012			2011		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Amortisation and depreciation for the year	292,650	33,051	325,701	289,243	33,626	322,869
Amortisation and depreciation for the year – service concession arrangements	-	37,123	37,123	-	33,864	33,864
Increase in impairment	54,884	9,014	63,898	37,848	9,969	47,817
Decrease in impairment	(253)		(253)	(592)	-	(592)
Amortisation and depreciation (Note 6)	**347,281**	**79,188**	**426,469**	**326,499**	**77,459**	**403,958**

Main occurrences in 2012:
The increase in the tangible and intangible assets captions in the amount of €791,870 k mainly includes:

(i) Exploration & Production segment
- €333.004 k regarding exploration and development investments in blocks in Brazil;
- €59.497 k regarding relating to exploration and development investments in block 14 in Angola;
- €59.269 k regarding exploration investments in block 4 in Mozambique;
- €13.265 k regarding exploration investments in block 32 and 33 in Angola;
- €12.576 k regarding oil exploration investments on Portuguese coast;
- €11.619 k regarding natural gas exploration investments in Angola;
- €6.088 k regarding exploration investments in block A-IMI & 14K in Angola;
- €1.236 k regarding exploration investments on blocks 3 and 4 in Uruguay.

From the total investments, €31,551 k and €42,416 k were transferred from tangible assets in progress to basic equipment in respect of the Lula/Iracema fields, in Brazil, and block 14, in Angola, respectively.

Regarding expenditure on oil research in East Timor and research in Aljubarrota 3 concession in Portugal, were recorded impairments totaling €10,537 k and €6,133 k, respectively, due to the tangible and intangible assets to be impaired in the total amount of €18,991 k and €6,133 k. The increased impairments regarding research and development expenditures in Brazil amounted to €17,280 k.

(ii) Gas & Power segment
- €38,085 k regarding natural gas infrastructure construction (networks, plots and other infrastructures) covered by IFRIC 12 (Note 5 and 6);
- €25,308 k regarding the conception and construction of cogeneration plants.

(iii) Refining & Marketing segment
- €91,491 k regarding industrial investments in the Porto and Sines refinery;
- €44,065 k related to wholesale business unit investments in its expansion, IT and improvements in service stations.

Intangible assets

2012						2011
Reconversion of consumption to natural gas	Other intangible assets	Service concession arrangements	Intangible assets in progress	Intangible assets in progress of service concession arrangements	Total intangible assets	Total intangible assets
551	**522**	**1,428,815**	**12,220**	**18,043**	**1,939,336**	**1,937,827**
-	-	187	21,442	37,170	64,470	56,752
-	-	-	-	5	5	5
-	(23)	(1,619)	(128)	-	(12,363)	(77,786)
-	(1)	10,666	(28)	-	10,178	17,073
-	-	33,061	(15,485)	(33,061)	1,120	5,367
-	-	224,133	68	510	224,711	98
551	**498**	**1,695,243**	**18,089**	**22,667**	**2,227,457**	**1,939,336**
-	**-**	**-**	**-**	**-**	**(5,937)**	**(5,004)**
-	-	-	-	-	(9,014)	(9,969)
-	-	-	-	-	-	-
-	-	-	-	-	458	9,036
-	**-**	**-**	**-**	**-**	**(14,493)**	**(5,937)**
551	**498**	**1,695,243**	**18,089**	**22,667**	**2,212,964**	**1,933,399**
(407)	**(521)**	**(402,061)**	**-**	**-**	**(631,918)**	**(624,950)**
(8)	-	(37,123)	-	-	(70,174)	(67,490)
-	23	1,430	-	-	10,885	60,715
-	-	-	-	-	(155)	(247)
-	-	-	-	-	(1,156)	123
-	-	(62,357)	-	-	(62,357)	(69)
(415)	**(498)**	**(500,111)**	**-**	**-**	**(754,875)**	**(631,918)**
136	**-**	**1,195,132**	**18,089**	**22,667**	**1,458,089**	**1,301,481**

During the year ended 31 December 2012, the Group disposed or wrote-off tangible and intangible assets, in the amount of €90,535 k as a result of the review of the Group's asset register and include:

(i) €46,181 k relating to disposal of the wholesale business unit, essentially due to improvements in service stations, convenience stores, investments in its expansion, and IT development, most of which were fully depreciated;
(ii) €3,151 k relating to equipment, expenses and rights disposals in the Santos basin (Brazil) with no economic viability;
(iii) €1,619 k relating to natural gas assets disposals and development expenses, which were mostly fully depreciated;
(iv) €15,525 k relating to disposals from the Porto and Sines refineries;
(v) €9,960 k relating to surface rights disposals in Spain.

At 31 December 2012, the group has recorded impairments amounting to €137,420 k which includes €48,174 k and €18,991 k, as a result of impairments of operated and non-operated blocks in Brazil and East Timor, respectively.

Tangible and intangible assets in progress (including advances on account of tangible and intangible assets less impairment losses) at the year ending 31 December 2012 were made up as follows:

	Assets
Upgrade projects of the Sines and Porto refineries	763,645
Industrial investment relating to refineries	719,009
Research and exploration of oil in Brazil	597,288
Research and exploration of oil in Angola and Congo	242,291
Co-generation plants in Sines and Porto	97,777
Research in Mozambique	74,038
Other research in Portuguese coast, Mozambique, East Timor and Uruguay	43,890
Research of gas in Angola and Guinea-Bissau	32,229
Renewal and expansion of the network	30,094
Underground storage of natural gas	20,562
Floating LNG-Brazil	19,483
Industrial biofuels unit	4,894
Other projects	33,308
	2,678,508

13. GOVERNMENT GRANTS

Government grants received (accumulated) as of 31 December 2012 and of 2011 were as follows:

	Amount received	
Programme	**December 2012**	**December 2011**
Economic Operational Programme	285,871	223,921
Energy Programme	114,919	114,919
Desulphurisation of Sines	39,513	39,513
Desulphurisation of Porto	35,307	35,307
Protede	19,708	19,708
Interreg II	19,176	19,176
Operational Programme for the centre region	2,102	1,907
Operational Programme for the Algarve	174	174
Innovation incentives system	102	102
Other	21,729	21,569
	538,601	**476,296**
Amount recognised as income	(252,313)	(222,236)
Government grants – assets – receivable (Note 14)	1	1
Grants to be recognised (Note 24)	**286,290**	**254,061**

In the year ending 31 December 2012 government grants were received in the amount of €195 k, from the Operational Programme for the centre region. There was also the restitution of amounts received from the Economic Operational Programme totaling €1,139 k, after an audit by the European Commission for public procurement procedures applied in Underground Storage Project (Note 24).

The variations of €63,088 k in the Economic Operational Programme and €20,153 k in the accumulated value recognised as income, are due to the inclusion of the company Setgás – Sociedade de Distribuição de Gás Natural, S. A. in the consolidation perimetre (Note 3).

During the years ended 31 December 2012 and 31 December, 2011 were recognised in the income statement €9,684 k and €9,924 k, respectively (Note 5).

14. OTHER RECEIVABLES

The non-current and current caption “Other receivables” as of 31 December 2012 and 2011 was made up as follows:

	December 2012		December 2011	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
Corporate income tax	2,269	-	1,358	-
Added value tax – reimbursement requested	1,515	-	3,787	-
Others	96	-	48	-
Advances to suppliers of fixed assets	135,831	-	34,531	-
Subsoil Rates	40,697	-	21,366	-
Underlifting	40,080	-	14,146	-
ISP – tax on oil products	21,553	-	19,268	-
Over cash-call from partner Petrobrás in operated blocks	17,232	-	4,920	-
Loans to TipTop Energy, SARL (Note 3 and 28)	13,643	917,558	-	-
Advances to trade suppliers	11,097	-	8,471	-
Means of payment	7,711	-	13,533	-
Operating grants receivable	4,478		15,203	-
Other receivables – associated, related and participated companies (Note 28)	3,811	8,532	5,176	9,440
Spanish bitumen process	2,568	-	2,568	-
Personnel	1,924	-	2,260	-
Loans to associated, jointly controlled related and participated companies (Note 28)	-	29,265	258	47,657
Loans to clients	682	1,637	631	1,961
Pension fund payment recovery	356	-	757	-
Ceding rights contract to use telecommunications infrastructures	259	-	459	-
Government grants – assets – receivable (Note 13)	1	-	1	-
Trade receivables	-	24,402	-	-
Other receivables	62,238	14,955	69,538	19,531
	368,041	**996,349**	**218,279**	**78,589**
Accrued income:				
Sales and services rendered not yet invoiced	165,959	-	127,114	-
Adjustment to tariff deviation – regulated revenue – ERSE regulation	81,161	-	60,471	-
Adjustment to tariff deviation – pass through – ERSE regulation	32,425	-	19,402	-
Accrued interest	13,996	-	342	-
Financial neutrality – regulation ERSE	12,689	-	8,733	-
Adjustment to tariff deviation – energy tariff – ERSE regulation	11,333	82,151	12,632	92,475
Sale of finished goods to be invoiced by the service stations	1,546	-	2,469	-
Commercial discount on purchases	738	-	863	-
Accrued management and structure costs	289	-	5,150	-
Compensation for the uniform tariff	224	-	1,008	-
Other	4,035	-	19,873	-
	324,395	**82,151**	**258,057**	**92,475**
Deferred costs:				
Costs relating to service station concession contracts	33,617	-	36,642	-
Catalyser costs	4,943	-	1,625	-
Interest and other financial costs	2,535	-	8,325	-
Prepaid rent	2,349	-	2,152	-
Prepaid insurance	953	-	364	-
Other deferred costs	15,684	-	17,346	278
	60,081	**-**	**66,454**	**278**
	752,517	**1,078,500**	**542,790**	**171,342**
Impairment of other receivables	(7,429)	-	(10,716)	-
	745,088	**1,078,500**	**532,074**	**171,342**

The movements occurred in the caption “Impairments of other receivables” for the year ending 31 December 2012 were as follows:

Caption	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Changes in perimetre	Ending balance
Other receivables	10,716	996	(2,494)	(1,842)	(70)	123	7,429

The increase and decrease of the caption “Impairment of other receivables” with the net amount of €1,498 k was booked in the caption “Provisions and impairments – other receivables” (Note 6).

The caption “Loans” includes the amount of €931,201 k ($1,228,626,253.42) for the loan amount that Galp Energia Brazil Service (Cyprus), Ltd. granted to Tip Top Energy, SARL on 28 March 2012, which earns a three-month LIBOR interest rate plus a spread for a period of four years. In the year ended 31 December 2012 the amount of €14,310 k is recognised in caption “Interest on loans granted to related companies” (Notes 8 and 28).

The caption “Subsoil rates” amounting €40,697 k refers to rates of subsoil occupation already paid to municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and with Cabinet Council Resolution No. 98/2008, dated 8 April, companies have the right to pass on to commercialisation entities or to final customers, the full amount of subsoil rates paid to the local authorities in the concessioned area

The amount of €21,553 k recorded in ”Other receivables – ISP” regards the amount receivable from the customs concerning the exemption of ISP on bio fuels that are under the tax suspension regime as stated in circular No. 79/2005 of 6 December.

The caption of “Grants receivable” includes the amount of €4,478 k regarding the compensation awarded by the Government of Mozambique to Petrogal Mozambique, due to price fixing of fuel sales.

The amount of €40,080 k recorded in “Other receivables – Underlifting” corresponds to amounts receivable by the Group as result of lifting crude oil barrels below the production quota (underlifting) and is measured at the lower amount of market price at the time the underlifting occurred or as of 31 December 2012.

The caption "Means of payment" amounts to €7,711 k in respect of amounts receivable for sales made with Visa/ATM card, which as at 31 December 2012 were pending collection.

The amount of €12,343 k booked in the caption "Other receivables current and non-current – jointly controlled entities", related and participated companies refers to amounts receivables from companies which were not fully consolidated.

The caption "Other receivables" non-current includes €10,037 k receivable from Gestmin, SGPS, S. A., for the purchase of COMG – Comercialização de Gás, S. A. on 3 December 2009 and earns a six-month Euribor interest rate plus a spread of 3.12% per year, and is expected to be received on 3 December 2016.

In the caption of "Non-current clients", totaling €24,402 k regards the agreement to pay the debts of customers over one year.

The caption of "Accrued income – sales and services not yet invoiced" mainly comprises December natural gas and electricity sales to be invoiced in January as follows:

Company	Natural gas	Electricity
Galp Gás Natural, S. A.	76,292	-
Madrileña Suministro de Gas	15,963	-
Madrileña Suministro de Gas, SUR	15,542	-
Lisboagás Comercialização, S. A.	14,006	-
Galp Energia España, S. A., Unipessoal	7,382	2,833
Lusitâniagás Comercialização, S. A.	6,869	-
Transgás, S. A.	5,674	-
Galp Power, S. A.	4,816	4,710
	146,544	**7,543**

The amount of €1,546 k in the caption "Sale of finished goods to be invoiced by the service stations" relates to sales made up to 31 December 2012 through Galp Frota cards, which will be invoiced in the following months.

Expenses recorded in the caption "Deferred costs – costs relating to service station concession contracts" are booked as expenses during the concession period, which ranges between 17 and 32 years.

The caption "Accrued income – adjustment to tariff deviation – energy tariff – ERSE regulation" is detailed as follows:

	2011	Recovery of energy tariff deviation	Variation	2012
Gas Year 2008-2009				
First half of 2008-2009 Gas Year (31 Dec. 2008)	32,325	-	-	32,325
Second half of 2008-2009 Gas Year (30 Jun. 2009)	28,531	-	-	28,531
Adjustment to regulated tariff – regulated revenue – ERSE regulation – Gas Year (2008-2009)	6,535	-	-	6,535
Regulated revenue in respect of Gas Year 2008-2009 – amortisation	(19,817)	(11,623)	-	(31,440)
	47,574	**(11,623)**	**-**	**35,951**
Second half of 2009				
Second half of 2009	8,314	-	-	8,314
	8,314	**-**	**-**	**8,314**
Calender Year 2010				
First half of 2011	14,651	-	-	14,651
Second half of 2011	987	-	-	987
	15,638	**-**	**-**	**15,638**
Fiscal Year of 2011				
First half of 2011	21,154	-	-	21,154
Second half of 2011	12,427	-	-	12,427
	33,581	**-**	**-**	**33,581**
Fiscal Year of 2011				
First half of 2011	-	-	(4,224)	(4,224)
Second half of 2011	-	-	562	562
	-	**-**	**(3,661)**	**(3,661)**
	105,107	**(11,623)**	**(3,661)**	**89,823**
Accrued costs (Note 24)	-	-	(3,661)	(3,661)
Accrued income:	105,107	(11,623)	-	93,484
	105,107	**(11,623)**	**(3,661)**	**89,823**

The caption "Adjustment to tariff deviation – energy tariff" amounting to €89,823 k is in respect the cumulative difference between the cost of acquiring natural gas from the Group's suppliers and the energy tariffs defined by ERSE, for each Gas Year, applied in customers invoicing, that will be recovered in the revision of next years' tariffs, in accordance with the mechanism set out by ERSE. These amounts earn three months Euribor interest rate plus a 1.75% spread.

Galp has reclassified, during 2012, an amount of €82,151 k related to the energy tariff deviation from current asset to non-current assets. This reclassification intends to reflect the ERSE publication, of the estimated period of recovery of the tariff deviation, which is six years.

The Group recovered the energy tariff deviation in respect of the Gas Year 2008-2009 that amounted to €11,623 k. This deviation was included in portion II of the UGS tariff and was subsequently invoiced to the network operator REN Gasodutos, S. A. and Sonorgás, S. A. and Tagusgás, S. A. companies, in accordance with the tariff regulation.

The caption "Accrued income – regulated revenue – ERSE regulation" is detailed as follows:

Operating of commercialisation, supply and storage of natural gas	2011	Adjustment to regulated tariff – regulated revenue – ERSE regulation (Note 5)	Regulated revenue in respect of Gas Year 2008-2009 – amortisation (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Reclassification between gas functions (supplier and sales) (a)	Other reclassifications	2012
Second half of 2009							
Second half of 2009	27,216	-	-	-	-	2,676	29,892
Adjustment of second half of 2009	(2,024)	-	-	-	-	388	(1,636)
Regulated revenue reversal of second half of 2009	(12,237)	-	-	-	-	(1,532)	(13,769)
Regulated revenue in respect of 2nd half of 2009 – amortisation	-	-	(12,955)	-	-	(1,532)	(14,487)
	12,955	**-**	**(12,955)**	**-**	**-**	**-**	**-**
Fiscal Year of 2010							
First half of 2010	1,450	-	-	-	-	(61)	1,389
Second half of 2010	19,606	-	-	-	-	2,480	22,087
Adjustment of 2010	-	(2,018)	-	-	(4,819)	-	(6,837)
Regulated revenue reversal of 2010	-	-	(7,572)	-	-	(125)	(7,697)
	21,056	**(2,018)**	**(7,572)**	**-**	**(4,819)**	**2,294**	**8,942**
Fiscal Year of 2011							
First half of 2011	(8,488)	-	-	-	-	(1,350)	(9,838)
Second half of 2011	33,961	-	-	-	-	3,424	37,385
	25,473	**-**	**-**	**-**	**-**	**2,074**	**27,547**
Fiscal Year of 2012							
First half of 2012	-	-	-	15,808	-	1,686	17,495
Second half of 2012	-	-	-	12,602	-	719	13,322
	-	**-**	**-**	**28,410**	**-**	**2,405**	**30,817**
	59,484	**(2,018)**	**(20,527)**	**28,410**	**(4,819)**	**6,773**	**67,306**
Accrued costs (Note 24)	(987)	1,719	331	(11,951)	(4,819)	1,852	(13,855)
Accrued income	60,471	(3,737)	(20,856)	40,361	-	4,921	81,161
	59,484	**(2,018)**	**(20,525)**	**28,410**	**(4,819)**	**6,773**	**67,306**

(a) Included in the caption "Other income – adjustment to tariff deviation – pass through – ERSE regulation."

The caption "Adjustment to tariff deviation – regulated revenue" amounting to €81,161 k regards the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount (Note 2.13). These amounts are remunerated at a three-month Euribor interest rate.

The amounts payable or receivable in respect of each Gas Year are presented for each activity at their net amount, depending on the nature in each Gas Year, since as it is the ERSE approval method of the adjustments to regulated revenue.

Since 2010, ERSE accounts began to be report in accordance with the calendar year. As such, the initial balances were reclassified to a calendar year basis.

During the year ended 31 December 2012 the differences regarding regulated revenue referring to the 2010 were fixed, amounting €16,639 k receivable. As the accrual accounted for was insufficient, the amount of €2,018 k was recorded in the caption "Sales" (Note 5). Additionally, the negative amount of €4,819 k concerning the buying and selling activity of natural gas was reclassified to the caption "Accrued income – adjustments of tariff deviation – pass through – ERSE regulation".

As referred in Note 2.13 the total recoverable amount was included by ERSE in the recoverable regulated revenue in the Gas Year 2012-2013. Group Galp is recognising in its consolidated income statements the reversal of the approved tariff deviation.

The column Other reclassification includes the amount of €6,773 k, in respect of changes to the perimeter which is due to the acquisition of Setgás – Sociedade de Produção e Distribuição de Gás, S. A. (Note 3).

The caption "Accrued income – financial neutrality – ERSE regulation" concerns the gradual reposition of financial neutrality, associated with the extinction of the straightened capital cost for the first regulatory period mechanism, resulting from the difference between the straightened and unstraightened capital cost recoverable, recoverable over six years. The accrued amounts refer to the recoverable tariff values for the Gas Year 12-13 and Gas Year 13-14.

Following is an aging schedule of other receivables as of 31 December 2012 and of 2011:

Aging	Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2012								
Gross	1,806,876	9,055	2,607	2,300	1,238	848	8,093	1,831,017
Impairment	-	-	-	(553)	(193)	(233)	(6,450)	(7,429)
	1,806,876	**9,055**	**2,607**	**1,747**	**1,045**	**615**	**1,643**	**1,823,588**
2011								
Gross	692,807	3,547	1,438	887	1,709	2,685	11,059	714,132
Impairment	-	(11)	(101)	(313)	(645)	(2,262)	(7,384)	(10,716)
	692,807	**3,536**	**1,337**	**574**	**1,064**	**423**	**3,675**	**703,416**

The Group considers as amounts not yet due, the balance of other receivables not overdue and the captions "Accrued income" and "Deferred costs" amounting to €384,476 k and €324,511 k in 2012 and 2011, respectively.

Overdue balances that were not adjusted comprise to receivables for which there are payment agreements or a global or partial expectation of recovery.

Galp Energia held guarantees on accounts receivable, namely bank guarantees and security deposits, amounting to €88,566 k as of 31 December 2012.

15. TRADE RECEIVABLES

The caption "Trade receivables" as of 31 December 2012 and 2011 was made up as follows:

Captions	December 2012	December 2011
Trade receivables – current accounts	1,338,484	1,028,510
Trade receivables – doubtful accounts	157,026	137,091
Trade receivables – notes receivable	10,544	23,882
	1,506,054	**1,189,483**
Impairment of trade receivables	(154,865)	(123,163)
	1,351,189	**1,066,320**

The changes in the caption "Impairment of trade receivables" as of the year ended 31 December 2012 were as follows:

Captions	Opening balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimetre (Note 3)	Ending balance
Impairment of receivables	123,163	40,973	(2,191)	(7,399)	315	4	154,865

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €38,782 k was recorded in the caption "Provision and impairment loss on receivables" (Note 6).

Following is an aging schedule of Group trade receivables as of 31 December 2012 and of 2011:

Aging of trade receivables	Not yet due	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2012								
Gross	1,125,307	183,584	32,138	41,292	18,518	13,753	91,462	1,506,054
Adjustments	-	(893)	(6,679)	(29,195)	(14,836)	(12,754)	(90,508)	(154,865)
	1,125,307	**182,691**	**25,459**	**12,097**	**3,682**	**999**	**954**	**1,351,189**
2011								
Gross	888,752	140,629	27,535	22,428	12,683	8,637	88,819	1,189,483
Adjustments	-	(1,991)	(10,671)	(12,333)	(10,101)	(7,277)	(80,790)	(123,163)
	888,752	**138,638**	**16,864**	**10,095**	**2,582**	**1,360**	**8,029**	**1,066,320**

Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or a total or partial expectation of recovery.

16. INVENTORIES

Inventories as of 31 December 2012 and of 2011 are made up as follows:

Captions	December 2012	December 2011
Raw and subsidiary materials:		
Crude oil	245,632	308,575
Other raw materials	56,462	71,200
Raw material in transit	249,843	82,474
	551,937	**462,249**
Adjustments to raw and subsidiary materials	(9,629)	(10,773)
	542,308	**451,476**
Finished and semi-finished products:		
Finished products	335,780	479,074
Semi-finished products	445,598	443,048
Finished products in transit	7,869	-
	789,247	**922,122**
Adjustments to finished and semi-finished products	(6,829)	(6,101)
	782,418	**916,021**
Work in progress	169	-
	169	**-**
Merchandise	653,154	505,793
Merchandise – ISP	478	3,091
	653,632	**508,884**
Adjustments to merchandise	(2,402)	(1,601)
	651,230	**507,283**
Advances on account of purchases	-	27
	1,976,125	**1,874,807**

Merchandise as of 31 December 2012, in the amount of €653,154 k mainly relates to natural gas in pipelines in the amount of €86,535 k, inventories of crude oil derivative products of the subsidiaries Galp Energia España, S. A., Empresa Nacional de Combustiveis – ENACOL, S. A. R. L. and Petrogal Moçambique, Lda. in the amounts of €530,802 k, €12,037 k and €6,141 k, respectively.

As of 31 December 2012, the Group's liability to competitors for strategic reserves, which can only be satisfied by product delivery, amounted to €194,341 k and €207,578 k respectively and are reflected in the caption "Advances on account of sales" (Note 24).

In November 2004, under Decree-Law No. 339-D/2001 of December, Petrogal together with Petrogal Trading, Ltd. entered into a contract to purchase, sell and exchange crude oil for finished products for the constitution of strategic reserves with Entidade Gestora de Reservas Estratégicas de Produtos Petroliferos, EPE (EGREP). Under the contract entered into in 2004 the crude oil acquired by EGREP, which is not reflected in the financial statements, is stored in a non-segregated form in Petrogal's installations, where it must remain so that EGREP can audit it in terms of quantity and quality, whenever it so wishes. In accordance with the contract, Petrogal must, when so required by EGREP, exchange the crude sold for finished products, receiving in exchange an amount representing the refining margin as of the date of exchange.

The changes in the caption "Impairment of inventories" in the year ended 31 December 2012 were as follows:

Captions	Begining balance	Increases	Decreases	Adjustments	Ending balance
Impairment of raw and subsidiary materials	10,773	224	(1,380)	12	9,629
Impairment of finished and semi-produts products	6,101	728	-	-	6,829
Impairment of merchandise	1,601	1,120	(203)	(116)	2,402
	18,475	**2,072**	**(1,583)**	**(104)**	**18,860**

The net increase in impairment, amounting to €489 k was recorded against the operating cost caption "Cost of sales" in the income statement (Note 6).

17. OTHER INVESTMENTS

Current and non-current investments as of 31 December 2012 and of 2011 were made up as follows:

	December 2012		December 2011	
Other investments	**Current**	**Non-current**	**Current**	**Non-current**
Financial instruments at fair value through profit and loss (Note 27)				
Swaps over commodities	1,483	8	2,240	750
Swaps over interest rate	54	-	-	1,032
Swaps over currency	4,770	-	-	-
	6,307	**8**	**2,240**	**1,782**
Bank deposits (Note 18)				
Term deposits	1,039	-	43	1,500
	1,039	**-**	**43**	**1,500**
Other financial assets				
Other	-	19,299	-	-
	-	**19,299**	**-**	**-**
	7,346	**19,307**	**2,283**	**3,282**

As of 31 December 2012 and of 2011 the financial instruments are recorded at their fair value reported at those dates (Note 27).

18. CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" as of 31 December 2012 and of 2011 was made up as follows:

Captions	December 2012	December 2011
Cash	7,856	5,690
Current account	171,266	170,808
Term deposits	2,974	2,983
Other negotiable securities	409,879	3,663
Other treasury applications	1,294,748	115,282
Cash and cash equivalents in the balance sheet	**1,886,723**	**298,426**
Other current investments (Note 17)	1,039	43
Bank overdrafts (Note 22)	(154,563)	(272,989)
Cash and cash equivalents in the cash flow statement	**1,733,199**	**25,480**

The caption "Other negotiable securities" mainly includes:

- €403.674 k regarding bank deposit certificates;
- €2.557 k on electricity futures;
- €2.294 k on commodities futures (Brent);
- €1.351 k on CO_2 futures.

These futures are recorded in this caption due to their high liquidity (Note 27).

The caption "Other treasury applications" includes applications of cash surplus, with maturities less than three months, of the following Group companies:

Captions	December 2012	December 2011
Galp Energia Netherlands, B. V.	1,204,136	-
Galp Brazil Services, B. V.	51,815	-
Petróleos de Portugal – Petrogal, S. A.	24,329	17,398
CLCM – Companhia Logística de Combustíveis da Madeira, S. A.	5,300	15,165
Galp Exploração Serviços do Brasil, Lda.	2,968	1,682
Beiragás – Companhia de Gás das Beiras, S. A.	1,900	3,620
Galp Overseas, B. V.	1,462	-
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S. A.	1,400	-
Sacor Marítima, S. A.	758	765
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.	380	-
Powercer – Sociedade de Cogeração da Vialonga, S. A.	300	685
Petrogal Brasil, S. A.	-	21,532
Galp Gás Natural, S. A.	-	52,365
Galp Energia España, S. A.	-	2,070
	1,294,748	**115,282**

19. SHARE CAPITAL

Capital Structure

On 25 July 2011 the Decree-Law No. 90/2011 was published, which stipulates the repeal of the special rights of the shareholder State in participated entities, previously contained in article 4 of Decree-Law No. 261-A/99 from 7 July – First privatisation phase of Galp Energia, SGPS, S. A. Following the publication of legislation, the Company convened a general shareholders assembly that took place on 3 August 2011, to amend the statutes, where those special rights were enshrined.

Therefore, share capital, fully subscribed and paid up represented by 829,250,635 common shares (Note 10) with nominal value of €1, now has a subdivision of 58,079,514 shares that are a special category of shares subject to a privatisation process.

The shares of the category subject to the privatisation process can be converted into ordinary shares through the simple request addressed to the Society by the respective holder(s). The referred conversion will have immediate effect, not requiring the approval of any Company body.

The ownership of the category shares subject to privatization process must belong to a government entity, in accordance with paragraph 2 e) of article 1 of Law No. 71/88, from 24 May.

Under the terms agreed on 29 March 2012, Amorim Energia, fulfilled on 20 July 2012 the obligation acquisition of Eni shares representing 5% (41,462,532 shares) of the share capital of Galp Energia, SGPS , S. A., and thus directly holds 38.34% (317,934,693 shares) of the share capital of that company. Eni now holds 28.34% (235,009,629 shares) of the share capital of Galp Energia, SGPS, S. A.

With this acquisition, the Galp Energia shareholders' agreement between Amorim Energia Eni and CGD and in effect since 29 March 2006, terminated its effects in relation to Eni.

In connection with the financing of that acquisition, Amorim Energia performed with Banco Santander Totta, S. A., in time subsequent to the acquisition of Eni a swap operation of 2.21674% of the share capital of Galp Energia, while Amorim Energia kept voting rights and rights to dividends, inherent to financial participation.

Due to the sale by Eni on the regulated market (NYSE Euronext Lisbon) of 33,170,025 shares of share capital of Galp Energia on 27 November 2012, the share held by the shareholder Eni on Galp Energia was reduced to 201,839,604 shares representing 24.34% of the share capital and voting rights of Galp Energia.

CGD sold 8,295,510 Galp Energia shares, representing 1% of the share capital and voting rights of Galp Energia (Participation). The sale was made outside of Participation market following the placement of participation through an accelerated book building, realised and communicated to the market on 26 November 2012, and after the exercise of the right to CGD's tag along on Eni under Consent & Waiver Agreement between CGD, Eni and Amorim Energia on 29 March 2012 and announced to the market on the same date.

As established in the Consent & Waiver Agreement, the sale of participation determined the automatic termination of the shareholder agreement between CGD and Amorim Energia on Galp Energia, so on this date, are no longer attributable to CGD, the voting rights attached to shares that Galp Energia held directly by Amorim Energia and the voting rights attributable to Amorim Energia under any of the subparagraphs of article 20 of the CVM, in particular the voting rights attached to the shares of Galp Energia held directly by Eni.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2012 was held as follows:

	No. of shares	% of capital
Amorim Energia	317,934,693	38.34%
Eni	201,839,604	24.34%
Parpública	58,079,514	7.00%
Other shareholders	251,396,824	30,32%
	829,250,635	**100.00%**

20. CONVERSION RESERVE AND OTHER RESERVES

As of 31 December 2012 and 2011 the caption "Translation reserves and other reserves" is detailed as follows:

Captions	December 2012	December 2011
Currency conversion reserves:		
Reserves – financial allocations (quasi equity)	(62,686)	3,914
Reserves – tax on financial allocations (quasi equity) (Note 9)	32,997	12,659
	(29,689)	16,573
Reserves – conversion of financial statements	(17,904)	(4,173)
Reserves – exchange updates of goodwill	(31)	(1,421)
	(47,624)	**10,979**
Hedging reserves:		
Reserves – financial derivatives	(8,754)	(1,235)
Reserves – deferred tax on financial derivatives (Note 9)	2,389	234
	(6,365)	**(1,001)**
Other reserves:		
Legal reserve	165,850	165,850
Free reserves	27,977	(27,977)
Special reserves	(433)	(433)
Reserves – capital increase in subsidiaries Petrogal Brasil, S. A. and Galp Brazil Services, B. V.	2,493,088	-
Reserves – increase of 10,7532% stake in the share capital of subsidiary Lusitaniagás – Companhia de Gas del Centro, S. A. (Note 3)	(1,935)	(1,935)
	2,684,537	**193,384**
	2,630,548	**203,362**

Conversion reserve:
The variation occurred in the year ended 31 December 2012, in the "Caption conversion reserve", is as follows:

(i) €17,904 k regarding negative exchange differences resulting from the conversion of the financial statements in foreign currency to Euro

(ii) €29,689 k regarding negative exchange differences of the financial allocations of Galp Exploração e Produção Petrolífera, S. A., Petrogal and WIP to Petrogal Brasil, Lda., in euros and U.S. dollars, which are not remunerated and for which there is no intention of reimbursement similar to share capital (quasi capital), thus integrating the net investment in that foreign operational unit in accordance with IAS 21

(iii) €31 k regarding negative exchange differences resulting from the conversion update of foreign goodwill.

Hedging reserve:
Heading reserves reflect changes that have occurred in financial derivatives on interest rates that are contracted for hedging the change in interest rate loans (known as a "cash flow hedge") and their respective deferred taxes.

In the year ended 31 December 2012 the amount €6,365 k includes €8,754 k regarding negative changes occurring in financial derivatives – hedging cash flow and €2,389 k regarding the impact of deferred tax assets on the variations.

Other reserves:

Legal reserves
According to the CSC, 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 utilised. In 2012 the caption did not change as the legal reserves have already achieved 20% of share capital.

Special reserves
The amount of €443 k in the caption "Special reserves" includes €463 k relating to a deferred tax correction – revaluation of equity in the subsidiary GDL and the negative amount of €20 k relating to a donation reserve in subsidiary Gasinsular – Combustíveis do Atlântico, S. A.

Reserves – Capital increases in Petrogal Brazil, S. A. and Galp Brazil Services, B. V.
In the beginning of 2011, Galp Energia has launched a project to a capital increase in subsidiaries Petrogal Brazil, S. A. and Galp Brazil Services B. V., responsible for exploration and production (upstream) of Galp Energia in Brazil, in order to provide adequate businesses resources to meet the challenges arising from the latest discoveries in the blocks in which Brazil Petrogal participates, particularly in the Santos basin, in Brazil.

On 11 November 2011 Galp Energia signed an Investment Agreement with Tip Top Energy, Ltd., a company owned by Sinopec Group, which state the terms and conditions of the investment in capital improvements to be made in Petrogal Brasil, S. A. and Galp Brazil Services, B. V.

After receiving the approval of the competent authorities Galp Energia and Sinopec Group executed on 28 March 2012, the end of the operation, with the entry of WIP, a subsidiary of Tip Top Energy, SARL, in the share capital of Petrogal Brasil, S. A. and Galp Brazil Services, B. V., holding 30% of shares and voting rights of both subsidiaries (Note 3). The value of the transaction amounted $4,797,528,044.74 (four thousand, seven hundred and ninety seven million, five hundred and twenty-eight thousand, forty-four U.S. dollars and seventy-four cents), fully paid by WIP on the above mentioned date. Pursuant to the investment agreement WIP signed 30% of loans previously granted by Galp Energia to Petrogal Brasil, S. A. which allowed the Galp Energia repay loans in the amount of $358,873,000.00 (three hundred fifty-eight million, eight hundred and seventy-three thousand U.S. dollars).

As a result of this transaction Galp Energia received $5,156,401,044.74 (five thousand one hundred fifty-six million, four hundred and one thousand and forty-four U.S. dollars and seventy four cents) and kept operational and financial control of the companies, which now owns 70% of capital and voting rights, continuing as in IAS 27, to consolidate their assets using the full consolidation method.

In the year ended 31 December 2012, the operation of a capital increase in subsidiaries Petrogal Brasil, S. A. and Galp Sinopec Brazil Services, B. V. had the following impact on the consolidated financial statements of Galp Energia Group:

Statement of financial position:

		28 Mar. 2012		Movements from 28 Mar. 2012 up to 31 Dec. 2012		31 Dec. 2012	
Captions		**€k**	**US$**	**€k**	**US$**	**€k**	**US$**
Receipts for the capital increase		3,597,157	4,797,528,044.74	-	-	3,597,157	4,797,528,044.74
Receipts relating to loans obtained – other shareholders		269,081	358,873,000.00	-	-	269,081	358,873,000.00
Total assets		**3,866,238**	**5,156,401,044.74**	**-**	**-**	**3,866,238**	5,156,401,044.74
Equity:							
Other reserves		2,493,088		-		2,493,088	
Conversion reserves		9,466		-		9,466	
		2,502,554		-		2,502,554	
Non-controlling interests (Note 21):							
Capital and reserves		1,101,691		-		1,101,691	
Supplementary capital contribution	a)	127,890		-		127,890	
Retained earnings		2,378		473		2,851	
Conversion reserves		(9,256)		(19,202)		(28,458)	
		1,222,703		(18,729)		1,203,974	
Other receivables – loans granted (Note 24):							
Loans granted		269,081		-		269,081	
Exchange assessment – loans granted		(210)		2,381		2,171	
Reclassified for supplementary capital contribution	a)	(127,890)		(1,133)		(129,023)	
		140,981		1,248		142,229	
Total equity and liabilities		**3,866,238**		**(17,481)**		**3,848,757**	

a) Loans that in substance assume characteristics of equity, being equally an integral part of the net investment in that business unit.

21. NON-CONTROLLING INTERESTS

The equity caption “Non-controlling interests” as of 31 December 2012 and of 2011 refers to the following subsidiaries:

		Balance at December 2011	Capital and reserves	Changes in perimetre (Note 3)	Dividends granted (a)	Prior year results	Exchange conversion reserves	Hedging reserves	Retained earnings – actuarial gains and losses	Net result for the year	Balance at December 2012
Galp Sinopec Brazil Services, B. V.	(a)	(a)	987,140	-	-	(430)	10,940	-	-	12,616	1,010,266
Petrogal Brasil, S. A.	(b)	4	242,441	-	-	3,281	(39,398)	-	-	27,669	233,997
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	(g)	-	-	19,275	-	-	-	-	(4)	1,090	20,361
Empresa Nacional de Combustíveis – Enacol, SARL		17,844	-		(2,214)	47	-	-	-	2,916	18,593
Beiragás – Companhia de Gás das Beiras, S. A.		10,374	-	-	-	-	-	-	-	1,722	12,096
Lusitaniagás – Companhia de Gás do Centro, S. A.	(f)	19,834	(16,144)	-	(2,692)	-	-	-	-	1,796	2,794
Sopor – Sociedade Distribuidora de Combustíveis, S. A.		2,999	-	-	-	-	-	-	-	(871)	2,128
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		1,363	-	-	(228)	(57)	-	-	-	494	1,572
Saaga – Sociedade Açoreana de Armazenagem de Gás, S. A.		1,460	-	-	(205)	-	-	-	(19)	267	1,503
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S. A.		919	-	-	-	-	-	-	-	413	1,332
Setgás Comercialização, S. A.		1,168	-		-	-	-	-	-	(120)	1,048
CLCM – Companhia Logística de Combustíveis da Madeira, S. A.		1,011	-	-	(625)	-	-	-	-	621	1,007
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		982	-	-	(99)	-	-	-	-	15	898
Powercer – Sociedade de Cogeração da Vialonga, S. A.		245	-	-	(150)	-	-	6	-	318	419
Moçamgalp Agroenergias de Moçambique, S. A.	(d)	(263)	868	-	-	-	137	-	-	(444)	298
Galpbúzi – Agro-Energia, S. A.	(c)	(94)	213	-	-	-	39	-	-	(74)	84
Enerfuel, S. A.		-	-	73	-	-	-	-	-	(49)	24
Combustiveis Líquidos, Lda.		2	(3)	-	-	1	-	-	-	-	-
Gite – Galp International Trading Establishment	(e)	38	(38)	-	-	-	-	-	-	-	-
Petrogás Guiné-Bissau – Importação, Armazenagem e Distribuição de Gás, Lda.	(h)	(241)	-	-	-	-	-	-	-	2	(239)
Probigalp – Ligantes Betuminosos, S. A.	(h)	(1,673)	-	-	-	(297)	-	-	-	(1,411)	(3,381)
		55,972	**1,214,477**	**19,348**	**(6,213)**	**2,545**	**(28,282)**	**6**	**(23)**	**46,970**	**1,304,800**

(a) The change in subsidiary Galp Sinopec Brazil Services, B. V. is due to the fact that there was a decrease of 30% of the shareholding in this subsidiary (Notes 3 and 20);
The amount of €987,140 k corresponds to non-controlling interests of capital and share premium of shares;
The amount of €430 k corresponds to non-controlling interests of retained earnings as of the date of the decrease in participation;
The amount of €10,940 k corresponds to non-controlling interests of currency translation reserves resulting from translation of financial statements in foreign currency (USD) for euros;
(b) The change in the subsidiary Petrogal Brasil, S. A. is due to the fact that there was a decrease of 30% of the shareholding in this subsidiary (Notes 3 and 20).
The amount of €242,441 k corresponds to non-controlling interests: (i) €114,551 k of share capital and share premium issue; and (ii) €127,890 k of supplementary payments;
The amount of €3,281 k corresponds to non-controlling interests of retained earnings as of the date of the decrease in participation;
The amount of €39,398 k corresponds to non-controlling interests of currency translation reserves resulting from translation of financial statements in foreign currency (Real) for euros;
(c) During the year ended 31 December 2012, the subsidiary Galp Exploração e Produção Petrolífera, S. A. and other shareholders of Galpbúzi – Agro-Energy, S. A. made supplementary capital contributions in the amount of €2,344 k and €213 k respectively;
(d) During the year ended 31 December 2012, the subsidiary Galp Exploração e Produção Petrolífera, S. A. and other shareholders of Moçamgalp Agroenergias Moçambique, S. A. made supplementary capital contributions amounting to €868 k and €868 k respectively;
(e) In the year ended 31 December 2012 the subsidiary Gite – Galp International Trading Establishment was liquidated (Note 3);
(f) The subsidiary Lusitaniagás – Companhia de Gas do Centro, S. A., which was previously 85.7139% owned, became 96.4671% owned by the Group. Due to the increase of 10.7532%, it was recorded in non-controlling interests, the negative amount of €16,144 k regarding the variation in the percentage held by the Group (Note 3);
(g) The subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S. A., previously 45.00% owned, was recorded by the equity method. Following the acquisition of 21.8708%, the Group now holds its control thus becoming consolidated using the full consolidation method (66.8791%). The amount of €19,275 k corresponds to non-controlling interests at the date of acquisition;
(h) As of 31 December 2012, the subsidiaries have negative equity. Thus, the Group only recognised accumulated losses in proportion to the capital in that subsidiary, which is why the minority interests have a debit balance;
(i) From the amount of €6,213 k of dividends paid, was liquidated in the year ended 31 December 2012, the amount €4,342 k (Note 30).

22. LOANS

Details of Loans

Loans obtained as of 31 December 2012 and of 2011 were made up as follows:

	December 2012		December 2011	
	Current	Non-current	Current	Non-current
Bank loans:				
Domestic loans	283,260	688,543	933,215	719,601
Foreign loans	39,602	730,113	24,725	649,799
Bank overdrafts (Note 18)	154,563	-	272,989	-
Discounted notes	6,535	-	17,560	-
	483,960	**1,418,656**	**1,248,489**	**1,369,400**
Origination fees	(595)	(966)	-	(544)
	483,365	**1,417,690**	**1,248,489**	**1,368,856**
Other loans obtained:				
IAPMEI	2	210	2	213
CESCE	65,883	461,178	-	-
	65,885	**461,388**	**2**	**213**
Origination fees	(9,912)	(20,651)	-	-
	55,973	**440,737**	**2**	**213**
	539,338	**1,858,427**	**1,248,491**	**1,369,069**
Bonds:				
Galp Energia, SGPS, S. A., 2009 issue	420,000	-	280,000	420,000
Galp Energia, SGPS, S. A., 2010 issue	150,000	150,000	-	300,000
Galp Energia, SGPS, S. A., 2011 issue	-	185,000	-	185,000
Galp Energia, SGPS, S. A., 2012 issue	-	290,000	-	-
	570,000	**625,000**	**280,000**	**905,000**
Origination fees	(3,744)	(6,098)	-	-
	566,256	**618,902**	**280,000**	**905,000**
	1,105,594	**2,477,329**	**1,528,491**	**2,274,069**

The non-current loans, excluding origination fees, as of 31 December 2012 had the following repayment plan:

2014	1,043,615
2015	235,463
2016	318,401
2017	297,521
2018	245,967
2019	135,291
2020 and subsequent years	228,786
	2,505,044

Domestic and foreign loans as of 31 December 2012 and of 2011 are expressed in the following currencies:

		December 2012		December 2011	
Currency		**Total amount**	**Amount due (€k)**	**Total amount**	**Amount due (€k)**
U. S. dollars	USD	132,320	98,691	2,320	227
Cape Verde francs	CVE	241,321	2,189	218,384	1,981
Euros	EUR	1,827,551	1,640,588	2,412,632	2,324,860
Lilangeni Suazi	SZL	472	34	641	45
Meticais	MZM	7,839	16	7,839	227
			1,741,518		**2,327,340**

The average interest rates on loans and bank overdrafts, including commissions and other financial costs in 2012 and 2011 were of 4.46% and 3.35%, respectively.

The average fixed interest rate on loans in 2012 and 2011 were 4.85% and 4.71%, respectively and the average variable interest rates on loans in 2012 and 2011 were 4.07% and 3. 85%, respectively. Fixed interest rate loans represent about 34% and 33% of the total amount of obtained loans in 2012 and 2011, respectively.

Under the contracts with lenders and according to current laws and regulations for competition and practices observed in the market, neither Galp Energia nor its counterparts are authorised to disclose other information regarding the characteristics and contents of financing transactions to which such contracts relate, without prejudice to the freedom conferred to the parties to identify the counterparty and the loans obtained from each entity.

Description of the main loans

Bank Loans

As of 31 December 2012 the Group subscribed for underwritten commercial paper programmes of up to €950,000 k, of which €900,000 k as non-current and €50,000 k as current. Of these amounts the Group used €250,000 k are medium to long-term loans.

Loans bear interest at Euribor, for the period of the issuance, added by variable spreads defined in the contractual conditions of the commercial paper programmes subscribed by the Company. The interest rates are applied to the amount of each issuance and remain unchanged during the entire period of the issue.

During 2012, the Group has contracted three new loans, of medium and long-term, in the amount of €98,486 k ($130 m), €65,000 k and €35,000 k. The first loan was contracted with Banco BTG Pactual, S. A. – Cayman Branch, will be reimbursed at 50% after three years and the remaining 50% will be repaid at maturity of the loan, after four years and is paid on interest rate six-month LIBOR plus a spread. The remaining two loans were contracted with the Banco do Brasil AG – Portugal branch, which have a maturity of three years and the repayment in a single installment at maturity and bear interest at an interest rate Euribor plus spread.

Additionally, the Group recorded the amount of €688,543 k in internal non-current loans obtained by: Galp Energia, SGPS, S. A., Petrogal, Sucursal en España, CLCM – Companhia Logística de Combustíveis da Madeira, S. A. and Beiragás – Companhia de Gás das Beiras, S. A.

The Group obtained a non-current loan of €58,000 k from the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and administration of a cogeneration unit at the Sines refinery. The loan was received in two installments of €39,000 k and €19,000 k, respectively, and it bears interest at a six-month Euribor rate added by a variable spread adjusted periodically. The loan is repayable in semester installments, with the last maturities on 15 September 2021 and 15 March 2022, respectively. During 2012 the Company made repayments in the amounts of €2,656 k and €1,260 k concerning the first and second installments, respectively.

In 2008 the Group contracted an additional non-current loan of €50,000 k with the European Investment Bank for the exclusive purpose of implementing a project relating to the construction and administration of a co-generating plant in the Porto refinery. The loan bears interest at a revisable fixed rate adjusted periodically with the maturity of nine years.

The Group contracted a non-current loan of €500,000 k with the European Investment Bank, with the purpose of financing the conversion of the Sines and Porto refineries. The loan was received in two installments of €300,000 k and €200,000 k, with the repayment plan beginning on 15 August 2012 and ending on 15 February 2025. During 2012, it was repaid €6,000 k on the first installment and €4,000 k for the second installment of this loan.

The loan contracted with the European Investment Bank, with the purpose of financing the conversion of the Sines and Porto refineries and the installment of €300,000 k are under a signed contract with Petrogal, S. A.

The remaining loan is under a signed contract with the European Bank of Investment, for an amount of €277,382 k, granted by the Bank Syndicate.

Petrogal issued comfort letters for third parties in favor of the Group companies and associates, relating to current credit lines, in the amount of €526,738 k.

Bonds

2009 Issue – Galp Energia, SGPS, S. A.
On 13 May 2009, the Company issued bonds totaling €700,000 k, for private subscription, to finance its investment plan. The bonds bear interest at a six-month Euribor rate added by a variable spread and has a reimbursement of 40% on 20 May 2012 and 60% on 20 May 2013.

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

The issuance was taken by a group of 14 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 and Caixa d'Estalvis y Pensiones de Barcelona (la Caixa) acting as Joint Lead Managers. As Co-lead Managers: Caixa Económica Montepio Geral, Banco Millennium BCP Investimento, S. A., BB Securities, Ltd. (Banco do Brasil), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Banco Itaú Europa, S. A. – Sucursal Financeira Internacional, Merril Lynch International and Société Générale.

2010 Issue – Galp Energia, SGPS, S. A.
On 12 November 2010, the Company issued bonds totaling €300,000 k, for private subscription, to finance its investment plan. The bonds bear interest at six-month Euribor rate added of a variable spread and are reimbursed in 50% on 12 November 2013 and 50% on 12 November 2014.

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

2011 Issue – Galp Energia, SGPS, S. A.
On 3 August 2011, Galp Energia SGPS, S. A. issued bonds totaling €185.000 k, for private subscription, to finance its investment plan. The bonds bear variable interest with maturity of three years, with interests based on variable rate, having fixed the interest rate for the first coupon in 5,32%.

The issuance was taken by a group of three international banks in the quality of Joint Lead Managers: Banco Bilbao Vizcaya Argentaria, S. A., J. P. Morgan Securities, Ltd. and Banco Itaú BBA International, S. A. – London Branch.

2012 issue – Galp Energia, SGPS, S. A.
In 2012, Galp Energia, SGPS, S. A. issued the following bonds:

a) On 7 December 2012, the Company issued bonds totaling €80,000 k, for private subscription, to finance its investment plan. The bonds bear interest at a six-month Euribor rate added by a variable spread with reimbursement on 7 December 2017;

   The issuance was organised and subscribed by Caixa Económica Montepio Geral;

b) On 18 December 2012, the Company issued bonds totaling €110,000 k, for private subscription, to finance its investment plan. The bonds bear interest at a six-month Euribor rate added by a variable spread with reimbursement on 18 February 2018;

   The issuance was organised and subscribed by Deutsche Bank AG, London Branch.

c) On 27 December 2012, the Company issued bonds totaling €100,000 k, for private subscription, to finance its investment plan. The bonds bear interest at a six-month Euribor rate added by a variable spread with reimbursement on 27 December 2016;

   The issuance was organised by Caixa – Banco de Investimento, S. A. and subscribed by CGD.

Other loans obtained
The Group has contracted a loan in the amount of €560,001 k for a period of eight and a half years, under a European Export Credit Facility with credit insurance issued by Compañía Española de Seguros de Créditos a la Exportación, S. A., Cía de Seguros y Reaseguros (CESCE). This operation is intended to finance the upgrade project of the Sines refinery, which is nearing compeltion. The loan bears interest at six-months Euribor plus a spread. This funding, has the participation of nine international banks, with Banco Santander, S. A. acting as financial advisor and mandated lead arranger, Banco Bilbao Vizcaya Argentaria, S. A. and Société Générale as lead arrangers and CaixaBank, Banco Popular, Bankia, Banesto, Bankinter and KfW IPEX-Bank acting as lenders. During 2012, the Company reimbursed the amount of €32,941 k.

23. RETIREMENT AND OTHER EMPLOYEE BENEFITS

As explained in Notes 2.10 and 2.11 some of the Group companies assumed liabilities relating to retirement benefits. In 2012, the Group companies contributed with €21,109 k to their pension funds to partially cover their liabilities.

As of 31 December 2012 and 2011 the Petrogal Retirement Fund, Sacor Marítima Pension Fund and GDP Retirement Fund assets measured at fair value, were as follows in accordance with the report of the fund management entity:

	2012	2011
Bonds	227,981	180,259
Shares	66,660	49,947
Other investments	10,398	36,572
Real estate	36,532	36,659
Liquidity	10,576	14,955
	352,147	**318,392**

As of 31 December 2012, the Group had recorded the following amounts relating to retirement and other benefit liabilities:

Captions	Liabilities	Equity
Retirement benefits:		
Relating to the retirement fund	(24,734)	68,706
Retired personnel	(4,994)	1,329
Pre-retirement	(29,537)	2,264
Early retirement	(55,901)	(4,712)
Retirement bonus	(7,325)	295
Voluntary social insurance	(1,881)	2,555
Other	(655)	(94)
Other benefits:		
Healthcare	(192,781)	38,720
Life insurance	(3,619)	622
Defined contribution plan minimum benefit	(5,866)	403
	(327,293)	**110,088**

The caption “Retirement benefits” relating to the retirement fund includes the amount of €271 k in order to cover the early retirements already agreed which will only be effective in 2013.

The caption “Retired” with the amount of €4,994 k includes €142 k in order to cover retirement plan already agreed which will only be effective in 2013.

The caption “Pre-retirement” amounting to €29,537 k includes €2,537 k from Lisboagás to cover the early retirements already agreed which will only be effective in 2013.

Additionally, the Group has the amount of €194 k regarding agreed early retirement that will only be effective in 2013.

The employee cost caption “Retirement benefits” amounting to €18,992 k (Note 6) mainly includes: (i) €9,324 k relating to benefits affected to the fund; (ii) €17,541 k relating to other retirement benefits; (iii) a gain of €10,081 k from other benefits; (iv) €2,415 k relating to the defined contribution plan; and (v) a gain of €234 k relating to reversion of pre-retirement and early retirements not included in other benefits.

The difference of €11,585 k, in the detail of the equity presented above and the caption “Related earnings – actuarial gains and losses” in the consolidated statement of financial position relates to the amount of deferred tax.

For the calculation of post-employment benefits was made an analysis of adherence of the Galp Group’s population mortality tables and was considered the Complete Mortality Tables for Portugal for the period 2009-2011, published by the INE in late May 2012, is the most appropriate to be used in the actuarial valuations because:

- considers a period of more recent analysis than the tables commonly used in Portugal;
- refers to the Portuguese population (typically the tables used are French);
- it is a table published by a credible institution.

The table of INE reflects the actual mortality in Portuguese in the period from 2009 to 2011 and the analysis of mortality of the population of the Galp Energia Group in the last seven years concluded that this was in line with the table of INE.

The assumptions used to calculate the retirement benefits are those considered by the Group and the entity specialised in the actuarial studies as those that best meet the obligations established in the pension plan, and were as follows:

	Group in Portugal	
	2012	2011
Assumptions		
Asset remuneration rate	4.50%	5.25%
Technical interest rate	4.50%	5.25%
Salary increase rate	In the first 5 years: 2%; After: 3%	3.00%
Pensions increase Rate	[0% – 2%]	[0% – 2%]
Current personnel and pre-retirees mortality table	INE 2009-2011	TV 88/90
Retired personnel mortality table	INE 2009-2011	TV 88/90
Disability table	50% EVK 80	50% EVK 80
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	370,480	361,105
Current service cost	2,862	2,469
Interest cost	18,752	18,352
Actuarial (gain) / loss	5,803	9,226
Benefit payments made by the fund	(26,245)	(26,087)
Cut back – early retirements	5,284	3,771
Cut back – pre-retirement	(42)	17
Other adjustments	(323)	1,627
PSL at the end of the current period	**376,571**	**370,480**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous period	318,392	336,089
Expected return	17,537	16,933
Associate's contribution	21,006	9,108
Benefit payments	(26,245)	(26,035)
Other adjustments	-	(774)
Financial gains / (losses)	21,457	(16,929)
Assets at the end of the current period	**352,147**	**318,392**
Conciliation of gains and losses		
(Gain) / loss from actuarial experience	8,773	-
(Gain) / loss by actuarial assumptions change	(2,971)	-
Financial (gain) / loss	(21,457)	-
Other impacts	15,655	-
(Gains) / losses to be recognised in the year-end	**-**	**-**
Conciliation to the statement of financial position		
(Gains) / losses to be recognised at the beginning of the year	(52,088)	(25,016)
Net cost of the period	(9,320)	(7,676)
Associate's contribution	21,006	9,108
Benefits paid directly by the Company	-	52
Gains / (losses) recognised – through comprehensive income	15,655	(26,155)
Other impacts	323	(2,401)
Total recognised at period end – assets / (liabilities)	**(24,424)**	**(52,088)**
Net cost of the year		
Current service cost	2,862	2,469
Interest cost	18,752	18,352
Expected income	(17,536)	(16,933)
Net cost of the period before special events	**4,078**	**3,888**
Cut back impact – early retirement	5,284	3,771
Cut back impact – pre-retirement	(42)	17
Net cost of the year	**9,320**	**7,676**
Reconciliation of gains and loss recognised – through comprehensive income		
(Gains) / losses to be recognised at the beginning of period	81,826	55,671
Actuarial (gains) and losses from experience	(15,655)	26,155
Other impacts	(20)	-
(Gains) / losses to be recognised at the end of period	**66,151**	**81,826**

	Group in Spain	
	2012	**2011**
Assumptions		
Asset remuneration rate	4.50%	5.25%
Technical interest rate	4.50%	5.25%
Salary increase rate	3.00%	3.00%
Pensions increase rate	2.00%	2.00%
Current personnel and pre-retirees mortality table	PERMF 2000P	PERMF 2000P
Retired personnel mortality table	PERMF 2000P	PERMF 2000P
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	7,784	8,033
Current service cost	9	8
Interest cost	392	405
Actuarial (gain) / loss	580	(8)
Benefits paid by the fund	(636)	(654)
Liquidations	(7,673)	-
Other adjustments	(4)	-
PSL at the end of the current period	**452**	**7,784**
Changes in the coverage of financial assets (retirement fund)		
Asset value at the end of the previous period	7,815	7,837
Expected return	393	394
Associate's contribution	103	1,072
Benefit payments	(636)	(654)
Liquidations	(7,673)	-
Financial gains / (losses)	411	(834)
Asset value at the end of current period	**413**	**7,815**
Asset ceiling		
Total recognised at the beginning of the period – assets / (liabilities)	(963)	(1,016)
Adjustment to net assets of the plan	963	53
Total recognised at period end – assets / (liabilities)	**-**	**(963)**
Conciliation to the statement of financial position		
Total recognised at the beginning of the period – assets / (liabilities)	(932)	(1,212)
Net cost of the period	(3)	34
Associate's contribution	103	1,072
Gains / (loss) recognised – through comprehensive Income	-	(826)
Gains / (loss) recognised – without use of the corridor	793	-
Total recognised at period end – assets / (liabilities)	**(39)**	**(932)**
Net cost of the year		
Current service cost	9	8
Interest cost	392	405
Expected return	(393)	(394)
Net cost of the period before special events	**8**	**19**
Other adjustments	(4)	-
Change in effect of asset ceiling	-	(53)
Net cost for the year	**4**	**(34)**
Conciliation of gains and loss recognised – through comprehensive income		
(Gains) / losses to be recognised at the beginning of period	3,401	2,575
Actuarial (gains) and Losses from experience	-	-
Other impacts	(846)	826
(Gains) / losses to be recognised at the end of period	**2,555**	**3,401**

Other retirement benefits that do not affect the fund:

	Group in 2012						
	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Other	Total
Assumptions							
Asset remuneration rate	N/A	N/A	N/A	N/A	N/A	N/A	
Technical interest rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	
Salary increase rate	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	
Pension increase rate	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)							
PSL at the end of the previous period	4,716	31,732	54,828	8,903	2,177	808	103,164
Current service cost	-	6	648	271	-	39	964
Interest cost	230	1,428	2,729	453	107	31	4,978
Actuarial (gain) / loss for the year	425	227	(4,495)	(1,726)	(163)	(16)	(5,748)
Benefits paid by the Company	(704)	(9,733)	(6,518)	(367)	(275)	(51)	(17,648)
Transfer of responsibility between companies	-	(191)	191	-	-	-	-
Cut back – early retirement	-	-	8,697	(216)	35	-	8,516
Cut back – pre-retirement	185	3,199	(373)	7	-	64	3,082
Other adjustments	-	332	-	-	-	(220)	112
PSL at the end of the current period	**4,852**	**27,000**	**55,707**	**7,325**	**1,881**	**655**	**97,420**
Conciliation to the Statement of financial position							
Total recognised at the beginning of the period – assets / (liabilities)	(4,716)	(31,732)	(54,828)	(8,903)	(2,177)	(808)	(103,164)
Net cost of the period	(415)	(4,633)	(11,701)	(515)	(142)	(134)	(17,540)
Benefits paid directly by the Company	704	9,733	6,518	367	275	51	17,648
Gains / (loss) recognised – through comprehensive income	(425)	(227)	4,495	1,726	163	16	5,748
Transfer of responsibility between companies	-	191	(191)	-	-	-	-
Other adjustments effect	-	(332)	-	-	-	220	(112)
Total recognised at period end – assets / (liabilities)	**(4,852)**	**(27,000)**	**(55,707)**	**(7,325)**	**(1,881)**	**(655)**	**(97,420)**
Net cost of the period							
Current service cost	-	6	648	271	-	39	964
Interest cost	230	1,428	2,729	453	107	31	4,978
Net cost of the period before special events	**230**	**1,434**	**3,377**	**724**	**107**	**70**	**5,942**
Cut back effect – early retirement	-	-	8,697	(216)	35	-	8,516
Cut back effect – pre-retirement	186	3,199	(373)	7	-	64	3,083
Net cost of the period	**416**	**4,633**	**11,701**	**515**	**142**	**134**	**17,541**
Conciliation of gains and loss recognised – through comprehensive income							
(Gains) / losses to be recognised at the beginning of period	954	2,275	(217)	2,021	2,718	(329)	7,422
Actuarial (gains) and losses from experience	425	227	(4,495)	(1,726)	(163)	(16)	(5,748)
Other impacts	(50)	(238)	-	-	-	251	(37)
(Gains) / losses to be recognised at the end of period	**1,329**	**2,264**	**(4,712)**	**295**	**2,555**	**(94)**	**1,637**
Non-controlling interests	-	3	-	-	-	-	3
(Gains) / losses to be recognised at the end of period	**1,329**	**2,261**	**(4,712)**	**295**	**2,555**	**(94)**	**1,634**

	Group in 2011						
	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Other	Total
Assumptions							
Asset remuneration rate	N/A	N/A	N/A	N/A	N/A	N/A	
Technical interest rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
Salary increase rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Pension increase rate	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)							
PSL at the end of the previous period	5,046	40,814	49,709	7,338	1,379	736	105,022
Current service cost	-	-	560	224	-	56	840
Interest cost	244	1,735	2,470	375	67	39	4,930
Actuarial (gain) / loss for the year	85	327	(1,431)	1,566	920	(23)	1,444
Benefits paid by the Company	(659)	(10,590)	(5,624)	(406)	(245)	-	(17,524)
Cut back – early retirement	-	-	9,518	(209)	56	-	9,365
Cut back – pre-retirement	-	2,061	(374)	15	-	-	1,702
Other adjustments	-	(2,615)	-	-	-	-	(2,615)
PSL at the end of the current period	**4,716**	**31,732**	**54,828**	**8,903**	**2,177**	**808**	**103,164**
Conciliation to the statement of financial position							
Total recognised at the beginning of the period – assets / (liabilities)	(5,046)	(40,814)	(49,709)	(7,338)	(1,379)	(736)	(105,022)
Net cost of the period	(244)	(3,796)	(12,174)	(405)	(123)	(95)	(16,837)
Benefits paid directly by the Company	659	10,590	5,624	406	245	-	17,524
Gains / (loss) recognised – through comprehensive income	(85)	(327)	1,431	(1,566)	(920)	23	(1,444)
Other adjustments effect	-	2,615	-	-	-	-	2,615
Total recognised at period end – assets / (liabilities)	**(4,716)**	**(31,732)**	**(54,828)**	**(8,903)**	**(2,177)**	**(808)**	**(103,164)**
Net cost of the period							
Current service cost	-	-	560	224	-	56	840
Interest cost	244	1,735	2,470	375	67	39	4,930
Net cost of the period before special events	**244**	**1,735**	**3,030**	**599**	**67**	**95**	**5,770**
Cut back effect – early Retirement	-	-	9,518	(209)	56	-	9,365
Cut back effect – pre-retirement	-	2,061	(374)	15	-	-	1,702
Net cost of the period	**244**	**3,796**	**12,174**	**405**	**123**	**95**	**16,837**
Conciliation of gains and loss recognised – through comprehensive income							
(Gains) / losses to be recognised at the beginning of period	869	1,948	1,214	455	1,798	(306)	5,978
Actuarial (gains) and losses from experience	85	327	(1,431)	1,566	920	(23)	1,444
(Gains) / losses to be recognised at the end of period	**954**	**2,275**	**(217)**	**2,021**	**2,718**	**(329)**	**7,422**

As explained in Note 2.10, on 31 December 2002 the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution retirement fund, giving the employees the possibility of choosing between the new defined contribution pension plan and the existing defined benefits plan. In 2012, €2,415 k were recorded in the caption "Employee costs", relating to contributions for the year of the companies associated with the Galp Energia defined contribution Retirement Fund, in benefit of their employees, by transferring the amount to the fund manager.

Other retirement benefits – healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor):
As explained in Note 2.11, as at 31 December 2012 the Group had a provision to cover its liability for healthcare, past service life insurance of current personnel and the full amount of the liability for the remaining population and minimum benefit defined contribution plan. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

	Group in 2012			
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	4.50%	4.50%	4.50%	
Salary increase rate	4.00%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	198,650	3,373	4,292	206,315
Current service cost	3,042	122	896	4,060
Interest cost	10,135	174	225	10,534
Actuarial (gain) / loss	17,279	115	497	17,891
Benefits paid by the Company	(11,651)	(207)	(44)	(11,902)
Other adjustments	(24,674)	42	-	(24,632)
PSL at the end of the current period	**192,781**	**3,619**	**5,866**	**202,266**
Conciliation to the statement of financial position				
Total recognised at the beginning of the period – assets / (liabilities)	(198,650)	(3,373)	(4,292)	(206,315)
Net cost of the period	11,497	(296)	(1,120)	10,081
Benefits paid directly by the Company	11,651	207	43	11,901
Gains / (loss) recognised – through comprehensive income	(17,279)	(115)	(497)	(17,891)
Other adjustments effect	-	(42)	-	(42)
Total recognised at period end – assets / (liabilities)	**(192,781)**	**(3,619)**	**(5,866)**	**(202,266)**
Net cost of the period				
Current service cost	3,042	122	896	4,060
Interest cost	10,135	174	224	10,533
Other adjustments	(24,674)	-	-	(24,674)
Net cost of the period	**(11,497)**	**296**	**1,120**	**(10,081)**
Conciliation of gains and loss recognised – through comprehensive income				
(Gains) / losses to be recognised at the beginning of period	21,394	504	(94)	21,804
Actuarial (gains) and losses from experience	17,279	115	497	17,891
Other impacts	47	3	-	50
(Gains) / losses to be recognised at the end of period	**38,720**	**622**	**403**	**39,745**
Non-controlling interests (Note 21)	(1)	3	26	28
(Gains) / losses to be recognised at the end of period	**38,721**	**619**	**377**	**39,717**

The net cost for the year amounting to €10,081 k was recorded in the consolidated income statement caption "Employee costs".

The balance of other adjustments, totaling €24,674 k, regards the adjustment resulting from the renegotiation of the health plan, which resulted in a reduction of benefits.

	Group in 2011			
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	5.25%	5.25%	5.25%	
Salary increase rate	4.00%	3.00%	3.00%	
Current personnel and pre-retirees mortality table	TV 88/90	TV 88/90	TV 88/90	
Retired personnel mortality table	TV 88/90	TV 88/90	TV 88/90	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	196,761	3,352	3,268	203,381
Current service cost	2,679	117	537	3,333
Interest cost	9,926	171	171	10,268
Actuarial (gain) / loss	2,980	(64)	339	3,255
Benefits paid by the Company	(11,386)	(203)	(23)	(11,612)
Other adjustments	(2,310)	-	-	(2,310)
PSL at the end of the current period	**198,650**	**3,373**	**4,292**	**206,315**
Conciliation to the statement of financial position				
Total recognised at the beginning of the period – assets / (liabilities)	(196,761)	(3,352)	(3,268)	(203,381)
Net cost of the period	(12,605)	(288)	(708)	(13,601)
Benefits paid directly by the Company	11,386	203	23	11,612
Gains / (loss) recognised – through comprehensive income	(2,980)	64	(339)	(3,255)
Other adjustments effect	2,310	-	-	2,310
Total recognised at period end – assets / (liabilities)	**(198,650)**	**(3,373)**	**(4,292)**	**(206,315)**
Net cost of the period				
Current service cost	2,679	117	537	3,333
Interest cost	9,926	171	171	10,268
Net cost of the period before special events	**12,605**	**288**	**708**	**13,601**
Conciliation of gains and loss recognised – through comprehensive income				
(Gains) / losses to be recognised at the beginning of period	18,414	568	(433)	18,549
Actuarial (gains) and losses from experience	2,980	(64)	339	3,255
(Gains) / losses to be recognised at the end of period	**21,394**	**504**	**(94)**	**21,804**
Non-controlling interests (Note 21)	(1)	(3)	6	2
(Gains) / losses to be recognised at the end of period	**21,395**	**507**	**(100)**	**21,802**

Sensitivity analysis

A sensitivity analysis was prepared by the Group in order to measure the impact on liabilities caused by the change in the discount rate. For this purpose an increase of 75 b.p in the discount rate was considered.

Liabilities	Discount rate 4.50%	Discount rate 5.25%	Change
Retirement benefits:			
Relating to the retirement fund	377,023	350,017	-7.16%
Not relating to the retirement fund	97,421	94,135	-3.37%
	474,444	**444,152**	
Other benefits:			
Healthcare	192,781	176,124	-8.64%
Life insurance	3,619	3,377	-6.66%
Defined contribution plan minimum benefit	5,866	5,545	-5.50%
	202,266	185,046	
	676,710	**629,198**	

Rate of medical cost trend

The long term medical cost growth rate considered by the Group, based on historical growth of premiums and claims rates, is 4%. The sensitivity analysis made to Petrogal, that represents 89% of Group, reflects that an increase of 1% in growth of premiums rate causes an increase in liability of 14% (€24.187 k), and a decrease of 1% in growth of premiums rate causes a decrease of 11% in liabilities (€19.803 k).

Health insurance sensitivity analysis

Captions	3.00%	4.00%	5.00%
Current service cost	2,070	2,693	3,550
Interest cost	8,213	9,284	10,597
	10,283	**11,977**	14,147
Impact on current service cost and interest cost	(1,695)	-	2,169
Past service liabilities	156,577	176,380	200,567
Impact on past service liabilities	(19,803)	-	24,187

Historical analysis of gains and losses

The historical analysis of gains and losses was performed for Petrogal, as they represent 91% of the Galp Energia Group:

discount rate	4.50%	5.25%	5.25%	5.25%	6.10%	5.45%
	2012	2011	2010	2009	2008	2007
Liabilities amount (a)	342,720	336,401	329,908	339,565	311,357	328,220
Value of the Fund (b)	320,518	288,047	304,235	308,472	302,572	333,403
Actuarial Gains (+) and Losses (-)	(6,483)	(8,694)	8,833	(32,210)	12,871	24,205
Gains (+) and Losses (-) for changes in assumptions	4,055	-	-	(27,009)	20,337	30,430
Actuarial Gains (+) and Losses (-) from experience (c)	(10,538)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial Gains (+) and Losses (-) (d)	20,213	(15,219)	1,706	11,013	(26,840)	(7,363)
(c) / (a)	-3%	-3%	3%	-2%	-2%	-2%
(d) / (b)	6%	-5%	1%	4%	-9%	-2%
Real return on plan assets (%)	12.5%	0.3%	4.8%	8.9%	-2.9%	3.1%
Real return on plan assets	36,200	125	15,857	25,535	(9,796)	9,694

24. OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2012 and of 2011 is as follows:

	December 2012		December 2011	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
Value added tax payables	223,905	-	243,429	-
Tax on oil products	122,661	-	121,957	-
Personnel and corporate income tax withheld	7,563	-	5,550	-
Social Security contributions	6,128	-	6,090	-
Other taxes	21,843	-	15,447	-
Advances on sales (Note 16)	194,341	-	207,578	-
Suppliers – fixed assets	128,592	99,790	99,500	102,496
Overlifting	17,332	-	55,664	-
Personnel	12,029	-	7,304	-
Trade receivables credit balances	2,928	-	34,078	-
Guarantee deposits and guarantees received	2,579	-	2,520	-
Other payables – Other shareholders	2,242	-	271	-
ISP – debit of counterparts	1,400	-	1,348	-
Trade receivables advances	1,208	-	4	-
Payable from the block 14 consortium in Angola (insufficiency of profit-oil payable)	1,106	-	12,462	-
Other payables – associated, participated and related companies (Note 28)	668		1,263	-
Loans – associated, participated and related companies (Note 28)	-	142,229	365	2,902
Loans – other shareholders	-	11,577	-	4,760
Other creditors	27,724	2,952	24,466	2,868
	774,249	**256,548**	839,296	113,026
Accrued costs:				
External supplies and services	68,835	-	68,878	-
Vacation pay, vacation subsidy and corresponding personnel costs	31,501	-	28,536	-
Accrued interest	26,982	-	24,334	-
Adjustment to tariff deviation – other activities – ERSE regulation	16,965	-	16,345	-
Adjustment to tariff deviation – regulated revenue – ERSE regulation (Note 14)	13,855	-	987	-
Productivity bonus	13,667	-	69	-
Fast Galp prizes	8,360	-	5,413	-
Discounts, bonuses and volume discounts on sales	5,258	-	7,030	-
Accrued insurance premiums	4,691	-	2,502	-
Adjustment to tariff deviation – energy tariff – ERSE regulation (Note 14)	3,661	-	-	-
Financial costs	1,202	-	937	-
Financial neutrality – ERSE regulation	320	-	-	-
Accrued personnel costs – other	127	-	136	-
Other accrued costs	8,740	-	10,502	-
	204,164	**-**	**165,669**	**-**
Deferred income:				
Investment government grants (Note 13)	11,080	275,210	9,806	244,255
Services rendered	3,367	-	3,609	-
Fibre optics	404	2,203	396	2,555
Other	11,252	78	14,722	87
	26,103	**277,491**	**28,533**	**246,897**
	1,004,516	**534,039**	**1,033,498**	**359,923**

The caption "Advances on sales" includes €194,341 k relates to liabilities for strategic reserves the Group's competitors (Note 16).

The caption "Suppliers – fixed assets" refers essentially to the surface rights.

The amount of €17,332 k in caption "Overlifting" is the Group's liability for excess crude oil lifted regarding its production quota and is measured as described in Note 2.7 e).

The amount of €2.579 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,049 k relating to Petrogal's liability as of 31 December 2012 for deposits received on gas containers that were recorded at acquisition cost, which is, approximately, their fair value.

The amount of €142,229 k recorded in the caption "Loans – associated companies, subsidiaries and related" concerns:

- WIP granted, in March 2012, loans totaling €271,252 k ($358,873,000): i) €142,229 k are recorded under "Loans – other shareholders (non-current) regard loans" obtained by subsidiary Petrogal Brasil, S. A., they bear interest at market rates and have defined maturity of 10 years; ii) €129,023 k doesn't bear interest and there is no intention of repayment thus being similar as share capital (quasi equity), as such is reflected in the caption "Non-controlling interests" (Notes 20 and 21). The amount recorded under "Loans – other shareholders (non-current)" amounts at 31 December 2012, in the amount of the €142,229 k, results from exchange rate update. In the year ended 31 December 2012 are recognised under the caption "Interest", regarding loans obtained concerning related companies in the amount of €5,909 k (Notes 8 and 28).

The amount of €11,577 k in the caption "Loans – other shareholders" mainly relates to:

- €8,938 k recorded in non-current payable to ENAGÁS, SGPS, S. A. for loans obtained by subsidiary Setgás – Sociedade de Distribuição de Gás Natural, S. A., included in the consolidation perimetre (Note 3), which bear interest at market rate and do not have defined repayment;
- €1,205 k recorded as non-current payable to EDP Cogeração, S. A. related to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S. A., which bear interests at market rates and do not have defined repayment dates;
- The amount of €1,434 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S. A., relates to shareholder loans obtained by the subsidiary Beiragás – Companhia de Gás das Beiras, S. A., which bears interest at market rates and does not have defined repayment dates.

The caption "Other creditors" includes the amount of €1,139 k, for grants to reimburse, after an audit by the European Commission for public procurement procedures applied in underground storage project (Note 13).

The amount of €8,360 k recorded under accrued costs – Fast Galp prizes refers to Petrogal's liability for Fast Galp card points issued but not yet claimed until 31 December 2012, which are expected to be exchanged for prizes in subsequent periods.

Government grants are to be recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €286,290 k (Note 13).

Income from the Contract of Assignment of rights to use telecommunications infrastructures is recorded in caption "Deferred income taxes – fibre optics" and is recognised in earnings during the period of the contract. The balance of deferred revenue at 31 December 2012, to be recognised in future periods amounts to €2,607 k.

25. PROVISIONS

The changes in provisions in the year ended 31 December 2012 were as follows:

Captions	Beginning balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Legal processes	18,462	6,747	(635)	(6,508)	(5)	18,061
Investments (Note 4)	1,332	478	-	(53)	1,093	2,850
Taxes	20,833	-	-	(4,322)	-	16,511
Environment	4,335	-	-	(102)	-	4,233
Abandonment costs	50,516	21,970	-	(20,867)	(243)	51,376
Other risks and charges	15,172	32,983	(1,364)	(2,189)	(77)	44,525
	110,650	**62,178**	**(1,999)**	**(34,041)**	**768**	**137,556**

The increase in provisions, net of the decreases, was recorded against the following heading of the consolidated income statement:

Provisions (Note 6)	32,107
Increase for IRP – oil income tax (Angola) (Note 9)	17,574
Personnel costs – restructuring (note 6)	10,020
Results in investments in associates and jointly controlled entities (Note 4)	478
	60,179

Legal processes
The provisions for current legal processes of €18,061 k mainly includes: €8,883 k regards responsibilities concerning the subsoil occupation taxes of the subsidiary Petrogal, in respect of the process against the Council of Matosinhos and €1,705 k related to the non-compliance with the contractual conditions of service station management by Galp Energia España, S. A. It is also included the amount of €2,000 k due to the merger of Galp Distribuição Portugal, S. A. with the subsidiary Petrogal regarding the Recheio – Cash & Carry process.

Financial investments
The provision for investments reflects the statutory commitment of the Group to its associates that present negative equity. Please see Note 4 (note 4).

Taxes
The caption "Tax provisions", in the amount of €16,511 k includes mainly:

(i) €7,394 k concerning a tax contingency, related with corrections to the corporate tax return of its subsidiary Petrogal in respect of financial year 2001 and 2002 (notes 9 and 33);

(ii) €5,332 k related with corrections to the corporate tax return, during the fiscal inspection done to the Corporate Income Tax statement concerning Galp Energia, SGPS, S. A. and its subsidiary GDP financial years of 2005 and 2006. The tax contingency is related with the interpretation of the taxation rules for capital gains before 2000 (notes 9 and 33);

(iii) €3,377 k concerning the tax risk associated with the sale of the participation in the ONI, SGPS, to Galp Energia, SGPS, S. A.

Environmental
The amount of €4,233 k accounted for environmental provisions aims to sustain the costs related with soil decontamination of some facilities occupied by the Group where these are already legally mandatory. In the current year, an amount of €102 k was used to decontaminate soils in the refineries.

Abandonment blocks
The amount of €51,376 k recorded in provisions for the abandonment of blocks is to meet the obligations regarding facilities located in blocks 1 and 14 in Angola amounting €48,542 k and the remaining amount of €2,833 k in respect of Brazilian facilities. This provision aims to cover all costs incurred at the end of useful life of those areas with dismantling of assets and soil decontamination.

Other risks and charges

On 31 December 2012 the caption "Provisions – other risks and charges", amounting €44,525 k, mainly comprises:

(i) €17,395 k of additional liquidation of IRP;

(ii) €10,020 k to cover restructuring costs;

(iii) €4,561 k concerning processes related to sanctions applied by customs authorities due to the late submission of the customs destination declaration of some shipments received at Sines;

(iv) €1,202 k concerning oil tax on biofuels;

(v) €1,150 k regarding compensation interest regarding the disallowance of Leixões Ocean Terminal write-off as a tax deductible cost in 2002.

During the year ended 31 December 2012, the main variations of other provisions totalising €32,983 k of increases and €1,364 k of decreases, mainly refer to €17,574 k for the provision for additional liquidation of IRP in Angola by the subsidiary Galp Energia Overseas, B. V. and an increase of provisions for restructuring amounting to €10,020 k.

26. TRADE PAYABLES

As of 31 December 2012 and 2011 the amounts recorded in the caption "Suppliers" were as follows:

Captions	December 2012	December 2011
Trade payables – current accounts	716,698	566,907
Trade payables – invoices pending	752,533	797,283
Trade payables – notes payable	-	547
	1,469,231	**1,364,737**

The caption "Trade payables – invoices pending" corresponds mainly to the purchase of crude oil raw material, natural gas and goods in transit.

27. OTHER FINANCIAL INSTRUMENTS

The Group uses financial derivatives to hedge interest rate and market fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, as well as risks of variation in natural gas and electricity prices, which affect the amount of assets and future cash flows resulting from its operations.

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

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

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

- Level 1 – quoted prices (not adjusted) for similar instruments;
- Level 2 – other directly or indirectly observable market inputs for the asset or the liability, than Level 1 inputs namely prices and derivatives prices, respectively;
- Level 3 - inputs for the asset or the liability not based on observable market data (not observable).

The fair value of financial derivatives (swaps) was determined by financial entities using observable market inputs and using generally accepted techniques and models (Level 2). Futures are traded in the market and subject to a Clearing House, and as such their valuation is determined by quoted prices (Level 1).

Financial Derivatives – Swaps

Interest rate swaps
The interest rate swaps as of 31 December 2012 showed the following characteristics:

Type of derivative over Interest rate	Interest Rate	Nominal value	Maturity	Fair value of the derivatives in €k
Assets	**Fair value variation impact in results**			
Swaps	Pays Euribor 6m Receives between 3.438% and 3.872%	€28.488 k	2013	54
Liability	**Fair value variation impact in results**			
Swaps	Pays 3.33% Receives Euribor 6m	€28.488 k	2013	(41)
	Cash-flow hedge			
Swaps	Pays between 0.895% and 1.610% Receives Euribor 6m	€613.000 k	2013-2014	(8,007)
Swaps	Pays 6.2425% Receives Euribor 6m + 1.75%	€621 k	2013	(23)
				(8,017)

Derivative financial instruments in the portfolio of interest rate present at period ended 31 December 2012 and 2011 the following developments:

	Assets		Liabilities	
Interest rate derivatives	**Non-current**	**Current**	**Non-current**	**Current**
Fair value at 1 January 2011	**-**	**702**	**(5,112)**	**(98)**
Purchased during the year	-	-	-	-
Payment / (receipt) of interest during the year	-	4,029	82	49
Receipt / (payment) of interest reflected in the income statement	-	(4,029)	(82)	(49)
Increase / (decrease) in fair value reflected in the income statement	-	(543)	-	(74)
Increase / (decrease) in fair value reflected in equity	-	873	5,112	(1,635)
Fair value at 31 December 2011	**-**	**1,032**	**-**	**(1,806)**
Purchased during the year	-	-	-	-
Payment / (receipt) of interest during the year	-	-	-	1,952
Receipt / (payment) of interest reflected in the income statement	-	-	-	(1,953)
Increase / (decrease) in fair value reflected in the income statement	54	(157)	(42)	73
Increase / (decrease) in fair value reflected in equity	-	(875)	(703)	(5,592)
Fair value at 31 December 2012 (Note 17)	**54**	**-**	**(745)**	**(7,326)**

Interest incurred and obtained from interest rates derivatives are accounted for in the captions "Financial costs" and "Financial income".

The changes in fair value reflected in equity, resulting from cash flow hedges, are as follows:

Fair value variation in equity	December 2012	December 2011
Fair value variation in subsidiaries	(7,170)	4,295
Fair value variation in non-controlling interest	(9)	56
	(7,179)	**4,351**
Fair value variation due to participation in associates	(340)	(227)
	(7,519)	**4,124**

Commodities Swaps

Swaps on commodities at 31 December 2012 showed the following characteristics:

Derivative type on commodities	Characteristics	Nominal value	Maturity	Fair value of derivatives in €k
Assets	**Fair value through profit and loss**			
Swaps	Natural Gas	Buy 767,051 MwH	2013	844
Swaps	Natural Gas	Sell 1,067,403 MwH	2013 and 2014	638
Option – Collar	Natural Gas – Price range 6,8%	Sell 19,000 MwH	2013	9
Liabilities	**Fair value through profit and loss**			
Swaps	Natural Gas	Buy 1,001,656 MwH	2013 and 2014	(376)
Swaps	Natural Gas	Sell 1,331,304 MwH	2013 and 2014	(895)
Option – Collar	Natural Gas – Price range 6,8%	Sell 118,000 MwH	2013	(48)
Swaps	Electricity	Buy 95,040 MwH	2013	(504)
				(332)

The impact as of 31 December 2012 and 2011 in caption "Cost of sale" can be viewed in the following table:

	Assets		Liabilities	
Derivatives on Commodities	**Current**	**Non-current**	**Current**	**Non-current**
Fair value at 1 January 2011	**1,672**	**727**	**(2,584)**	**-**
Purchased during the year	-	-	-	-
Sold during the year	-	-	(89,494)	-
Increase / (decrease) on the sale accounted for in P&L	-	-	2,952	-
Increase / (decrease) in fair value reflected in the income statement	568	23	(1,363)	-
Increase / (decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2011	**2,240**	**750**	**(90,489)**	**-**
Purchased during the year	27	-	-	-
Sold during the year	-	-	87,259	-
Increase/ (decrease) on the sale accounted for in P&L	-	-	(717)	-
Increase / (decrease) in fair value reflected in the income statement	(784)	(742)	2,144	(20)
Increase / (decrease) in fair value reflected in equity	-	-	-	-
Fair value at 31 December 2012 (Note 17)	**1,483**	**8**	**(1,803)**	**(20)**

Cross currency swaps

The cross currency swaps in the portfolio at 31 December 2012 showed the following characteristics:

Type of derivative on exchange rate	Characteristics	Nominal value	Maturity	Fair value of derivatives in €k
Assets	**Fair value through profit and loss**			
Cross currency interest Rate swap	Paga Euribor 3m + 1.60% Recebe US Libor 3m + Spread of 1.70% a 1.99%	$750,000 k / €564,646 k	2013	4,770
Liabilities	**Fair value through profit and loss**			
Cross currency interest Rate swap	Pays Euribor 3m + 1.60% Receives US Libor 3m + Spread of 1.81% to 2.07%	$467,000 k / €358,705 k	2013	(4,499)
Non-deliverable forward	Delivers BRL Receives USD	$481,998 k / R$975,052 k	2013	(2,033)
				(1,762)

The impact as of 31 December 2012 and 2011 in caption "Results" can be viewed in the following table:

	Assets		Liabilities	
Derivatives on exchange rate	**Current**	**Non-current**	**Current**	**Non-current**
Fair value at 1 January 2011	**-**	**-**	**-**	**-**
Increases / (decreases) during the period	-	-	-	-
Increase / (decrease) resulting from currency translation	-	-	-	-
Increase / (decrease) in fair value reflected in financial results	-	-	-	-
Increase / (decrease) in fair value reflected in exchange rate results	-	-	-	-
Fair value at 31 December 2011	**-**	**-**	**(21,404)**	**-**
Increases / (decreases) during the period	-	-	(21,404)	-
Increase / (decrease) resulting from currency translation	(873)	-	1,025	-
Increase / (decrease) in fair value reflected in financial results	1,407	-	(11)	-
Increase / (decrease) in fair value reflected in exchange rate results	4,236	-	13,858	-
Fair value at 31 December 2012 (Note 17)	**4,770**	**-**	**(6,532)**	**-**

Financial Derivatives – Futures

The Galp Energia Group also trades commodity futures. Given their high liquidity, as they are traded in the market, they are classified as financial assets at fair value through profit and loss and included in cash and cash equivalents. The gain and loss on commodity futures (Brent) are classified in the caption “Cost of sales” and the CO_2 and electricity futures are classified in the caption “Financial income and costs”. As the futures are traded in the market, subject to a Clearing House, the gain and loss are continuously recorded in the income statement as follows:

	Assets		Liabilities	
Commodity futures (Brent)	**Current**	**Non-current**	**Current**	**Non-current**
Fair value at 1 January 2011	**1,313**	**-**	**-**	**-**
Purchased during the year	79,618	-	-	-
Sold during the year	(93,117)	-	-	-
Increase / (decrease) on the sale reflected in the income statement	14,515	-	-	-
Fair value at 31 December 2011	**2,329**	**-**	**-**	**-**
Purchased during the year	77,784	-	-	-
Sold during the year	(86,276)	-	-	-
Increase / (decrease) on the sale reflected in the income statement	8,457	-	-	-
Fair value at 31 December 2012 (Note 18)	**2,294**	**-**	**-**	**-**

Beside the commodity futures above, the Group trades electricity futures, which are designated “Financial assets at fair value through profit and loss – held for sale”. The Futures gains and losses are classified as financial results. The gain and losses are recorded in the income statement as follows:

	Assets		Liabilities	
Electricity futures	**Current**	**Non-current**	**Current**	**Non-current**
Fair value at 1 January 2011	**2,029**	**-**	**-**	**-**
Purchased during the year	8,579	-	-	-
Sold during the year	(9,314)	-	-	-
Increase / (decrease) on the sale reflected in the income statement	(85)	-	-	-
Fair value at 31 December 2011	**1,209**	**-**	**-**	**-**
Purchased during the year	8,716	-	-	-
Sold during the year	(6,177)	-	-	-
Increase / (decrease) on the sale reflected in the income statement	(1,191)	-	-	-
Fair value at 31 December 2012 (Note 18)	**2,557**	**-**	**-**	**-**

As of 31 December 2012, the subsidiary Galp Power, S. A., holds 1,500 batches of CO_2 futures with a maturity of December 2013. These Futures represent 1,500,000 ton/CO_2 with value of €1,350 k recorded as at 31 December 2012 and are classified as financial assets at fair value through profit and loss – held for sale. The gains and losses are recorded in the caption “Financial income and losses”, as follows:

	Assets		Liabilities	
CO_2 futures	**Current**	**Non-current**	**Current**	**Non-current**
Fair value at 1 January 2011	**-**	**376**	**-**	**-**
Purchased during the year	-	1,591	-	-
Sold during the year	-	(893)	-	-
Increase / (decrease) on the sale reflected in the income statement	-	(952)	-	-
Fair value at 31 December 2011	**-**	**122**	**-**	**-**
Purchased during the year	-	3,329	-	-
Sold during the year	-	(493)	-	-
Increase / (decrease) on the sale reflected in the income statement	-	(1,607)	-	-
Fair value at 31 December 2012 (Note 18)	**-**	**1,351**	**-**	**-**

28. RELATED PARTIES

Balances and transactions with related parties in 2012 and 2011 were as follows:

Receivables

	2012						
		Non-current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Nota 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Nota 14)	Accruals and deferrals
Associated companies							
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	8,012	4,054	-	931	-	2,566	461
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	5,312	-	-	5,270	-	42	-
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	3,670	3,670	-	-	-	-	-
Gasoduto Al-Andaluz, S. A.	2,835	2,214	-	-	-	-	621
Gasoduto Extremadura, S. A.	855	-	-	-	-	-	855
Gásfomento – Sistemas e Instalações de Gás, S. A.	384	-	-	389	-	(5)	-
Metragaz, S. A.	331	-	-	-	-	303	28
EMPL – Europe Magreb Pipeline, Ltd.	238	-	-	(3)	-	-	241
Terparque – Armazenagem de Combustíveis, Lda.	238	-	-	238	-	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	155	-	-	2	-	153	-
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	22	-	-	-	-	22	-
Tagusgás Propano, S. A.	18	-	-	18	-	-	-
	22,070	**9,938**	**-**	**6,845**	**-**	**3,081**	**2,206**
Jointly controlled entities							
Ventinveste, S. A.	18,492	18,460	-	1	-	2	29
Sigás – Armazenagem de Gás, A. C. E.	8,772	-	8,389	163	-	190	30
Parque Eólico da Penha da Gardunha, Lda.	868	867	-	-	-	-	1
CLC – Companhia Logística de Combustíveis, S. A.	649	-	-	115	-	322	212
Ventinveste Eólica, SGPS, S. A.	115	-	-	115	-	-	-
Caiageste – Gestão de Áreas de Serviço, Lda.	64	-	-	38	-	23	3
Asa – Abastecimento e Serviços de Aviação, Lda.	13	-	-	12	-	1	-
Multiservícios Galp Barcelona	12	-	-	12	-	-	-
Parque Eólico do Douro Sul, S. A.	8	-	-	8	-	-	-
Parque Eólico do Pinhal Oeste, S. A.	4	-	-	4	-	-	-
Parque Eólico da Serra do Oeste, S. A.	3	-	-	3	-	-	-
Parque Eólico do Planalto, S. A.	2	-	-	2	-	-	-
Parque Eólico de Vale do Chão, S. A.	1	-	-	1	-	-	-
Parque Eólico de Vale Grande, S. A.	1	-	-	1	-	-	-
	29,004	**19,327**	**8,389**	**475**	**-**	**538**	**275**
Related parties and participated entities							
Tip Top Energy, SARL	945,136	917,558	-	-	13,643	-	13,935
Adene – Agência para a Energia, S. A.	92	-	90	2	-	-	-
Eni, S. p. A.	73	-	-	146	-	-	(73)
Cooperativa de Habitação da Petrogal, CRL.	53	-	53	-	-	-	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	23	-	-	23	-	-	-
Fundação Galp Energia	5	-	-	5	-	-	-
InovCapital – Sociedade de Capital de Risco, S. A.	2	-	-	2	-	-	-
PME Investimentos – Sociedade de Investimento, S. A.	1	-	-	1	-	-	-
Other associated companies	192	-	-	-	-	192	-
	945,577	**917,558**	**143**	**179**	**13,643**	**192**	**13,862**
	996,651	**946,823**	**8,532**	**7,499**	**13,643**	**3,811**	**16,343**

	2011						
		Non-current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Nota 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Nota 14)	Accruals and deferrals
Associated companies							
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	14,608	12,491	-	2,064	-	50	3
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	8,832	3,778	-	2,430	-	2,020	604
Gasoduto Al-Andaluz, S. A.	5,253	4,653	-	-	-	-	600
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	5,130	5,046	-	-	-	-	84
EMPL – Europe Magreb Pipeline, Ltd.	3,640	-	-	(3)	-	-	3,643
Gasoduto Extremadura, S. A.	908	-	-	-	-	-	908
Gásfomento – Sistemas e Instalações de Gás, S. A.	350	-	-	345	-	5	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	320	-	-	156	-	129	35
Terparque – Armazenagem de Combustíveis, Lda.	242	-	-	242	-	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	135	-	-	3	110	22	-
Tagusgás Propano, S. A.	72	-	-	72	-	-	-
Metragaz, S. A.	33	-	-	-	-	5	28
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	22	-	-	-	22	-	-
Compañia Logística de Hidrocarburos CLH, S. A.	1	-	-	-	-	1	-
	39,546	**25,968**	**-**	**5,309**	**132**	**2,232**	**5,905**
Jointly controlled entities							
Ventinveste, S. A.	11,850	11,821	-	1	-	2	26
Sigás – Armazenagem de Gás, A. C. E.	9,868	-	9,297	88	-	459	24
Parque Eólico da Penha da Gardunha, Lda.	6,651	6,637	-	-	-	-	14
Spower, S. A.	5,371	3,231	-	-	-	2,133	7
CLC – Companhia Logística de Combustíveis, S. A.	504	-	-	132	-	310	62
Caiageste – Gestão de Áreas de Serviço, Lda.	38	-	-	32	-	4	2
Ventinveste Eólica, SGPS, S. A.	24	-	-	3	-	21	-
Parque Eólico do Douro Sul, S. A.	10	-	-	10	-	-	-
Parque Eólico do Pinhal Oeste, S. A.	4	-	-	4	-	-	-
Parque Eólico da Serra do Oeste, S. A.	4	-	-	4	-	-	-
Parque Eólico do Planalto, S. A.	2	-	-	2	-	-	-
Parque Eólico de Vale do Chão, S. A.	2	-	-	2	-	-	-
Parque Eólico de Torrinheiras, S. A.	1	-	-	(1)	-	2	-
Asa – Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
	34,330	**21,689**	**9,297**	**277**	**-**	**2,932**	**135**
Related parties and participated entities							
Adene – Agência para a Energia, S. A.	93	-	90	2	-	1	-
Cooperativa de Habitação da Petrogal, CRL	53	-	53	-	-	-	-
Eni, S. p. A.	38	-	-	100	-	11	(73)
SABA – Sociedade Abastecedora de Aeronaves, Lda.	28	-	-	28	-	-	-
Fundação Galp Energia	13	-	-	13	-	-	-
InovCapital – Sociedade de Capital de Risco, S. A.	2	-	-	2	-	-	-
PME Investimentos – Sociedade de Investimento, S. A.	1	-	-	1	-	-	-
Other associated companies	126	-	-	-	126	-	-
	354	**-**	**143**	**146**	**126**	**12**	**(73)**
	74,230	**47,657**	**9,440**	**5,732**	**258**	**5,176**	**5,967**

The current and non-current loans granted as of 31 December 2012 to associated, jointly controlled, participated companies and related parties refer essentially to the following loans:

	Current Assets – granted loans (Note 14)	Non-current assets – granted loans (Note 14)	Interest from granted loans (Note 8)
Gasoduto Al-Andaluz, S. A.	-	2,214	84
through Galp Gás Natural, S. A.	-	**2,214**	**84**
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	-	3,670	124
Parque Eólico da Penha da Gardunha, Lda.	-	867	34
Ventinveste, S. A.	-	18,460	721
through Galp Power, SGPS, S. A.	-	**22,997**	**879**
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	-	4,054	277
through GDP – Gás de Portugal, SGPS, S. A.	-	**4,054**	**277**
Tip Top Energy, SARL	13,643	917,558	14,310
through Galp Sinopec Brazil Services (Cyprus), Ltd.	13,643	**917,558**	**14,310**
	13,643	**946,823**	**15,550**

The loan that Galp Energia Brazil Services (Cyprus), Ltd. granted to Tip Top Energy, SARL on 28 March 2012, bears interest at a three-month LIBOR rate plus “spread” for a maturity period of four years. In the year ended 31 December 2012, caption “Interest on loans granted to related companies” (Note 14) amounted to €14,310 k.

These loans bear interests at market rates and do not have a defined repayment plan.

Payables

	2012					
		Non-Current	Current			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL – Europe Magreb Pipeline, Ltd.	6,017	-	-	6,017	-	-
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	2,165	-	-	1,582	-	583
Gasoduto Extremadura, S. A.	1,910	-	-	1,910	-	-
Gasoduto Al-Andaluz, S. A.	1,869	-	-	1,869	-	-
Gásfomento – Sistemas e Instalações de Gás, S .A.	927	-	-	236	691	-
Terparque – Armazenagem de Combustíveis, Lda.	3	-	-	3	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	(12)	-	-	-	(12)	-
	12,879	**-**	**-**	**11,617**	**679**	**583**
Jointly controlled entities						
CLC – Companhia Logística de Combustíveis, S. A.	73,572	-	-	73,572	-	-
Sigás – Armazenagem de Gás, A. C. E.	431	-	-	431	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	227	-	-	227	-	-
	74,230	**-**	**-**	**74,230**	**-**	**-**
Related parties and participated entities						
Winland International Petroleum, SARL (WIP)	146,969	142,229	-	-	-	4,740
Eni, S. p. A.	332	-	-	82	(11)	261
SABA – Sociedade Abastecedora de Aeronaves, Lda.	46	-	-	46	-	-
Central-E, S. A.	27	-	-	27	-	-
Adene – Agência para a Energia, S. A.	1	-	-	1	-	-
	147,375	**142,229**	**-**	**156**	**(11)**	**5,001**
	234,484	**142,229**	**-**	**86,003**	**668**	**5,584**

	2011					
		Não Corrente	Correntes			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL – Europe Magreb Pipeline, Ltd.	20,923	-	-	20,923	-	-
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	4,720	-	-	1,890	-	2,830
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	2,188	-	-	1,489	-	699
Gasoduto Extremadura, S. A.	1,910	-	-	1,910	-	-
Gasoduto Al-Andaluz, S. A.	1,869	-	-	1,869	-	-
Gásfomento – Sistemas e Instalações de Gás, S. A.	835	-	-	22	813	-
	32,445	**-**	**-**	**28,103**	**813**	**3,529**
Jointly controlled entities						
CLC – Companhia Logística de Combustíveis, S. A.	82,784	-	-	82,784	-	-
Sigás – Armazenagem de Gás, A. C. E.	848	-	-	848	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	114	-	-	114	-	-
Parque Eólico da Penha da Gardunha, Lda.	(1)	-	-	-	(1)	-
	83,745	**-**	**-**	**83,746**	**(1)**	**-**
Related parties and participated entities						
Eni, S. p. A.	4,172	2,902	-	535	109	626
SABA – Sociedade Abastecedora de Aeronaves, Lda.	129	-	-	129	-	-
Central-E, S. A.	27	-	-	27	-	-
Adene – Agência para a Energia, S. A.	1	-	-	1	-	-
Other associated companies	707	-	365	-	342	-
	5,036	**2,902**	**365**	**692**	**451**	**626**
	121,226	**2,902**	**365**	**112,541**	**1,263**	**4,155**

The amount of €142,229 k recorded as non-current payable to WIP is a loan obtained by the subsidiary Petrogal Brasil, S. A. (Note 24), which bears interests at market rates with a defined 10-year repayment plan.

Transactions

	2012			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	4,407	(2,329)	-	(277)
Terparque – Armazenagem de Combustíveis, Lda.	2,412	(836)	-	-
Metragaz, S. A.	-	(623)	-	-
EMPL – Europe Magreb Pipeline, Ltd.	64,951	(491)	-	-
Gásfomento – Sistemas e Instalações de Gás, S. A.	286	(251)	-	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(62)	-	-
Tagusgás Propano, S. A.	-	(35)	-	-
Gasoduto Al-Andaluz, S. A.	11,212	(22)	-	(84)
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	-	(1)	-	(124)
Gasoduto Extremadura, S. A.	11,460	53	-	-
	94,728	**(4,597)**	**-**	**(485)**
Jointly controlled entities				
Sigás – Armazenagem de Gás, A. C. E.	3,760	(3,387)	-	-
CLC – Companhia Logística de Combustíveis, S. A.	15,675	(1,488)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	3	(220)	-	-
Ventinveste Eólica, SGPS, S .A.	-	(102)	-	-
Parque Eólico do Douro Sul, S. A.	-	(41)	-	-
Parque Eólico do Pinhal Oeste, S. A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S. A.	-	(17)	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	947	(15)	-	-
Multiservícios Galp Barcelona	-	(12)	-	-
Parque Eólico do Planalto, S. A.	-	(9)	-	-
Ventinveste, S. A.	-	(7)	-	(721)
Parque Eólico de Vale do Chão, S. A.	-	(6)	-	-
Parque Eólico de Vale Grande, S. A.	-	(4)	-	-
Parque Eólico do Cabeço Norte, S. A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S. A.	-	(1)	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(34)
	20,385	**(5,331)**	**-**	**(755)**
Related parties and participated entities				
Eni, S. p. A.	219,561	(118,178)	(108)	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	624	(217)	-	-
Fundação Galp Energia	-	(117)	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	-	(27)	-	-
Adene – Agência para a Energia, S. A.	4	(17)	-	-
PME Investimentos - Sociedade de Investimento, S. A.	-	(14)	-	-
Central – E. S. A.	163	-	-	-
Winland International Petroleum, SARL	-	-	5,909	-
Amorim Energia, B. V.	779	-	-	-
Tip Top Energy, SARL	-	-	-	(14,310)
	221,131	**(118,570)**	**5,801**	**(14,310)**
	336,244	**(128,498)**	**5,801**	**(15,550)**

The amount of €118,178 k and €219,561 k in captions "Operating income" and "Operating costs" concerning Eni are mainly natural gas sales by the subsidiary Galp Gás Natural, S. A. and oil purchases made by the subsidiary Petrogal Trading, Ltd.

	2011			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Tagusgás – Empresa de Gás do Vale do Tejo, S. A.	4,236	(4,279)	-	(257)
EMPL – Europe Magreb Pipeline, Ltd.	60,042	(3,618)	-	-
Setgás – Sociedade de Produção e Distribuição de Gás, S. A.	14,616	(1,526)	-	(528)
Gasoduto Extremadura, S. A.	11,460	(908)	-	(86)
Terparque - Armazenagem de Combustíveis, Lda.	1	(881)	-	-
Gasoduto Al-Andaluz, S. A.	11,212	(599)	-	(191)
Metragaz, S. A.	-	(512)	-	-
Gásfomento – Sistemas e Instalações de Gás, S. A.	114	(344)	-	-
Tagusgás Propano, S. A.	-	(275)	-	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(40)	-	-
Energin – Sociedade de Produção de Electricidade e Calor, S. A.	-	(4)	-	(176)
	101,681	**(12,986)**	**-**	**(1,238)**
Jointly controlled entities				
Sigás – Armazenagem de Gás, A. C. E.	3,272	(3,212)	-	-
CLC – Companhia Logística de Combustíveis, S. A.	16,219	(1,836)	-	-
Spower, S. A.	-	(744)	-	(142)
Caiageste – Gestão de Áreas de Serviço, Lda.	12	(262)	-	-
Parque Eólico do Douro Sul, S. A.	-	(41)	-	-
Parque Eólico do Pinhal Oeste, S. A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S. A.	-	(17)	-	-
Ventinveste Eólica, SGPS, S. A.	(58)	(12)	-	-
Parque Eólico do Planalto, S .A.	-	(9)	-	-
Parque Eólico de Vale do Chão, S. A.	-	(6)	-	-
Ventinveste, S. A.	-	(6)	-	(459)
Parque Eólico de Vale Grande, S. A.	-	(3)	-	-
Parque Eólico do Cabeço Norte, S. A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S. A.	-	(1)	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	705	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(262)
	20,150	**(6,171)**	**-**	**(863)**
Related parties and participated entities				
Eni, S. p. A.	23,881	(83,018)	128	-
Fundação Galp Energia	-	(135)	-	-
InovCapital - Sociedade de Capital de Risco, S. A.	-	(35)	-	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	105	(31)	-	-
PME Investimentos – Sociedade de Investimento, S. A.	-	(16)	-	-
Adene – Agência para a Energia, S. A.	1	(15)	-	-
Agência de Energia do Porto	2	-	-	-
Amorim Energia, B. V.	536	-	-	-
Central – E. S. A.	150	-	-	-
	24,675	**(83,250)**	**128**	**-**
	146,506	**(102,407)**	**128**	**(2,101)**

29. REMUNERATION OF THE BOARD AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of Galp Energia Corporate Board members for the years 2012 and 2011 can be detailed as follows:

	Salary	Pension Plans	Allowances for rent and travels	Other charges and adjustments	Total	Salary	Pension Plans	Allowances for rent and travels	Other charges and adjustments	Total
Corporate Boards of Galp Energia, SGPS										
Executive management	3,547	822	158	1,754	6,281	3 162	792	216	409	4,579
Non-executive management	1,169	145	31	-	1,345	1 226	194	46	98	1,564
Supervisory Board	93	-	-	-	93	97	-	-	-	97
General shareholders meeting	6	-	-	-	6	7	-	-	-	7
	4,815	**967**	**189**	**1,754**	**7,725**	**4,492**	**986**	**262**	**507**	**6,247**
Corporate Boards of associate companies										
Executive management	1,791	-	31	34	1,856	1,160	-	63	(14)	1,209
General shareholders meeting	17	-	-	-	17	7	-	-	-	7
	1,808	**-**	**31**	**34**	**1,873**	**1,167**	**-**	**63**	**(14)**	**1,216**
	6,623	**967**	**220**	**1,788**	**9,598**	**5,659**	**986**	**325**	**493**	**7,463**

The amounts of €9,598 k and €7,463 k, recorded in 2012 and 2011 respectively, include €7,576 k and €5,403 k booked as "Employee costs" (Note 6) and €2,022 k and €2,060 k booked as "External supplies and services".

Included in the "Other charges and adjustments" caption for 2012 is the amount of €1,214 k related to bonus received by the board during the year and specialisation to be paid in 2013. The amount of €435 k, which is included in the year 2011 is related to bonuses received by the Board during 2010.

In accordance with the current policy, remuneration of Galp Energia Corporate Board members includes all the remuneration due for the positions held in Galp Energia Group and all accrued amounts.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any Directors (whether executive or otherwise) of the entity. According to Galp Energia's interpretation only the members of the Board meet this description.

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

30. DIVIDENDS

Dividends attributed to the Group's shareholders amounted to €165,850 k according to the decision of the shareholders meeting of 7 May 2012 from which €77,152 k regard to net profit for 2011 and €88,698 k to retained earnings. The amount of €165,850 k was fully paid for the year ended 31 December 2012.

Additionally, the Board of Directors approved the advanced profit payment, amounting to €99,510 k. The amount was fully paid on 18 September 2012.

During the period ended 31 December 2012 dividends were paid in the amount of €4,342 k to minority shareholders (Note 21. I), regarding Galp Energia Group subsidiaries.

As such, the Group paid dividends in total amount of €269,702 k during the period ended 31 December 2012.

31. OIL AND GAS RESERVES

The information regarding oil and gas reserves in Galp Energia is subject to independent assessment by a suitably qualified company with the methodology established in accordance with the Petroleum Resources Management System (PRMS), approved in March 2007 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The information on reserves is in the attached document entitled "Supplementary Information on oil and gas (unaudited)".

32. FINANCIAL RISK MANAGEMENT

Risk Management

Galp Energia is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the oil and natural gas industries, which affect the Group's results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Market Risks

a) Commodities price risk.

Due to the nature of its business, Galp Energia is exposed to the risk of volatility of the international price of crude oil, of its derivatives as well as of natural gas. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company controls and manages this risk through the derivative market for oil and natural gas, to protect the refining margin and inventories from adverse market changes.

In respect of the natural gas market, the Group controls and manages this risk through the establishment of purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk.

The U.S. Dollar is the currency used as reference price in the oil and natural gas markets. Since Galp Energia's financial statements have as functional currency, the Euro, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to U.S. dollars, the Company is exposed to fluctuations in the exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flows is mainly in the balance sheet and results from the prices of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed. As of 31 December 2012, Galp Energia Group contracted derivatives to hedge the exchange rate risk (Note 27).

c) Interest rate risk.

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

d) Sensitivity analysis to market risks resulting from financial instruments, as required by IFRS 7.

The analysis prepared by the Group in accordance with IFRS 7 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the price of Brent or natural gas, exchange rates and interest rates of financial instruments, defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the balance sheet as of 31 December 2012 and of 2011. The financial instruments affected by the above mentioned market risks include trade receivables, other receivables, trade payables, other payables, loans, cash and financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments with more than one market risk, in which case the sensitivity analysis is performed for a variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is unlikely to occur.

Sensitivity analysis do not include the impact of current or deferred taxes, which could reduce the presented variations, depending on the tax laws in the various geographic areas where the Group operates, as well as fiscal conditions for each company.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Therefore, the sensitivity analysis is illustrative and does not represent actual current loss or gain, or other current variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate of +/- 1%;
- The sensitivity analysis includes significant balances in foreign currency in trade receivables, other receivables, trade payables, other payables, loans, financial derivatives and cash.

The exchange rate table with the sensitivity analysis is as follows:

Sensitivity analysis – exchange rate			2012					2011				
				Income statement		Equity			Income statement		Equity	
			Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Investments – depreciation / (appreciation) of x% of the Eur versus USD	+1% -1%	€k	1,344,662	261 (261)	- -	13,030 (13,030)	155 (155)	62,517	625 (625)	- -	- -	- -
Investments – depreciation / (appreciation) of x% of the BRL versus USD and versus EUR (a)	+1% -1%	€k	404,212	3,056 (3,056)	1,310 (1,310)	(2,829) 2,829	(1,213) 1,213	-	- -	- -	- -	- -
Loans – depreciation / (appreciation) of x% of the EUR versus USD	+1% -1%	€k	98,485	(985) 985	- -	- -	- -	-	- -	- -	- -	- -
Trade payables – depreciation/ (appreciation)of x% of the Eur versus USD	+1% -1%	€k	473,979	(4,740) 4,740	- -	- -	- -	261,566	(2,616) 2,616	- -	- -	- -
Trade receivables – depreciation / (appreciation) of x% of the EUR versus USD	+1% -1%	€k	1,043,228	1,261 (1,261)	- -	6,420 (6,420)	2,751 (2,751)	103,862	1,039 (1,039)	- -	- -	- -
Trade payables – depreciation / (appreciation) of x% of the EUR versus GBP	+1% -1%	€k	-	- -	- -	- -	- -	501	(5) 5	- -	- -	- -
Trade payables – depreciation / (appreciation) of x% of the BRL versus USD and versus EUR (a)	+1% -1%	€k	271,614	- -	- -	(3,955) 3,955	(1,695) 1,695	-	- -	- -	- -	- -

(a) Includes 1% variation in the exchange rate of the Brazilian Real (BRL) to USD, and 1% variation in the exchange rate of USD to EUR.

The following assumptions were considered in the sensitivity analysis of commodity prices:

- Price variation of +/- 1% of the price of the commodity;
- Correlation between market risks was ignored;
- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in the proved oil reserves as a result of changes in the price of Brent was not calculated.

Commodity prices on Brent futures were not considered in the sensitivity analysis performed on the commodity price derivatives, as these have monthly maturity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

Sensitivity analysis – commodity price			2012					2011				
				Income statement		Equity			Income statement		Equity	
			Exposure amount	Attributable to share-holders	Non-controlling interests	Attributable to share-holders	Non-controlling interests	Exposure amount	Attributable to share-holders	Non-controlling interests	Attributable to share-holders	Non-controlling interests
Variation in the derivatives over commodities underlying price of natural gas	+1% -1%	€k	172	839 (562)	- -	- -	- -	28,227	282 (282)	- -	- -	- -
Variation in the derivatives over commodities underlying price of oil	+1% -1%	€k	1,351	14 (14)	- -	- -	- -	3,225	(109) 109	- -	- -	- -
Variation in the derivatives over other commodities underlying price	+1% -1%	€k	4,347	49 (49)	- -	- -	- -	-	- -	- -	- -	- -

The following assumptions were considered in the sensitivity analysis of interest rates:

- Parallel shift of 0.5% in the time structure of interest rates;
- Analysis of interest rate risk includes variable interest rate loans and interest rate financial derivative;
- The income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

			2012					2011				
				Income statement		Equity			Income statement		Equity	
Sensitivity analysis – interest rate			Exposure amount	Attributable to share-holders	Non-controlling interests	Attributable to share-holders	Non-controlling interests	Exposure amount	Attributable to share-holders	Non-controlling interests	Attributable to share-holders	Non-controlling interests
Loans – parallel shift in interest rate (a)	+0.5%	€k	2,725	(10,100)	(420)	291	-	3,130	(12,400)	-	590	-
	-0.5%			10,100	420	(291)	-		12,400	-	(590)	-
Investments – parallel shift in interest rate	+0.5%	€k	3,187	7,283	1,431	-	-	-	-	-	-	-
	-0.5%			(7,283)	(1,431)	-	-	-	-	-	-	-

(a) 24% of the exposure amount is covered by financial derivatives

Liquidity risk

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

Galp Energia Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short and medium and long term lines of credit that are not being used, that amount to €1.37 bn at 31 December 2012, are sufficient to meet any immediate demand. In addition to these credits, the Group has, as of 31 December 2012, cash and cash equivalents in an approximate amount of €1.9 bn, which combined with the credits amount to €3.27 bn of liquidity.

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.

Sinister Risk

Galp Energia Group has insurance contracts in place to reduce its exposure to various risks resulting from accidents that may occur during the pursuit of its activities, as follows:

- Property insurance – covering risks of material damages, machinery breakdown, loss on exploration and construction;
- General liability insurance – covering risks of general activity (onshore), risks related to maritime activities (offshore), aviation risks, environmental risks and management risks (Directors & Officers);
- People insurance – covering risks of work accidents, personal accidents, life and health;
- Financial insurance – covering credit risk, collateral and theft;
- Transportation Insurance – covering all risks related to cargo and hull;
- Other insurances – covering automobile, travel, etc.

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 €5 per share, the base selling price of €189,544 k was contractually established, of which €74,818 k was attributed to the 093X segment and €114,726 k to the E3G/Edinet segment

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

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

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

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

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

(ii) Regarding the contract termination process related to the construction of the ship Sacor II and following the ruling by the Court of Arbitration, the manufacturer was sentenced to pay the amount of €3,659 k (€2,886 k plus interest). In April 2012 was requested the execution of the sentence was requested, for the above amount, which is not recorded in the financial statements for the year ended 31 December 2012.

Contingent liabilities

As of 31 December 2012, the Company and its subsidiaries had the following contingent liabilities:

(i) Several municipal councils are demanding payments (liquidations and executions) amounting to €5,679 k, relating to licenses for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and commercialisation concessions. As the Group companies do not agree with the municipal councils, they have contested the settlements required by municipal councils, at the Administrative and Fiscal Court, having the requests for suspension of the execution been deferred, the execution is suspended until a final and unappealable decision is given. Guarantees have been provided for these processes.

In the course of negotiating the Concession Contract between the General Directorate of Energy and Geology (GDEG) and concessionary companies of the Group, it was agreed, among other matters, that the concessionaire has the right to reflect, on the entities commercialising natural gas and on the final consumers, the full amount of the subsoil occupation rates assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the conceding entity. The subsoil occupation rates paid each year will be reflected on the entities commercialising gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation rates will be assessed for each municipality, based on the amount charged by it;

Given the fact that eventual taxes to be paid and interests to be paid can be passed on to customers, the Group has decided not to recognise responsibilities concerning this issue;

As of 31 December 2012 the amounts paid to municipal councils related in respect of subsoil occupation taxes totaled €52,379 k and only €11,723 k were charged to clients (the transfer conditions, including the amount to be recovered each year, the number of years of transfer and unit values for customers are governed by ERSE);

(ii) Additional corporate income tax assessments totaling €35,587 k for which there are provisions of €16,511 k (Note 9 and 25);

(iii) As of 31 December 2012 a judicial action concerning the licensing process for the Sines combined cycle central of natural gas has been filed by Endesa Generación Portugal, S. A. against the Ministry of Economy and Innovation, against the best interests of Galp Power, SGPS, S. A. Galp Power, SGPS, S. A. has requested the impeachment of this lawsuit. The Board of Directors, supported by its legal advisors, believes that no liabilities will result from this process nor is the legitimacy of the investment already incurred undermined;

(iv) As of 31 December 2012 a judicial action against the Company is in progress at Lisbon Maritime Court. The action brought against the Group by a subcontractor is related with the construction of Sacor II ship and totals €2,274 k. The Board of Directors, supported by its legal advisors believes that the process will not result in any responsibility for the Group.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2012 are:

- €320,517 k, €7,106 k and €24,524 k related to the liability under the Petrogal, Sacor Marítima and the GDP Group Pension Plan, respectively (Note 23)
- €33.911 k related to purchase orders for tangible assets that have not yet been received;
- €6.147 k concerning notes to be received, discounted in the bank but not yet due;
- Galp Power, SGPS, S. A., as shareholder of Ventinveste, S. A. has the commitment and responsibility under the contract and other agreements made with GDEG to fully comply and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the wind farms.

  The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee amounting to €25,332 k and by a pledge given by the shareholders, Galp Power, SGPS, S. A., Martifer SGPS S. A. and Martifer Renewables, SGPS, S. A. divided in equal parts, corresponding to approximately 10% of the total direct investment, amounting to €50,665 k. The amount of the guarantee will be reduced in each semester based on the contracted investment in the preceding semester.
- As a guarantee of the loan obtained by Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S. A. the surface rights over a plot of land in the municipality of Pombal, acquired by the Company for a period of 15 years, were mortgaged in favor of BES Investimento and BES, up to a maximum of €28,237 k.

  Galp Power SGPS, S. A. acts as guarantor and principal payer of a loan of the subsidiary Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S .A.The guarantee is limited to 65% which corresponds to the shares owned in the company, up to a maximum of €11,700 k.
- The Galp Energia Group has bank loans that in some cases have covenants that can, if triggered by banks, lead to early repayment of the borrowed amounts. As at 31 December 2012, the medium/long-term debt totalled €2.2 bn. From this total, the contracts concerning covenants correspond to €1.6 bn. The existing covenants in Galp Energia Group embody essentially in compliance with financial ratios that monitor the financial position of the Company, including its ability to repay the debt service. Total net debt to consolidated Ebitda ratio is the most frequently used and was 1.7 as of 31 December 2012. The ratio amount reached is a lower value than the one stipulated by all contracts, which usually is around 3.5–3.75x Ebitda.
- Galp Energia Group has non-current contracts with gas suppliers and gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a standard performance in line with its financial statements.

Pledged guarantees

As of 31 December 2012, responsibilities with pledged guarantees amounted to €138,865 k, $30,485 k and R$197,539 k, being constituted essentially by:

- Guarantees of €55,841 k in benefit of the tax administration;
- Guarantees of €23,225 k in benefit of city councils regarding subsoil occupation taxes;
- Guarantees of €6,220 k in benefit of general customs;

- Guarantees of €7,000 k in benefit of the Portuguese State with respect to the obligations and duties resulting from the Concession Contract to operate the natural gas regional distribution networks of GDL, Lusitaniagás – Companhia de Gás do Centro, S. A. and Beiragás– Companhia de Gás das Beiras, S. A.;

- Guarantees of €5,000 k given to the Portuguese Government for the obligations and duties resulting from the Concession of public service of underground storage of natural gas allocated by the Portuguese Government to Transgás Armazenagem, S. A.;

- Guarantees of €4,261 k in benefit of ASP – Administração do Porto de Sines;

- Guarantees of €190 k in benefit of IAPMEI – institution supporting small and medium enterprises;

- Guarantees of €3,054 k given to GDEG in guarantee of full compliance with the obligations assumed by the Group under the plan to construct the infrastructures relating to operation of the natural gas local networks in Vila Real, Bragança and Chaves and allocation of power injection in the network of the public electrical system;

- Guarantees of €7,998 k in favor of DGE – Direção Geral de Energia, for non-compliance of the new deadlines defined to start operations of the 1st group of thermal power plant of combined cycle on 31 December 2012 and the 2nd group on 31 March in 2013;

- Guarantees of €3,200 k in benefit of Tribunal Judicial de Oeiras;

- Guarantees of €3,000 k in benefit of EDP – Distribuição de Energia, S. A., to allow the Group to provide electricity in the Portuguese market;

- Guarantees of €2,065 k in benefit of Instituto de Estradas de Portugal based on a) of article 15 of the Decree-Law No. 13/71 to license the installation of natural gas pipelines, parallels and road crossings;

- Guarantees of €2,009 k in benefit of EDP – Energias de Portugal, S. A. to guarantee diesel supply to thermoelectric stations of the islands of Santa Maria, S. Miguel, Terceira, Faial, Pico and Flores in the Azores;

- Guarantees of €100 k in favor of EDF – Electricidade de França, to guarantee the licenses to be present in the French electricity market;

- Guarantees of €82 k given to Courts by CGD due to ongoing litigation actions;

- As of 31 December 2012 the Group had also assumed liabilities with a bank guarantee provided to Api Parques totaling €697 k for purposes of good performance of contract related to the Surface Rights;

- As of 31 December 2012, there were also other guarantees totaling €14,992 k in favor of third parties to guarantee a good and full execution and accomplishment of obligations stipulated by contracts entered into;

- As of 31 December 2012, guarantees to the Brazilian Government totaling €73,065 k (R$197,538,663) resulting from a contractual imposition of the Concession Contract signed between Brazilian Government and its partners, in which the Group is included, where they commit to invest in seismic acquisitions and drilling wells during the exploration period. The amount of guarantees relating to the liability of the Group equals its percentage of ownership in the consortium;

- As of 31 December 2012, bank guarantees of €5,678 k ($7,491 k) to the Government of East Timor as a result of the Concession Agreement signed between the Government of East Timor and partners of five blocks in East Timor in which the Group participates, where they commit to invest in seismic acquisition and drilling during the exploration period. The amount of guarantees relating to the liability of the Group equals its ownership percentage in the consortium;

- As of 31 December 2012, bank guarantees totaling €4,211 k ($5,555 k) to the Government of Mozambique and Empresa Nacional de Hidrocarbonetos, E. P. (ENH) resulting from a contractual imposition in the Concession Agreement signed between the Government of Mozambique and the partners of area 4, at the Rovuma basin, in which the Company has a participation, where they commit to perform minimum expenditures during the exploration period. The amount of guarantees given corresponds to the liability of the Company to fund the minimum expenditures in accordance with article 4 of the Concession Agreement.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions in the period from 2008 to 2012 defined in the Kyoto Protocol and the reduction of the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

Decree-Law No. 233/2004 of 14 December with the text given by 243-A/2004 of 31 December and as amended by Decree-Law No. 230/2005 of 29 December establishes the greenhouse gas emissions trading regime, which applies to the industrial activity gas emissions listed on Appendix I thereof, which includes the Galp Energia Group's installations.

Order 2836/2008, which approves the existing list of installations participating in Emissions Trading for the 2008-2012 period and related initial granting of EL, was published in Diário da República. The Group believes that the quantity of greenhouse gas EL granted for the refining and cogenerating sectors of the Group for the 2008-2012 period, in accordance with the order, are sufficient to cover the needs of the installations currently operating considering the production profiles for the five-year period.

In 2010, the Galp Energia Group was informed by the Portuguese environmental agency of the definitive EL to be granted to the facilities of cogeneration of Sines (included in the Sines refinery table below), that are distributed until 2012 as follows:

- 2009: 241,635 ton/CO_2 (of which 239.772 ton/CO_2 corresponds to the period of tests and trials);
- 2010: 169,735 ton/CO_2;
- 2011: 44,248 ton/CO_2;
- 2012: 44,248 ton/CO_2.

In 2012, the Galp Energia Group was informed by the Portuguese environmental agency of the definitive EL to be granted in the scope of the upgrade project of the OPorto refinery, that are distributed until 2012 as follows:

- 2011: 55,749 ton/CO_2 (of which 576 ton/CO_2 corresponds to the period of tests and trials);
- 2012: 103.790 ton/CO_2.

The following tables show the current facilities managed by the Group, its annual EL attributed by the Plano Nacional de Alocação de Licenças de Emissão (PNALE II), denominated as Emission Unit Allowances (EUA), emission reduction certificates Certified Emission Reduction (CER) and Emission Reduction Units (ERU) as well as the quantities of greenhouse gases (ton/CO_2) per installation/company.

EUA's

Company	Facilities	EUA Licenses held ton/CO_2 on 1 Jan. 2012	Licenses held ton/CO_2 assigned PNALE II	Licenses ton/CO_2 delivered	Licenses ton/CO_2 transferred	Licenses ton/CO_2 purchased	Licenses ton/CO_2 sold	EUA Licenses held ton/CO_2 on 31 Dec. 2012
Petrogal	Sines refinery (a)	1,006,699	2,181,798	(1,769,213)	(344,761)	-	-	1,074,523
	Porto refinery (b)	528,054	1,257,564	(842,968)	(583,966)	-	-	358,684
		1,534,753	**3,439,362**	**(2,612,181)**	**(928,727)**	**-**	**-**	**1,433,207**
Carriço Cogeração	Cogeneration	136,219	161,539	(135,870)	(45,769)	-	-	116,119
Powercer	Cogeneration	38,697	47,192	(36,810)	(13,596)	-	-	35,483
		174,916	**208,731**	**(172,680)**	**(59,365)**	**-**	**-**	**151,602**
Galp Power	n. a.	-	-	-	988,092	77,316	(1,065,408)	-
		1,709,669	**3,648,093**	**(2,784,861)**	**-**	**77,316**	**(1,065,408)**	**1,584,809**

(a) The column of PNALE II licences assigned includes licenses with the cogeneration of the Sines refinery.
(b) The column of PNALE II licences assigned includes licenses of the project of upgrade of the Porto Refinery.

CER'S

Company	Facilities	CER certificate held ton/CO_2 on 1 Jan. 2012	Ton/CO_2 certificates used	Ton/CO_2 certificates transferred	Ton/CO_2 certificates purchased	Ton/CO_2 certificates sold	CER certificates held ton/CO_2 on 31 Dec. 2012
Petrogal	Sines refinery	570,000	-	(570,000)	-	-	-
	Porto refinery	285,000	-	(285,000)	-	-	-
		855,000	**-**	**(855,000)**	**-**	**-**	**-**
Carriço Cogeração	Cogeneration	35,000	-	(35,000)	-	-	-
Powercer	Cogeneration	10,000	-	(10,000)	-	-	-
		45,000	**-**	**(45,000)**	**-**	**-**	**-**
Galp Power	n. a.	-	-	900,000	713,681	(1,613,681)	-
		900,000	**-**	**-**	**713,681**	**(1,613,681)**	**-**

ERU'S

Company	Facilities	CER certificate held ton/CO_2 on 31 Dec. 2012	Ton/CO_2 certificates used	Ton/CO_2 certificates transferred	Ton/CO_2 certificates purchased	Ton/CO_2 certificates sold	CER certificates held ton/CO_2 on 31 Dec. 2011
Petrogal	Sines refinery	-	-	1,118,761	-	-	1,118,761
	Porto refinery	-	-	564,966	-	-	564,966
		-	**-**	**1,683,727**	**-**	**-**	**1,683,727**
Carriço Cogeração	Cogeneration	-	-	80,769	-	-	80,769
Powercer	Cogeneration	-	-	23,596	-	-	23,596
		-	**-**	**104,365**	**-**	**-**	**104,365**
Galp Power	n. a.	-	-	(1,788,092)	1,865,092	(77,000)	-
		-	**-**	**-**	**1,865,092**	**(77,000)**	**1,788,092**

Held certificates and licenses

Company	Facilities	EUA's held ton/CO_2 on 31 Dec. 2012	CER's held ton/CO_2 on 31 Dec. 2012	ERU's held ton/CO_2 on 31 Dec. 2012	EUA's, CER's and ERU's held ton/CO_2 on 31 Dec. 2012	CO_2 emissions up to Dec. 2012 (a)	Excess / (insufficiency) of licenses and certificates
Petrogal	Sines refinery	1,074,523	-	1,118,761	2,193,284	1,890,415	302,869
	Porto refinery	358,684	-	564,966	923,650	839,650	84,000
		1,433,207	**-**	**1,683,727**	**3,116,934**	**2,730,065**	**386,869**
Carriço Cogeração	Cogeneration	116,119	-	80,769	196,888	135,661	61,227
Powercer	Cogeneration	35,483	-	23,596	59,079	34,267	24,812
		151,602	**-**	**104,365**	**255,967**	**169,928**	**86,039**
Galp Power	n. a.	-	-	-	-	-	-
		1,584,809	**-**	**1,788,092**	**3,372,901**	**2,899,993**	**472,908**

(a) CO_2 emissions values are proforma and will be subject to environmental audits.

As of 31 December 2012, Galp Power, S. A. owns 1,500 batches of CO_2 futures, maturing in December 2013 (Note 27). These CO_2 futures represent 1,500,000 ton/CO_2.

During 2012 Galp Energy Group bought and sold licenses for greenhouse gas EUA and certificates of CER and ERU, totaling 988,092 ton/CO_2 in sales and 888,092 ton/CO_2 in purchases.

As of 31 December 2011, the pro forma values of GGE exceeded year-end forecast, causing a shortage of licenses in the consolidated portfolio of 169,514 ton/CO_2 valued at euros 4.07 ton/CO_2 at market price of CER, for which provisions were made for the period amounting to €883 k.

As of 31 December 2012, this provision was cancelled, as there were no shortages of licenses based on the GGE by December 2012.

35. SUBSEQUENT EVENTS

There are no subsequent events for disclosure purposes.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 14 March 2013.

However, they are still subject to approval by the general shareholders meeting, under the CSC in place in Portugal. The Board of Directors believes that these financial statements fairly reflect the Company's operations, financial performance and cash flows.

37. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with IFRS as adopted by the EU (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
Chairman:
Américo Amorim
Vice-Chairmen:
Manuel Ferreira De Oliveira
Luís Palha
Members:
Paula Amorim
Filipe Crisóstomo Silva
Carlos Gomes da Silva
Sérgio Gabrielli de Azevedo
Stephen White
Vítor Bento
Abdul Magib Osman
Luís Manuel Moreira de Campos e Cunha
Baptista Sumbe
Miguel Athayde Marques
Carlos Costa Pina
Rui Paulo Gonçalves
Luís Manuel Pêgo Todo Bom
Fernando Gomes
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia
José Carlos da Silva Costa
Jorge Manuel Seabra de Freitas

Supplementary oil and gas information (unaudited)

The following information is presented in accordance with the Financial Accounting Standards Board (FASB) Extractive Activities – Oil & Gas (Topic 932).

Results of operations from exploration and production activities

Results of operations from exploration and production activities by geographical area, for the years 2012, 2011 and 2010 are as follows:

€k	Africa	Latin America	Rest of the world	Total
31 December 2012				
Total consolidated contributions				
Sales	243,694	277,589	-	521,283
Production costs	(45,159)	(23,110)	-	(68,269)
Royalties	-	(28,033)	-	(28,033)
Other operating costs	(1,489)	(35,599)	(29)	(37,117)
Exploration costs	-	(28,106)	(16,670)	(44,776)
Depreciation, amortisation and provisions for the period	(98,440)	(31,654)	-	(130,094)
Income before tax from the E&P activities	**98,606**	**(131.088)**	**(16,382)**	**212,994**
Income tax	(48,734)	(58,101)	2,663	(104,172)
Results of operations from the E&P activities	**49,872**	**72,987**	**(13,719)**	**108,823**
31 December 2011				
Total consolidated contributions				
Sales	228,241	112,236	-	340,477
Production costs	(37,413)	(16,859)	-	(54,272)
Royalties	-	(11,029)	-	(11,029)
Other operating costs	(12,080)	(16,939)	(63)	(29,082)
Exploration costs	-	(36,601)	(8,449)	(45,050)
Depreciation, amortisation and provisions for the period	(103,456)	(19,344)	-	(122,799)
Income before tax from the E&P activities	**75,292**	**11,464**	**(8,512)**	**78,244**
Income tax	(24,455)	(8,318)	2,243	(30,530)
Results of operations from the E&P activities	**50,837**	**3,145**	**(6,269)**	**47,713**
31 December 2010				
Total consolidated contributions				
Sales	213,488	31,600	-	245,088
Production costs	(33,581)	(312)	-	(33,893)
Royalties	-	(4,055)	-	(4,055)
Other operating costs	(8,938)	(7,230)	(2,135)	(18,302)
Exploration costs	(7)	(11,937)	(522)	(12,466)
Depreciation, amortisation and provisions for the period	(124,932)	(211)	-	(125,144)
Income before tax from the E&P activities	**46,031**	**7,854**	**(2,657)**	**51,228**
Income tax	(43,242)	(2,612)	141	(45,713)
Results of operations from the E&P activities	**2,789**	**5,242**	**(2,516)**	**5,515**

The production costs include direct production costs associated to blocks which are currently in production. This caption is presented net of income regarding leasing of production equipment registred in companies that are not consolidated by the full consolidation method. The following deductions were made: €1,210 k in 2012, €1,022 k in 2011 and €42 k in 2010.

Other operating costs include overhead costs regarding areas directly related to the exploration and production activities. Excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932 and includes costs registred in companies which are not fully consolidated in the amount of €116 k in 2012, €9,003 k in 2011 and €117 k in 2010.

Exploration costs correspond to exploration impairments (costs of dry wells or historical costs of returned blocks in the year).

Amortisation, depreciation and provisions for the period include costs recorded in companies not consolidated by the full consolidation method in the amount of €726 k in 2012, €522 k in 2011 and €20 k in 2010.

Results of operations do not include general corporate overhead costs and financial costs, as in accordance with FASB Topic 932.

The caption "Income taxes" includes: the PIT applicable to blocks in Africa, the Special Participation Tax (SPT) applicable to blocks in Brazil, and income taxes, in accordance with the tax laws applicable in each country. The amount of income tax is adjusted to exclude the effect of general corporate overhead costs and financial costs that were excluded from results of operations.

Capitalised costs in the year in exploration and production activities

The capitalised costs during the year that represent expenditures made in the exploration and production activities, by geographical area, for the years 2012, 2011 and 2010 are as follows:

€k	Africa	Latin America	Rest of the world	Total
31 December 2012				
Total consolidated contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	2,188	-	3,316	5,504
Exploration	86,138	154,427	15,609	256,174
Development	61,903	289,806	-	351,709
Total incurred in the period	**150,229**	**444,232**	**18,925**	**613,387**
31 December 2011				
Total consolidated contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	-	-	-	-
Exploration	13,635	100,096	17,954	131,685
Development	41,100	125,845	-	166,945
Total incurred in the period	**54,735**	**225,941**	**17,954**	**298,630**
31 December 2010				
Total consolidated contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	-	-	-	-
Exploration	13,634	47,289	6,673	67,596
Development	97,692	159,175	-	256,867
Total incurred in the period	**111,326**	**206,464**	**6,673**	**324,463**

The amounts presented in the table above differ from the value reported for the investment in the E&P business segment, since it excludes investments which are not directly related to the exploration and production activity.

The amounts in caption “Development” include assets which are related to transport and production equipment for block BM-S-11 in Brazil, recorded in companies consolidated by the equity method in the amount of €115,546 k in 2012, €25,188 k in 2011 and €36,123 k in 2010.

Gross accumulated investments in exploration and production activities

Gross accumulated investments represent the total expenditures incurred on acquisition of proved and unproved reserves and in exploration and development activities of blocks in which Galp Energia holds a share.

Exploration costs are fully capitalised. The dry wells are recognised as costs and are reflected in the table below, together with the impairments. The returned blocks are written-off and, consequently, are not included in this information.

The gross accumulated investments in the exploration and production activities that are reflected in the Galp Energia Group's financial position, by geographical area, are as follows:

€k	Africa	Latin America	Rest of the world	Total
31 December 2012				
Total consolidated contributions				
Assets with proved reserves				
Fixed Assets	716,479	284,580	-	1,001,059
Incomplete wells (assets in progress)	143,102	415,547	-	558,649
Assets with unproved reserves	226,411	363,379	67,712	657,501
Support equipment	4,096	3,674	-	7,770
Gross accumulated investment	**1,090,088**	**1,067,179**	**67,712**	**2,224,979**
Accumulated amortisations, depreciations and impairments	(521,323)	(106,715)	(25,124)	(653,162)
Net accumulated investments	**568,765**	**960,465**	**42,588**	**1,571,817**
31 December 2011				
Total consolidated contributions				
Assets with proved reserves				
Fixed assets	674,459	215,155	-	889,615
Incomplete wells (assets in progress)	110,379	78,876	-	189,256
Assets with unproved reserves	154,283	390,099	49,303	593,686
Support equipment	2,636	2,931	-	5,567
Gross accumulated investment	**941,758**	**687,062**	**49,303**	**1,678,123**
Accumulated amortisations, depreciations and impairments	(440,336)	(52,124)	(8,971)	(501,431)
Net accumulated investments	**501,422**	**634,938**	**40,333**	**1,176,692**
31 December 2010				
Total consolidated contributions				
Assets with proved reserves				
Fixed assets	637,741	-	-	637,741
Incomplete wells (assets in progress)	108,139	-	-	108,139
Assets with unproved reserves	126,531	548,495	30,562	705,588
Support rquipment	3,323	2,265	-	5,588
Gross accumulated investment	**875,733**	**550,760**	**30,562**	**1,457,055**
Accumulated amortisations, depreciations and impairments	(351,488)	(33,047)	(522)	(385,057)
Net accumulated investments	**524,245**	**517,713**	**30,040**	**1,071,998**

The investments were classified according to the following assumptions:

1) Assets with Proved Reserves (PR or 1P): assets related to fields that hold PR at the end of each year.
   1.1) Assets with PR – Fixed: assets related to fields that hold PR at the end of each year in production and subject to depreciation;
   1.2) Assets with PR – Incomplete wells (assets in progress): assets related to fields with PR at the end of each year that are not yet in production.

2) Assets with unproved reserves: assets related to fields with unproved reserves, at the end of each year.

3) Support equipment: office equipment allocated to exploration and production activities.

The amounts in the following captions include assets related to transport and production equipment for block BM-S-11 in Brazil, registred in companies which are consolidated by the equity method. In assets with PR are recorded €76,014 k in 2012 and €15,406 k in 2011. In the caption "Incomplete wells (assets in progress)", is recorded €100,843 k in 2012 and €45,905 k in 2011. In assets with unproved reserves are recorded €36,123 k in 2010. In the caption "Accumulated amortisations, depreciations and impairments" are recorded €17,766 k in 2012 and €6,082 k in 2011.

The gross accumulated investments in the table above are expressed in the functional currency of the Galp Energia Group. For companies whose functional currency is not the Euro, assets were converted at the respective exchange rate at year end in accordance with the accounting policy defined in paragraph 2.12 of the notes to the consolidated financial statements.

Oil and Gas reserves

Total PR (1P) on 31 December of 2012, 2011 and 2010 are presented in the tables below, which includes developed and undeveloped PR used for the amortisation of tangible assets and recognition of provisions for abandonment costs based on the UOP method. These reserves were calculated by an independent entity, in accordance with the PRMS, approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The reference price for the assessment of the Company's net entitlement reserves, which are the reserves which are yet to be extracted as defined in the contracts for the exploration and production activity, was $111.63/bbl, $111/bbl and $79.48/bbl, which corresponds to the average market price of Brent practiced throughout the year of 2012, 2011 and 2010, respectively.

The reserves associated with blocks in Brazil correspond to 100% of the percentage that Petrogal Brasil, Galp Energia Brazilian subsidiary, holds since this Company is fully consolidated in Galp Energia Group.

The impacts of PSA (price effect and/or change of recoverable costs) in reserves associated with this type of contract are reflected in caption "Revisions of previous estimates."

Oil reserves (proved reserves 1P)

kbbl	Africa	Latin America	Total
2012			
Reserves at 31 December 2011	**10,306**	**108,836**	**119,142**
Developed	8,391	11,944	20,335
Undeveloped	1,915	96,892	98,807
Extensions and discoveries	1,264	88	1,352
Acquisitions and sales	-	-	-
Revisions of previous estimates	885	7,710	8,595
Production	(2,846)	(2,860)	(5,706)
Reserves at 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446

kbbl	Africa	Latin America	Total
2011			
Reserves at 31 December 2010	**13,521**	**99,230**	**112,751**
Developed	9,988	8,181	18,169
Undeveloped	3,533	91,049	94,582
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	50	10,670	10,720
Production	(3,265)	(1,064)	(4,329)
Reserves at 31 December 2011	**10,306**	**108,836**	**119,142**
Developed	8,391	11,944	20,335
Undeveloped	1,915	96,892	98,807

kbbl	Africa	Latin America	Total
2010			
Reserves at 31 December 2009	**24,492**	**-**	**24,492**
Developed	9,760	-	9,760
Undeveloped	14,732	-	14,732
Extensions and discoveries	-	99,230	99,230
Acquisitions and sales	-	-	-
Revisions of previous estimates	(7,558)	-	(7,558)
Production	(3,413)	-	(3,413)
Reserves at 31 December 2010	**13,521**	**99,230**	**112,751**
Developed	9,988	8,181	18,169
Undeveloped	3,533	91,049	94,582

Gas reserves (proved reserves 1P)

The gas reserves are presented in billions of cubic feet (bcf), notwithstanding that 1boe corresponds to 6,000 cubic feet of gas.

bcf	Africa	Latin America	Total
2012			
Reserves at 31 December 2011	**-**	**154,997**	**154,997**
Developed	-	11,588	11,588
Undeveloped	-	143,409	143,409
Extensions and discoveries	-	69	69
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	32,680	32,680
Sales	-	(3,465)	(3,465)
Reserves at 31 December 2012	**-**	**184,281**	**184,281**
Developed	-	24,749	24,749
Undeveloped	-	159,532	159,532

bcf	Africa	Latin America	Total
2011			
Reserves at 31 December 2010	**-**	**82,224**	**82,224**
Developed	-	-	-
Undeveloped	-	82,224	82,224
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	73,321	73,321
Sales	-	(548)	(548)
Reserves at 31 December 2011	**-**	**154,997**	**154,997**
Developed	-	11,588	11,588
Undeveloped	-	143,409	143,409

bcf	Africa	Latin America	Total
2010			
Reserves at 31 December 2009	**-**	**-**	**-**
Developed	-	-	-
Undeveloped	-	-	-
Extensions and discoveries	-	82,224	82,224
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	-	-
Sales	-	-	-
Reserves at 31 December 2010	**-**	**82,224**	**82,224**
Developed	-	-	-
Undeveloped	-	82,224	82,224

Standard measure of discounted future net cash flows

The standard measure of future discounted cash flows have been prepared in accordance with the requirements of Topic 932 of FASB and correspond to an economic translation of the proved reserves 1P presented in the prior section.

The estimated future cash inflows represent future revenues associated with the production of PR, calculated by applying the average market price of Brent during 2012: $111.63/bbl.

Future production costs correspond to the estimates of future production costs associated with PR.

Future royalties represent the estimates of payable royalties regarding production revenue. Applicable only in Latin America and correspond to 10% of sales.

Future development and abandonment cost correspond to the estimated costs for the development of PR (drilling and installation of production platforms), as well as the estimated costs of field abandonment.

Future income taxes represent estimates of PIT (applicable to blocks in Africa and calculated according to the existing PSA); SPT (applicable to blocks in Brazil) and income taxes, according to the tax laws in each country.

The cash flows were calculated in U.S. dollars and translated into euros at the average exchange rate of the year 2012 (1.3119 $/€).

€k	Africa	Latin America	Total
31 December 2012			
Future cash inflows	816,689	10,425,334	11,242,023
Future production costs	(170,694)	(1,844,593)	(2,015,287)
Future royalties	-	**(1,174,666)**	**(1,174,666)**
Future development and abandonment costs	(128,452)	(554,215)	(682,667)
Future net cash flow before tax	**517,543**	**6,851,860**	**7,369,403**
Future income tax	(114,292)	(3,794,705)	(3,908,998)
Future net cash flows	**403,251**	**3,057,155**	**3,460,406**
Discount factor (10%)	(87,026)	(1,341,066)	(1,428,091)
Standard measures of discount of future net cash flows, at 31 December 2012	**316,225**	**1,716,089**	**2,032,314**

6.4 Reports and opinions

Audit Report for Stock Exchange Regulatory Purposes on the Consolidated Financial Information

(Free translation from the original in Portuguese)

Introduction

1. As required by law, we present the audit report for stock exchange regulatory purposes on the financial information included in the consolidated accounts report and in the attached consolidated financial statements of Galp Energia, SGPS, S. A., comprising the consolidated statement of financial position as at 31 December 2012 (which shows total assets of €13.908.574 k and total shareholder's equity of €6.705.974 k including non-controlling interests of €1.304.800 k and a net profit of €343.300 k), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2. It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated accounts report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with IFRS as adopted by the EU and which is complete, true, up-to-date, clear, objective and lawful, as required by the CVM; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our audit.

Scope

4. We conducted our audit in accordance with the Portuguese Statutory Auditing Standards, which requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilisation of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5. Our audit also covered the verification that the information included in the consolidated accounts report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of article 451 of the CSC.

6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S. A. as at 31 December 2012, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with IFRS as adopted by the EU and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8. It is also our opinion that the information included in the consolidated accounts report is consistent with the consolidated financial statements for the year and that the corporate governance report includes the information required under article 245-A of the CVM.

18 March 2013

PricewaterhouseCoopers & Associados
– Sociedade de Revisores Oficiais de Contas, Lda.
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

António Joaquim Brochado Correia, ROC.

Statutory auditors' opinion on the consolidated financial statements

(Free translation from the original in Portuguese)

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S. A. (the Company) for the fiscal year 2012, comprising the consolidated statement of financial position as of 31 December 2012 (which reflect total assets of €13.908.574 k and a shareholders' equity of €6.705.974 k, including a net income attributable to the equity holders of the parent and recognised in the consolidated income statement of €343.300 k and a total of non-controlling interests of €1.304.800 k), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows, for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control, as well as for the disclosure of any relevant facts that have influenced the operations, the financial position or the results of operations of the companies included in the consolidation perimetre.

3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

Scope

4. Our audit was performed in accordance with generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the consolidated financial statements are free from material misstatements. Therefore, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the consolidated financial statements, the checking of the consolidation procedures, and that the financial statements of the companies included in the consolidation have been properly examined, assessment of the adequacy and consistency of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the consolidated financial statements, and evaluation of the overall adequacy of the presentation of the consolidated financial statements.

5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the consolidated financial statements, as well as the verification of the matters mentioned in paragraphs 4 and 5 of article 451 of the CSC.

6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

Opinion

7. In our opinion, the consolidated financial statements mentioned above, present fairly, in all material respects, the consolidated financial position of Galp Energia, SGPS, S. A. and subsidiaries as of 31 December 2012, and of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows for the year then ended, in accordance with the IFRS, as adopted in the EU, applied on a consistent basis with the previous year.

Reporting on other legal requirements

8. It is also our opinion that the information included in the Board of accounts report is consistent with the consolidated financial statements and the Company's corporate governance report includes the disclosures required by article 245-A of the CVM.

18 March 2013

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

Pedro Matos Silva

Statement of compliance by the Board of Directors

According to article 245, first paragraph c) of the CVM.

The Board of Directors declares that, to the best of their knowledge, the information mentioned in article 245, first paragraph a), of the CVM for the separate and consolidated financial statements (i) was prepared in compliance with the applicable accounting requirements and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole; (ii) includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and (iii) includes an accurate description of the principal risks faced by Galp Energia's operations.

The Board of Directors

Chairman
Américo Amorim

Vice-Chairman
Manuel Ferreira De Oliveira

Vice-Chairman
Luís Palha da Silva

Members
Paula Amorim
Filipe Crisóstomo Silva
Carlos Gomes da Silva
Sérgio Gabrielli de Azevedo
Stephen Whyte
Vítor Bento
Abdul Magid Osman
Luís Campos e Cunha
Baptista Sumbe
Miguel Athayde Marques
Carlos Costa Pina
Rui Paulo Gonçalves
Luís Manuel Todo Bom
Fernando Gomes
Diogo Mendonça Tavares
Joaquim José Borges Gouveia
José Carlos da Silva Costa
Jorge Manuel Seabra de Freitas

Supervisory Board's report and opinion

(Free translation from the original in Portuguese)

Dear shareholders,

According to the current legislation and the Company's articles of association, and under our mandate, we hereby present our report on the supervisory activities we have performed during 2012 and accordingly express our opinion on the accounts report, the individual and consolidated financial statements, as well as the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S. A., with regards to the 2012 financial year.

During the year, we followed on the management and evolution of the Company's businesses on a regular basis, as well as its more relevant subsidiaries, according to the frequency and extension we considered most appropriate, namely through regular meetings with the Board of Directors. We have followed the inspection of the accounting records, as well as the effectiveness of the risk management, internal control and internal audit systems. We have monitored the compliance of the law as well as of the Company's articles of association. We have not faced any constraints whilst carrying out our duties.

We have met several times both with the statutory auditor and with the external auditor, monitoring both the audit activities and the legal certification of the accounts, as well as supervising their independence and competence. We have reviewed and agreed with both the legal certification of the accounts as well as the audit report of the individual and consolidated accounts.

Under the scope of our mandate, we have verified and we hereby declare to the best of our knowledge that:

a) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as of the subsidiaries which are included in the consolidation remit;

b) the accounting principles and criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee a correct representation of both the Company's and the Group's assets and results;

c) the accounts report includes a fair review of the business development just as of the position of Galp Energia and other companies included in the consolidation, clearly highlighting the most significant aspects of the business, as well as a description of the main risks that Galp Energia is exposed to in its operations;

d) the corporate governance report includes all the information required by article 245-A of the CVM.

e) Accordingly, taking into consideration the information received by the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, our opinion is that:

f) the accounts report should be approved;

g) the individual and consolidated financial statements should be approved;

h) the proposed application of net profit for the financial year 2012 should be approved.

Lastly, the Supervisory Board wishes to express its gratitude to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S. A., whose cooperation greatly simplified, at all times, the exercise of the Supervisory Board's duties.

Lisbon, 19 March 2013

Chairman – Daniel Bessa Fernandes Coelho

Member – Gracinda Augusta Figueiras Raposo

Member – Pedro Antunes de Almeida

6.5 Glossary and acronyms

Glossary

API GRAVITY
Gravity expressed in API, defined by the American Petroleum Institute as the following formula:
°API = (141.5/g) - 131.5, where g is the density of the crude oil at 60°F (15.6°C). It is used worldwide to refer to the density of crude oil. The higher the API gravity, the lighter the crude oil.

ATMOSPHERIC DISTILLATION
Crude oil distillation at atmospheric pressure. Through this process, oil components are separated into fractions such as light gasoline, heavy gasoline, gas oil and heavy products. After receiving adequate treatment, these fractions become the components of finished refined products.

BARREL OF OIL (BBL)
A unit volume measurement used for oil, based on the volume of one barrel, equal to 0.15891m3 for a crude oil barrel at 60°F (15.6°C).

BRENT
A light North Sea crude oil that has incorporated Forties and Oseberg grades since July 2006. This basket of crudes has an average API of 38.90 °API.

CO_2
Carbon dioxide, a colourless gas, heavier than air, and one of its natural components. It is produced through natural processes such as the carbon cycle and by the combustion of fossil fuels.

COGENERATION
A generation technique for combined electricity and heat production. The advantage of cogeneration is the ability to capture the heat produced by the fuel which is lost in traditional electricity generation. This process also allows the same facility to meet the heating (hot water or steam) and electricity needs of both industrial and local authority customers. This system improves the energy efficiency of the generation process and reduces fuel use.

COMMODITY
A largely homogeneous product, produced in large quantities by many different producers, where items from different producers are considered interchangeable and of more or less undifferentiated quality. Oil, cereals and metals are examples of commodities.

COMPLEXITY
A relative measure used in the refining industry that is intended to measure a refinery's capacity to process heavier crude oil with higher sulphur content into value added products. Usually the higher the complexity, the more flexible the use of several types of raw materials, the better positioned the refinery is to take advantage of different types of crude, which at a certain point are more attractive in cost terms and thus take advantage of refining margin upside opportunities.

COMPLEXITY INDEX
The complexity of a refinery is measured by a complexity index, which is calculated separately for different sector organisations, such as consultants to the energy sector Solomon Associates and Nelson. The complexity index of a refinery is calculated by assigning a complexity factor to each of the units in the refinery, which is mainly based on the technology level used in the construction of the unit and by reference to one facility of primary distillation of crude to which is assigned a complexity factor of 1.0. The index of complexity of each unit is calculated by multiplying the complexity factor by the unit capacity. The complexity of a refinery is equivalent to the weighted average of the index of complexity of each of the units thereof, including the distillation unit. A refinery with a complexity index of 10.0 is considered ten times more complex than just a refinery equipped with atmospheric distillation of crude oil, for the same amount of product processed.

CONDENSATES
Hydrocarbons which, stored in the respective fields, are in the gaseous state, but on the surface become liquid under normal temperature and pressure. Condensates are mainly composed of pentane and other heavier products.

CONTINGENT RESOURCES
These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons, for example: maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested in order to produce the volumes commercially); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the higher estimate (best estimate), while 3C resources correspond to the highest estimate (high estimate), thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

CONVERSION
Refers to various treatments (catalytic or thermal) whose main impact is on carbon bonds. It can be more or less intense depending on the conditions. This process is usually associated with the conversion of fuel oil into lighter and more valuable fractions (gasoil, gasoline and oil gases). These processes are increasingly important in a modern refinery.

CRACKING
The refining process of breaking down larger, heavier, lower-value and more complex hydrocarbon molecules into simpler, lighter and higher-value molecules. A distinction should be made between thermal cracking and catalytic cracking. Thermal cracking is performed only by the action of heat and pressure. Catalytic cracking utilises catalysts that allow the same temperature, deeper transformation and more selective fractions that may be heavier.

CRUDE UTILISATION RATE
The ratio of the total amount of crude oil processed through crude oil distillation units compared to the operable capacity of these units.

DATED BRENT
The price for prompt shipments of Brent crude as reported by price agencies. It is the benchmark price for the vast majority of crude oils sold in Europe, Africa and the Middle East and one of the most important benchmarks for spot market prices.

DIESEL
A blend of hydrocarbons used as a fuel for ignition by compression engines that use the diesel cycle. The behaviour of diesel depends on the temperatures at which it is used.

DISTILLATES
Any petroleum product produced by the distillation of crude oil.

DISTILLATION
A method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may take place under atmospheric pressure or in a vacuum, depending on what products are desired.

EMISSIONS
The release of gases into the atmosphere. In the context of global climate change, gases released include gases which can alter the climate, the so-called greenhouse gases. A typical example is the release of carbon dioxide during the burning of fuel.

EXPLORATION RESOURCES
Quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Mean estimate risked exploration resources have a higher implied recoverable probability than mean estimate unrisked resources. The quantities classified as exploration resources cannot be classified as contingent resources or reserves.

FREE FLOAT
The percentage of the shares in a listed company that are freely traded on the market – i.e. those not held by strategic investors.

FUEL OIL
A blend of hydrocarbons mainly used for heat production in thermal installations. There are several types of fuel oil with different viscosity levels that limit the uses of each type.

GASOLINE
Fuel for internal combustion engines that use the Otto cycle. It must comply with specifications regarding its physical and chemical characteristics, the most important of which is resistance to self-inflammation.

GENERATION
The process of producing electric energy by transforming other forms of energy. Energy can be expressed in joules, kilowatt/hour, calories or British thermal units. These units can be applied to any type of energy, regardless of its origin.

HYDROCRACKING
Process of cracking with the use of hydrogen and under the action of catalysts that can convert oil fractions with high boiling points and undervalued in light fractions and more valued. Hydrogen allows you to work at lower temperatures and with greater selectivity and is thus better performing. The reaction products are saturated compounds, which confers important characteristics of stability.

ICE
Intercontinental Exchange Inc., or ICE, is an American financial company that operates Internet-based marketplaces which trade futures and over-the-counter (OTC) energy and commodity contracts, as well as derivative financial products.

JET FUEL
Fuel for jet engines used in aviation.

LIQUEFIED PETROLEUM GAS (LPG)
A mixture of hydrocarbons that is gaseous under normal temperature and atmospheric conditions but can be liquefied by increasing the pressure or lowering the temperature for transportation and storage. The most common types are propane and butane.

LIQUEFIED NATURAL GAS (LNG)
The liquid that results when natural gas is cooled to approximately -160°C at atmospheric pressure. LNG's volume is approximately 1/600 of the volume of natural gas, making it more efficient for transportation.

LUBRICANTS
Products obtained by mixing one or more base oils and additives. This process complies with specific formulations, depending on the use of the lubricant. The proportion of additives in lubricants can reach 40%. Lubricating oils have three main uses: automotive, industrial and marine.

NAPHTHA
A light fraction of refined crude oil between gases and petroleum. It is used as feedstock by the petrochemical industry, as its cracking supplies several products. It can also be used as a component in petrol (light naphtha) or to produce reformate (heavy naphtha).

NATIONAL BALANCING POINT (NBP)
The National Balancing Point, commonly referred to as NBP, is a virtual trading location for the sale, purchase and exchange of UK natural gas, and it is the pricing and delivery point for the ICE. The NBP price is reference for the current prices currently in Europe. It differs from Henry Hub because it is not delivered in an actual physical location.

NATURAL GAS
A naturally-occurring mixture of light hydrocarbons found in the subsoil, comprising over 70% methane by volume. The composition of natural gas changes according to the production field, the production process, the conditioning, the processing and the transportation.

NET ENTITLEMENT PRODUCTION
The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

OFFSHORE EXPLORATION
Offshore exploration is carried out in shallow water (less than 1,000 feet), deep water (between 1,000 and 5,000 feet) or ultra-deep water (more than 5,000 feet).

ONSHORE EXPLORATION
Crude oil exploration that takes place on land.

PETROCHEMICALS
Intermediate products of oil refining which are used as feedstock for polymers and various other chemical products.

PROVED RESERVES (1P)

Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proven if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

PROVED AND PROBABLE RESERVES (2P)

2P reserves correspond to the addition of proved (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Proved reserves are those quantities of oil which, by analysis of geological and engineering data, have lower probability of being recovered than the proved reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

PROVED, PROBABLE AND POSSIBLE RESERVES (3P)

3P reserves correspond to the addition of proved, probable and possible reserves. Under the definition approved by the SPE and the WPC, the possible reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. The possible reserves have lower probability of being recovered than the probable reserves. If probability methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

RAW MATERIAL

Defined as a product with high homogeneity, produced in large scale by many different producers. Examples of raw materials are oil, cereal and other metals.

REFINERY

An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen etc.) or feedstock for other industries (such as the petrochemical industry).

RENEWABLE ENERGY

Energy available from natural and permanent sources that can be exploited economically in present conditions or in the near future.

REPLACEMENT COST ADJUSTED (RCA)

In addition to using the replacement cost method, adjusted profit excludes non-recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the Company's profit and do not reflect its operational performance.

REPLACEMENT COST RESULTS (RC)

As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at weighted average cost (WAC). This may, however, lead to substantial volatility in results when commodities and goods prices fluctuate sharply leading to gains or losses in inventory, which may not reflect operational performance. In this document, we call this impact the inventory effect. According to this method, the cost of goods sold is valued at replacement cost, i.e. at the average cost of the raw materials in the month when the sales were made and irrespective of the inventories held at the start or end of that period. The replacement cost method is not accepted by either Portuguese GAAP or IFRS and is therefore not used to value inventories. The method does not reflect the replacement cost of other assets.

SPOT MARKET

With respect to commodities such as oil, this is a term used to describe the international trade in one-off cargoes or shipments of commodities such as crude oil in which prices closely follow demand and availability.

TANK FARM

An installation used by trunk and gathering pipeline companies, crude oil producers and terminal operators (except refineries) to store crude and oil products.

WIND FARM

A group of wind turbines interconnected to a common utility system through a system of transformers, distribution lines and (usually) one substation. The functions of operation, control and maintenance are centralised through a computer monitoring system, supplemented by visual inspection.

WIND POWER

Kinetic energy – that is, energy generated by movement – which is obtained from air circulation or wind. Can be converted into mechanical energy to drive pumps, mills and power generators.

WORKING INTEREST PRODUCTION

The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Acronyms

AGU: autonomous gas unit.
Amorim Energia: Amorim Energia, B. V.
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazilian national agency for oil, natural gas and biofuels).
API: American Petroleum Institute.
bbl: oil barrel.
BBLT: Benguela-Belize-Lobito-Tomboco.
bcf: billion cubic feet.
bcm: billion cubic metres.
BG Group: Bg Group, plc.
bn: billion.
bnbbl: billion barrels.
bnboe: billion barrels of oil equivalent.
boe: barrel of oil equivalent.
BP: BP, p.l.c.
CBC: Basic Skills for Managers Programme.
CDP: Carbon Disclosure Project.
CEO: chief executive officer.
CER: Certified Emission Reduction.
CFO: chief financial officer.
CGD: Caixa Geral de Depósitos, S. A.
CIZ: common-interest zone.
CMVM: Comissão do Mercado de Valores Mobiliários (Portuguese securities market commission).
CO_2: carbon dioxide.
CONCAWE: Conservation of Clean Air and Water in Europe.
COSO: Committee of Sponsoring Organisations.
CSC: Código das Sociedades Comerciais (Portuguese securities code).
CVM: Código dos Valores Mobiliários (Portuguese Securities Code).
DECRI: Direção de Estratégia Corporativa e Relações com Investidores, or Corporate Strategy and Investor Relations.
DeMAC: Degolyer and Macnaughton.
DJSI: Dow Jones Sustainability Index.
DO: dealer operated.
E&P: Exploration & Production.
Ebit: earnings before interest and taxes.
Ebitda: earnings before interest, taxes, depreciation and amortisation.
EGREP: Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE.
EL: emission licenses.
EMPL: Europe Magrebe Pipeline.
EMV: expected monetary value.
ENH: National Hydrocarbon Company of Mozambique.
Eni: Eni, S. p. A.
EPS: earnings per share.
ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator).
ERU: Emission Reduction Units.
EU: European Union.
EUA: Emission Unit Allowances.
EUR (or €): Euro.
EWT: extended well test.
FASB: Financial Accounting Standards Board.
FLNG: floating liquefied natural gas.
FOB: free on board.
Foundation: Fundação Galp Energia.
FPSO: floating, production, storage and offloading.
G&P: Gas & Power.
Galp Energia: Galp Energia, SGPS, S. A., Group or Company.
GBp: Great British pence.
GDL: Lisboagás GDL – Socieade Distribuidora de Gás Natural de Lisboa, S. A.
GDP: GDP – Gás de Portugal, SGPS, S. A.
GGE: greenhouse gas emissions.
GIIP: gas initial in place.
GITE: Galp International Trading Establishment.
GWh: Gigawatt per hour.
HRT: HRT Participações em Petróleo, S. A.
HSE: health, safety and environment.
IAS: International Accounting Standards.
IASB: International Accounting Standard Board.
IASC: International Accounting Standards Committee.
ICE: Intercontinental Exchange.
IEA: International Energy Agency.
IFRIC: International Financing Reporting Interpretation Committee.
IFRS: International Financial Reporting Standards.
ISPG: Brazilian Institute of Oil and Gas.
k: thousand.
kbbl: thousand barrels.
kboe: thousand barrels of oil equivalent.
kboepd: thousand barrels of oil equivalent per day.
kbopd: thousand barrels of oil.
km^2: square kilometres.
kton: thousand tonnes.
LNG: liquefied natural gas.
LPG: liquefied petroleum gas.
LTIFR: lost time injury frequency rate.
m: million.
m^3: cubic metres.
mbbl: millions of barrels.
mboe: million barrels of oil equivalent.
mboepd: million barrels of oil equivalent per day.
mbopd: million barrels of oil per day.
MIBEL: Iberian Electricity Market.
mm^3: million cubic metres.
mmbtu: million british thermal units.
mscf: million standard cubic feet.
mton: million tonnes.
MW: megawatt.
MWh: megawatt per hour.
NBP: National Balancing Point.
NE: north east.
NLNG: Nigeria LNG.
NWE: North West Europe.
NYSE: New York Stock Exchange.
OAP: official audit plan.
OECD: Organisation for Economic Cooperation and Development.
OIT: oil income tax.
OJEU: Official Journal of the European Union.
OTC: over-the-counter.
p.p.: percentage points.
PEL: petroleum exploration licenses.
Petrobras: Petróleo Brasileiro, S. A.
Petrogal: Petróleos de Portugal – Petrogal, S. A.
PIT: Petroleum Income Tax.
PR: proved resources.
PRMS: Petroleum Resources Management System.
PSA: production-sharing agreement.
PUCM: projected unit credit method.
R&D: research and development.
R&M: Refining & Marketing.
RC: replacement cost.
RCA: replacement cost adjusted.
RCM: Reliability Centered Maintenance.
Repsol: Repsol YPF, S. A.
ROACE: return on average capital employed.
Shell: Royal Dutch Shell, plc.
SPE: Society of Petroleum Engineers.
SPT: Special Participation Tax.
SROC: firm of statutory auditors.
SW: south west.
SXEP: Index DJ Europe STOXX Oil & Gas.
TCf: trillion cubic feet.
TMA: Tarfaya Marin-A.
Ton: tonne.
Total: Total, S. A.
UK: United Kingdom.
UOP: unit of production.
USA: United States of America.
USD (or $): US Dollar.
VAT: valued added tax.
WAC: weighted average cost.
WACC: weighted average cost of capital.
WIP: Winland International Petroleum, SARL.
WPC: World Petroleum Council.
YOY: year on year.

DISCLAIMER

This annual report and accounts contains forward-looking statements about the activities and results of Galp Energia as well as some Company plans and objectives. The terms “anticipates”, “believes”, “estimates”, “expects”, “predicts”, “aims”, “plans” and other similar ones aim to identify such forward-looking statements. As a result of their nature, forward-looking statements involve risks and uncertainties as they are associated with events and circumstances that may occur in the future. Real outcomes and developments may as a result of several factors differ significantly from outcomes, either express or implicit, in the statements. These include but are not limited to changes in costs, economic conditions or regulatory framework.

Forward-looking statements only refer to the date when they were made and Galp Energia has no obligation to update them in the light of new data or future developments or otherwise explain the reasons actual outcomes are possibly different.

EDITION

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