

Growing energy

INDIVIDUAL ACCOUNTS REPORT 2012





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GALP ENERGIA, SGPS, S. A.

Statement of financial position as of 31 December 2012 and of 2011 (IAS/IFRS)

(Amounts stated in thousands of euros – €k)

ASSETS	Notes	31 Dec. 2012	31 Dec. 2011
Non-current assets			
Tangible assets	12	31	5
Intangible assets	12	-	-
Investments in subsidiaries	4	1,259,542	1,224,882
Investments in associates	4	3,294	151
Other receivables	14	2,530,938	3,111,704
Deferred tax assets	9	2,472	775
Other investments		-	1,032
Total non-current assets:		3,796,277	4,338,549
Current assets			
Trade receivables	15	1,205	2,722
Other receivables	14	1,028,216	354,916
Other financial investments	17	54	-
Current income tax recoverable	9	84,555	52,862
Cash and cash equivalents	18	186	56,669
Total current assets:		1,114,216	467,169
Total assets		4,910,493	4,805,718
EQUITY AND LIABILITIES			
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Other reserves	20	193,827	193,827
Hedging reserves		(5,394)	(573)
Retained earnings		403,274	591,482
Net profit for the year		27,552	77,152
Total equity:		1,530,515	1,773,145
Liabilities:			
Non-current liabilities:			
Bank loans	22	912,686	629,904
Bonds	22	619,410	905,000
Deferred tax liabilities	9	-	299
Other investments	17 and 27	6,917	1,756
Provisions	25	6,632	6,940
Total non-current liabilities:		1,545,645	1,543,899
Current liabilities:			
Bank loans and overdrafts	22	145,076	725,295
Bonds	22	568,669	280,000
Trade payables	26	338	605
Other payables	24	1,061,043	451,456
Other investments	17 and 27	722	-
Current income tax payable	9	58,486	31,317
Total current liabilities		1,834,333	1,488,673
Total liabilities		3,379,978	3,032,572
Total equity and liabilities		4,910,493	4,805,718

The accompanying notes form an integral part of the financial position statement for the year ended 31 December 2012.

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Chairman:

Américo Amorim

Vice-Chairman:

Manuel Ferreira De Oliveira

Luis Palha da Silva

Members:

Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrielli de Azevedo

Stephen Whyte

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José Carlos da Silva Costa

Jorge Manuel Seabra de Freitas

GALP ENERGIA, SGPS, S. A.

Income statement for the years ended 31 December 2012 and 2011 (IAS/IFRS)

(Amounts stated in thousands of euros – €k)

	Notes	2012	2011
Operating income:			
Services rendered	5	9,322	9,088
Other operating income	5	298	299
Total operating income:		9,620	9,387
Operating costs:			
External supplies and services	6	(6,352)	(6,036)
Employee costs	6	(6,754)	(5,200)
Amortisation, depreciation and impairment loss on tangible assets	6	(4)	(4)
Provision and impairment loss on receivables	6	40	106
Other operating costs	6	(2,362)	(1,487)
Total operating costs:		(15,432)	(12,622)
Operating profit (loss):		(5,812)	(3,234)
Financial income	8	152,231	161,419
Financial costs	8	(144,082)	(123,519)
Exchange gain (loss)		157	-
Share of results of investments in associates and jointly controlled entities	4	25,984	53,045
Income (loss) on financial instruments	27	(70)	(619)
Profit before tax:		28,408	87,093
Income tax	9	(856)	(9,941)
Income before non-controlling interests:		27,552	77,152
Profit attributable to non-controlling interests	21	-	-
Net profit	10	27,552	77,152
Earnings per share (in euros)	10	0.03 €	0.09 €

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

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Carlos Alberto Nunes Barata

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GALP ENERGIA, SGPS, S. A.

Statements of changes in equity for the years ended 31 December 2012 and 2011 (IAS/IFRS)

(Amounts stated in thousands of euros – €k)

Movements for the year	Notes	Share capital	Share premium	Other reserves (Note 20)	Hedging reserve	Retained earnings	Net profit for the year	Total
Balance as of 1 January 2011		829,251	82,006	193,827	-	352,430	355,147	1,812,661
Net profit for the year	10	-	-	-	-	-	77,152	77,152
Other gains and losses recognised in equity		-	-	-	(573)	-	-	(573)
Comprehensive income for the year		-	-	-	(573)	-	77,152	76,579
Dividends distributed / interim dividends		-	-	-	-	(116,095)	-	(116,095)
Appropriation of profit to reserves		-	-	-	-	355,147	(355,147)	-
Balance as of 31 December 2011		829,251	82,006	193,827	(573)	591,482	77,152	1,773,145
Balance as of 31 December 2011		829,251	82,006	193,827	(573)	591,482	77,152	1,773,145
Net profit for the year	10	-	-	-	-	-	27,552	27,552
Other gains and losses recognised in equity		-	-	-	(4,821)	-	-	(4,821)
Comprehensive income for the year		-	-	-	(4,821)	-	27,552	22,731
Dividends distributed / interim dividends	30	-	-	-	-	(265,360)	-	(265,360)
Appropriation of profit to reserves		-	-	-	-	77,152	(77,152)	-
Balance as of 31 December 2012		829,251	82,006	193,827	(5,394)	403,274	27,552	1,530,515

The accompanying notes form an integral part of the financial statements of changes in equity for the year ended 31 December, 2012.

THE ACCOUNTANT

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GALP ENERGIA, SGPS, S. A.

Statements of comprehensive income for the years ended 31 December 2012 and 2011 (IAS/IFRS)

(Amounts stated in thousands of euros – €k)

	Notes	2012	2011
Net profit for the year	10	27,552	77,152
Increases / decreases in hedging reserves		(6,791)	(573)
Income tax related with gains and losses recognised in equity		1,970	-
Other gains and losses recognised in equity net of income tax		(4,821)	(573)
Comprehensive income		22,731	76,579

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

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GALP ENERGIA, SGPS, S. A.

Statements of cash flows for the years ended 31 December 2012 and 2011 (IAS/IFRS)

(Amounts stated in thousands of euros – €k)

	Notes	2012	2011
Operating activities:			
Cash receipt from trade receivables		37,797	13,869
Cash paid to trade payables		(8,987)	(9,482)
Cash paid to employees		(3,260)	(2,967)
Income tax received / (paid)		(30,280)	(32,766)
Other (payments) / receipts from operating activities		(5,171)	(1,779)
Cash flow from operating activities (1)		(9,902)	(33,126)
Investing activities:			
Cash receipts related to:			
Investments		-	5
Interests and similar income		180,109	53,860
Dividends	4	25,984	53,880
Loans granted		445,246	59,451
		651,338	167,196
Cash payments related to:			
Investments		(37,895)	(29,096)
Tangible assets		(37)	-
Loans granted		(630,959)	(337,716)
		(668,891)	(366,812)
Cash flow from investing activities (2)		(17,553)	(199,616)
Financing activities:			
Cash receipts related to:			
Loans obtained		20,247,687	810,350
Payments for:			
Loans obtained		(19,923,267)	(240,166)
Interests and similar costs		(140,973)	(115,251)
Dividends	30	(265,360)	(116,095)
		(20,329,600)	(471,513)
Cash flow from financing activities (3)		(81,913)	338,837
Change in cash and cash equivalents (4) = (1) + (2) + (3)		(109,368)	106,096
Exchange rate differences' effects		158	-
Cash and cash equivalents at beginning of the year	18	30,539	(75,557)
Cash and cash equivalents at end of the year	18	(78,670)	30,539

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

THE ACCOUNTANT

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Chairman:

Américo Amorim

Vice-Chairman:Manuel Ferreira De Oliveira
Luís Palha da Silva**Members:**Paula Amorim
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GALP ENERGIA, SGPS, S. A.

Notes to the financial statements as of 31 December 2012

(Amounts stated in thousands of euros – €k)

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

1. INTRODUCTION

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

The Company's Head Office is in Lisbon and its main purpose is the management of other companies having, as of the date of its constitution, taken control of the Portuguese state's direct participations in the following companies: Petróleos de Portugal-Petrogal, S. A.; GDP-Gás de Portugal, SGPS, S. A. and Transgás-Sociedade Portuguesa de Gás Natural, S. A., currently designated Galp Gás Natural, S. A.

The Company's shareholders positions suffered several changes over the years, and the current Company shareholder position as of 31 December 2012 is stated in Note 19.

Part of the Company's shares, representing 30.32% of its capital, is listed on the NYSE Euronext Lisbon stock exchange.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

Galp Energia's financial statements were prepared on a going concern basis, and under the historical cost convention, except for financial derivative instruments which are stated at fair value based on the accounting records of the Company, maintained in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), effective for the year beginning 1 January 2012. The IFRS issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) as well as their respective interpretations IFRIC and SIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretation Committee (SIC) should be considered as part of these standards. These standards and interpretations are hereinafter referred to as IFRS.

The IAS/IFRS standards which were both approved and published in the Official Journal of the European Union (OJEU) during 2012 and which are considered to be applicable to present and subsequent years are presented in the table below:

Standards and interpretations to be applied in subsequent years, if applicable:

IAS Standards	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 2014	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 2014	2014	Not applicable
IFRS 11 Joint arrangements	29 December 2012	After 1 January 2014	2014	Not applicable
IFRS 12 Disclosure of interests in other entities	29 December 2012	After 1 January 2014	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	2013	No accounting impacts are expected
IAS 28 Investments in associates and joint ventures	29 December 2012	After 1 January 2014	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 2012	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 IAS/IFRS standards approved and published in the OJEU for the years 2011 and 2012, and which are considered to be applicable to the years 2011, 2012 and to subsequent years are presented in the table below:

Standards and interpretations adopted, if applicable:

IAS Standards	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IFRS 7 Financial instruments: disclosures – transfers of financial assets	23 November 2011	After 3 June 2011	2012	No accounting impacts are expected
Amendments to IFRS 7 Financial instruments: disclosures – offsetting financial assets and financial liabilities	29 December 2012	After 1 January 2011 depending on the regulation articles	2011	No accounting impacts are expected
Amendments to IAS 32 Financial instruments: presentation – offsetting financial assets and financial liabilities	29 December 2012	After 1 January 2011 depending on the regulation articles	2011	No accounting impacts are expected

The Board of Directors believes that the separate accompanying financial statements and notes provide a fair view of the Company's financial information. Estimates of the effect of the amounts of assets, liabilities, as well as income and costs as of the reporting date, were used in preparing the accompanying financial statements. All of the estimates and assumptions used by the Board of Directors were, however, 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 the presentation of the separate financial statements, the Company declares that it complies with the IAS/IFRS and their interpretations SIC/IFRIC as endorsed by the EU.

The main accounting principles which were adopted by the Company during the preparation of its separate financial statements are stated below. During the year ended 31 December 2012, there were no significant changes in the accounting principles applied compared to those which were considered in the preparation of financial information for the previous year, as no material error was registered in previous years.

These financial statements refer to the Company's separate financial statements and were prepared under the legal terms for approval at the shareholders general meeting, having the financial investments been recorded at acquisition cost as explained in Note 2.2. The Company will prepare and separately present consolidated financial statements where the financial statements of associates and jointly controlled entities will also be presented. Therefore, equity at 31 December 2012 and net profit for the year then ended included in these separate financial statements reflect the effect of consolidating equity and the results of the subsidiary and associated companies based on their financial statements. However, these financial statements do not reflect the effect of a full consolidation of assets, liabilities, costs and income.

2.2 INVESTMENTS IN SUBSIDIARIES

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

The investments in subsidiaries are presented in Note 4.

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

2.3 TANGIBLE ASSETS

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

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

The average depreciation rates used were as follows:

	Years
Administrative equipment	5 a 8
Other tangible assets	8

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

2.4 IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

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

The recoverable amount is the greater between 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 and knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the Weighted Average Cost of Capital (WACC) used by the Galp Energia Group.

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

2.5 PROVISIONS

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

During the year ended 31 December 2012, there were no transactions that should be classified as restructuring provisions.

2.6 FOREIGN CURRENCY BALANCES AND TRANSACTIONS

Transactions are recorded in the Company's financial statements in its functional currency, at the exchange rates in force on the date of transaction.

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

As of 31 December 2012 and of 2011, the Company had no balances denominated in foreign currency.

2.7 INCOME AND ACCRUAL BASIS

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

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

The revenue from dividends is recognised when the right of the Company to recognise the amount is established.

2.8 FINANCIAL COSTS ON LOANS OBTAINED

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

2.9 INCOME TAX

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

Deferred taxes are calculated based on the liability method and correspond to the temporary differences between the book value of assets and liabilities and their respective tax values.

Deferred tax assets and liabilities are calculated and periodically valued using the taxation rates which are expected to be in force on the date of reversal of temporary differences.

Deferred tax assets are quoted when there are reasonable prospects of sufficient future taxable income for them to be used. At the date of each balance sheet there is a reevaluation of the temporary differences underlying to the deferred tax assets, with the purpose of recognising assets by deferred assets not previously registered since they did not fulfill all requisites and/or to reduce the amount of deferred tax assets stated according to the present expectation of their future recovery.

2.10 FINANCIAL INSTRUMENTS

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

a) Investments

Investments are classified as follows:

Investments at fair value through profit and loss

Investments measured at fair value through profit or loss are classified as current investments if maturity or expected realisation is less than 12 months, otherwise they are classified as non-current investments.

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

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

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

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

b) Receivables

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

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

c) Equity or liability classification

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

d) Loans

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

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

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

e) Trade and other payables

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

f) Derivative instruments

Hedge accounting

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

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

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

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

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

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

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

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

g) Cash and cash equivalents

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

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

2.11 STATEMENT OF THE FINANCIAL POSITION CLASSIFICATION

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

2.12 SUBSEQUENT EVENTS

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

2.13 JUDGMENTS AND ESTIMATES

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

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

Provisions for contingencies

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

2.14 RISK MANAGEMENT AND HEDGING

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

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

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

During the year ended 31 December 2012, only material changes required by IFRS 7 – Financial instruments were disclosed.

2.15 SHARE CAPITAL

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

3 COMPANIES INCLUDED IN THE CONSOLIDATION

Not applicable.

4. INVESTMENTS IN ASSOCIATES

4.1 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as of 31 December 2012 and 2011 are as follows:

Firm	Head Office		Percentage interest held		Main activity	Acquisition cost	
	City	Country	2012	2011		2012	2011
Galp Energia, S. A.	Lisbon	Portugal	100%	100%	Business Management and consultancy services.	6,154	6,154
Next Priority, SGPS, S. A.	Lisbon	Portugal	100%	100%	Management of equity participations.	50	50
Petróleos de Portugal – Petrogal, S. A.	Lisbon	Portugal	100%	100%	Refining crude oil and derivatives; transport, distribution and trading of crude oil and derivatives and natural gas; and any other industrial, commercial, research and related services.	803,556	803,556
GDP – Gás de Portugal, SGPS, S. A.	Lisbon	Portugal	100%	100%	Management of equity investments	344,922	344,922
Galp Power, SGPS, S. A.	Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities.	12,376	12,376
Galp Energia Netherlands, B. V.	Amsterdam	Netherlands	100%	100%	Exploration and production of oil and natural gas. Trading of oil, natural gas and oil products; management of shareholdings of other companies and financing businesses and companies.	68,906	53,987
Galp Trading, S. A. (a)	Geneva	Switzerland	-	100%	Development of activities related to the trading of physical crude oil, oil products, petrochemicals and natural gas. Business of chartering ships for the shipment of products covered by the trading activity.	-	92
Galp Bioenergy, B. V. (b)	Amsterdam	Netherlands	100%	100%	Production and trading of biofuels.	23,578	3,745
						1,259,542	1,224,882

(a) During the year ended 31 December 2012 the Company sold the interest held on Galp Trading, S. A., to Galp Energia Portugal Holdings B. V., for €92 k.

(b) During the year ended 31 December 2012 the Company made a capital increase in the subsidiary Galp Bioenergy, B. V., by the amount of €19,833 k.

Firm	Head Office	31 December 2012			
		Total assets	Total liabilities	Equity	Net profit
Galp Energia, S. A.	Lisbon	38,733	34,963	3,770	204
Next Priority SGPS, S. A.	Lisbon	663	656	7	(41)
Petróleos de Portugal – Petrogal, S. A.	Lisbon	6,852,128	6,126,311	725,817	(12,604)
GDP – Gás de Portugal, SGPS, S. A.	Lisbon	1,601,155	944,439	656,716	305,773
Galp Power, SGPS, S. A.	Lisbon	213,727	187,132	26,595	30,559
Galp Energia Netherlands, B. V.	Amsterdam	4,571,659	2,209,872	2,361,787	32,183
Galp Bioenergy, B. V.	Amsterdam	23,553	128	23,425	(132)
		13,301,618	9,503,501	3,798,117	355,942

During the year ended 31 December 2012, the movements occurred in caption "Results regarding investments in subsidiaries and associates" can be detailed as follows:

	2012	2011
Dividends received	25,984	53,880
Losses calculated on the exchange of shares in subsidiaries	-	(838)
	25,984	53,042

4.2 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Participations in associates and jointly controlled entities as of 31 December 2012 and 2011 were as follows:

Firm	Head Office		Percentage of interest held		Acquisition cost	
	City	Country	2012	2011	2012	2011
Adene – Agência para a Energia, S. A.	Lisbon	Portugal	10.98%	10.98%	114	114
OEINERGE – Agência Municipal de Energia e Ambiente	Oeiras	Portugal	1.45%	1.45%	1	1
Enerfuel, S. A. (a)	Lisbon	Portugal	1.00%	-	3,143	-
Omegas – Sociedade D'Etude du Gazoduc Magreb-Europe	Morocco	-	-	-	35	35
Galp Gâmbia	Gambia	-	-	-	1	1
Galp Swazilândia	Swaziland	-	-	-	-	-
					3,294	151

(a) Galp Energia, SGPS, S. A. acquired 1% of the share capital of the company Enerfuel, S. A. for €500. Additionally, the Company delivered to Enerfuel, S. A. the amount of €3,142 k, as supplementary capital contributions.

5. OPERATING INCOME

The operating income of the company for the year ended 31 December 2012 and 2011 were as follows:

Captions	2012	2011
Services rendered	9,322	9,088
Other operating income:		
Supplementary income	298	299
	298	299
	9,620	9,387

The services rendered in the amount of €9,322 k, are essentially related to management services provided to other Group companies.

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

The services rendered by the Company in 2012 and 2011 by geographical market are distributed as follows:

	2012	2011
Domestic market	6,566	7,863
Foreign market	2,756	1,225
	9,322	9,088

6. OPERATING COSTS

Operating costs for the years ended 31 December 2012 and 2011 are made up as follows:

Captions	2012	2011
External supplies and services:		
Other specialised services	4,591	4,279
Travel and accommodation	440	462
Legal services	262	240
Rents	188	172
Insurance	175	154
Communication	106	121
Representation costs	75	67
Litigation and notaries	61	8
Fuel	60	65
Studies and projects	56	151
IT services	46	47
Office supplies	26	16
Gifts	18	18
Maintenance and repairs	7	6
Books and technical documentation	7	2
Advertising and publicity	5	-
Marketing and communication	2	32
Fees	1	23
Other costs	226	173
	6,352	6,036
Employee costs:		
Remuneration of Statutory Board members (Note 29)	5,703	4,188
Remuneration of personnel	779	722
Social charges	150	122
Other insurance	78	78
Other costs	44	90
	6,754	5,200
Amortisation and depreciation:		
Depreciation and impairment of tangible assets (Note 12)	4	4
	4	4
Provisions and impairment of receivables:		
Provisions and reversals (Note 25)	(40)	(106)
	(40)	(106)
Other operating costs		
Other taxes	2,183	1,132
Other operating costs	179	355
	2,362	1,487
	15,432	12,622

Other specialised services mainly include remuneration costs of the Statutory Board members and other key management personnel, €2,022 k (Note 29), and corporate services, including accounting services, human resources management, general services, financial services and audit services invoiced by the subsidiary Galp Energia, S. A. (Note 28).

7. SEGMENT REPORTING

Not applicable.

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2012 and 2011 were as follows:

Financial income and costs	2012	2011
Financial income		
Interest – related parties (Note 28)	152,091	157,922
Interest – other	140	527
Other financial income	-	2,970
	152,231	161,419
Financial costs		
Interest – related parties (Note 28)	27,807	3,593
Interest – other	104,857	109,726
Commissions	10,808	5,288
Other financial costs	610	4,911
	144,082	123,519

9. INCOME TAX

The company and several of its subsidiaries are taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S. A. However, estimated income tax of the Company and its subsidiaries is recorded based on their individual tax results which, for the year ended in 31 December 2012, amounted to an account payable and receivable from these Group companies of €60,374 k and €58,486 k (Note 28), respectively.

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

- (i) in accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (Social Security can be reviewed for 10 years until 2000, inclusive and for five years after 2011), except when there are tax losses carried forward, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;
- (ii) the Group's tax returns for the years 2009 to 2012 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 separate financial statements as of 31 December 2012 and 2011;
- (iii) in accordance with current tax legislation, gains and losses resulting from recognition of the results of subsidiaries and associated companies through application of the equity method are not considered as income or expenses for corporate income tax purposes in the year they are recognised for accounting purposes. Dividends are taxed in the year they are attributed.

Income tax for the years ended 31 December 2012 and 2011 were as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
Group companies:				
Income taxes receivable / payable (Note 28)	60,374	30,930	58,486	31,317
State:				
Tax receivable / payable	24,181	21,932	-	-
	84,555	52,862	58,486	31,317

The estimated income tax of the Company based on its taxable income in the fiscal year ended 31 December 2012 represents a tax payable amounting to €856 k and was calculated as follows:

Income Taxes	2012	2011
Current tax	820	9,917
Insufficiency / (excess) of income tax estimated in previous years	63	60
Deferred tax	(27)	(36)
	856	9,941

The reconciliation of the income tax for the years ended 31 December 2012 and 2011 and details of deferred taxes is presented below:

Profit before income tax in accordance with the IFRS/IAS	2012	Rate	Income tax	2011	Rate	Income tax
	28,407	26.50%	7,528	87,093	29.00%	25,257
Adjustments to income tax:						
Dividends received	(24.24%)		(6,886)		(17.67%)	(15,393)
Insufficiency / (excess) of income tax estimated in previous years	0.22%		63		0.07%	60
Autonomous taxation	0.22%		63		0.04%	34
Other increases and deductions	0.31%		88		(0.02%)	(17)
Effective tax rate	3.01%		856		11.41%	9,941

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2012 and of 2011 were as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
Financial Instruments	2,203	533	-	299
Adjustments to tangible and intangible assets	6	6	-	-
Others	263	236	-	-
	2,472	775	-	299

The movements occurred in caption "Deferred taxes" for the years ended 31 December 2012 and 2011 were as follows:

	Assets	Liabilities	
	2012	2011	2012
Opening balance	775	206	299
Effect on results:			
Others	27	36	-
	27	36	-
Effect on equity:			
Financial derivatives	1,670	533	(299)
Ending balance	2,472	775	299

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2012 and 2011 were as follows:

	2012	2011
Net income		
Net income for purposes of calculating earnings per share (net profit for the year)	27,552	77,152
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic earnings per share (amounts in euros)	0,03	0,09

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

11. GOODWILL

Not applicable.

12. TANGIBLE AND INTANGIBLE ASSETS

Tangible assets are recorded in accordance with the accounting policy defined in Note 2.3. The depreciation rates applied are explained in the same note. In the years 2012 and 2011 tangible assets had the following changes:

	2012				2011					
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
Acquisition cost:										
Balance as of 1 January	33	52	295	1,009	1,389	33	52	295	1,009	1,389
Additions	-	-	30	-	30	-	-	-	-	-
Gross cost as of 31 December	33	52	325	1,009	1,419	33	52	295	1,009	1,389
Balance as of 31 December	33	52	325	1,009	1,419	33	52	295	1,009	1,389
Depreciations:										
Balance as of 1 January	(33)	(52)	(290)	(1,009)	(1,384)	(33)	(52)	(286)	(1,009)	(1,380)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)	-	-	-	(4)	-
Balance as of 31 December	(33)	(52)	(294)	(1,009)	(1,388)	(33)	(52)	(290)	(1,009)	(1,384)
Accumulated balance	(33)	(52)	(294)	(1,009)	(1,388)	(33)	(52)	(290)	(1,009)	(1,384)
Balance as of 31 December	-	-	31	-	31	-	-	5	-	5

Intangible assets are recorded in accordance with the accounting policy defined in Note 2.3. The depreciation rates applied are explained in the same note. In the years 2012 and 2011 intangible assets had the following changes:

	2012		2011	
	Industrial property and other rights	Total intangible assets	Industrial property and other rights	Total intangible assets
Acquisition cost:				
Balance at 1 January	8	8	8	8
Balance at 31 December	8	8	8	8
Depreciation:				
Balance at 1 January	(8)	(8)	(8)	(8)
Balance at 31 December	(8)	(8)	(8)	(8)
Balance at 31 December	-	-	-	-

13. GOVERNMENT GRANTS

Not applicable.

14. OTHER RECEIVABLES

The non-current and current captions "Other receivables" as of 31 December 2012 and 2011 presented the following detail:

Captions	2012		2011	
	Current	Non-current	Current	Non-current
State and other public entities:				
VAT receivable	462	-	797	-
Other	-	-	109	-
Other receivables – associated, jointly controlled, related and participated companies	1,642	-	76	-
Loans to associated, jointly controlled, related and participated companies (Note 28)	1,006,679	2,530,938	275,534	3,111,704
Advances to trade suppliers	16	-	11	-
Personnel	108	-	119	-
Other receivables	453	-	433	-
	1,009,360	2,530,938	277,080	3,111,704
Accrued interest				
Accrued income (Note 28):	16,673	-	77,324	-
Other accrued income	6	-	27	-
	16,679	-	77,350	-
Deferred costs:				
Interest and other financial costs	2,393	-	701	-
Prepaid insurance	70	-	69	-
	2,463	-	771	-
Impairment of other receivables	1,028,501	2,530,938	355,201	3,111,704
	(286)	-	(286)	-
	1,028,216	2,530,938	354,916	3,111,704

15. TRADE RECEIVABLES

As of 31 December 2012 and 2011, the caption "Trade receivables" balances amounted of €1,205 k and €2,722 k, respectively, regarding exclusively to related parties (Note 28).

16. INVENTORIES

Not applicable.

17. OTHER INVESTMENTS

As of 31 December 2012, other current investments, assets and liabilities, are recorded at fair value, €54 k and €722 k (Note 27) respectively and non-current liabilities in the amount of €6,917 k (Note 27), regarding interest rate swaps transactions.

18. CASH AND CASH EQUIVALENTS

The caption "Cash and cash equivalents" as of 31 December 2012 and of 2011 was as follows:

Captions	2012		2011	
	No. of shares	% of capital	No. of shares	% of capital
Cash	8	6	8	6
Demand deposits	178	56,663	178	56,663
Cash and cash equivalents in the statement of financial position	186	56,669		
Bank overdrafts (Note 22)	(78,856)	(26,130)	(78,856)	(26,130)
Cash and cash equivalents in the cash flow statement	(78,670)	30,539		

19. SHARE CAPITAL

Capital structure

The capital structure as of 31 December 2012 was unchanged in relation to the previous year. The Company's fully subscribed and paid up share capital consists of 829,250,635 shares (Note 10) with a nominal value of €1 per share.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2012 and was held by the following entities:

	2012	
	No. of shares	% of capital
Amorim Energia, B. V.	317,934,693	38,34%
Eni, S. p. A.	201,839,604	24,34%
Parpública – Participações Públicas, SGPS, S. A.	58,079,514	7,00%
Other shareholders	251,396,824	30,32%
	829,250,635	100,00%

	2011	
	No. of shares	% of capital
Amorim Energia, B. V.	276,472,161	33,34%
Eni, S. p. A.	276,472,161	33,34%
Parpública – Participações Públicas, SGPS, S. A.	58,079,514	7,00%
Caixa Geral de Depósitos, S. A.	8,292,510	1,00%
Other shareholders	209,934,289	25,32%
	829,250,635	100.00%

20. OTHER RESERVES

In accordance with Portuguese the Commercial Company Code (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 used.

As of 31 December 2012 and 2011 these captions were as follow:

	2012	2011
Legal reserve	165,850	165,850
Free reserve	27,977	27,977
	193,827	193,827

On 31 December 2012 and 2011, the legal reserve is fully provided for in accordance with the commercial legislation.

21. NON-CONTROLLING INTERESTS

Not applicable.

22. LOANS

Detail of loans

Loans obtained as of 31 December 2012 and 2011 were as follows:

	2012		2011	
	Current	Non-current	Current	Non-current
Bank loans:				
Domestic loans	42,606	307,500	685,250	-
Foreign loans	24,128	605,775	13,916	629,904
Bank overdrafts (Note 18)	78,856	-	26,130	-
	145,591	913,275	725,295	629,904
Origination Fees	(515)	(589)	-	-
	145,076	912,686	725,295	629,904
Bond loans				
2009 Issue	420,000	-	280,000	420,000
2010 Issue	150,000	150,000	-	300,000
2011 Issue	-	185,000	-	185,000
2012 Issue	-	290,000	-	-
	570,000	625,000	280,000	905,000
Origination fees	(1,331)	(5,590)	-	-
	568,669	619,410	280,000	905,000
	713,745	1,532,096	1,005,295	1,534,904

Description of main loans

Bank loans

As of 31 December 2012 the Company subscribed for underwritten commercial paper programmes of up to €950,000 k, of which €900,000 k are non-current and €50,000 k are current.

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

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

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

In 2009, The Company contracted a non-current loan of €500,000 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 each payable over 15 years, including a grace period of two years and 13 years of repayment. The loan bears interest at a revisable fixed rate.

The loans from the European Investment Bank, excluding the installment of €200,000 k, are guaranteed by Petrogal, S. A.

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

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 e a Caixa d'Estalvis y Pensiones de Barcelona (la Caixa) acting as Joint Lead Managers. As Co-lead Managers: Caixa Económica Montepio Geral, Banco Millennium BCP Investimento, S. A., BB Securities Ltd. (Banco do Brasil), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Banco Itaú Europa, S. A. – Sucursal Financeira Internacional, Merrill Lynch International and Société Générale.

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

On 12 November 2010, the Company issued bonds 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 SA/NV – branch in Portugal, Banco Itaú Europa, S. A. – Sucursal Financeira Internacional, Banco Español de Credito S. A. (Banesto), Caixa d'Estalvis i Pensions de Barcelona "la Caixa" and BB Securities Ltd.

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

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

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

2012 Issue – Galp Energia, SGPS, S. A.

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 Caixa Geral de Depósitos, S. A. (CGD).

23. RETIREMENT AND OTHER EMPLOYEE BENEFITS

Not applicable.

24. OTHER PAYABLES

The current caption "Other payables" as of 31 December 2012 and 2011 were as follows:

Captions	Current	
	2012	2011
State and other public entities:		
Value added tax	-	442
Social Security contributions	35	12
Personnel and corporate income tax withheld	1,464	99
Personnel	50	48
Loans – associated, related and participated companies (Note 28)	1,026,547	428,810
Interest payable – associated companies, subsidiaries and related companies (Note 28)	12,816	-
Other creditors	27	27
	1,040,939	429,438
Accrued costs:		
Vacation pay, vacation subsidy and corresponding personnel costs	552	441
External supplies and services	39	130
Productivity bonus	643	-
Accrued insurance premiums	65	26
Accrued interest	18,504	20,772
Financial costs	40	23
Other accrued costs	261	626
	20,104	22,018
	1,061,043	451,456

25. PROVISIONS

The changes in provisions in the years ended 31 December 2012 and 2011 were as follow:

Captions	Opening balance	Increases	Decreases (Note 6)	2012	
				Adjustments	Ending balance
Legal actions	333	(268)	(40)	-	25
Taxes	6,607	-	-	-	6,607
	6,940	(268)	(40)	-	6,632

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

The caption "Taxes" €6,607 k mainly includes:

- (i) €3,230 k to address tax result adjustments made during the tax inspection regarding income tax for the years 2005 and 2006 of Galp Energia, SGPS, S. A. The contingency tax is related to the interpretation of the taxation regime on gains obtained in periods prior to year 2000 (Note 9 and 33);
- (ii) €3,377 k due to the fiscal risk associated with the participation in ONI, SGPS, sold to Galp Energia, SGPS, S. A.

26. TRADE PAYABLES

As of 31 December 2012 and 2011 the amounts presented in the caption "Trade payables" were as follows:

Captions	2012	2011
Trade payables – current account	315	572
Trade payables – invoices pending	23	33
	338	605

27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES

The characteristics of financial instruments as of 31 December 2012 were as follows:

Type of derivative over Interest rate	Interest rate	Nominal value	Maturity	Fair value of the derivatives in €k
Assets	Fair value through profit and loss			
Swaps	Pays Euribor 6m Receives between 3.438% and 3.872%	€28,488 k	2013	54
Liabilities	Fair value through profit and loss			
Swaps	Pays 3.330% Receives Euribor 6m	€28,488 k	2013	(41)
	Cash flow coverage			
Swaps	Pays between 1.305% and 1.610% Receives Euribor 6m	€563,000 k	2013-2014	(7,598)
				(7,585)

Interest rate swaps

The Company's derivatives financial portfolio, classified as financial assets or liabilities at fair value through profit and loss, as at 31 December 2012 and 2011 had the following variances:

Interest rate derivatives	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value as of 1 January, 2011	-	702	-	-
Acquisitions during the period	-	-	-	-
Payment / (decrease) in interests during the period	-	(1,005)	-	-
Receipt / (payment) of interests reflected in the income statement	-	1,005	-	-
Increase / (decrease) in fair value reflected in the income statement	-	(545)	-	(74)
Increase / (decrease) in fair value reflected in equity	-	875	-	(1,682)
Fair value as of 31 December 2011	-	1,032	-	(1,756)
Acquisitions during the period	-	-	-	-
Payment / (decrease) in interests during the period	-	-	-	1,923
Receipt / (payment) of interests reflected in the income statement	-	-	-	(1,923)
Increase / (decrease) in fair value reflected in the income statement	54	-	(124)	-
Increase / (decrease) in fair value reflected in equity	-	(1,032)	(598)	(5,161)
Fair value as of 31 December 2012 (Note 17)	54	0	(722)	(6,917)

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

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

- Level 1 – quoted prices (not adjusted) for similar instruments;
- Level 2 – 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 financial derivatives were determined by financial entities using observable market inputs and used generally accepted techniques and models (Level 2).

28. RELATED PARTIES

Balances and transactions with related parties in the year ended 31 December 2012 and 2011 were as follows:

Assets:

Related parties	2012					
	Non-current		Current			Accruals and deferrals (Note 14)
	Total of related parties	Loans granted (Note 14)	Trade receivables (Note 15)	Loans granted (Note 14)	Other receivables (Note 9 and 14)	
Petrogal, S. A.	3,156,509	2,205,000	392	934,811	1,160	15,146
Galp Power, SGPS, S. A.	174,941	166,509	-	7,229	-	1,203
GDP Gás de Portugal, SGPS, S. A.	161,610	159,339	-	1,085	862	324
Galp Gás Natural, S. A.	43,173	-	-	-	43,173	-
Galp Madeira, Lda.	24,529	-	14	22,458	2,057	-
Galp Power, S. A.	20,008	-	-	20,008	-	-
Lisboagás, S. A.	2,171	-	-	-	2,171	-
Galp Açores, Lda.	6,344	-	29	6,315	-	-
Lisboagás CUR, S. A.	10,299	-	-	5,673	4,626	-
Transgás Armazenagem, S. A.	3,725	-	-	2,056	1,669	-
GDP Serviços, S. A.	2,664	-	150	1,133	1,381	-
Sinecogeração, S. A.	2,388	-	-	-	2,388	-
Lusitanigás Comercialização, S. A.	1,600	-	-	1,600	-	-
Dianagás, S. A.	1,287	-	-	1,287	-	-
Galpreste, S. A.	1,150	-	-	686	464	-
Medigás, S. A.	938	-	-	937	1	-
Soturis, S. A.	866	-	-	853	13	-
Galp Energia, S. A.	693	-	-	-	693	-
Tanquisado, S. A.	549	-	-	-	549	-
Duriensegás, S. A.	341	-	-	341	-	-
Galp Sinopec Brazil Services, B. V.	225	-	225	-	-	-
Paxgás, S. A.	155	-	-	71	84	-
Serviexpress Portugal, S. A.	133	-	-	-	133	-
Petrogal Sucursal Espanha	108	-	108	-	-	-
Petrogal Brasil	117	-	100	-	17	-
Gasinsular – Combustíveis do Atlântico	100	-	-	100	-	-
Galp Exploração	143	-	98	-	45	-
Adene – Agência para a Energia, S. A.	90	90	-	-	-	-
Petrogal Moçambique, Lda.	58	-	39	-	19	-
Next Priority, S. A.	384	-	-	-	384	-
Galp Logística de Aviação, S. A.	52	-	-	-	52	-
Portocogeração, S. A.	36	-	-	36	-	-
Galp Energia Rovuma, B. V.	26	-	-	-	26	-
Petrogás Guiné-Bissau, Lda.	33	-	16	-	17	-
Fast Access, S. A.	26	-	22	-	4	-
Número Um	4	-	4	-	-	-
Tagusgás, S. A.	19	-	8	-	11	-
Petrogal Angola, Lda.	7	-	-	-	7	-
Petromar, Lda.	6	-	-	-	6	-
Petrogal Cabo Verde, Lda.	4	-	-	-	4	-
Sacor Marítima	2	-	2	-	-	-
CLC, Companhia Logística de Combustíveis, S. A.	1	-	1	-	-	-
Gasfomento, S. A.	(3)	-	(3)	-	-	-
	3,617,511	2,530,938	1,205	1,006,679	62,016	16,673

The amount of €2,530,938 k recorded in the caption "Non-current granted loans", essentially respects to shareholder loans granted to related parties which bear market interests rates and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short-term.

From the amount of €1,006,679 k recorded as current loans granted, €563,551 k respects to cash pooling loans granted to Group companies and €444,128 k to loans granted to Group companies to reimburse during 2013. These loans bear normal market interest rates.

The amount of €62,016 k recorded in the caption "Current – other receivables" includes €60,374 k concerning income tax receivable from companies under the special regime for the taxation of groups of companies (Note 9) and €1,642 k to other accounts receivable from Group companies (note 14).

The amount of €16,673 k presented in the caption "Accruals and deferrals" refers to accrued interest on loans granted at 31 December 2012, to other Group companies.

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

The amount of €3,111,704 k recorded in the caption "Non-current loans granted", essentially respects to shareholder loans granted to related parties which bear interests at market interest rate and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short-term.

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

The amount of €31,021 k recorded in the caption "Current – other receivables" includes €30,931 k concerning income tax receivable from companies under the special regime for the taxation of groups of companies (Note 9).

The amount of €77,351 k presented in the caption "Acruals and deferrals" refers to accrued interest on granted loans to Group companies at 31 December 2011 to other Group companies.

Liabilities:

	Total of related parties	Trade payables	Loans obtained (Note 24)	2012		
				Current	Income tax payable (Note 9)	Interest payable (Note 24)
Related parties						
Galp Energia E&P, B. V.	840,196	-	827,380	-	12,816	-
Galp Gás Natural, S. A.	92,198	(3)	92,201	-	-	-
Petrogal, S. A.	51,564	60	-	51,450	-	54
Galp Exploração, S. A.	27,062	-	24,796	2,266	-	-
Transgás, S. A.	26,332	-	25,894	438	-	-
Sacor Marítima, S. A.	20,176	-	20,176	-	-	-
Galp Energia, S. A.	13,269	226	13,032	2	-	9
Tanquisado S. A.	7,701	2	7,698	1	-	-
Lisboagás, S. A.	7,551	-	7,551	-	-	-
Sincoenergia, S. A.	5,621	-	5,566	55	-	-
CLT, Companhia Logística de Terminais Marítimos, Lda.	1,715	-	1,000	715	-	-
Galp Power, SGPS, S. A.	1,329	-	-	1,329	-	-
Galp Exploração Timor Leste, S. A.	1,145	-	1,142	3	-	-
Galp Power, S. A.	705	-	-	705	-	-
Galpgeste, S. A.	684	-	-	684	-	-
Medigás, S. A.	372	-	-	372	-	-
Eni, S. p. A.	317	56	-	-	-	261
Duriensegás, S. A.	173	-	-	173	-	-
Dianagás, S. A.	124	-	-	124	-	-
Tripul, S. A.	111	0	111	-	-	-
Portocogeração, S. A.	49	-	-	49	-	-
Serviexpress Portugal, S. A.	46	-	-	46	-	-
Soturis, S. A.	25	-	-	25	-	-
Transgás Armazenagem, S. A.	23	-	-	23	-	-
Next Priority, S. A.	14	-	-	14	-	-
Galp Gás Natural Distribuição, SGPS, S. A.	7	-	-	7	-	-
Gasfomento, S. A.	1	(4)	-	5	-	-
	1,098,511	338	1,026,547	58,486	12,816	324

The amount of €1,026,547 k recorded as current – loans obtained includes €827,380 k related with loans obtained from Galp Energia Portugal Holding, B. V. and €199,167 k from cash pooling obtained from related parties. These loans bear normal market interest rates.

The amount of €58,486 k recorded in the caption "Current – other payables", is related to income tax payable to companies under the special regime for the taxation of groups of companies (Note 9).

The amount of €12,816 k recorded in interest payable, regards accrued interests at year end 31 December 2012, payable to subsidiary Galp Energia E&P B. V., (Note 24).

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

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

The amount of €31,317 k recorded in the caption "Current – other payables", in respect of income tax payable to companies under the special regime for the taxation of groups of companies (Note 9).

Transactions

	2012			
	Operating cost	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Related parties				
Amorim, B. V.	779	-	-	-
CLT, Companhia Logística de Terminais Marítimos, Lda.	-	-	1	(29)
Galp Energia Rovuma, B. V.	-	(26)	-	-
Dianagás, S. A.	-	-	1	(3)
Duriensegás, S. A.	-	-	1	(7)
Eni, S. p. A.	1,243	-	-	-
Galp Exploração Timor Leste, S. A.	-	-	5	-
Galp Açores, Lda.	-	(115)	-	(139)
Galp Sinopec Brasil Serviços, B. V.	-	(150)	-	-
Galp Energia E&P, B. V.	-	-	26,324	-
Galp Energia Portugal Holding, B. V.	-	-	475	-
Galp Energia, S. A.	2,237	(3)	12	(12)
Galp Exploração, S. A.	-	(1,079)	292	(40)
Galp Gás Natural, S. A.	(6)	(18)	248	(196)
Galp Madeira, Lda.	-	(140)	8	(282)
Galp Power, S. A.	-	-	-	(540)
Galp Power, SGPS, S. A.	-	-	3	(7,273)
Galpgeste, S. A.	-	-	2	(24)
Gásinsular, Lda.	-	-	-	(15)
Gasmar, S. A.	-	-	1	-
GDP Gás de Portugal, SGPS, S. A.	-	-	25	(11,350)
GDP Serviços, S. A.	-	(1,480)	8	(2)
Lisboaagás CUR, S. A.	-	-	27	(17)
Lisboaagás, S. A.	-	-	3	(185)
Medigás, S. A.	-	-	1	-
Lusitanagiás CUR	-	-	-	(1)
Paxgás, S. A.	-	-	-	(3)
Petrogal Brasil	-	(1,300)	-	-
Petrogal, S. A.	710	(3,918)	95	(131,238)
Petrogal, Sucursal España	-	(1,307)	-	(17)
PortCogeração, S. A.	-	-	1	(484)
S. M. Internacional, S. A.	-	-	2	-
Sacor Marítima, S. A.	-	-	58	-
Sinecogeração, S. A.	-	-	114	(2)
Soturis, S. A.	-	-	-	(1)
Tagus Re, S. A.	-	(39)	47	-
Tanquisado, S. A.	-	-	34	-
Transgás Armazenagem, S. A.	-	-	-	(74)
Transgás, S. A.	-	-	18	(157)
Tripul, S. A.	-	-	1	-
	4,963	(9,575)	27,807	(152,091)

The amount of €4,963 k recorded as operational costs, includes the amount of €2,022 k related with Board costs charged by the shareholders Eni, S. p. A. and Amorim Energia B. V., and the amount of €2,237 k regarding services rendered by the subsidiary Galp Energia, S. A., related with, namely, consulting services and management support for accounting, treasury, financial management, administrative and logistics, purchasing and procurement, auditing, information systems, human resources and training.

The amount of €9,575 k recorded as operating income in 2012, includes the amount of €9,321 k regarding management services and €254 k of recharged expenses to other Group companies.

The amount of €152,091 k refers to accrued interest on loans granted to related parties during 2012.

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

The amount of €5,172 k recorded as operational costs, includes €2,134 k related with Board costs charged by the shareholders Eni, S. p. A. and Amorim Energia, B. V., the amount of €2,056 k from services rendered by the subsidiary Galp Energia, S. A., namely consulting services and management support for accounting, treasury, financial management, administrative and logistics, purchasing and procurement, auditing, information systems, human resources and training.

The amount of €9,383 k recorded as other operating income in 2011, includes the amount of €9,088 k regarding management services and €295 k of charged expenses to other Group companies.

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

29. REMUNERATION OF THE BOARD AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of Galp Energia Corporate Board's members for the years 2012 and 2011 were as follows:

	December 2012				December 2011					
	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, S. A.										
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

The amounts of €7,725 k and €6,247 k, recorded on 2012 and 2011, respectively, include €5,703 k and €4,188 k recorded in caption "Employee costs" (Note 6) and €2,022 k and €2,060 k recorded in caption "External supplies and services".

Other charges and adjustments of 2012 includes €1,214 k regarding Directors' bonuses received this year and the accrued bonuses to be paid in 2013, in 2011 is included €435 k of bonuses received by Administrators regarding the year 2010.

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

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

30. DIVIDENDS

Dividends attributed to the Group's shareholders amounted to €165,850 k in accordance with the shareholders meeting of 7 May 2012, from which €77,152 k and €88,698 k regard to net profit for 2011 and retained earnings respectively.

Additionally, the Board of Directors approved the advanced profit payment, amounting to €99,510 k. The amount €99,510 k was fully paid on 18 September 2012.

31. OIL RESERVES

Not applicable.

32. FINANCIAL RISK MANAGEMENT

Risk management

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

Market risk

Interest rate risk

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

Liquidity risk

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

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

Credit risk

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

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

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

33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

(i) Following the sale in 1999 of 40% of OPTEP, SGPS, S. A.'s share capital, corresponding to 440,000 shares with a nominal value of €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 €1,235,779 k, which is higher than the value established between the parties, which was €748,197 k. Therefore, an upside of €30,253 k arose, payable by EDP, S. A., to be divided equally between GDP, SGPS, S. A. (merged into Galp Energia, SGPS, S. A. effective as of 1 January 2008) and Transgás SGPS, S. A. (currently called GDP Distribuição SGPS, S. A. as a result of the merger in 2006).

In December 2012, Galp Energia, SGPS, S. A. and GDP Gas de Portugal, SGPS, S. A., filed the request for arbitration concerning the sale of the indirect participation sold in Optimus, now awaiting the development process.

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

Pledged guarantees

At 31 December 2012 the pledged guarantees amounted to €50,320 k, made up essentially of the following:

- Guarantees in the amount of €49,507 k in benefit of Direção Geral dos Impostos;
- Guarantees in the amount of €500 k in benefit of MEFF Tecnologia y Servícios, SAL;
- Guarantees in the amount of €250 k in benefit of Euroscut Norte, S. A.;
- Guarantees in the amount of €60 k in benefit of Administração do Porto de Sines; and
- Guarantees in the amount of €3 k in benefit of Administração do Porto de Lisboa.

On 31 December 2012, there were standby letter unused import credits totaling \$16,678 k regarding insurance premiums.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

Not applicable.

35. SUBSEQUENT EVENTS

There were no subsequent events after 31 December 2012 with material impact.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 March 2013.

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-Chairman:

Manuel Ferreira De Oliveira

Luís Palha da Silva

Members:

Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrielli de Azevedo

Stephen Whyte

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

Audit report for stock exchange regulatory purposes on the individual financial information

(Free translation from the original in Portuguese)

Introduction

- As required by law, we present the audit report for stock exchange regulatory purposes on the financial information included in the accounts report and in the attached financial statements of Galp Energia, SGPS, S. A., comprising the statement of financial position as at 31 December 2012 (which shows total assets of €4,910,493 k and total shareholder's equity of €1,530,515 k including a net profit of €27,552 k), the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes to the accounts.

Responsibilities

- It is the responsibility of the Company's Board of Directors: (i) to prepare the accounts report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with 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 an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.
- 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

- We conducted our audit in accordance with the Portuguese Statutory Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.
- Our audit also covered the verification that the information included in the 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.
- We believe that our audit provides a reasonable basis for our opinion.

Opinion

- In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Galp Energia, SGPS, S. A. as at 31 December 2012, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended, in accordance with 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

- It is also our opinion that the information included in the directors' report is consistent with the financial statements for the year and that the corporate governance report includes the information required under article 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 stand alone financial statements

(Free translation from the original in Portuguese)

Introduction

1. We have examined the stand alone financial statements of Galp Energia, SGPS, S. A. (the Company) for the fiscal year 2012, comprising the balance sheet as of 31 December 2012 (which reflect total assets of €4.910.493 k and a total equity of €1.530.515 k, including a net income for the year of €27.552 k), the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the related notes to the stand alone financial statements. These financial statements relate to the standing alone activity of the Company and have been prepared in accordance with the IFRS, as adopted by the EU.

Responsibilities

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

Scope

4. Our examination was made in accordance with generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the stand alone financial statements are free from material misstatements. Therefore, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements, assessment of the adequacy of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the financial statements, and evaluation of the overall adequacy of the presentation of the financial statements.
5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the stand alone financial statements, as well as the verification of the matters mentioned in paragraphs 4 and 5 of article 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 stand alone financial statements mentioned above, present fairly, in all material respects, the stand alone financial position of Galp Energia, SGPS, S. A. as of 31 December 2012, its stand alone results of operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU.

Report on other legal requirements

8. It is also our opinion that the information included in the Board of accounts report is consistent with the stand alone financial statements and that 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

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

EDITION



UNCREDITED PHOTOGRAPHS THROUGHOUT
THE REPORT
Manuel Aguiar

DESIGN AND CONCEPTION
Plot Content



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